



China MeiDong Auto Holdings Limited 中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2021



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Reporting Standards

China MeiDong Auto Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is delighted to publish its annual Environmental, Social and Governance (“**ESG**”) report (“**Report**”) for year ended 31 December 2021, presenting our continuous commitment to corporate social responsibility. This Report is prepared in accordance with ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has complied with the “comply or explain” provisions. This Report covers the sustainability performance and initiatives of the Group during the Reporting Period (as defined below), covering the Group’s core businesses – the provision of 4S dealership business in the People’s Republic of China (the “**PRC**”). Certain key performance indicators (“**KPIs**”) considered as material by the Group during the Reporting Period are disclosed in this Report. The Group will continue to optimise and improve the disclosure of KPIs.

Reporting Principles

Reporting Scope and Boundary

Unless otherwise stated, this Report covers the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”). It includes disclosure of significant environmental and social impacts of our operation in the PRC. We continue to refine our data management progress, in 2021, the in-scoped dealership shop has been increased from majority (83%) of our dealership shops to all (100%) of the shops in China, due to the increase of our operation and more focus on the sale of electrical vehicles. More charging stands are installed in the dealership shops and more electricity consumed from these shops. To increase the in-scoped entities can help to enhance the accountability and reliability of our ESG data.

Access and Response to the Report

The Chinese and English versions of this report can be downloaded from the website of the Stock Exchange at <http://www.hkexnews.hk>. This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

We welcome and value the feedback from our stakeholders to continuously improve our ESG management and performance. Please feel free to share your views and thoughts with us at yijian@dadong.cc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our ESG Management

ESG Management

Over the years, we continued to work towards the realization of our sustainability vision. Starting from 2016, the Group adhered to the concept of cherishing environment and ecology, and the policy of “Observe laws and regulations and value integrity” in respect of environmental and social performance. With the advancement in our employees’ awareness of environment and social responsibilities, the Group achieved significant improvements in those two aspects. We took emission reduction, energy conservation and natural resource maintenance as our missions, and put them into practice in operation. In terms of social responsibility, the Group took employees’ development as a core, and strived to allow our employees to keep pace with the Group. We kept good communications with our stakeholders and continued to take a long-term horizon to create values for shareholders, customers, employees and the broader community. To achieve this goal, we are committed to uphold our values to refine and explore ways to achieve our mission.

Board Statement

The Board acknowledge the significance of effective sustainability practices and are actively integrating ESG systems in key business decisions. The Board is ultimately responsible for formulating and overseeing our ESG strategy, reporting and management approach to monitor ESG issues. In order to establish a robust governance structure in line with our goal of sustainable value creation, the different department head and top management will assist the Board to monitor the Group’s sustainable development and to implement strategies related to sustainability. The Board will regularly evaluate and determine our ESG related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place. Also, it has regular meetings and discussions on the effectiveness of these systems as well as progress made against relevant ESG-related goals and targets during the reporting year. With a robust and effective ESG governance, the Group believes that its long-term business sustainability can be facilitated and the expectations from its stakeholders could be addressed.

In order to improve the efficiency of ESG governance, the Group is planning to establish an ESG committee in near future after the year ended date approved by a resolution of the Board, which is directly under the Board and the taskforce is from different department and executives of the Group. The committee is mainly responsible for the development of the Group’s ESG development strategy and the implementation and monitoring the effectiveness. The Group target to reduce energy consumption, Greenhouse Gas (“**GHG**”) emission and water consumption. The Group will archive it by switching the use of fuel energy to electricity energy and focus on using electricity vehicles (“**EVs**”), improving the office equipment to energy efficiency model such as LED lightings, power saving air conditioning. The Group also provide training to staff to increase employee’s awareness for energy saving and environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the more tightening trends of environmental laws and regulations, the Group formulates strategies and policies in a timely manner to ensure compliance with relevant laws and regulations. We have strengthened our policies on our internal monitoring process and providing more training to staff for updates of regulations. The Group will also increase our productions selection and introduce more hybrid and new energy automobiles and establish a more wide range of environmental friendly inventory selection to reduce the carbon emission for the community.

In the future, the Group will actively respond to and implement relevant government policies and requirement in place and support the government net-zero and decarbonization development and target.

ESG Governance

The Board has the overall responsibility to oversee ESG strategy and reporting. It has delegated ESG-related responsibilities to the management of the Group, which consists of Executive Directors, senior management and heads of business units, and is closely monitored by the Chief Executive Officer. The working group reports to the Board on the findings in a timely manner upon the review of the Group's ESG performance and a range of risk management and internal control systems, where issues are raised for follow-up. The management committee also ensures that the Group's practices are in compliance with all applicable laws and regulations.

Heads and managers of business units are responsible for executing ESG risk management processes and mitigation plans. During the year, the Group recognised the growing concern on ESG-related risks and climate-related risks are a significant concern for the business. The Group will ensure that ESG risk factors and opportunities linked to certain risks are considered when conducting risk assessments and analysis. A risk map format for the Enterprise Risk Inventory was adopted, facilitating a clearer and more precise presentation of our risk factors.

In addition, the management and board of directors monitor and assess the adequacy and effectiveness of the internal control system and makes recommendations to management for improvement upon identification of significant risks or impacts to our business. Throughout the year, we have communicated internally with our employees the importance of ESG in order to demonstrate the Group's investment and determination in creating a sustainable future.

In order to establish a clear responsibility and duty and to supervise the ESG related issue, the Group has subsequently form a ESG committee in February 2022. The structure of the committee consists of the CEO and Senior operation manager. CEO will be seat as the chairman of the committee. The objective of the committee is to oversee management and advise the board on matters required to enable the Group to operate on a sustainable basis and sustainable growth by maintaining and enhancing the Group's economic, environmental, people and social impact in the long term and also to assess the sustainability risks of the Group. The ESG committee is responsible to review, endorse and report to the Board on Group's sustainability standards, goals and to oversee the Group-level strategies, policies and practices on sustainability matters to attain those standards and goals.

The Group pays attention to the latest updates of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") published by the Hong Kong Stock Exchange and will review the procedures to meet all relevant requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ISSUES

To understand the needs and expectations of stakeholders is the driving force of the Group's development. We actively integrates sustainability management into all aspects of the Group's operations and management. The Group has been maintaining an open and transparent dialogue with stakeholders and actively consider stakeholders' demands and suggestions in our business and views on what ESG issues they think matter the most and how the Group should be expected to handle such important ESG issues. We have developed the stakeholder communication and engagement procedures as demonstrated in the table below.

We will further improve the regular stakeholder communication to engage stakeholders in reviewing the current status of the Group's sustainable development, identifying the risks and opportunities that the Group may face in the development process (including climate risk management and target setting), and will take effective measures to respond to the expectations and demands of stakeholders. Invaluable opinions gathered are taken into thorough consideration in defining our sustainability directions, strategies, and reporting priorities to ensure every business decision we make is well-informed and based upon mutual trust.

Stakeholders	Government	Shareholders and investors	Employees	Customers	Suppliers
Communication channels/ methods	Participate in discussions and share corporate experiences when formulating relevant policies	Annual General Meeting	Townhall meeting	Announcement of the Group	Publication of supplier management rules
	Actively guide and influence public policy	Annual and Interim reports	Employee training	Communicate in the service delivery process	Contract negotiation
	Government-enterprise seminars	Email and telecommunication	Group communication platform	Conduct regular customer satisfaction and feedback surveys	Daily business communication
	Accept supervision and check-ups Telecommunications	Team building activities Group press release	Complaint hotline Telecommunications	Enhance information disclosures Telecommunication, WeChat or emails Enterprise WeChat workgroup	Enterprise WeChat platform (clients communication)
Key topics concerned	Response to national policy	Corporate strategy and financial performance	Remuneration and benefits	Immediate service	Comply with business ethics and national laws and regulations
	Compliance operation	Protection of shareholders' interest	Benefits and rights protection	Information security and privacy protection	Transparency

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We recognize the importance of the identification and management of sustainable development issues. Through stakeholder communications and investigations, we collect opinions and feedback from shareholders, governments, employees, customers and other stakeholders to identify important ESG issues. We disclose the most material issues identified in this report and will enhance our sustainable management continuously.

Based on management's evaluation and feedback from stakeholders, the Group identified the below material topics to focus our efforts on.

Issues	Definitions
Environmental	
Use of Resources	The Group's consumption and resources management for energy (including fuel, electricity and renewable energy) and resources such as water and packaging materials.
Social	
Customer service	The Group's policy and control in terms of customer service such as after-sales service, response to complaints and customer satisfaction.
Customer privacy protection	The Group's policy and control in terms of data protection, information system security and compliance to latest regulation of personal information.
Supply chain management	The Group's policy and control in terms of green and responsible supply chain management.
Health and safety	The Group's policy and control in terms of occupational health and safety of working environment and also the policy for fighting Covid-19.
Governance	
Corporate governance	The Group's policy and control in terms of governance of ESG related issue and anti-corruption risk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Environment

Environmental Management

Our commitment to environmental responsibility is demonstrated through the Sustainability Policy, which guides us to endeavor in developing a more sustainable business model through managing our environmental footprints, optimizing resource utilization and decarbonizing our daily operations. We recognise our role in minimising the adverse impacts that our operations may have on the environment and maintain compliance of significant local environmental legislations.

Besides, The Group establishes and implements policies and systems on environmental protection in operation, including the Management Policy on Greenhouse Gas (“GHG”) Emission for gas emission and the Bidding Management Policy to support purchasing from local suppliers. To respond to the requirements of the society for conservation and waste reduction, we formulated the Green Office Management Policy, Energy Conservation Management Regulations, Management Regulations on Reduction of Hazardous Wastes and other regulations which clarify the division of responsibilities of each department and promote environmental protection.

We strive to protect the environment and lower our carbon footprint by conserving natural resources, reducing energy consumption, minimising, and recycling waste, but without compromising the quality of our products and services. We carried out management measures on electric lamps and electrical equipment, ventilation devices and air conditioners, water conservation, waste reduction, office supplies recycling and work environment improvement in offices.

During the Reporting Period, the Group is not aware of any material non-compliance with relevant environmental laws and regulations that has a significant impact on the Group.

1.1 Environmental protection and emission reduction

Environmental protection and emission reduction are the concerns of the whole world at present and in the future, and the Group has firmly adhered to this key point of development. The majority of the greenhouse gas emissions of the Group has arisen from energy consumption. We have undertook specific management measure of energy efficiency enhancement, carbon reduction and emission reduction is formulated from the group level, and each store is required to achieve the goal of carbon reduction and emission reduction. For GHG emission, we set out the methods of using air conditioning equipment, lighting equipment and office equipment, as well as the methods of reducing and recycling wastes and avoiding chlorofluorocarbons (CFCs) to reduce GHG emission. In 2021, there was no confirmed non-compliance of laws and regulations related to environmental protection that had a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major air pollutant emission from gaseous fuel consumption and vehicles during the Reporting Period are as follows:

Air Pollutants Emission		
Type of Air Pollutants	2021 Air Pollutants Emission (kg)	2020 Air Pollutants Emission (kg)
Sulphur Dioxide	0.03	0.03
Nitrogen Oxides	0.84	0.79
Particulate Matter	0.07	0.07

Note: Air pollutants emission is mainly due to the gradually switching of petrol cars to hybrid cars during the Reporting Period resulting the decrease in both fuel consumed and kilometer travelled by vehicles.

During the Reporting Period, the GHG emission from the operation is set out below:

GHG Emission		
Type of GHG emissions	2021 Equivalent CO ₂ emission (Tonne)	2020 Equivalent CO ₂ emission (Tonne)
Scope 1 Direct emission	43.68	270.14
Scope 2 Indirect emission	6,599.20	4,126.12
Total	6,642.88	4,396.26
Intensity (Tonne/Revenue RMB'000)	0.0003	0.0002

Note:

- 1: The calculation of the GHG is based on the "Corporate Accounting and Reporting Standard" from GHG protocol.
- 2: Scope 1: Direct emission from sources that are owned by the Group
- 3: Scope 2: Indirect emission from the generation of purchased electricity and purchased gas consumed by the Group
- 4: Figures for FY2020 have been restated in consideration of increase number of in-scoped entities and improvement in the accuracy and in previous year data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.2 Resource utilization

Energy consumption

The Group endeavours to reduce our energy consumption intensity by exploring alternatives, renewable sources and promoting energy conservation, and we formulated the Requirements for Green Manufacturing Management. We strictly abide by laws and regulations related to energy consumption, such as the Environmental Protection Law of the People's Republic of China and Energy Conservation Law of the People's Republic of China. With the application of green materials and green packaging as principle, we used recyclable materials as much as possible. In terms of automobile packaging, we strived for simplification to decrease waste of resources, environmental pollution and discarded materials. We put forward "Green concept" in offices and workshops to encourage our employees to save electricity, water and paper. We did a good practice in water collecting, delivery, distribution and usage, so as to slow down the use of water resources and avoid waste.

In addition, we continuously improve our environmental management practices, and has took energy saving measures in our daily operations to reduce our energy consumption. A number of energy-efficiency measures have been implemented at the Group's facilities and offices. These include, for example, shifting to more energy efficient LED lighting, adopting a central air conditioner monitoring system to adjust the room temperature according to seasonal changes, and putting up signage at common areas and their workstations to remind staff to save energy. To avoid wastage of electricity, computers, copiers, printers should be turned off in a timely manner after being idle, electronic display, public television and other electrical equipment should be turned off during non-working period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy consumption by the Group during the Reporting Period are set out below:

Energy Consumption		
Type of energy	2021 Energy consumed (kWh)	2020 Energy consumed (kWh)
Fuel	177,578.82	233,296.60
Purchased gas	1,383.00	78,336.00
Purchased electricity ¹	8,113,995.58	5,075,246.94
Liquefied petroleum gas	52.60	981,799.14
Total	8,293,010.00	6,368,678.68
Energy intensity (kWh/Revenue RMB'000)	0.35	0.31

- 1 The electricity increased a lot are mainly due to increased in-scope entities in FY2021. The reason is the growth of business and increase sale of EVs. More charging stands are installed in the dealership shops. Also the Group has switched the operations of using clean energy from fuel to electricity.
- 2 Figures for FY2020 have been restated in consideration of increase number of in-scope entities and improvement in the accuracy and in previous year data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption

The Group focuses on effective management of water usage. Water conservation measures have been adopted across operations of the Group. All business units and departments are responsible for monitoring the onsite water supply system and reporting and remediating any identified leakage on a timely basis. We formulate the Water conservation management system for our daily operations to regulate the use of water. The Administration Department of the company is responsible for the planning, organization, implementation and supervision of the establishment of water conservation management network in each department and work team to create a positive water-saving atmosphere to enhance staff awareness of water conservation. In order to further strengthen the recycling of water resources, we have promoted reasonable and recycled water use among employees in the Group to increase the utilisation rate of water resources. Going forward, we will continue to implement water conservation measures.

Water consumption by the Group during the Reporting Period are set out below:

Water Consumption		
	2021	2020
Total Water consumption (m³)	272,569.60	135,539.77
Water intensity (m³/Revenue RMB'000)	0.011	0.010

Note: Figures for FY2020 have been restated in consideration of increase number of in-scoped entities and improvement in the accuracy and in previous year data.

Waste Management

Waste is an essential part of our environmental impact management. We strictly control the disposal of non-hazardous and hazardous solid waste. Aligned with local regulations and guidelines, our waste handling strategy guide us to recycle or dispose waste safely and properly. In order to standardize the management of reducing the waste generated from office, minimize the negative environmental impact and ensure the continuous and effective operation of the company's environmental management system, we have established the waste management control procedure across the Group's business to enable effective identification, segregation and handling different kinds of waste. We sorted out and treated all the hazardous waste (mainly engine oil) and nonhazardous waste generated (mainly office garbage) in official business, production, transportation, warehousing, sales, services and other operation processes, and kept the relevant records for traceability purpose.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our waste composition is non-hazardous and hazardous wastes which are generated along our value chain, we encourage stakeholders to segregate different types of waste at source so as to explore meaningful ways to utilize resource before disposal. For non-hazardous waste, the administration department is responsible for setting up waste collection sites within the Group, designating personnel to manage them, and the collection sites should be marked with waste classification signs. Each department sets up corresponding waste collection points or containers according to recyclable and non-recyclable waste and provide education to the employees on waste separation.

For hazardous waste, we set up different containers for the placement of hazardous wastes, and post eye-catching signs for setting up different types of toxic and hazardous wastes respectively, and the place of placement should be protected from sunlight, rain and other functions. All hazardous wastes are handled by licensed contractors for proper disposal, thereby avoiding negative impacts to our environment. Standardised management for the entire process from production, temporary storage, transportation and disposal of the hazardous wastes is strictly implemented.

During the Reporting Period, the waste generated is summarised as below:

Wastes		
Type of wastes	2021 Waste (T)	2020 Waste (T)
Total hazardous waste	3,128.46	2,800.86
Total non-hazardous waste	848.09	757.79
Total	3,976.55	3,558.65
<hr/>		
Intensity (Tonne/Revenue RMB'000)	0.0002	0.0002
<hr/>		
Total packaging material	71.35	71.25
Intensity (Tonne/Revenue RMB'000)	0.0000	0.0000

Note: Figures for FY2020 have been restated in consideration of increase number of in-scoped entities and improvement in the accuracy and in previous year data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Environmental Awareness

To promote environmental awareness among our employees and influence our stakeholders, we must foster behavioral change. We require all employees to raise environmental awareness and participate in environmental protection work. The Group has formulated environmental education management regulations and provide trainings on environmental conservation to our employees in order to strengthen their awareness of environmental protection, such as environmental issues, laws, regulation and threats to the environment. We also encourage our employees to adopt environmentally friendly lifestyle, hoping to shift their mindset to incorporate sustainable practice in our day-to day operations. All employees should follow the company's environmental protection rules and regulations "Three Wastes" management regulation. And should apply the environmental protection knowledge to our daily practice so as to develop good habits of environmental protection.

In addition, we also implemented the Green Procurement Management Policy as a response to our environmental protection responsibility. Starting from 2016, the Group made responses to the environment and ecology protection, including: 1) Encourage employees to drive their own cars less but take public transport carriers, or go on foot or ride bicycles for short distances to reduce gasoline consumption and exhaust emissions. 2) Establish green supply chains and comprehensively consider the environmental protection factors such as product design, purchasing, production, packaging, logistics, sales, service, recycling and reuse and other links, so as to perform environmental protection, energy conservation, emission reduction and other social responsibilities together with the upstream and downstream enterprises. 3) Educate employees to practise the concept of environmental protection and resource conservation in their daily lives and work.

1.3 Climate Change

Climate change is a global challenge that has been manifested in altered weather patterns, extreme weather events and reduced supplies of various resources. The occurrence of extreme weather events, such as severe typhoons, seasonal storms and abnormal precipitations, are likely to become more frequent with human-induced climate change.. Against the backdrop of the Paris Agreement, we fully support the Country's national goal of peaking its carbon emissions before 2030 and reaching carbon neutrality by 2060. The Group strives to improve its business resilience against the potential climate-related risks and respond to the national call for energy saving and emission reduction. The Group continues to assess impacts to our operations and make respective enhancement to ensure and maintain our business operation under these extreme weather events or disruptions. The Board will monitor the risks and opportunities arise from climate change on ongoing basis and enhance our precautionary measures to strengthen our business climate resilience and get prepared for any potential climate impact.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.4 Our Target

The ESG Committee will develop strategies and policies to address the climate change, review risks and opportunities, oversee the implementation of the climate change-related assignments, and manage the progress and its performance. Also, we will actively explore the adoption of renewable energy in the operation and production process, select the indicators that are most relevant to the sustainable development of our business and climate related risk response, set corresponding targets, and regularly review the progress of achieving targets, so as to further act on the efficient use of resources and reduction of greenhouse gas emissions to actively respond to climate change and accelerate the pace towards a low-carbon economy.

To demonstrate our dedication to addressing climate change, as well as to reduce environmental impact brought by the operations of the Group, the Group has formulated new environmental targets of:

- Minimising GHG emission
- Enhancing energy efficiency by further upgrading the lightings and air-cooled chillers
- Expanding the generation and use of renewable energy such as solar energy
- Increasing employee's awareness for energy saving and environmental protection

Opportunity in electric vehicles

Although climate change presents risks to the industry, we believe that the low-carbon transformation also bring a great business opportunity for the sale and the use of low-carbon electric vehicles (EVs). EVs are expected to revolutionize the future of mobility, which represents an energy-efficient and more environmentally friendly mobility experience. The Group strives to boost the development of EV to encourage eco-friendly travelling and lead the transformation of the traditional auto mobile industry to a more environment-friendly and low-carbon choice. In FY2021, the Group has already doubled the sales of EVs and we will focus more on the environmental friendly products in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Employee-oriented

2.1. Recruitment

The Group has developed employment policies and a work regulations document found in the Employee Manual to clearly describe the internal employment standards regarding recruitment, discipline, remuneration, working hours, compensation, dismissal, etc. Apart from the matters above, the Employee Manual details its objective in establishing a harmonious partnership between the enterprise and employees, its responsibility to create equal employment opportunities regardless of age, gender, physical attributes, and ethnicity for everyone, and mechanisms for employee appeals. Recruitment and promotion decisions are made in consideration of individuals' experiences, qualifications, and past work performance.

2.2. Employment and Labour Standards

Our employees are our most valuable assets and the core of our development. We comply with relevant laws and regulation in our employment practice, adhering to the requirements of the Employment Ordinance of Hong Kong and the Labour Contract Law. During the reporting year, there were no incidents of non-compliance concerning applicable labour practice-related laws and regulations that had significant impact to the Group.

We aim to create the most inclusive and pleasant environment for our employees, not only can they enjoy a full range of welfare, but also find empowering opportunities to thrive and progress their careers. As a responsible employer, we uphold a high standard of fairness to eliminate discrimination and mistreatment within the Group. We respect the rights of all our employee and treat everyone fairly, regardless of their gender, age, ethnicity, family status, sexual orientation, disability, race, religion and any other aspect of personal difference. We have zero-tolerance to workplace discrimination and human trafficking related issues. The Group has formulated various employment policies, including Human Resource Policy, Employee Welfare and Incentive Policy and Labour Contract which clearly illustrates our labor policies and practices, which cover compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare..

To create a harmonious workplace and extend our care to our employees, the Group endeavours to meet the needs of our employees by listening to their suggestions and feedback, we conduct employee satisfaction and engagement surveys on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group commits to upholding human rights and strictly prohibits the use of child labour and forced labour. We also informed our employees of the importance of the labour rules via e-mail and notification. Meanwhile, we installed suggestion boxes and implemented a whistle-blowing mechanism. During the reporting period, we did not discover such practices in our operation.

Below is a detailed breakdown of our employees by gender, age group and employment category as at 31 December 2021 and 2020:

	2021		2020	
	Number of staff	% of total	Number of staff	% of total
Total workforce	5,076	—	5,153	—
Total workforce by employment type				
Full time	5,076	100	5,153	100
Part time	0	0	0	0
Total workforce by gender				
Male	2,785	55	2,872	56
Female	2,291	45	2,281	44
Total	5,076	100	5,153	100
Total workforce by age group				
25 or below	635	12	704	14
25–30	1,783	35	1,979	38
31–40	2,269	45	2,090	41
41 or above	389	8	380	7
Total	5,076	100	5,153	100
Total workforce by employment category				
General staff	4,076	80	4,243	82
Supervisor	405	8	360	7
Middle management	515	10	476	10
Senior management	80	2	74	1
Total	5,076	100	5,153	100
Total workforce by geographic Region				
Eastern and Central China regions	2,033	40	2,006	39
Southern and Northern China regions	2,931	58	3,082	60
Southwestern and Northwestern mainland regions	112	2	65	1
Hong Kong	0	0	0	0
Total	5,076	100	5,153	100

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Below is a detailed breakdown of our employee turnover rate by gender and age group as at 31 December 2021 and 2020:

	2021	2020
Total employee turnover rate	40%	45%
Employee turnover rate by gender		
Male	39%	46%
Female	41%	44%
Employee turnover rate by age group		
25 or below	53%	33%
25–30	42%	31%
31–40	35%	30%
41 or above	33%	25%
Employee turnover rate by geographic region		
Eastern and Central China regions	40%	39%
Southern and Northern China regions	58%	60%
Southwestern and Northwestern mainland regions	2%	1%
Hong Kong	—	—

2.3. Occupational Health and safety

Ensuring workplace health and safety is our prime priority. We aim to achieve zero incidents by complying with the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Regulations of the People's Republic of China on Occupational Health in the Workplace and other laws and regulations, to continuously reinforce our occupational health and safety work for employees. We did not violate the relevant laws and regulations on health and safety during the Reporting Period.

The Group has invited professional parties to evaluate the occupational hazard and disease of our shops to ensure our working environment is safe. The evaluation included the air conditioning and air quality, lighting, protective gear, fire distinguish gear and also the level of dust chemical and Toluene. The Group will follow the advice and improve the working environment if there is any findings. The Group will also provide health check for employees who work in some high risk area, for example, painting warehouse.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Trainings on safety was provided to our employees in order to enhance their awareness of occupational health and safety issues that may arise from their job nature and working environment including fire training and drill and also the first aid. We provided employees with personal protective equipment in workshops, and meanwhile appointed a safety representative to monitor the safety working performance. Information regarding the proper procedures of using various equipment in our operations are also provided to further educate our employees and prevent the occurrence of workplace injuries.

During the reporting year, there were no work-related fatality cases.

Occupational Health and Safety	2021	2020	2019
Work-related fatalities	—	—	—
Lost day due to work injury	—	—	—

2.4 *Employment and training*

The Group attached great importance to talent retention and cultivation, and paid attention to mutual progress between employees and the Group. We offer an array of continuous development opportunities to our employees, equipping them with essential technical and soft skills. Coordination and sustainability are two principles of vocational development of employees, therefore, we determined the career development intentions for employees coordinated with the Group while formulating vocational development schemes for them. We also arranged tutors, who were responsible for guiding employees in their career development, to deal with the training, review and promotion matters for employees, enabling employees to develop solidly and steadily in their careers.

2.5 *Staff benefit and talent retention*

The Group has formulated standardised appraisal and promotion system. The Group would provide transparent remuneration, benefits, and promotion opportunity for all employee and maintain a fair competition environment. All gender, age and region of employee has equal opportunity. Every month, the Group will announce the top sales of each region and dealership shops to encourage all the employee to achieve higher target.

All employee also entitled to same and fair benefit system of the Group. Employees are provided paid annual leaves, social security insurance and provident funds in accordance with the Law and also providing different kind of training to help employee equipped themselves.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Tailored training programs including workshops are either conducted in person or through online platforms regularly for staff to enhance their understanding of the Group's objectives, targets, and future roadmap. Strategic objectives with follow-up action plans are set by individual business units annually. The heads of each business unit will review the progress on personal development and achievement of objectives together with employees before sharing with senior management for further evaluation and approval. Two-way communication is encouraged as employee input is highly valued in the process.

The Group also believes that employee satisfaction will affect the quality of our service. Therefore, the Group will coordinate employee satisfaction survey every 2 years. In FY2020, we received positive feedback from our employees. We also listen to their needs and thoughts in the survey for example to help employee release stress and more communication between superior and staff.

To create an engaging and inclusive working environment, the following initiatives and staff benefit campaign were implemented:

- Outstanding staff commendation
- Providing Covid-19 protection kit
- Annual body health check scheme.
- Training for leisure e.g. makeup workshop, health seminar and floral workshop
- Celebration of traditional festival such as Women's day, Chinese new year and Mid-autumn festival
- Provision of staff meal and staff quarter for employee in needs.

Below is a detail breakdown of the percentage of employee trained by gender and by employment category as at 31 December 2021 and 2020.

	2021	2020
Employee trained by gender		
Male	100%	100%
Female	100%	100%
Employee trained by employment category		
General staff	100%	100%
Supervisor	100%	100%
Middle management	100%	100%
Senior management	100%	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The average training hours for employees by gender and employment category during the Reporting Period and the 2020 Reporting Period are as follows:

	2021 Hours per employee	2020 Hours per employee
By gender		
Male	28	24
Female	28	24
By employment category		
General staff	25	24
Supervisor	25	24
Middle management	54	24
Senior management	54	48

3. Supplier Chain management

The Group maintains close cooperation with partners to promote the coordinated development of the industry's value chain and achieve synergies and endeavour to keep a long-term and friendly relationships within all parties. During the reporting year, the Group had a total of 58 key suppliers in the procurement of components, which are all located in mainland China.

Sustainable supply chain management and Monitoring

We adhere to all applicable laws and regulations when procuring products and services. We also maintain a fair and reasonable procurement process for all our suppliers. We have formulated and implemented multiple internal management policies, including the Supplier Selection and Management Measures, Procurement Control Process, and Compliance Management. Meanwhile, we established a review mechanism for our suppliers, regular assessments are also conducted to monitor and evaluate the performance of our suppliers, ensuring compliance and continuous improvement as well as meeting the requirements of environmental protection, quality and social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As we strive to minimise our environmental impact in our procurement process, we procure environmentally preferable products and services with a view to minimising adverse impact on environmental and human health when possible. The Group will carry out supplier assessment procedure in term of quality, price and environmental and social matter. Long-term quality monitoring and regular reviews will be performed for all suppliers. Product examination will also be done for all new arrival automobiles to ensure the quality when passing to customers.

	2021
Number of suppliers by geographic location	40%
Northern China region	5
Eastern China region	7
Northeastern China region	1
Central China region	3
Southern China region	42
Total	58

4. Customer data privacy

Data privacy and cybersecurity have never been more paramount in the increasingly digitalized world. We fully understand and respect our customers' concerns for the privacy of their personal information. To ensure their personal information and data are well-protected, we established Privacy Policy and Information Security Policy and Standards ("**Privacy Policy**") to inform the collection, use, protection, and sharing practices of personal information within the Group. The board and management will regularly review and discuss the related privacy and data security issues. Our privacy policy on data is clear and transparent to all customers, suppliers and employees. We also only collect the necessary data to provide better service to our customers and only responsible employees have access to customer information from the Group's internal system. We also ensure our privacy policy comply with Civil Code of the People's Republic of China, Criminal Law of the People's Republic of China, Cybersecurity law of the People's Republic of China, Law of the People's Republic of China on the Protection of Consumer Rights and Interests and Personal information Protection Law (PIPL).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All information collected is properly stored on secured servers that are protected by highly secured information management system which are built with the industry standard and network environment within the group and stores are constructed through the Multiple Spanning Tree Protocol (MSTP) dedicated line which ensure the security and low latency of our system. We require strict adherence to the Privacy Policy by all employees, contractors, consultants, temporary employees, and other workers. Team members who commit violations are subject to disciplinary action, including termination of employment. Regular training for data security and privacy has been provided to staff.

The Group complied with all applicable privacy protection and data security laws and regulations in PRC. To ensure the compliance with the regulations and requirement, the Group monitor closely the laws in China and implement such new requirement and upgrade our policy in a timely manner. On 1 November 2021, the Personal Information Protection Law (PIPL) of the PRC came into effect, which is intended to regulate the storage, transmission and processing of personal information. After a through analysis of the PIPL's requirements, we took steps to optimize the way we manage our customers' personal information based on the new changes and have continuously upgraded the policies.

5. Product quality management

Product quality is the lifeline of the Group, therefore, we put forward strict requirements on our products, and formulated the relevant management policies and measures meeting laws and regulations. In terms of product quality and safety supervision, we strictly followed the requirements of product conformity, and required all the products to be tested for safety. We have complied with the relevant laws and regulations, including the Regulation concerning in Management of Compulsive Product Certification, Product Quality Law of China (2018) and the reference table for HS code 2014.

Furthermore, we insisted that all products can be sold only when their technical certification on quality control and 3C certification for safe product are provided. We advocate fair publicity of information. All sales and service representatives must provide customers with accurate and true information when selling goods. The Group follows the Pre-Delivery Inspection ("PDI") process and make sure the vehicles are in good quality before hand over to customers. Maintenance technician should carry out detailed inspection on the vehicles according to the requirement of each brand, including computer diagnosis and basis maintenance before delivery.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As for after-sales services, we developed an interactive and open communication channel with customers through regular visits. Products can be maintenance under the warranty period base on the terms of the sales contracts. Customers can query details from us about products and provide feedbacks, so that we can handle the case in real time when we receive complaints about non-conforming products from customers. The Group also provide different channel for customer to provide feedback. We have a 24-hour service hotline and also we have a business Wechat account and provide instant response to customers. Complaints are expected to be handled within 48 hours and settled as soon as we can. In FY2021, there is no material unsolved complaints. When the Group received any feedback from customers, shop managers would contact the customers immediately and listen to them patiently in order to solve their problem efficiently. The Group will also gather all the feedbacks from customers and analyses in Group level monthly. If any common question is noted, actions and improvements can be done consistently for all the shops. All the feedbacks are followed with satisfaction.

The Group has also setup product recall policy and products need to be gone through quality assurance process when necessary. Since the main business of the Group is sale of Vehicles, the Group does not recall products. The Group's product will be recalled if the manufacturer publishes announcement to recall the identified batch of vehicles and products due to safety reason. The Group will call the customers one by one to explain the situation and the process of recall. When customers return the vehicles, our dealshops will examine the vehicles following the instruction from manufacturer. Spared parts will be provided and replaced when situation is minor. If there is significant default, products will be recalled and arranged back to suppliers. In FY2021, the recall of products are fully settled and all customers are satisfied.

We attached great importance to product liability and effective implementation of the relevant policies, so no case of violation against the laws and regulations on service responsibility occurred during the Reporting Period.

We also strive to protect intellectual property (“IP”) rights by maintaining relevant standards and protocols when producing marketing materials and ensuring that we have the IP rights for the material that we use.

6. Integrity maintenance

The Group has complied with laws and regulations relating to bribery, extortion, fraud and money laundering, such as Law of The People's Republic of China against Unfair Competition during the reporting period. We strive to uphold the highest level of business ethics and strictly prohibit and stand against any form of bribery, extortion, fraud, or corruption in our business operations. We formulated various policies against corruption, including bribery and fraud prevention policy, open tender policy, whistle-blowing policy and policy on financial audit by an independent party. All policies can be assessed through our internal system easily.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employees are also required to provide a conflict-of-interest declaration as one of our preventive measures. Trainings are provided to those employees who have a high possibility of conflict of interests in the employment contract regularly to update any found cases within the Group. Internal policies and control mechanisms are in place to strengthen our management practices and prevent improper conduct and unethical behaviour. To enhance employees' awareness of anti-corruption practices, we provide training covering business ethics issues, such as code of ethics, anti-money laundering, discrimination ordinances and protection of personal data. Management and the Board will review the internal policies and internal control effectiveness regularly and make enhancement.

We signed the Supplier Integrity Agreement with our suppliers, and in this agreement, they were asked to be honest and trustworthy, so as to ensure integrity in our supply chain. The Group has been in strict compliance with law and regulation related to anti-corruption.

7. Caring about community

The Group cared much about our community, and actively responded to the program, education and publicity on GHG held by local environmental protection groups. We participated in the annual Tree-planting Day activity and low-carbon activity held by Dongguan Tian'an Cyber Park, whereby our employees were educated to drive less and use more environment friendly and low-carbon tools such as bicycles, electric cars or public buses, so as to promote the sense of environmental protection and social responsibility in enterprise and employees.

	2021
Amount of money donated	RMB
Education	500,168
Health	20,000
Other contribution	21,836
Total	542,004

8. Brand image

The Group kept its commitment on quality, safety, environmental protection and social responsibility in terms of its products and services, and strived to make sustainable improvements. In respect of operation, we endeavoured to build our enterprise brand by following the principle of satisfying and pleasing our customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROSPECT

The Group put our ESG performance in very high priority. The Group has subsequently setup an ESG committee seated by our CEO and operational manager to monitor our ESG related issues. Our employees are our valuable resources, the Group will review and enhance the communication between staff and the Company. We will focus more on our product choices and enlarge our EVs selection in order to improve the environment with less fuel consumed vehicles. The Group will continue improve our information system to increase the security of information system and protection of customers' data. The Group will also focus more training of employees and enhance their awareness of sensitive information and data. The Group target to feed back the society with actions and build a sustainable and responsible green home.