



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

2022

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

It is our pleasure to present China MeiDong Auto Holdings Limited (the “**Company**”, along with its subsidiaries, the “**Group**”) with its annual Environmental, Social and Governance (ESG) report (“**Report**”), which demonstrates our commitment to corporate social responsibility.

Based on the Group’s 4S dealership business in the People’s Republic of China (the “**PRC**”), this report examines the Group’s sustainability performance and initiatives during the Reporting Period (as defined below). A number of key performance indicators (“**KPIs**”) considered material by the Group during the Reporting Period are presented in this report. A continuing effort will be made by the Group to optimize and improve the disclosure of KPIs.

This Report is prepared in both Chinese and English. In case of any discrepancy between the Chinese and English versions of the ESG Report, the English version shall prevail.

Reporting Standards

This report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKEX**”).

The scope of this Report covers the major operation of the Group in investment holding. This Report provides an overview of our key ESG performance in environmental protection, employment and labour practices, operating practices, and community investment.

This Report covers the period from 1 January 2022 to 31 December 2022 (the “**reporting period**” or “**the Year**”). There was no change to the reporting scope compared to the previous reporting period.

Reporting Principles

This report has followed the Reporting Principles as set out in the HKEX ESG Reporting Guide to define the report content and to ensure the quality of information presented, including:

Materiality

Material topics are identified, assessed, reviewed and confirmed by senior management to ensure their significance.

Quantitative

Quantitative data are presented with calculation methods and relevant terms are defined.

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Balance

The ESG performance data is disclosed on an unbiased basis with a full picture of both our accomplishments for the reporting period and potential for enhancement in the future.

Consistency

The data is calculated using consistent methodologies to allow effective year-over-year comparisons.

Reporting Scope and Boundary

This Report covers the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”). We disclose significant environmental and social impacts of our operation in the PRC. This report includes the 4S dealership shop in the PRC, which is the Group’s largest operation. In 2022, the reporting scope coverage was maintained to include all (100%) in-scoped dealership shops in China, with the continuous expansion of our operation and a focus on electric vehicles. Electricity consumption from dealership shops is on the rise due to the installation of more charging stations. Incorporating more entities into our ESG database can help to improve its accountability and reliability. More information can be found in the other sections of the Group’s 2022 Annual Report.

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.

SUSTAINABILITY VISION

Throughout the years, we worked towards achieving our sustainability vision. Since 2016, the Group has adhered to the concept of cherishing environment and ecology, and the policy of “observing laws and regulations and valuing integrity” when it comes to environmental and social performance. We gained significant improvements in environmental and social responsibilities due to the advancement of our employees’ awareness. Through our operations, we committed to reducing emissions, conserving energy, and protecting natural resources. To be socially responsible, the Group is committed to allowing its employees to grow with the company. In order to create value for shareholders, customers, employees, and the community, we maintained good communication with our stakeholders. It is our commitment to uphold our values to refine and explore ways to achieve this goal.

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SUSTAINABILITY GOVERNANCE

Corporate Governance

At the Board level, the Board of Directors recognizes the importance of effective sustainability practices and is actively integrating ESG systems into key business decisions that are made at the board level. The Board is ultimately responsible for formulating and overseeing our ESG strategy, reporting and management approach to monitor ESG issues. Various department heads and top management will assist the Board in monitoring the Group's sustainable development and in implementing sustainability-related strategies for establishing a robust governance structure. It is the Board's responsibility to regularly evaluate and determine our ESG-related risks and ensure that effective and appropriate ESG risk management and internal control systems are in place in our organization. Additionally, it conducts regular meetings and discussions regarding the effectiveness of these systems and progress made towards relevant ESG-related goals and targets. By establishing an ESG governance framework that is robust and effective, the Group believes that it will be able to facilitate its long-term business sustainability and meet its stakeholders' expectations.

The Group is committed to reducing energy consumption, greenhouse gas emissions ("**GHG**") and water consumption. It is planned that the Group will archive it by switching the use of fuel energy to electricity energy and focus on using electric vehicles ("**EVs**"), upgrading the office equipment to one that is more energy efficient such as LED lighting, as well as air conditioning that consumes less power. Additionally, the Group provides training to its employees so that they become more aware of the importance of conserving energy and protecting the environment.

To ensure compliance with more stringent environmental laws and regulations, the group formulates strategies and policies in a timely manner. We have strengthened our policies on our internal monitoring process and providing more training to staff for updates of regulations. As outlined in our policies, all employees must adhere to the norms of behaviour that govern the workplace. In order to ensure proper conduct among our staff, including Directors and employees, we conduct anti-corruption and other business ethics trainings. We will also increase our production selection and introduce more hybrids and new energy automobiles, as well as establish a more environmentally friendly inventory selection to reduce carbon emission emissions.

We are pleased to announce that from MSCI rating, our group scored "BB", which was an increase over the previous rating of "B" in 2021. We are thrilled to see this progress being made and are looking forward to maintaining that momentum in the future.

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Risk Management

By continuously upgrading our risk management and governance structure, we are becoming more adept at monitoring corporate risks, including climate risks. Board members play a crucial role in implementing and monitoring internal control systems and risk management functions, which are considered to be essential by the Company.

The Board oversees the Company's risk management and internal control systems and reviews their effectiveness on a regular basis. Senior management and the internal audit department of the Group conduct regular reviews of the effectiveness of its risk management and internal control systems. At least twice a year, the Audit Committee reviews the findings and recommendations made by the internal audit department and senior management and reports these findings to the Board.

Sustainability Governance

The Board has the overall responsibility to oversee ESG strategy and reporting. A number of ESG-related responsibilities have been delegated to the Group's senior management, which includes Executive Directors and heads of business units, which 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.

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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 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.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ISSUES

It is the Group's driving force to understand the needs and expectations of stakeholders. The Group actively integrates sustainability management into all aspects of its operations and management During this year, we engage in regular dialogues with different stakeholder groups including regulators, government authorities, investors, suppliers, customers and employees to identify relevant sustainability issues that are material to the Group or the interests and expectations of our stakeholders. In identifying and reviewing material topics, the Group also takes into account megatrend development, regulatory requirements, and rating agencies' expectations.

The content of the report draws upon the outcomes of the stakeholder engagement and materiality assessment. 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 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.

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Stakeholder Groups	Areas of ESG Concerns	Engagement Channels
Government	<ul style="list-style-type: none"> • Response to national policy • Compliance operation 	<ul style="list-style-type: none"> • Participate in discussions and share corporate experiences when formulating relevant policies • Actively guide and influence public policy • Government-enterprise seminars • Accept supervision and check-ups • Telecommunications
Shareholders and investors	<ul style="list-style-type: none"> • Corporate strategy and financial performance • Protection of shareholders' interest 	<ul style="list-style-type: none"> • Annual General Meeting • Annual and Interim reports • Email and telecommunication
Employees	<ul style="list-style-type: none"> • Remuneration and benefits • Benefits and rights protection 	<ul style="list-style-type: none"> • Townhall meeting • Employee training • Group communication platform • Team building activities • Group press release • Enterprise WeChat workgroup
Customers	<ul style="list-style-type: none"> • Immediate service • Information security and privacy protection 	<ul style="list-style-type: none"> • Announcement of the Group • Communicate in the service delivery process • Conduct regular customer satisfaction and feedback surveys • Complaint hotline • Telecommunications • Enterprise WeChat platform (clients communication)
Suppliers	<ul style="list-style-type: none"> • Comply with business ethics and national laws and regulations • Transparency 	<ul style="list-style-type: none"> • Publication of supplier management rules • Contract negotiation • Daily business communication • Enhance information disclosures • Telecommunication, WeChat, or emails

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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.

Pillar	Material Topics	Definition
Environmental	Opportunities for Clean Technology	The Group's strategy for clean technology innovation capacity, strategic development initiatives, and revenue generated from clean technologies.
	Product Carbon Footprint	The Group's strategy over carbon intensity of their products and their ability to reduce the carbon footprint in their supply chains or in the use of their products and services.
	Use of Resources	The Group's management approach for energy (including fuel and electricity) and resources (water and packaging materials) consumed during maintenance and shipping.
Social	Labor Management	The Group's policy and control in terms of relationship between management and labor, the strength of worker protections, and their employee engagement efforts.
	Customer service	The Group's policy and control in terms of customer service such as after-sales service, response to complaints and customer satisfaction.
	Privacy and Data Security	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.
Governance	Corporate Governance	The Group's policy and control in terms of governance of ESG related issue and anti-corruption risk.

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In response to megatrend development, regulatory requirements, and the expectations of rating agencies, we have added Opportunities for Clean Technology, Product Carbon Footprint, and Labor Management as material topics for the year.

ENVIRONMENT PROTECTION

Our Environmental Management Approaches

Our commitment to environmental responsibility is demonstrated through the Sustainability Policy, which guides us to endeavour in developing a more sustainable business model by managing our environmental footprints, optimizing resource utilization, and decarbonizing our daily operations in order to reduce our environmental footprints.. In keeping with significant local environmental legislations, we recognize our responsibility to minimize adverse impacts our operations may have on the environment. Besides, The Group establishes and implements policies and systems regarding 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.. As part of our efforts to meet the society’s conservation and waste reduction needs, we have developed policies and regulations regarding the management of green offices, energy conservation management, hazardous waste reduction, and other regulations that clarify the responsibilities of each department and promote environmental protection.

We are committed to protecting the environment and reducing our carbon footprint by conserving natural resources, reducing energy consumption, minimising, and recycling waste, while maintaining high quality products and services. Management measures were implemented on electric lamps and electrical equipment, ventilation devices and air conditioners, water conservation, waste reduction, office supplies recycling, and improvements to the work environment in the 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.

Our Environmental Targets

Monitoring the progress and performance of environmental initiatives is on the Group’s sustainability radar. To deal with the issue of climate change, the ESG Committee will develop strategies and policies to address climate change, review risks and opportunities, implement the assignments related to climate change, and monitor To deal with climate change progress and its performance. Moreover, we will actively pursue the adoption of renewable energy in the operation and production process, select indicators that are most relevant to the sustainable development of our business and climate-related risk response, establish corresponding targets and evaluate the progress made in achieving those targets regularly, 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.

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Our Targets include:

- In response to climate change and to reduce the environmental impact of the Group's operations, the Group has set new environmental targets including 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
- Increase percentage of Group revenue attributable to the sale of electric vehicles.
- Increasing employee's awareness for energy saving and environmental protection

Environmental Protection And Emission Reduction

Environmental protection and emission reduction are major concerns for the entire world today and in the future, and the Group has firmly adhered to this important point of development. The majority of the Group's greenhouse gas emissions are attributable to its energy consumption. Energy efficiency enhancement, carbon reduction, and emission reduction measures have been initiated at the group level, and each store is required to achieve the goal of carbon reduction and emission reduction. To reduce GHG emissions, we outline the methods for using air conditioning equipment, lighting equipment and office equipment, as well as reducing and recycling wastes and avoiding chlorofluorocarbons (CFCs). There was no confirmed non-compliance with laws and regulations related to environmental protection that adversely affected the Group in 2022.

Energy Consumption

During the development of the Requirements for Green Manufacturing Management, our company strived to reduce the intensity of our energy consumption through the exploration of alternative methods, the use of renewable energy sources, and the promotion of energy conservation.

Our company strictly complies with laws and regulations related to energy consumption, including the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. As a principle, we used as many recyclable materials as possible when applying green packaging and green materials. To decrease waste, environmental pollution, and discarded materials associated with automobile packaging, we strived for simplification.

"Green concept" is promoted in our offices and workshops to encourage employees to save electricity, water, and paper. We followed good practices in collecting, delivering, distributing, and using water, thus reducing water consumption and preventing waste.

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In addition, we continuously taking steps to enhance our environmental management practices and have taken measures to reduce our energy consumption in our daily operations. The Group has implemented a number of energy-efficiency measures at its facilities and offices. These include, for example, adopting more energy efficient LED lighting, installing 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. In order to minimize electricity wastage, 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 hours.

Water Consumption

The Group focuses on better optimize the management of water usage. Throughout the Group's operations, water conservation measures have been implemented. A regular monitoring of the onsite water supply system is the responsibility of all business units and departments, as well as reporting and remediating any leaks identified as soon as possible. To regulate the use of water in our daily operations, we have developed a water conservation management system. As part of the company's administration department, it is the responsibility of planning, organizing, implementing, and supervising the establishment of water conservation management networks in each department and work team to enhance staff awareness of water conservation and to create a positive water-saving atmosphere.

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.

Waste Management

The management of waste is an integral part of our environmental impact management. Neither hazardous waste nor non-hazardous solid waste is allowed to be disposed of without strict control. Aligned with local regulations and guidelines, our waste handling strategy enables 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 ensure effective operation of the company's environmental management system, we have established the waste management control procedure across the Group's business to ensure that different types of waste are effectively identified, segregated, and handled. all the hazardous waste (mainly engine oil) and non-hazardous waste generated (mainly office garbage) in official business, production, transportation, warehousing, sales, services, and other operation operations were sorted out and treated, and all relevant records were kept for traceability purpose.

Our waste composition consists of non-hazardous and hazardous wastes generated throughout our value chain. We encourage stakeholders to segregate different types of waste at source for the purpose of exploring 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 for their management, and marking the collection sites with waste classification signs. Waste collection points or containers are established by each department according to recyclable and non-recyclable waste, and employees are educated on how to separate the waste.

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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 ensure that the location of the placement should be protected from sunlight, rain, and other functions. We ensure that all hazardous wastes are properly handled by licensed contractors for proper disposal, thereby minimizing negative impacts to our environment. Production, temporary storage, transportation, and disposal of hazardous waste are all managed according to a standardized system.

Climate Change

The effects of climate change have been manifested in altered weather patterns, extreme weather events and reduced supplies of various resources. Human-induced climate change is likely to lead to an increase in extreme weather events, such as severe typhoons, seasonal storms, and abnormal precipitation. We fully support the country's national goal of peaking its carbon emissions by 2030 and reaching carbon neutrality by 2060. In light of the Paris Agreement, we strive to improve our business resilience against climate-related risks and to respond to the national call for energy conservation and emission reductions. 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. Climate change presents both risks and opportunities, and the Board will continuously monitor them and enhance our precautionary measures in order to strengthen our business climate resilience and prepare for the effects of climate change. Below summarised the climate-related risks that may result in significant impact on our business:

Risk Type	Risk Driver	Implications
Physical Risk	Extreme Weather Events	As a result of flooding, extreme winds and other events caused by extreme weather, our operating shops can be damaged as well as our business disrupted, which can affect profitability and increase maintenance costs.
Transition Risk	Customer Behaviour Change	Changing customer behaviour can cause revenue loss for the Group if it does not capture the needs of environmentally conscious customers.
	Policy And Regulatory Actions	Environmental laws and regulations in the jurisdictions in which the Group operates can cause it to suffer losses if it fails to comply with them.

The Group recognizes that climate change is one of the biggest challenges facing the world today, and we are constantly seeking to improve our business' resilience to climate-related risks and mitigate their negative effects.

Opportunity in Clean Technology

With the Government's commitment to clean energy, we are actively and consciously working with our suppliers to promote and further the sale of battery, electric and hybrid vehicles. Accordingly, our Group strategy continues to evolve to remain resilient to changes in the product mix. We strictly abide by the Renewable Energy Law of the People's Republic of China (“《中華人民共和國可再生能源法》”) and lead our business operation with the State's strategy in mind.

The electric vehicle is anticipated to revolutionize the future of mobility, as it represents an eco-friendlier and energy efficient form of transportation. The Group aims to promote the development of electric vehicles as a means of promoting eco-friendly travel as well as facilitating the transition of the traditional automobile industry to one that is more environmentally friendly and low carbon in nature.

Promoting Environmental Awareness

To foster environmental awareness among our employees and influence our stakeholders, we must foster behavioural change. We require all employees to raise environmental awareness and participate in environmental protection work. The Group has developed environmental education management regulations and provided training on environmental conservation. As part of our efforts to shift the mindset of our employees towards incorporating sustainable practices into our daily operations, we encourage them to adopt environmentally friendly lifestyles. All employees should follow the company's environmental protection rules and regulations “Three Wastes” management regulation. To develop good habits of environmental protection, we should apply our knowledge of environmental protection to our daily practices.

As part of our commitment to environmental protection, we have also implemented the Green Procurement Management Policy as a response to our environmental protection responsibility. Starting from 2016, the Group initiated a number of initiatives aimed at protecting the environment and ecology, 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 involves taking into account a wider range of environmental protection factors such as product design, purchasing, production, packaging, logistics, sales, service, recycling and reuse and other links. by collaborating with upstream and downstream companies, we can fulfil our social responsibilities for environmental protection, energy conservation, emission reduction, and other social obligations; and
- 3) Educate employees to practice the concept of environmental protection and resource conservation in their daily lives and work.

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EMPLOYMENT AND LABOUR PRACTICE

Talent Attraction and Retention

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 also specifies its intention to details its objective in establishing a harmonious partnership between the enterprise and employees, as well as its responsibility to provide equal employment opportunities to all employees regardless of age, gender, physical characteristics, and ethnicity, as well as appeal mechanisms for employees. An individual's experience, qualifications, and past work performance are taken into account when making recruitment and promotion decisions

Talent Training and Development

Keeping and cultivating talent is of great importance to the group, and the Group pays a great deal of attention to the progress of its employees. We provide our employees with a variety of opportunities for continuous professional development, providing them with essential technical and soft skills. In order to ensure that employees receive vocational development that is both coordinated and sustainable, we determined their career development intentions in coordination with the Group while formulating their vocational development plans.

Furthermore, we provided tutors to guide employees in their career development and to handle training, review, and promotion matters for employees, thereby enabling them to develop steadily and solidly.

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.

Talent Benefits and welfare

The Group has established a standardised appraisal and promotion system. In addition to providing a fair and transparent remuneration and benefits system for all employees, the Group will maintain an environment of fair competition for all employees. To motivate all employees to achieve higher goals, the Group will announce the top sales of each region and dealership shop each month.

All employee also entitled to same and fair benefit system of the Group. According to the law, employees are entitled to paid annual leaves, social security insurance, and provident funds, as well as to different kinds of training to assist them in becoming more qualified.

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Strategic objectives with follow-up action plans are set by individual business units annually. During a review of personal development and achievement of objectives, the heads of each business unit will discuss the progress with their employees before presenting their findings to senior management for further evaluation. As part of the process, two-way communication is encouraged as employee input being highly valued.

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

- Outstanding staff commendation
- 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.

Talent Engagement

By regularly conducting employee satisfaction and engagement surveys, the Group strives to create a harmonious workplace and extend our care to our employees. Additionally, the Group believes that employee satisfaction is directly related to the quality of our services. As a result, the Group will coordinate employee satisfaction survey every 2 years. In FY2022, 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.

Occupational Health and Safety

We place a high priority on ensuring workplace health and safety for our employees at work. 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 maintain our commitment to occupational health and safety. We did not violate the relevant laws and regulations on health and safety during the Reporting Period.

A professional party has been invited to assess the occupational hazards and diseases in our shops in order to ensure that our working environment is as safe as possible. Among the items evaluated were 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 are any findings. A health check will also be provided to employees who work in high-risk areas, such as painting warehouses.

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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 as well as first aid. As part of our safety program, we provided employees with personal protective equipment in our workshops, and we appointed a safety representative to monitor the safety performance of the employees. Our employees are also provided with information about how to properly operate various pieces of equipment in our operations so that workplace injuries may be prevented. During the reporting year, there were no work-related fatality cases.

Respect for Human Rights and Labour Practice

The most valuable asset of our company is our employees. They are the backbone of our growth. In our employment practices, we adhere to applicable laws and regulations, including the Employment Ordinance of Hong Kong and the Labour Contract Law. In order to evaluate and update our labour policies, we constantly monitor developments in labour and human rights laws and regulations. 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.

It is our goal to provide our employees with an inclusive and pleasant environment where they can enjoy a full range of welfare benefits as well as find empowering opportunities to grow and progress in their careers. As a responsible employer, we adhere to a high standard of fairness in order to eliminate discrimination and mistreatment within the Group. All of our employees are entitled to respect and fair treatment 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. There are various employment policies in place at the Group, including our Human Resource Policy, Employee Welfare and Incentive Policy and Labour Contract which describe our labour policies and practices in detail, such as compensation, dismissal, recruitment, promotion, work hours, rest periods, equal opportunity, diversity, anti-discrimination, and other forms of welfare.

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. We have dedicated email for directly reporting any suspected misconduct to the Chairman of the Audit Committee, and whistleblower information is kept strictly confidential. During the reporting period, we did not discover such practices in our operation.

OUR VALUE CHAIN

Supplier Chain Management and Monitoring

To facilitate the coordinated development of the industry's value chain and to achieve synergies, the Group maintains strong relationships with its partners and endeavours to maintain a long-term and friendly relationship with them. During the reporting year, the Group had a total of 61 key suppliers in the procurement of components, which are all located in mainland China.

When procuring products and services, we comply with all applicable laws and regulations. Additionally, we ensure that all our suppliers are subject to a fair and reasonable procurement process. Multiple internal management policies have been developed and implemented, including Supplier Selection and Management Measures, Procurement Control Process, and Compliance Management. Meanwhile, to ensure compliance and continuous improvement as well as meeting the requirements for environmental protection, quality and social responsibility, we established a review mechanism for our suppliers, and we conduct regular assessments to monitor and evaluate their performance.

Our procurement process strives to minimize the adverse impact on the environment and human health by procuring environmentally preferable products and services. The Group will conduct supplier assessment procedure in terms of quality, price and environmental and social matter. We will monitor the quality of all suppliers over the long term and conduct regular reviews. Additionally, all new arrival automobiles will be inspected before being sold to the customer in order to ensure their quality.

Customer data privacy

As the world becomes increasingly digitalized, data privacy and cybersecurity have become increasingly important. It is our goal to fully understand and respect our customers' concerns regarding the privacy of their personal information. Data privacy and cybersecurity have never been more paramount in the increasingly digitalized world. We fully understand and respect the concerns our customers' have regarding the privacy of their personal information. As part of our commitment to ensuring the confidentiality of their personal information and data, 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. Privacy and data security issues will be reviewed and discussed regularly by the board and management. Customers, suppliers, and employees are aware of our privacy policy regarding data. In addition, we collect only the information necessary to provide a better service to our customers, and only authorized employees have access to customer information on the Group's internal network. 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).

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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. It is the responsibility of all employees, contractors, consultants, temporary employees, and other workers to adhere strictly to the Privacy Policy. In the event of a violation, team members may be subject to disciplinary action, including termination.. Regular training for data security and privacy has been provided to staff.

The Group complied with all applicable laws and regulations regarding data protection and security in the PRC. The Group monitors closely the laws in China in order to ensure compliance with the standards and requirements, implementing such new requirements and upgrading our policies as soon as possible. As a result of a detailed analysis of the personal information protection law 's requirements, we have taken steps to improve the way in which we manage our customers' personal information and have continuously updated our policies.

Product quality management

Product quality is the lifeline of the Group, therefore, we have developed management policies and procedures that meet laws and regulation. 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 also insisted that all products may only be sold if they possess technical certification on quality control and 3C certification for safety. The publication of information should be conducted in a fair and impartial manner. When selling goods, all sales representatives must provide customers with accurate and true information. As part of our Pre-Delivery Inspection (“**PDI**”) process, the Group ensures that all vehicles are in good working order before handing them over to our customers. Prior to delivery, maintenance technicians should conduct detailed inspections of the vehicles according to each brand's specifications, including computer diagnosis and base maintenance.

As for after-sales services, we developed an interactive and open communication channel with customers through regular visits. Based on the terms of the sales contract, products may be subject to maintenance during the warranty period. We offer customers the opportunity to query details about products and provide feedback, so that we can handle complaints about nonconforming products in real time. Customers may also provide feedback through a variety of channels provided by the Group. Our customer service hotline is available 24 hours a day, 7 days a week, and we have a business WeChat account on which we provide instant responses. Complaints are expected to be dealt with within 48 hours and resolved as soon as possible. In FY2022, there is no material unsolved complaints. When the Group received any feedback from customers, shop manager would contact the customer immediately

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

and listen to their complaint patiently in order to resolve the matter quickly. The Group will also collect all customer feedback and analyse it at the Group level on a monthly basis. If any common question is noted, actions and improvements can be done consistently for all the shops. All the feedbacks are followed with satisfaction.

Since the Group's primary business is the sale of vehicles, it does not recall products. A recall of the Group's product will occur if the manufacturer publishes an announcement concerning the recall of the identified batch of vehicles and products for safety reasons. The Group will contact each customer individually to explain the situation and the recall process. When customers return the vehicles, our dealerships will examine the vehicles following the instruction from manufacturer. In FY2022, the recall of products is fully settled and all customers are satisfied.

No violations of the laws and regulations on service responsibility occurred during the Reporting Period as a result of our strong commitment to product liability and effective enforcement of the relevant policies.

When producing marketing materials, we strive to maintain relevant standards and protocols and ensure that our use of material is protected by IP rights.

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. In order to combat corruption, we developed bribery and fraud prevention policies, open tender policies, whistle-blowing policies, and policies on independent financial audits. All policies can be accessed through our internal system easily.

Our preventive measures also require employees to provide a conflict-of-interest declaration. To update any found cases within the Group, employees with a high probability of conflict of interests are regularly trained. Internal policies and controls are in place to ensure proper management practices and prevent unethical behaviour. Employees receive training on topics such as business ethics codes, anti-money laundering laws, discrimination ordinances, and personal data protection to enhance their awareness of anti-corruption practices. A regular review and enhancement of internal policies and internal control effectiveness will be conducted by management and the Board.

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.

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COMMUNITY INVESTMENT

Caring about community

The Group cared deeply for our community, and actively participated in, educated about, and publicized GHG programs organized by local environmental protection groups. A low-carbon activity and tree planting day activity were held by Dongguan Tian'an Cyber Park as part of the annual Tree-planting Day activity. In order to promote the sense of environmental protection and social responsibility among employees and the enterprise, our employees were instructed to drive less and use environmentally friendly and low-carbon tools such as bicycles, electric cars, or public transportation.

2022

HKD

Amount of money donated

Community	674,800
Other contribution	1,600
Total	676,400

PERFORMANCE DATA SUMMARY

Environmental performance

AIR EMISSIONS FROM GASEOUS FUEL CONSUMPTION

KPI A1.1 The types of emissions and respective emissions data

Type of Air Pollutants	Unit	2021	2022
Sulphur Dioxide	Kg	0.03	0.64
Nitrogen Oxides	Kg	0.84	0.04
Particulate Matter	Kg	0.07	0.05

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 kilometre travelled by vehicles.

ENERGY AND CARBON EMISSION

KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity

KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity

Type of GHG emissions	Unit	2021	2022
Scope 1 Direct emission	Tonne	43.68	35.50
Scope 2 Indirect emission	Tonne	6,599.20	29,570.09
Total Emission	Tonne	6,642.88	29,605.59
Emission Intensity	Tonne/Revenue — RMB'000	0.0003	0.0010

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

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Type of energy source	Unit	2021	2022
Fuel	kWh	177,578.82	144,545.32
Purchased gas	kWh	1,383.00	1,667.00
Purchased electricity ¹	kWh	8,113,995.58	36,054,599.53
Liquefied petroleum gas	kWh	52.60	61.39
Total Energy Consumption	kWh	8,293,010.00	36,200,934.63
Energy Intensity	kWh/Revenue — RMB'000	0.35	1.26

Note:

- In 2022, the new energy business developed rapidly, and our dealerships are fully covered with EV charging ports (for extending charging service as part of our maintenance package, as well as supporting test drive EV models), hence the significantly increased electricity consumption.
- In 2022, the epidemic still affects the growth of the post-sales maintenance business, and some dealerships are involved in increased post-sales maintenance with added shifts. As a result, the operating hours of workshop equipments will increase, hence increased electricity consumption.

WASTE

KPI A1.3 Total hazardous waste produced and intensity

KPI A1.4 Total non-hazardous waste produced and intensity

Type of Wastes	Unit	2021	2022
Total hazardous waste	Tonnes	3,128.46	1,184.48
Total non-hazardous waste	Tonnes	848.09	399.42
Total Waste	Tonnes	3,976.55	1,583.90
Waste Intensity	Tonne/Revenue RMB'000	0.0002	0.0001
Total Packaging Material	Tonnes	71.35	12.90
Packaging Material Intensity	Tonne/Revenue RMB'000	0.0000	0.0000

WATER

KPI A2.2 Water consumption in total and intensity

CATEGORIES	UNIT	2021	2022
Total Water consumption	m ³	272,569.60	415,495.16
Water intensity	m3/Revenue — RMB'000	0.011	0.015

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Social Performance

WORKFORCE PROFILE

KPI B1.1 Total workforce by gender, employment type, age group and geographical region

	2021		2022	
	Number of staff	% of total	Number of staff	% of total
Total workforce	5,076	—	4,693	—
Total workforce by employment type				
Full time	5,076	100	4,693	100
Part time	0	0	0	0
Total workforce by gender				
Male	2,785	55	2,661	57
Female	2,291	45	2,032	43
Total workforce by age group				
25 or below	635	12	1,844	39
25–30	1,783	35	2,464	53
31–40	2,269	45	324	7
41 or above	389	8	61	1
Total workforce by employment category				
General staff	4,076	80	3,732	80
Supervisor	405	8	425	9
Middle management	515	10	444	9
Senior management	80	2	92	2
Total workforce by geographic Region				
Eastern and Central China regions	2,033	40	2,149	46
Southern and Northern China regions	2,931	58	2,344	50
Southwestern and North-western mainland regions	112	2	200	4
Hong Kong	0	0	0	0

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STAFF TURNOVER

KPI B1.2 Employee turnover rate by gender, age group and geographical region

	2021	2022
Total employee turnover rate	40%	68%
Employee turnover rate by gender		
Male	39%	51%
Female	41%	68%
Employee turnover rate by age group		
25 or below	53%	13%
25–30	42%	34%
31–40	35%	44%
41 or above	33%	9%
Employee turnover rate by geographic region		
Eastern and Central China regions	40%	42%
Southern and Northern China regions	58%	55%
Southwestern and North-western mainland regions	2%	3%
Hong Kong	—	—

OCCUPATIONAL HEALTH AND SAFETY

KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting period

KPI B2.2 Lost days due to work injury

Occupational Health and Safety	2020	2021	2022
Work-related fatalities	—	—	—
Lost day due to work injury	—	—	—

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYEE TRAINING

KPI B3.1 The percentage of employees trained by gender and employee category

KPI B3.2 The average training hours completed per employee by gender and employee category

% of Employees Trained	2021	2022
Employee trained by gender		
Male	100%	100%
Female	100%	100%
Employee trained by employee category		
General staff	100%	100%
Supervisor	100%	100%
Middle management	100%	100%
Senior management	100%	100%
Average Training Hours		
	2021	2022
Employee trained by gender		
Male	28	29
Female	28	28
Employee trained by employee category		
General staff	25	26
Supervisor	25	26
Middle management	54	54
Senior management	54	54

SUPPLY CHAIN

KPI B5.1 Number of suppliers by geographical region

Number of suppliers by geographic location	2021	2022
Northern China region	5	3
Eastern China region	7	8
North-eastern China region	1	1
Central China region	3	2
Southern China region	42	46
South-Eastern China region	—	1
Total	58	61

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HKEX REPORTING GUIDE CONTENT INDEX

General Disclosure and KPIs		Reference/Remarks
Aspect A1 – Emissions		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		ENVIRONMENT PROTECTION
KPI A1.1	The types of emissions and respective emissions data.	PERFORMANCE DATA SUMMARY
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	ENVIRONMENT PROTECTION Our Environmental Targets
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	ENVIRONMENT PROTECTION Waste Management
Aspect A2 – Use of Resources		
General Disclosure Policies on the efficient use of resources, including energy, water, and other raw materials		ENVIRONMENT PROTECTION
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	PERFORMANCE DATA SUMMARY
KPI A2.2	Water consumption in total and intensity.	Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	ENVIRONMENT PROTECTION Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	PERFORMANCE DATA SUMMARY Environmental performance

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General Disclosure and KPIs		Reference/Remarks
Aspect A3 – The Environmental and Natural Resources		
General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		ENVIRONMENT PROTECTION
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENT PROTECTION
Aspect A4 – Climate Change		
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer		ENVIRONMENT PROTECTION
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENT PROTECTION Climate Change
Aspect B1 – Employment		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		EMPLOYMENT AND LABOUR PRACTICE
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	PERFORMANCE DATA SUMMARY
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance
Aspect B2 – Health and Safety		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		EMPLOYMENT AND LABOUR PRACTICE
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting period	PERFORMANCE DATA SUMMARY Social Performance
KPI B2.2	Lost days due to work injury	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	EMPLOYMENT AND LABOUR PRACTICE Occupational Health and Safety

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General Disclosure and KPIs		Reference/Remarks
Aspect B3 – Development and Training		
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		EMPLOYMENT AND LABOUR PRACTICE
KPI B3.1	The percentage of employees trained by gender and employee category.	PERFORMANCE DATA SUMMARY
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance
Aspect B4 – Labour Standards		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		EMPLOYMENT AND LABOUR PRACTICE
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	EMPLOYMENT AND LABOUR PRACTICE
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Respect for Human Rights and Labour Practice
Aspect B5 – Supply Chain Management		
General Disclosure Policies on managing environmental and social risks of the supply chain.		OUR VALUE CHAIN
KPI B5.1	Number of suppliers by geographical region.	PERFORMANCE DATA SUMMARY Social Performance
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	OUR VALUE CHAIN Supplier Chain Management and Monitoring
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

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General Disclosure and KPIs		Reference/Remarks
Aspect B6 – Product Responsibility		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress		OUR VALUE CHAIN
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Since the Group's primary business is the sale of vehicles, it does not recall products.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	OUR VALUE CHAIN Product quality management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	This is not considered material to the Group.
KPI B6.4	Description of quality assurance process and recall procedures.	OUR VALUE CHAIN Product quality management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	OUR VALUE CHAIN Customer data privacy
Aspect B7 – Anti-corruption		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.		SUSTAINABILITY GOVERNANCE
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	PERFORMANCE DATA SUMMARY Social Performance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	

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General Disclosure and KPIs		Reference/Remarks
Aspect B8 – Community Investment		
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		COMMUNITY INVESTMENT
KPI B8.1	Focus areas of contribution	COMMUNITY INVESTMENT Caring about community
KPI B8.2	Resources contributed to the focus area.	