

CHINA ZHENG TONG AUTO SERVICES HOLDINGS LIMITED 中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 1728

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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ABOUT THIS REPORT

Introduction

This report is the eighth Environmental, Social and Governance Report (hereinafter referred to as the “ESG Report”) issued by China ZhengTong Auto Services Holdings Limited (hereinafter referred to as “our Group”, the “Group”, “ZhengTong Auto” or “we”, “us” or “our”). It aims to present the Group’s environment, society and governance management practices and achievements in 2023.

Basis of Preparation

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as provided in Appendix C2 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Reporting Period

This report is prepared annually and the next report for the reporting period (2024) is expected to be released in 2025.

Reporting Principles

In preparing and disclosing the ESG Report, the Group has fully taken into account the following reporting principles:

Materiality principle: We identify major ESG issues through materiality assessment, and the relevant process and results have been disclosed in this report.

Quantitative principle: In accordance with the “key performance indicators” of the “Environmental, Social and Governance Reporting Guide” as set out in Appendix C2 to the Listing Rules of the Stock Exchange, the Group disclosed quantitative historical key performance indicators in the “environmental” and “social” categories, as well as forward-looking information such as targets to the greatest extent possible, which will be fully disclosed in the future after the statistical process is gradually optimized.

Balance principle: This report strives to disclose the Group’s 2023 environmental, social and governance management practices and achievements in an objective, fair and truthful manner, and also discloses the problems encountered and improvement measures with a sense of responsibility.

Consistency principle: We follow a consistent statistical disclosure method. In this report, we adopted the same disclosure policy as that of the information disclosed in the report of the previous year. For the information disclosed for the first time, we will disclose ESG information adopting the same policy in subsequent years to facilitate meaningful comparisons year by year.



Scope of the Report

This report discloses the Group's environmental, social and governance management approaches, measures and performance from 1 January 2023 to 31 December 2023 (hereinafter referred to as the "reporting period"), and a portion of its contents provides a brief review and introduction of the Group's previous relevant activities and relevant information before the release of this report.

This report focuses on reporting on the Group's environmental and social policies in relation to the sales of luxury and ultra-luxury brands and other branded vehicles, after-sales services, post-market businesses and supply chain businesses in the PRC during the reporting period. The social elements of the statistics of key performance indicators and other factors cover all business segments of the Group. The environmental elements of the statistics consist of the automobile sales and after-sales services, being the 4S stores, which had the most significant impacts on the environment. As the Group has been gradually systematically collecting data on environmental factors in recent years, 52 typical high-end branded stores with large site areas and an energy consumption indicator above the group average level (2022: 47, 2021: 45) were selected based on their geographical locations, opening times, cooperative automotive brands and single store sales. The survey forms a strong basis for expansion of the survey.

Source

The information in this report is derived from the internal documents and related statistics of the Group.

Availability

The Chinese and English versions of this report are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the official website of the Group (<https://www.zhengtongauto.com/>). This report is prepared in both Chinese and English and in case of inconsistencies, the Chinese version shall prevail.

STATEMENT OF THE BOARD OF DIRECTORS

The board of directors of the Group takes sole responsibility for the Group's environmental, social and governance strategy and for reporting, assessing and determining the Group's ESG-related risks and for ensuring that the Group has established appropriate and effective ESG risk management and internal control systems.

Our development opportunities come from people's pursuit of a better and more convenient life. The Group has paid special attention to the sustainable development of the Company, and established and improved the ESG governance system. The board of directors leads and participates in the review and decision-making mechanism on major ESG issues, including identifying and evaluating ESG risks, formulating ESG strategies and policies, establishing management policies and plans, approving and reviewing ESG target management, approving annual ESG reports and other matters concerning management.

Based on the external environment and the Group's development strategy, the Group identified key ESG issues based on its communication with stakeholders during the reporting period, to clearly define its work priorities, including: product liability, supply chain management, information security and privacy protection, among others. Accordingly, the Group integrated into its daily work consideration of the effectiveness of how it addresses the aforementioned issues and adjusted its targets accordingly. In the future, we will continue to adjust our strategy and progress our sustainable development management based on the expectations of stakeholders and the actual operation of the Group to continuously improve the level of sustainable development.

This report discloses in detail the progress and effectiveness of the Group's ESG work in 2023. The board of directors of the Group, as the highest responsible and decision-making body for ESG matters, ensures that there are no false representations or misleading statements contained in, or material omissions from this report, and accepts full responsibility for the truthfulness, accuracy and completeness of the information therein.

1 | SUSTAINABILITY MANAGEMENT

1.1 Business and ESG Strategy and Governance

Business of the Group

The Group is committed to developing a one-stop automobile service platform, and its business mainly includes (i) the sales of luxury and ultra-luxury branded automobiles; (ii) after-sales services (including maintenance, repair and sales of auto spare parts); (iii) post-market businesses (including insurance brokerage, finance leasing, pre-owned automobiles trading, e-commerce platform and other high value-added businesses); and (iv) supply chain business, covering automobile logistics and trading of auto maintenance supplies, etc. As of 31 December 2023, the Group had 109 dealership stores in 37 cities across 16 provinces and municipalities in China, and, at the same time, was authorized to develop 3 additional dealership stores, being a 4S store of Audi, an authorised aftersales service centre of NIO and a 4S store of Land Rover, respectively.

ESG Strategy of the Group

The Group highly values the harmonious relationship among people, operating efficiency and the environment, and firmly believes that this is crucial to its stable growth and sustainable development. In the pursuit of business and profit growth, the concept of sustainability is incorporated into every aspect of our operation through the adoption of effective and comprehensive policies and measures for the achievement of our mission in respect of the environment and community. We continued to enhance the corporate governance of the Group, to share our success with the suppliers, customers, employees and other stakeholders and to minimize the negative impacts of our operation on the environment.

ESG Governance

The Group has established a top-down ESG governance structure to promote sustainable development among the operating areas and improve the effectiveness of ESG governance.

The Board is responsible for supervising the Group's environmental and social affairs to guide the sustainable development direction and path of the Company. We have set up an ESG Committee under the delegation of the Board, with executive Director Wang Mingcheng, serving as the chairman of the Committee, and its members are executive Director Huang Junfeng and executive Director Chen Hong. The Committee meets regularly twice a year. We have developed the Terms of Reference of the ESG Committee of China ZhengTong Auto Services Holdings Limited, which clarifies the duties, responsibilities and power of the ESG Committee, to promote our sustainable development and performance of our corporate social responsibility in a top-down way. In addition, we have also established an ESG working team, which is led by senior management and participated in by middle management. The working team consists of core representatives from the human resources department, the operations management department, the network development department, the strategic investment management department, the legal department, the administration department, the digital management department, the audit and compliance department and security affairs department, covering all relevant departments involved in the Group's daily management, and it is an indispensable execution party for the sustainable development of the Group.



ESG Management Structure



Board

- Review and decision-making of material ESG issues



ESG Committee

- **Policy and strategy development:** Responsible for developing and updating the Group's ESG management approaches, vision and long-term strategic objectives, and ensuring they meet best industry practices, legal and regulatory requirements and investor expectations and they are ultimately submitted to the Board for approval.
- **Risk and opportunity identification:** Systematically identifying and assessing key issues with significant environmental, social and governance impacts on the Group's operation, establishing relevant criteria to identify significant ESG factors, and continuously monitoring and reviewing the list to analyze potential risks and business opportunities arising from these factors.
- **Policy approval and monitoring:** Approving various ESG-related policies, regularly reviewing the effectiveness of internal ESG risk management procedures and internal control systems to ensure they can respond to changing external environments and internal business needs.
- **Target follow-up and reporting:** Monitoring the Group's progress in achieving established ESG targets and reporting regularly to the Board.
- **Report review and compliance:** Reviewing the Group's annual or periodic ESG reports and ensuring that the information disclosed is accurate and fully meets the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other applicable regulations, and making specific decisions and recommendations based on the results of the report.
- **Handling of affairs delegated:** Handling other special ESG-related tasks or emergencies delegated by the Board.










ESG Working Team

- **ESG work implementation:** Promoting day-to-day work for sustainable development, cooperating with the collation of materials and data statistics related to ESG information disclosure, and ensuring that the communication channels of stakeholders are available.
- **Regular reporting and communication:** Reporting to the Board on a regular basis, listening to opinions and suggestions, conveying, communicating and implementing the Group's strategies, specific measures and feedback in ESG aspects.

1.2 Involvement of Stakeholders

Stakeholders of the Group in respect of environmental, social and governance interests include internal and external stakeholders, which mainly involve internal staff, suppliers, customers, shareholders, investors, consumers, media, governments and communities where the businesses are operated. Internal stakeholders, in addition to the Board and senior management of the Group as the decision makers and designers of the Group's strategy, also include a large number of the middle management and general staff working in the front line of operation. In organising the involvement of stakeholders, the Group continues to expand the participation of stakeholders and understand their expectations and aspirations through interviews and online questionnaires.

Stakeholders	Concerned issues	Communications and responses
Governments and regulators 	<ul style="list-style-type: none"> Compliant operation Economic performance Safety and environmental protection Employment promotion Integrity and anti-corruption 	<ul style="list-style-type: none"> Regular information submission Accept assessment and supervision Compliant operation and management
Investors/shareholders 	<ul style="list-style-type: none"> Economic performance Information transparency Business strategy and financial performance Protection of shareholders' rights and interests 	<ul style="list-style-type: none"> Increase information disclosure Shareholders' general meetings Investor survey and reception
Suppliers and partners 	<ul style="list-style-type: none"> Responsible supply chain Mutual benefit and win-win Industry cooperation and development 	<ul style="list-style-type: none"> Publish the supplier management regulations Sign a cooperation agreement Day-to-day business communications
Consumers 	<ul style="list-style-type: none"> Information security and privacy protection Customer rights and interests protection Responsible marketing Product quality 	<ul style="list-style-type: none"> Consumer satisfaction survey Multi-channel complaints reporting and feedback

Stakeholders	Concerned issues	Communications and responses
<p>Media</p> 	<ul style="list-style-type: none"> Economic performance Industry cooperation and development Responsible marketing Development planning 	<ul style="list-style-type: none"> Company website and social media Organisational activities
<p>Staff</p> 	<ul style="list-style-type: none"> Employee compensation and benefits Fairness and diversity Employee health and safety Training and development 	<ul style="list-style-type: none"> Internal and external training Employee activities Union organisation Employee representative congress Employee opinion survey and feedback
<p>Communities</p> 	<ul style="list-style-type: none"> Social welfare activities Community development 	<ul style="list-style-type: none"> Regular visits and exchanges Social activities Capital and material assistance

1.3 Materiality Assessment

The Group attaches great importance to and systematically handles ESG (environment, social and governance) related issues. In responding to national macro policy trends, following the focus of the capital market and making benchmarking analysis with reference to international sustainability reporting standards, the Group periodically reviews and updates the materiality assessment based on the sustainability challenges faced by the Group each year so as to ensure that the report can fully reflect the Group’s management practices and progress in environmental, social and governance aspects. In 2023, the Group further expanded the scope of material issues by incorporating three new topics, being customer relationship management, responsible marketing and climate change.

We collect views and feedback from stakeholders through interviews, survey and other activities to identify material ESG issues and make targeted disclosure in the report, so as to effectively improve the sustainable development management level of the Group and strengthen communication and cooperation with stakeholders. In 2023, we invited personnel at all levels within the Group, supply chain partners, industry associations and other external stakeholders by way of questionnaire to score and prioritize the issues in the ESG issue library, so as to complete the materiality assessment on ESG issues, and thus compiled the materiality issue matrix of this report, which were divided into three levels, namely “highly material”, “material” and “relevant”.

Assessment Process for Material ESG Issues of ZhengTong Auto

01 ESG issue identification and confirmation

- We communicated with stakeholders through multiple channels, delimited the scope of topics and determined the key issues based on the feedback obtained, the sustainable development hot spot of the industry and the actual operation of the Group;
- With reference to assessment factors such as ESG reporting guide and ESG ratings in the capital market, and based on the relevant policies and standards of sustainable development information disclosure at home and abroad, we identified the focus, frontier goals and potential risks relating to sustainable development in the industry where we operate, and selected and formed a list of topics.

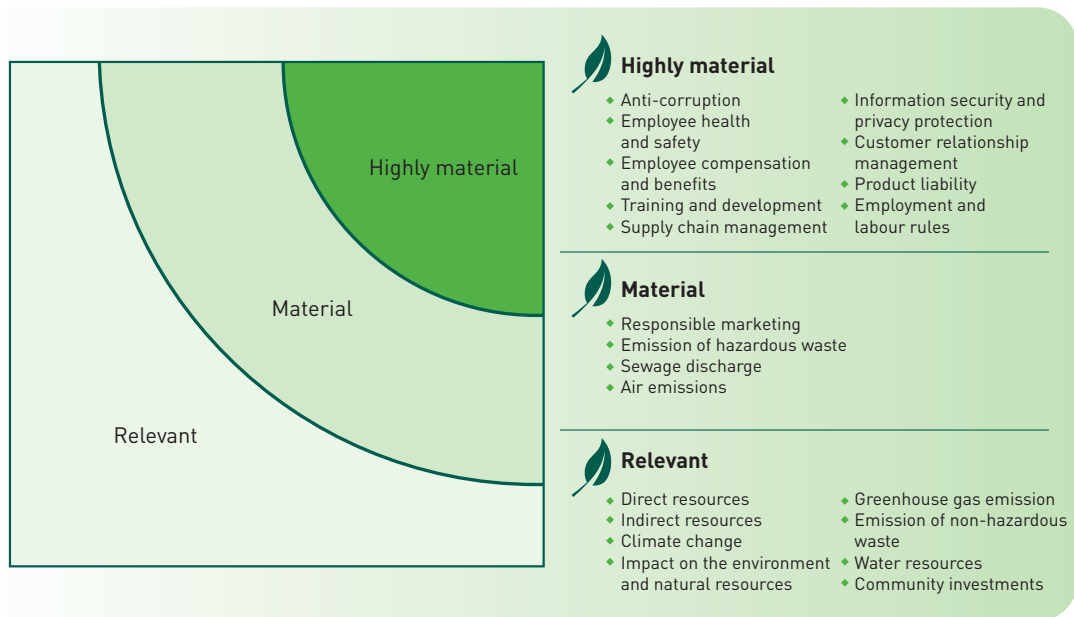
02 Stakeholder communication and survey

- We compiled an online survey questionnaire on material ESG issue assessment with the topic list as the core of the stakeholder survey. The internal and external stakeholders were invited to score the materiality of the corresponding ESG material issues, and upon summarization and analysis, we derived the final survey results and the satisfaction of the internal stakeholders on the sustainable development of the Group.

03 Assessment of material issues

- Based on the results of the stakeholder survey questionnaire and our actual development, we carried out materiality assessment from two dimensions of “importance to stakeholders” and “importance to operation and management”, ranked the materiality of each ESG issue according to the score, and generated a matrix after review of the results by external experts.

Based on the materiality assessment on ESG issues, we generated the following matrix:



Category	Issues	Materiality	Responses in this report
 Governance	Anti-corruption	Highly material	Business Ethics and Anti-corruption
 Social	Employee health and safety		Occupational Health and Safety
 Social	Employee compensation and benefits		Protecting Employee Rights and Interests
 Social	Training and development		Talent Training and Development
 Social	Supply chain management		Sustainable Supply Chain Management
 Governance	Information security and privacy protection		Information Security and Privacy Protection
 Governance	Customer relationship management		Improving Customer Experience
 Social	Product liability		Diversified Business Layout Responsible Marketing Improving Customer Experience
 Social	Employment and labour rules		Protecting Employee Rights and Interests
 Social	Responsible marketing		Material
 Environmental	Emission of hazardous waste	Waste Management	
 Environmental	Sewage discharge	Waste Management	
 Environmental	Air emissions	Waste Management	
 Environmental	Direct resources	Relevant	Efficient Use of Resources
 Environmental	Indirect resources		Efficient Use of Resources
 Environmental	Climate change		Response to Climate Change
 Environmental	Impact on the environment and natural resources		Low-carbon Operation and Green Development
 Environmental	Greenhouse gas emission		Response to Climate Change
 Environmental	Emission of non-hazardous waste		Waste Management
 Environmental	Water resources		Efficient Use of Resources
 Social	Community investments		Practicing Public Welfare and Building a Harmonious Society

2 | LEAN MANAGEMENT AND STEADY OPERATION

2.1 Development Led by Party Building

ZhengTong Auto has officially established the Party Committee of ZhengTong Auto in December 2021 and has four Party branches at present. The Group always adheres to the integration of the Party's leadership and corporate governance improvement. It has clarified the power, obligation and work methods of the Party Committee in the decision-making, execution and supervision links of the Company, and has been strengthening the role of the Party Committee to "maintain strategic directions, manage the overall situation and ensure effective implementation (把方向、管大局、保落實)" by integrating the leadership of the Party organically into all of its corporate governance links, and integrating the Party building in the Group's "14th Five-year" strategic plan.

We steadily carried out thematic education. In 2023, the Party Committee of ZhengTong Auto firmly and effectively fulfilled the primary political task of solidly carrying out the thematic education on studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. With a deep understanding of the general requirements of "Learning Ideology, Strengthening Party Spirit, Putting into Practice, and Making New Achievements (學思想、強黨性、重實踐、建新功)", the Party Committee of the Company solidly and orderly promoted theoretical learning, investigation and study, and promoted the development, inspection and rectification work, which achieve real results in deepening thoughts, acquiring knowledge, upholding integrity and enhancing work through learning.



ZhengTong Auto solidly carried out thematic education

We continued to strengthen the team building of cadre talents. In 2023, the Party Committee of ZhengTong Auto upheld the principle of management of cadres by the Party, further clarified the scope of the management of cadres by the Party, and selected middle-level cadres through internal democratic recommendation and competition, external market-oriented selection and recruitment, so as to constantly instill new blood into and strengthen the backbone force of the Company. Focusing on ideological and political construction, corporate culture, corporate strategic planning and business development, we continued to strengthen the education and training of our cadres. During the reporting period, a total of 16 internal training sessions were organised, with 10,587 participants.

Our Party Committee firmly established a clear direction of concentrating on the grass-roots level and focused on the construction of grass-roots Party organisations. We stayed focused on the improvement of organisational strength, highlighted the political function, and relied on thematic education, guiding each branch to strictly implement the “three conferences and one lesson (三會一課)” and thematic Party day and other systems. During the reporting period, ZhengTong Auto, successively in cooperation with Wuhan Economic Development Comprehensive Bonded Zone and Port Logistics Park, carried out the “Inheriting red gene and pooling collective strength for development” thematic education Party building activity and “Staying true to the original intention to create miracles and continuing to strive for new achievements” government-enterprise joint building activity, helped build close “government-business relationships”, strengthen the integration and mutual advancement of the Party construction and business, as well as the integration of resources to expand “friends circle”. The local Party branches carried out joint Party construction activities with local colleges and universities, banking institutions and upstream and downstream enterprises and institutions in the business chain to strengthen exchanges and share resources through joint Party building, with remarkable results in the integration of the Party building and business.

We deepened efforts to address both the symptoms and root causes and create a sound political environment. The Party Committee of the Company actively constructed a “mass supervision” pattern, exercised political supervision over all departments and investee enterprises, continuously promoted the prevention and control of integrity risks and the concretization and normalization of political supervision, and consistently and solidly boosted the construction of a clean and honest Party, thus creating a clean, upright and sound political environment.

Case:

ZhengTong Auto carried out the “government-enterprise joint construction” activity jointly with Wuhan Economic Development Comprehensive Bonded Zone and Port Logistics Park

On 24 November 2023, Wuhan Economic Development Comprehensive Bonded Zone and Port Logistics Park joined hands with ZhengTong Auto to carry out the “Staying true to the original intention to create miracles and continuing to strive for new achievements” government-enterprise joint building activity at Hubei Changze 4S store under ZhengTong Auto. A total of 32 Party members from both sides participated in this activity, and conducted seminar exchanges to lead high quality business development through high quality Party building.



2.2 Business Ethics and Anti-corruption

The Group is uncompromising in its opposition to any form of fraud or corruption, and has taken a series of measures to prevent and severely punish corruption, so as to maintain the good image and normal operation order of the Company.

We established an integrity system and strengthened supervision and management. Based on the concepts of “prevention-oriented”, the Group has established a large supervision system covering audit, discipline inspection, finance, human resources, legal and other departments to promote the construction of the Company’s punitive and anti-corruption system; the Company has set up a dedicated reporting mailbox to accept external and internal whistleblowing and complaints, and has conducted verification and feedback based on the principle of “hierarchical responsibility and centralized acceptance”. The information of the complainants and whistleblowers would be kept confidential; anyone who leaks the information of the complainants and whistleblowers in violation of regulations or retaliates against the complainants and whistleblowers would be dealt with seriously.

We improved system construction and further conducted risk assessment. The Company has currently formulated the Implementation Measures for Standardizing the Work of Conducting Honest Interviews with Leading Personnel, Discipline of Leading Cadres in Handling Weddings and Funerals (《領導幹部辦理婚喪喜慶事宜紀律》), Management Measures for the Integrity Files of Leaders and Cadres (《領導幹部廉政檔案管理辦法》), Interim Measures for Deepening the Implementation of the “1 + X” Special Supervision and Inspection on the Spirit of the Eight-point Frugality Code issued by the CPC Central Committee, Accountability Management Approach and other systems, guiding and regulating the construction of a clean and honest Party and anti-corruption and fraud. For key areas and links prone to corruption such as the bidding and tendering management, asset management, equity management, financial management and investment management, we further conducted integrity risk point assessment to formulate targeted integrity risk prevention and control measures.

We strengthened education on integrity and built a strong ideological defense line. In order to further promote the construction of integrity and enhance the ideological awareness of working with integrity, during the reporting period, we organized numerous legal trainings such as anti-corruption, standardized bidding management, actively organized integrity education activities such as clean Party class learning, and carried out special learning and education with “one topic for one month” for four times, covering rectifying illegal tourism and rectifying failures in taking responsibility and action; organized a series of integrity culture publicity and education month activities, organized visits to the integrity education base, and watched warning educational films. More than 20 sessions of special education on integrity education, law and discipline education, and theme education activities were carried out, covering more than 6,000 employees. Through integrity education, we interpreted the law by way of cases, strengthened the integrity consciousness of all staff, and built a strong defense line against corruption.

The Group pursues a high standard of business ethics, strictly abides by the Labor Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on Anti-money Laundering, the Interim Provisions Governing Prohibition of Commercial Bribery and other relevant laws and regulations, and firmly opposes any form of corruption, bribery, fraud and other misconduct, so as to contribute to a healthy business environment for the whole society.

The Group has adopted a zero-tolerance policy to strictly prohibit corruption in all aspects of our operation. We maintained the proper business management and safeguard our staff through the implementation of a strict system. We also continued to improve the moral education of our staff and organised relevant training on a regular basis to create a corporate culture of integrity and self-discipline. During the reporting period, the Group was not aware of any corruption incidents relating to embezzlement or bribery.

Case:
Training course on the “Interpretation and Prevention of Common Duty Crimes Committed by Non-state Functionaries in Discharging their Duties”

In order to further improve our staff's cognition of “duty crime”, the Group carried out a training course on the “Interpretation and Prevention of Common Duty Crimes Committed by Non-state Functionaries in Discharging their Duties” through online live broadcast and recorded broadcast at ZhengTong College in February 2023, with about 500 participants.



2.3 Strengthening Risk Management

In order to regulate our business operations and strengthen the identification, early warning and control of operational risks, the Group has formulated internal systems such as the Operational Risk Management Measures (Trial) and the Management Rules for Reporting of Operational Risk Control Matters (Trial). In addition, the Group has established a risk assessment committee to carry out risk management related training, and established an effective comprehensive risk management system and mechanism to improve the level of risk prevention and management, clarify the collection, sorting and reporting of major operational risk events, and ensure stable operation and sustainable development.

According to the Table on Indexes for Classification of Operational Risk Levels, the Group divided various risk factors in its business into three levels, i.e. "attention", "caution" and "response", based on the degree of risk, and developed corresponding quantitative standards to define the risk level, reporting timeframe, responsible departments and risk control measures.

Case:

Carrying out a special legal training on "Corporate Compliance"

In December 2023, a special legal training on "Corporate Compliance" was held at our headquarters for all our departments and investee enterprises, covering legal knowledge on sales compliance, data compliance, intellectual property compliance and other corporate compliance, so as to enhance the awareness of risk prevention and avoid business risks of the Company.



Compliance Training



2.4 Information Security and Privacy Protection

The Group strictly abides by the Network Security Law, Personal Information Protection Law, Information Security Technology — Personal Information Security Specification and other laws and regulations, and has built an information security system to respect and protect customer privacy and ensure the network and information security.

To ensure the long-term sound and stable development of our Group and to safeguard the personal information of our customers effectively, we have implemented strict measures for information management and control to protect customers' privacy with regards to systems and equipment:

1. The office computers in all stores are prohibited from copying and using customer information without permission;
2. All general staff may only input information of the specific customers they served to our system and shall have no authority to access information of other customers;
3. The authority to access customer information is only vested in a limited number of management members, and all of them have entered into confidentiality agreements with our Group;
4. During the customer care and return visit, we will also confirm with the customers whether there is any information leakage.

The above measures have strengthened the confidentiality awareness of the Group's employees, greatly mitigated the concerns of our customers or potential customers and safeguarded customer privacy effectively. The Group requires its employees to sign a Confidentiality and Non-compete Agreement with the Group during onboarding. In addition, the digital management department reviews the operation history of the information system from time to time to ensure that there is no illegal login, information use and leakage.

During the reporting period, the Group took multiple measures to focus on publicizing the relevant network security risks as follows:

1. We promoted password security by adding an independent login password at the email terminal, to improve employees' attention to password security and prevent password leakage;
2. We publicized, through our WeChat Work, new ways of phishing email communication, and took measures to remind employees to pay attention to the protection of personal information.

During the reporting period, the Group organised two trainings on information security and privacy protection, with 100 participants; did not have any incidents related to leakage of customer privacy.

2.5 Deepening Industry Exchanges

In the face of the ever-changing market environment, the Group maintains an innovative and open attitude, actively participates in industry-related activities, understands consumer needs, grasps the development trend of the industry, and actively shares our successful experience to strengthen cooperation and communication with peers and promote the advancement of the industry.

Case:

ZhengTong Auto was invited to attend the 2023 China Pre-owned Vehicle Conference

At the 2023 China Pre-owned Vehicle Conference with the theme of “Expanding new markets and starting a new chapter”, the general manager of Chengdu Hengyuehang and a representative of ZhengTong Auto, was invited to deliver a keynote speech — “Opportunities and Challenges Brought by Pre-owned Vehicles for Dealer Groups in the New Era”, which not only conveyed the wisdom of ZhengTong, but also further strengthened the communication with other dealers and broadened the business ideas.



2.6 Intellectual Property Rights Protection

We attach great importance to the protection of intellectual property rights and constantly strengthen the awareness of intellectual property rights protection. On the one hand, we actively protect the intellectual property rights formed by the Group and support the fight against infringement and other unfair competition activities; on the other hand, we respect the intellectual property rights of others and avoid infringement.

Case:

The Group carried out a training course on legal risk of we-media marketing infringement

In November 2023, in order to improve the skills of our employees, cultivate the professionalism of streamers in the traffic era, and boost the new normal of our distribution, our Group launched a training course on “legal risk of we-media marketing infringement”.



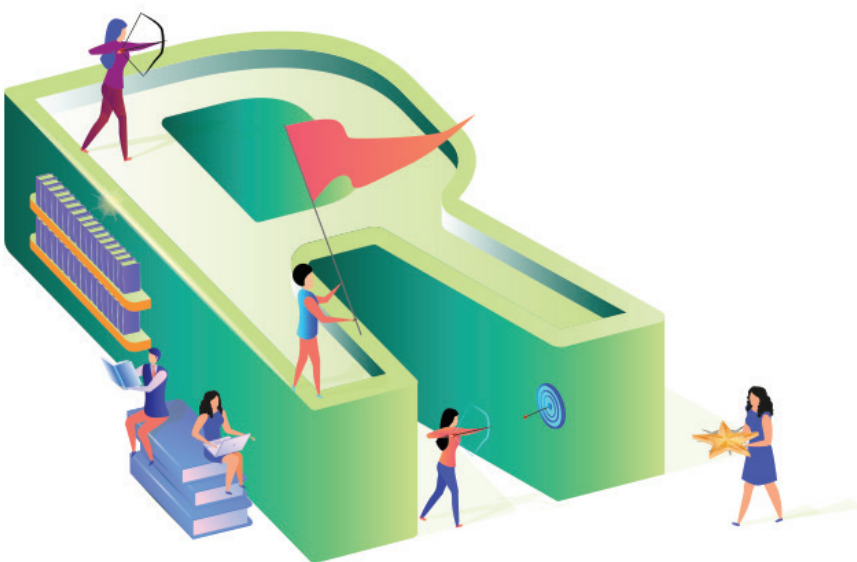
We will take innovation as the primary driving force to promote our technological innovation, research and development. The Group continues to improve its product research and development system, and focuses on developing products that adapt to different market needs and functions suitable for higher-end application scenarios to support the needs of complex driving scenarios in the future. In 2023, we continued to actively invest in R&D and innovation, and have obtained 15 software copyrights and 1 utility model patent.

3 RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES

3.1 Diversified Business Layout

As a core platform enterprise of ITG Holding system in the automobile sector, ZhengTong Auto takes “4S system”, “new retail” and “emerging business” as the three core business pillars.

- In terms of 4S system building, the Group continued to optimize the brand structure and store profitability, and strengthened the cooperation with luxury and ultra-luxury branded automobiles such as Porsche, Mercedes-Benz, BMW, Audi, Jaguar Land Rover and Volvo. While expanding the layout advantage of traditional luxury brands, we also pay attention to the rapid rise of independent brands and further expand new growth points.
- In terms of building a new retail model, the Group promoted the transformation to a new mode coordinated by online and offline channels. We conducted marketing and promotion through online channels such as e-commerce platforms and social media, and offered test drive, delivery, after-sales services at offline stores to provide consumers with more convenient and personalized car purchase experience.
- In terms of the development of emerging businesses, the Group invests in new energy distribution/agency brands and after-sales authorized sheet metal spraying through active application, merger and acquisition, so as to adapt to the reform trend of the automobile industry. We accelerate the exploration of the upstream and downstream of the new energy industry chain, concentrate on the research and judgment of new energy photovoltaic, charging, waste vehicles and battery recycling and disassembly projects, and explore emerging business development opportunities such as the new energy industry chain.



Case:

Building an emerging business platform to explore diversified development strategies

In November 2023, ZhengTong Auto established Zhengtong Qihang Technology Service Co., Ltd. hereinafter referred to as (“Zhengtong Qihang”), as a comprehensive platform for its emerging business, which is responsible for coordinating the investment, operation and management of the emerging business areas in relation to the automotive industry chain. In the surrounding areas of Wuhan, Zhengtong Qihang actively investigated the feasibility of businesses of commercially refitted vehicles, and carried out market research on the automobile accessories business.



Focusing on new energy vehicles

New energy vehicles (NEVs) are an important direction for the sustainable development of vehicles. In response to the national, local and OEMs’ policy and guidance, ZhengTong Auto has actively applied for sales and after-sales authorization of new energy vehicles, and has communicated closely with a number of new car brands and explored cooperation opportunities. We continue to accelerate the creation of a green and smart life that exceeds expectations for users and increase the sales of NEVs in the daily operation. The proportion of NEVs in the total sales volume has also increased gradually.

According to business development needs, we actively promoted the focus booth to expand the exposure opportunities of NEVs and promote transactions. Based on the characteristics and brand advantages of NEVs, we carried out targeted in-depth experience activities for vehicle owners to improve customer acceptance of new energy vehicles, accumulate NEV customers and establish a good brand reputation.

In terms of internal management, we formulated a guiding incentive plan for the sales of new energy vehicles to promote their sales. While conducting in-store sales, we will make full vehicle introductions for potential consumers of new energy automobiles, and will actively assist them to obtain relevant licenses and install new energy charging equipment. In addition, many stores provide new energy vehicle test drive activities, allowing more consumers to experience new energy automobiles in person, and they will also organise public welfare activities to actively promote new energy vehicles and promote the concept of environmental protection.



Promoting digital transformation

ZhengTong Auto actively embraces digitalization and promotes digital transformation. The Group is committed to realizing business and finance integration at the same platform, achieving two-way integration and mutual empowerment in promoting digital industrialization and industrial digitalization of the automobile ecology. Based on the current status and trend of our business development, we cooperated with third-party professional institutions to promote our business to develop in a more efficient and intelligent way in four aspects, being digital management, digital operation, digital marketing and digital transaction.



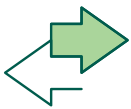
Digital management: We have built a standardized business system, covering CRM customer management, vehicle pricing, inventory management and analysis, intelligent reporting and other business scenarios, which improves our efficient operation value by using digital means that solve the distortion of business data of our stores;



Digital operation: We have formulated solutions for the whole life cycle of users, including pre-sale DCC clues (clues to customer acquisition, distribution, conversion, etc.), CRM management in sales (customer management, follow-up, test drive, etc.) and after-sales management (repair, maintenance, etc.), which effectively enhances the conversion rate of clues and promotes the user/business operations and business decisions;



Digital marketing: We collect and analyze a large amount of data in real time to more accurately understand customer demand and market trends for data decision-making through accurate data accumulated; establish B2C retail and big data marketing platform, expand the mainstream marketing channels that link to consumers, including micro store, mini program, Yiche, Autohome, etc., and constantly adopt innovative live marketing methods to improve marketing and profitability;



Digital transaction: We have established an online car purchase platform to provide functions such as car information browsing, configuration selection, price calculation, and a variety of digital payment methods to provide consumers with a more convenient and secure payment experience.

During the reporting period, under the policy of digital transformation and upgrading guided by science and technology, the Group steadily promoted its digital transformation, independently developed several core business systems including intelligent inventory, scooter, consignment mode, new member accounting system, digital electric ticket, etc., and introduced advanced RPA technology which enables us to achieve the seamless connection between the manufacturer system and our internal OMS system. Through the digitalization of all investee enterprises, and whole-process systematization, we improved business operation capabilities of various functional departments, achieved cost reduction and efficiency enhancement of the Company, and fully employed the value brought by digital empowerment.

Developing pre-owned vehicle business

Under the backdrop of booming export of China's independent branded cars and the favorable state policy which supports pre-owned vehicle export, the Group will speed up, increase the layout of pre-owned vehicle export business, replenish resources by expanding business teams and seeking partners in the industry, actively deploy overseas market and extend the scope of export supply chain system, so as to expand the breadth and depth of export business in all aspects.

In July 2023, ZhengTong Auto successfully declared to become an approved enterprise for pre-owned vehicle export business. In the future, we will take this as an opportunity to summarize our experience in export business, and make every effort to expand the international and domestic markets through regional development, resources integration and chain extension. We will also give full play to the advantages of our cross-border platform, seek for business opportunities of “exporting” pre-owned vehicles, and promote recycling and mutual growth of domestic automobile retail and international automobile export, and “drive” on the new road of pre-owned vehicle export business transformation.

The Group has carried out a comprehensive risk assessment on pre-owned vehicle export business by in-depth combination with the macroeconomic trends. Currently, the pre-owned vehicle export industry in China has gradually achieved the scale of economy, in order to enhance our ability to manage the risks associated with the conduct of our business, we have formulated the Risk Management Guidelines for Pre-owned Vehicle Export Business of China ZhengTong, Logistics Management Regulations for Pre-owned Vehicle Export Business of China ZhengTong and other systems to clarify our workflow, and have taken multiple measures to deal with related risks.

Case:

Shenzhen Aoze won the winning prize at the Audi Official Certified Pre-owned Vehicle Skills Competition

At the Audi Official Certified Pre-owned Vehicle Skills Competition in Audi South District Area, Audi brand department of Shenzhen Aoze won the “winning prize” with excellent performance.

Brand-guided deep cultivation: The pre-owned vehicle business working group of Audi brand department promoted each store to organise structure, implement performance plan and offered comprehensive guidance through data benchmarking, problem diagnosis and solutions. Through the pilot operation at each brand store, it comprehensively improved their capacity in pre-owned vehicle operation, among which Shenzhen Aoze surpassed its target set for the first quarter in sales certification, target replacement and old-new ratio.

Riding on the momentum to achieve win-win cooperation: Audi brand department fully integrated internal and external resources, expanded superior pre-owned vehicle procurement resources outside, and opened up the whole value chain including pre-owned vehicle sales, finance, insurance, extended warranty, accessories and maintenance. In the future, Audi brand will try to share pre-owned vehicle resources across brands, so as to achieve multi-win-win situation and promote business to another level through brand cooperation.



3.2 Improving Customer Experience

Quality store services

Employees of ZhengTong always uphold the mission of “offering superior driving experience to our customers” and strive to provide our customers with high quality services. We have continuously worked hard to fulfil the vision of the Group of “becoming a leading comprehensive service provider in the ecology of the automobile industry”.

The Group continued to optimize its pre-sale service quality and delivered quality services to customers based on customer demand and customer attention. ZhengTong Auto has formulated the Management Measures for New Car Sales Business, which guides stores to provide customers with more professional, sincere and efficient services across all links of the pre-sales service, including timely response to phone calls, telephone or online customer consultation, actively following up on potential customer needs; arranging sales consultants to receive visiting customers on site, offering new car product introduction, patiently answering customers’ purchase concerns, providing test drive service for prospective customers who sign the test drive agreement; taking the initiative to recommend automotive components, accessories and other automotive products to customers, providing pre-owned vehicle replacement, financial mortgage, extended warranty, beauty maintenance package and other combinations of product selection, to meet customers’ purchase needs. Meanwhile, each store carries out business training and appraisal from time to time, including vehicle knowledge, sales policy, sales skills and other professional knowledge, in order to improve the reception and service skills of sales consultants and enhance pre-sales service quality.

In terms of after-sales service, the stores of the Group have set up a perfect after-sales service team, which is responsible for service reception, mechanical and electrical maintenance, sheet metal spraying repair, vehicle warranty and other work. The after-sales service process includes: (1) the service consultants receive customers, understanding the customer needs, arranging for the professional and technical personnel to conduct the vehicle inspection, providing vehicle use reminders or maintenance suggestions; (2) we conduct in-depth communication with the customer to determine the maintenance plan, estimate the maintenance price and the delivery time and arrange for technicians to repair; (3) in the vehicle maintenance process, we conduct three-level inspections including self-inspection, mutual inspection and completion inspection to ensure the maintenance quality.

In terms of customer care, the Group will regularly contact the owners and customers to remind them of vehicle use safety, use of customers’ rights and interests, vehicle insurance renewal, technology upgrade and back-to-factory repair and maintenance, etc. In order to continuously provide customers with high-quality services, the Group, through regular reception process drills and workshop skills competition, simulates real scenes to exchange experience, checks details to find gaps, strengthens service awareness and improves business ability, to ensure brand humanity is reflected in each customer contact point.

As for customer privacy protection, we collect, save and use customer information in strict accordance with the arrangement of the OEMs. The Group has also established a customer file management system, and properly maintains and uses customer vehicle maintenance files (including vehicle information, information of the person sending vehicle for repair, pre-inspection checklist, quotation sheet, loss assessment document, etc.) according to relevant national laws and regulations.

Case:

The Porsche brand under ZhengTong Auto was awarded several honors again

On 12 December 2023, three Porsche centres under ZhengTong Auto were honored at the “POWERING EXCELLENCE (卓越·出眾)” Porsche Service Excellence Awards 2023: the Porsche centre in Guangzhou Panyu was awarded the “Champion Team for Best Warranty Offering (最佳保修冠軍團隊)”, the Porsche centre in Chengdu Beihu was awarded the “Champion Team for Optimal Services (最佳服務冠軍團隊)”, and the Porsche centre in Dalian Hua’an was awarded the “Winning Team for Best Warranty Offering (最佳保修優勝團隊)”. The Porsche brand segment under ZhengTong Auto aims to achieve the core goal of “pursuing excellence through collaboration from all staff”. The after-sales team focused on three aspects of proactive prevention, professional services and customer experience, to establish a matrix service system with 9 contact points, striving to achieve “its commitment to providing services beyond satisfaction”. In the future, ZhengTong Auto will continue to uphold the concept of excellence, take responsibility, forge ahead and keep moving forward.



The Porsche centres under ZhengTong Auto were awarded several honors

The Group continues to improve its services with a focus on “fulfilling customers’ needs and requirement”. We have created a friendly and convenient consumption environment, and actively responded to the potential demands of customers based on their feedback. There were door-to-door rescue services, night delay services, scooter services, as well as car owner care activities, car owner lecture, car body spray open days and other activities from time to time.

The Group has maintained a clear price list for the products and services provided by the Company at all 4S stores. All stores were equipped with one or two large-scale electronic displays showing the prices and warranty information of all accessories and services offered in the stores, so as to ensure that all customers are provided with transparent and fair price information.

Customer care

To continue to offer better experience for customers when purchasing and using their cars, we have further created a new model of marketing to improve customer interaction experience and diversified our offerings to provide more comprehensive services for customers. The Group attaches great importance to cooperation with automobile brands to jointly improve customers' experience.

Case:

Exploring the oasis and enjoying the passionate summer (綠洲探尋，激情綠暑)

In July 2023, the "Exploring the oasis and enjoying the passionate summer" BMW Hunan 8-City Pleasure Tour came to a successful conclusion. With green travel as the core concept, this activity allowed car enthusiasts to drive BMW pure electric models to experience the environmental protection and convenience of pure electric travel, and to deeply experience nature. In the cool waters of Longquan Rafting, car enthusiasts have zero distance contact with nature and feel the rhythm of nature.



Case:

**Enjoying a new driving experience (共馳新境) •
Test drive activity for the launch of Cayenne, a new model of Porsche**

On 14 October 2023, the test drive activity for the launch of Cayenne, a new model of Porsche was held at Fisherman’s Wharf Park, Gull Island, Guangzhou. A car expert introduced the design concept and technology highlights of Cayenne, and guided guests to take a test drive. During the event, the car staff and guests drove together around the Gull Island, with lunch barbecue and camping sessions. In the pleasant autumn, the guests exchanged driving experience, sharing the high-quality lifestyle and extraordinary driving experience brought by Porsche.



Case:

**Driving along a road featuring newly-born plants in this springtime
to explore the infinite world (馭一路盎然春色， 探索無止境)**

As spring was approaching, Jaguar Land Rover North District Area launched the spring camping season with the themes of “Discovery without Limits” and “Spring Camping LET’S GO GLAMPING” in April 2023, and invited car enthusiasts to explore the infinite charms of spring together. The event aimed at allowing participants to drive Jaguar Land Rover’s outstanding models along the charming spring scenery to experience the charm of nature, enabling them to enjoy the fun of driving while admiring the spring scenery.



Customer communication

The voice of customers is the starting point of ZhengTong's high-quality service. The Group earnestly assumed the main responsibility for protecting consumer rights and interests and ensured that the objectives and policies of consumer rights protection are effectively implemented. We consistently conducted customer satisfaction surveys to obtain and evaluate customer comments in terms of 4S store environments, service quality, staff professionalism and other service experience related dimensions, and the satisfaction rate in 2023 was over 95%.

The Group established the 4S Store Customer Complaint Handling Process to ensure effective communication with customers after the products are provided. Consumer complaints are first received by the customer service department. Professional customer service personnel listens to customers' demands patiently, accurately records information including the complainant's name, phone number, car model, license plate and specific complaint, and passes the same to the business department which will then provide solutions after analysis and implement them in a timely manner. The customer service department will end up with closed-loop tracking till the problems are properly resolved. In the event of a major customer complaint, the complaint acceptance personnel will notify the department head and general manager as soon as possible, and the general manager will convene a meeting of the 4S stores crisis management team to discuss countermeasures, and give an early warning according to the manufacturer's relevant technical specifications and business specifications; if any media intervenes, the Group will handle in accordance with the "Procedures for Managing Media Public Relations of 4S Stores". For complaints with little substance, we also actively appease and ease customers' emotions. In 2023, we did not receive any complaints with significant impact and there was sporadic feedback on quality, which has been actively solved in cooperation with OEMs.

Customer health and safety assurance

The Group provides our customers with safe and healthy products and services. All of the new cars sold by ZhengTong Auto were purchased from our OEMs and passed strict product quality inspections to meet requirements of relevant laws and regulations. Each of our new vehicles will go through the PDI pre-delivery inspection procedure to ensure that such vehicle meets the delivery standards of OEMs. We have established a sound system, and formulated the Management Regulations for Three Warranty Services of Automobile Dealerships Business according to the automobile product repair, replacement and return responsibility and other requirements to provide three warranty services for new cars and the repair of vehicles. Based on the requirements of OEMs, we provide three-warranty manuals and vehicle instruction manuals, and introduce the use and operation of the vehicle to the customers at the time of delivery. By organising car owner lectures and releasing short video contents, we fully popularize various functions and usages of vehicles, and emphasize safe driving knowledge to car owners. We maintain close contact with our customers through diversified communication channels such as WeCom, Cheweixin (車微星) mini program, and customer service hotline, so that customers can easily and quickly obtain professional support and enjoy remote technical diagnosis services in the course of using their cars. In case of emergencies, we also provide on-site rescue services, so that we can provide timely and effective support to our customers.

In terms of store operation, we attach importance to production safety and environmental management by regulating the operation of 4S stores and conducting regular safety inspections to ensure the safety and cleanliness of the service environment, facilities and equipment through the formulation and implementation of the Production Safety Management Measures and other systems, in order to create a safe and comfortable high-quality service experience for our customers.

Case:

BMW Car Owner Lecture at Guangzhou Baoze

In March 2023, BMW Guangzhou Baoze under ZhengTong Auto organised a usage training program for new car owners. The training activity was conducted by experienced BMW in-house certified instructors, who provided in-depth instruction on common troubleshooting for new cars, maintenance operations, interpretation of instrument indications and seasonal driving techniques for new vehicles. Car owners could ask questions and receive targeted answers on the highly interactive training site. The instructors also shared many practical tips on daily maintenance to help vehicle owners improve their understanding and management of their vehicles, thereby optimizing their experience and extending the life of their vehicles.



Quality management

All of the new cars sold by ZhengTong Auto were purchased from our OEMs and passed strict product quality inspection to meet requirements of relevant laws and regulations. Each of our new vehicles will go through the PDI pre-delivery inspection procedure to ensure that such vehicle meets the delivery standards of OEMs. The timely recall of defective vehicles is an important means for the automobile industry to eliminate defects and also a necessary measure to ensure product quality and the safety of life and properties of customers. ZhengTong has always firmly believed that recalls are part of its responsibility to consumers, and in most cases, recalls are voluntary recalls and goodwill recalls where the safety of vehicles is not the issue. As a direct service provider for end customers, ZhengTong takes the protection of consumers' rights and interests as its fundamental principle when there is a recall of automobile products, cooperates closely with manufacturers, and assumes the responsibility as a strong participant and executor in the process of automobile recall by informing customers as soon as possible and properly arranging the corresponding recall procedures and services to ensure the safety of customers and roads, which greatly improved customer satisfaction, customer loyalty and brand recognition.

In 2023, we assisted 16 brands in carrying out a total of 58,247 voluntary recalls and goodwill recalls that did not affect vehicle safety, and there were no product recalls or recoveries for safety and condition reasons after the sale and distribution of automotive products.

In terms of vehicle maintenance, we complied with the requirements of the Regulations on the Administration of Automobile Maintenance and Repair the Technical Specifications for Automotive Maintenance, Testing and Diagnosis at the national level and manufacturers' specifications on vehicle inspection, diagnosis and repairs as the quality standards for automotive maintenance operations and deliveries. We have established a three-tier technical support system of "self-diagnosis by technicians, joint consultation by technical experts of each store, and joint consultation by technical experts of the brand" to ensure the correctness and efficiency of vehicle faults and maintenance plans. Maintenance technicians are all certified by OEMs after passing their skills training. In the process of vehicle maintenance, we will carry out a three-tier quality inspection including self-inspection, mutual inspection and completion inspection to ensure the quality of maintenance. Technicians are required to carry out self-inspection when completing each maintenance project to ensure the completion of the appropriate operation and maintenance quality, and upon completion of the self-inspection, they are required to notify the team leader for mutual inspection. We have also set specific targets for controlling the quality of repairs, requiring an internal repair rate of less than 1% and an external repair rate of less than 1‰.

3.3 Sustainable Supply Chain Management

The automobile dealership is an industry that connects to both the downstream and the upstream players, as it deals with massive upstream suppliers and directly caters to end users in the downstream. Supply chain plays an integral role in the automobile sales and after-sales services of the Group. The stable supply of automobiles and spare parts guarantees that the Group is able to render quality products and services to consumers.

Automobile brands and ZhengTong are two different stakeholders in the same interest chain. Automobile brands provide products, while ZhengTong directly faces customers, jointly formulating market development initiatives and strategic planning. Furthermore, ZhengTong actively taps into its own advantages in terminals and regions to deepen its market presence in the regional distribution market, which will assist with its own development while meeting the strategic objectives of automobile brands. The business relationship between automobile suppliers and the Group has always been two-way. With quality products and services, efficient sales channels and communications methods and a good reputation accumulated by focusing on the interests of employees and environmental protection, we have won the distribution agency rights of well-known brands and maintained stable relationships.

In the meantime, the Group also collaborates with various automobile brands and other suppliers on social and environmental aspects for the purpose of contributing to the sustainability of the entire industry and community. Regarding after-sales services, the Group collaborates closely with service providers and holds regular meetings to enhance mutual communication. Our Group also regularly evaluates our suppliers' performance in environmental and social responsibility aspects, and standardises the Company's procurement process based on the principles of openness, fairness, impartiality, legality, meritocracy and honesty and trustworthiness, which has improved the efficiency of the procurement work, reduced the procurement costs and controlled the procurement risks. After the formulation of the tender plan, preliminary approval and qualification assessment will first be conducted by the heads of the relevant departments and the tender evaluation team, and invitations to tender will be issued to qualified suppliers, and then suppliers of centralized procurement will be selected on the basis of comprehensive scoring through the public tender evaluation process.

For the suppliers of spare parts and other items, the Group has formulated stringent criteria for selection of suppliers, such as the Procurement Management Regulations, Management Measures for the Procurement of Automotive Supplies and Production Tools (Revised) and Implementation Rules for the Evaluation of Suppliers of Centralized Automotive Supplies Procurement, each of which clearly stipulates the requirements of environmental and social responsibilities of suppliers regarding "Prohibition of Child Labour", "Health and Safety", "Environmental Protection" and "Green Procurement", etc. In terms of environmental protection requirements for suppliers, we have further refined the rules for consideration in pollution control, energy saving and emission reduction, and eco-friendly product, and encouraged suppliers to continue to introduce new technologies, products and management in the areas of energy saving, material saving and land saving. For specific suppliers of chemicals, maintenance products, we also put forward ESG-related requirements, requesting proof of environmental and safety qualifications such as Environmental Impact Assessments or safety production licenses, and based on our business experience, we will issue such requirements as part of tender requirements. For logistics suppliers, we have issued the Transportation Management Measures to supervise and assess the logistics suppliers to operate in accordance with the requirements and specifications in terms of planning management, on-site management, quality management, in-transit management, behavior management and complaint management, etc.

The Group has entered into an “integrity agreement” with each of our suppliers to further clarify the compensation mechanism and the risks involved after an offence has been committed and to show our determination and require them to comply with our anti-corruption policy. We publicize such integrity agreement to all newly contracted suppliers and also take this opportunity to request them to comply with the agreement. In 2023, the Group conducted one-on-one communications and publicity with more than 20 newly contracted suppliers. The Group will also publicize the integrity agreement to its long-time cooperative suppliers when they renew their contracts. Suppliers who do not comply with such requirements will be given an unfavourable assessment in our evaluation. In addition, for suppliers that require the related industrial qualifications, we confirm and ensure all of these suppliers and manufacturers have obtained all qualifications required by their respective industries.

Supplier evaluation is an important part of supplier management. In order to further standardise the evaluation behaviour and improve the application of evaluation results, the Group has established a supplier evaluation system with closed-loop management of “implementation, evaluation and application”. In 2023, we performed a regular inspection on all of our suppliers. The centralized procurement department organised annual assessment of key suppliers from time to time, which included, but not limited to, continuous performance capability, actual performance, product quality, and satisfaction surveys of subordinate subsidiaries. We promote random inspection and monitoring of purchasing practices, conduct annual random inspections of product quality and suppliers’ store-side services and work, and conduct ad hoc in-store visits and surveys, with special attention paid to inspection visits to key suppliers (those accounting for 80% to 90% of the Company’s annual purchasing amount). If problems are found in the course of assessment, visits and research, the centralized procurement department will grant a certain period of time for rectification of the problems according to the actual situation. If red line problems are involved, there is no opportunity to rectify the problems. For major project suppliers, we implemented a re-tender every two years. For new logistics suppliers, the Group requires them to provide the technical details of the Company, such as self-owned vehicle details, vehicle insurance information and relevant logistics resource business, as well as the latest financial reports and legal updates before accessing the intranet. Only after the aforementioned three requirements are met can the suppliers gain access to the supplier pool, and there are also a series of designated assessment mechanisms in actual business.

In respect of supplier exit, the Group has formulated the Interim Measures for the Management of Negative List of Customers to assess whether there are suppliers with significant risks and impacts in the supply chain. Based on factors such as the level of occurrence of adverse events, business scale, business form and negative impact, the risk level of clients in the negative list is graded into Tier 1 and Tier 2 risks for management. ZhengTong Auto uses the “Guomaohui (國貿薈)” negative list system to manage customers included in the negative list, and has formulated a clear approval process for adding to, removing from/degrading in the negative list, and management of proposed continual cooperation.

During the reporting period, we had 86 suppliers in total, among which 15 were new suppliers and have passed environmental and social audits in 2023. We are committed not to working with suppliers who fail environmental and social audits. We terminated cooperation with 28 suppliers this year, and none of the terminations was due to environmental and social matters.

Number of major suppliers		2023
By geographical region	North region (including Beijing, Tianjin, Shanghai, Jilin, Liaoning, Hebei, Henan, Shandong, Inner Mongolia, Anhui, Jiangsu)	50
	Central region (including Hubei, Hunan, Jiangxi, Sichuan)	5
	South region (including Fujian, Guangdong, Hainan, Yunnan, Chongqing, Zhejiang)	31

3.4 Responsible Marketing

The Group always adheres to the concept of responsible marketing, upholds a high sense of responsibility in the marketing process, adheres to the customer-centred approach, and strictly complies with the Advertising Law of the People's Republic of China, the Law on the Protection of the Rights and Interests of Consumers and other laws and regulations. In addition, the Group formulates and implements internal systems, such as the Management Measures for Marketing Business, to provide customers with various products and services in an honest and trustworthy manner and to avoid false and exaggerated marketing. In the marketing process, we respect the customer's right to safety assurance, right to know, right to make their own choices, right to fair trade, etc., and deliver true, comprehensive and accurate information about the Company's products/services to the consumers. We comply with the agreements signed between the shops and the manufacturers in relation to advertising and brand licensing, and fulfil the necessary notification obligations in a timely manner. Each brand management department co-ordinates and organises the marketing activities of its shops, formulates guidelines for marketing activities, develops marketing plans and supervises the implementation and results evaluation of marketing plans in order to maintain a sunny and transparent sales promotion environment.

ZhengTong Auto also actively conveys the ESG concept to customers and advocates the concept of environmental protection and green travelling. Sales staff at our stores will take the initiative to recommend and provide customers with test drives of new energy models, thus encouraging customers to choose green travelling methods and reduce the burden of environmental emissions.

We promote diversified marketing approaches. Each of the 4S stores organises weekly showroom sales and marketing activities, inviting potential customers to come to the store for experience and test drive. We actively participate in large-scale automobile exhibitions, new model launch roadshows and outdoor experience activities, such as the Guangzhou International Automobile Exhibition, Shanghai Automobile Exhibition and Wuhan Automobile Exhibition. In addition, we carried out cross-industry collaborations and organised 28 joint marketing activities, including car owner events, lectures and forums, with related party and third party entities such as banking institutions in 2023.



Showroom Marketing Campaign



New Model Launch Roadshow Campaign



Outdoor Experience Activities



Parent-Child Experience Day Event



Wuhan Automobile Exhibition

Digital and new media marketing

Since 2018, ZhengTong Auto has opened WeChat Work for digital marketing exploration. In 2021, we introduced a digital marketing system called “Easy partner connection (易客連)”, which will enable direct connections between the Group, its dealership stores and customers, and improve the efficient management of shops and personnel. At the same time, we attached importance to the development of our ability to use digital marketing tools. Through participation in events such as “2022 Star of Partners”, we enhanced the digital marketing capability of DCC designated personnel, so that they could accurately reach customers, improve the conversion rate of invitations, and achieve an increase in both the quality and efficiency of shops.

With the popularity and application of new media marketing, we continue to strengthen the operation and maintenance of new media platforms, on the one hand, each store obtains sales leads in automotive vertical media, and on the other hand, we carry out online marketing activities such as live broadcast, cloud-based car viewing, short video, Xiaohongshu note sharing, and APP through multiple channels, and satisfied the personalized needs from potential customers to existing customers and traffic conversion by creating both online and offline scenarios and constantly enriching consumer touchpoints and extensively connecting with customers, so as to achieve in-depth customer operation and multiple value exploration.

Besides, we organised new media marketing case sharing sessions and widely disseminated excellent new media marketing approaches among stores, so as to promote energy efficiency improvement. The number and quality of leads of the Group's stores on major vertical websites such as Autohome, Yiche, and Dongchedi have stabilized at the first camp of the auto dealer group, and most of its stores are among the top in the region.

ZhengTong Auto has developed a checking mechanism in terms of marketing and publicity, which requires that each store needs to carefully review the graphics, texts, audios and videos published on the media. Forwarding the graphics, texts, audios and videos already published by the manufacturers or the Group shall be subject to the relevant regulations, and the publishing department will conduct cross-checking, and other situations such as references to relevant content should be approved according to the process required by the Company. In addition, before live broadcasting, the script needs to be approved by the relevant person in charge to ensure that it meets the requirements.

In 2023, the Group opened more than 300 new media accounts on 5 new media platforms, including Douyin, Xiaohongshu, Video Accounts, Official Accounts and Bilibili, and released more than 77,000 short video works with a viewership of nearly 400 million times. A total of 32,000 live car broadcasts were held in the stores, with a total of 31,400 hours of live broadcasts, and nearly 57.26 million viewers. The total number of fans of our accounts was more than 2.36 million, with marketing budgets directly faced to sellers accounting for 0.5-1% of the sales. Based on their actual condition and regional distribution of stores, a total of 8 live broadcast skills training sessions were organised in stores in 2023, and the number of live broadcast sessions increased month by month thereafter, and the monthly live broadcast sessions was basically maintained at above 2.6. We also provided an internal exchange platform for a number of experienced live broadcast store managers or staff to share internally, discuss solutions at the execution level, and improve the overall media use, live broadcast skills and conversion effects. In 2023, the Group won a total of 115 awards for various types of new media marketing, including the core awards of "Outstanding Dealer at Douyin Live Broadcast Competition (抖音直播大賽優秀經銷商) and Best Creative Award in Douyin Challenge (抖音挑戰賽最佳創意獎)" issued by OEMs.

Case:

ZhengTong Auto's "May Day Car Purchase Festival (五一購車節)" on Guomaohui (國貿薈) came to a successful conclusion

The "May Day Car Purchase Festival" was successfully held by ZhengTong from 29 April 2023 to 7 May 2023. During the event, ZhengTong Auto's stores realized a total of 1,515 orders through Guomaohui mini program and APP, with a target achievement rate of 151%. Guomaohui has taken advantage of its digital business platform and cooperated with external enterprises to promote horizontal linkage within the system and in-depth development outside the system.

With the resource advantages of multi-brand and multi-city coverage, ZhengTong Auto, with participation of 75 dealership stores, attracted customers to the stores to enjoy the discounts and high-quality services through extensive publicity on various media.



4 | CARING FOR EMPLOYEES AND GROWING TOGETHER

Employees have always been important to us and are regarded as the most powerful and effective driving force behind the sustainable development of the Group. The Group has established standardized recruitment procedures, providing our employees with competitive compensation packages and fair and just promotion opportunities at a non-discriminatory workplace. We have always insisted on providing multiple channels and diversified training programs to different employees to improve their work and life satisfaction and the sense of belonging at the Company, laying a solid foundation for a talent pool required for the future development of the Company.

4.1 Protecting Employee Rights and Interests

Equal and diversified employment

The Group has complied with all relevant labour laws and regulations that have a significant impact on the Group such as the Labour Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China and relevant national laws and regulations and labour regulation issued in various regions. The signing rate of employment contracts and social insurance coverage rate of the Group both reached 100%.

Subject to applicable laws, we recognize the rights of our employees to customary values and practices, and respect their nationality, religion, physical health, disability, gender, workers' union membership, and political views. In any circumstance, no managerial personnel is permitted to adopt any form of coercion, intimidation, insult, humiliation or exploitation against our employees, including gestures, language abuse, and physical contact. The Company is resolute in eliminating child labour and forced labour. The principle of equal opportunity applies throughout all stages of employment, in particular in recruitment, training, career development and promotion. During the reporting period, the Group did not have any violation of laws and regulations related to child labour, forced or compulsory labour, violation of freedom of association or disrespect for collective bargaining rights, invasion of employee privacy, discrimination or harassment and conflict of interest.

Our internal policies such as the Employee Handbook and the Human Resources Operation Manual clearly stipulate that the basic requirement for candidates for employee recruitment is that they are "18 years of age or older". We require candidates to provide certain documents, including ID card and education certificates, and such certificates will be verified and reviewed during the recruitment approval procedure, to avoid misemploying child labour. The human resources department conducts random inspections of induction information provided by employees during internal audits. If child labor or forced labour is found, rectification will immediately be made by terminating the employment and holding the relevant responsible persons accountable. During the reporting period, there was no employment of child labour within the Group.

We advocate for diversity and equal opportunities, and welcome employees from all over the world. We attach importance to the diverse perspectives brought by employees' different backgrounds, languages, genders, among others, and create a diverse, open and equal working environment suitable for all employees. We provide equal employment opportunities for all of our staff. As at the end of the reporting period, the Group had 7 female managers (including female middle and senior management staff). During the reporting period, we hired a total of 8 disabled employees, 203 ethnic minority employees and 2 foreign employees.



To improve the employment rates of the local markets where the subsidiaries are located, every time the Group opens a new store, while ensuring that there are certain necessary experienced staff seconded from other shops, the Group will hire local employees as much as possible.

New employees of the Group during the reporting period are set out below:

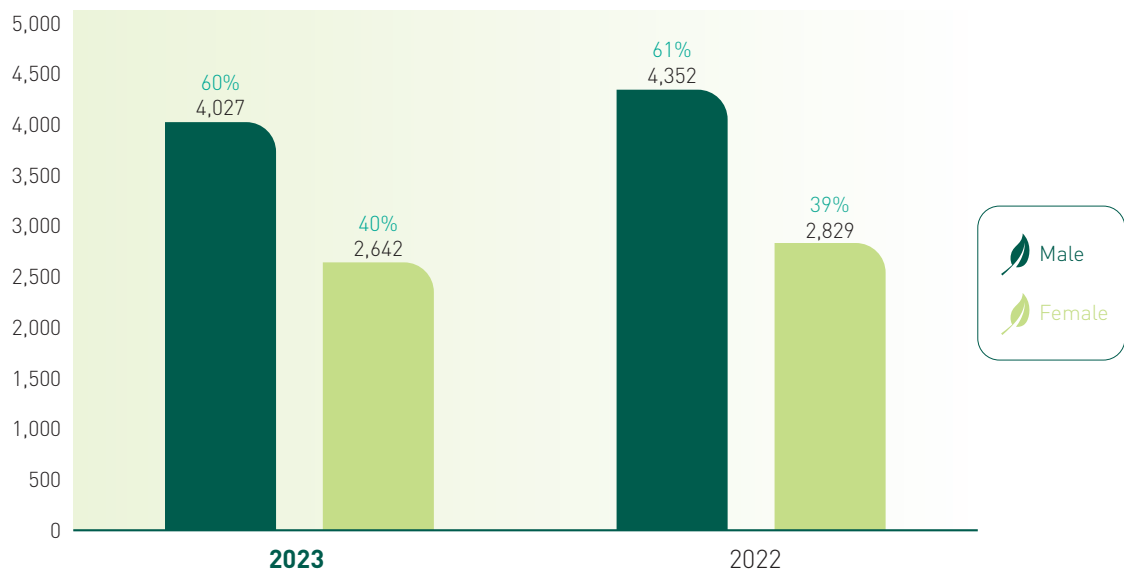
New employee indicators	Category	Unit	2023	2022
Total number of new employees	/	Person	2,266 (including 886 female)	2,791 (including 1,069 female)
By recruitment channel	On-campus recruitment	Person	176	288
	Social recruitment	Person	2,090	2,393

During the reporting period, the Group paid RMB1.61 million of recruitment expenses; the total number of vacant positions was 81, the percentage of vacant positions filled by internal candidates is 49%.

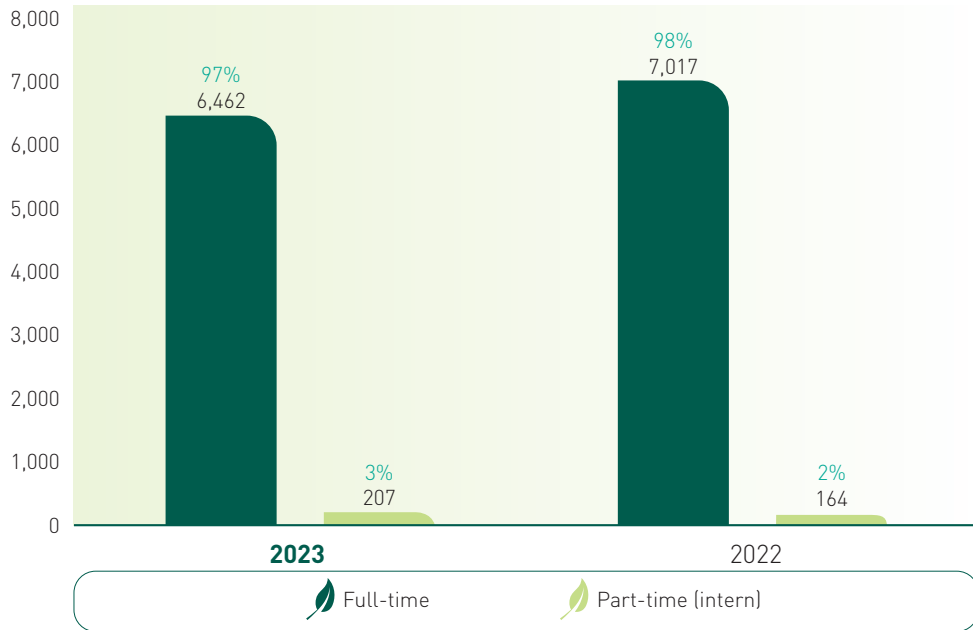
The young force represents a vital factor in the future development of a business. We provide young professionals with tremendous employment opportunities, as well as a platform for young professionals to seek self-improvement and learning. During the reporting year, 2 out of 7 general brand managers were of the post-80s generation, and there were 2 middle management staff from the post-90s generation. As at the end of the reporting period, 55% and 43% of the employees have worked in the Group for more than three years and five years, respectively.

As at the end of the reporting period, the Group had a total of 6,669 (2022: 7,181) employees and the number and ratio of each classification of the Group's employees are set out below:

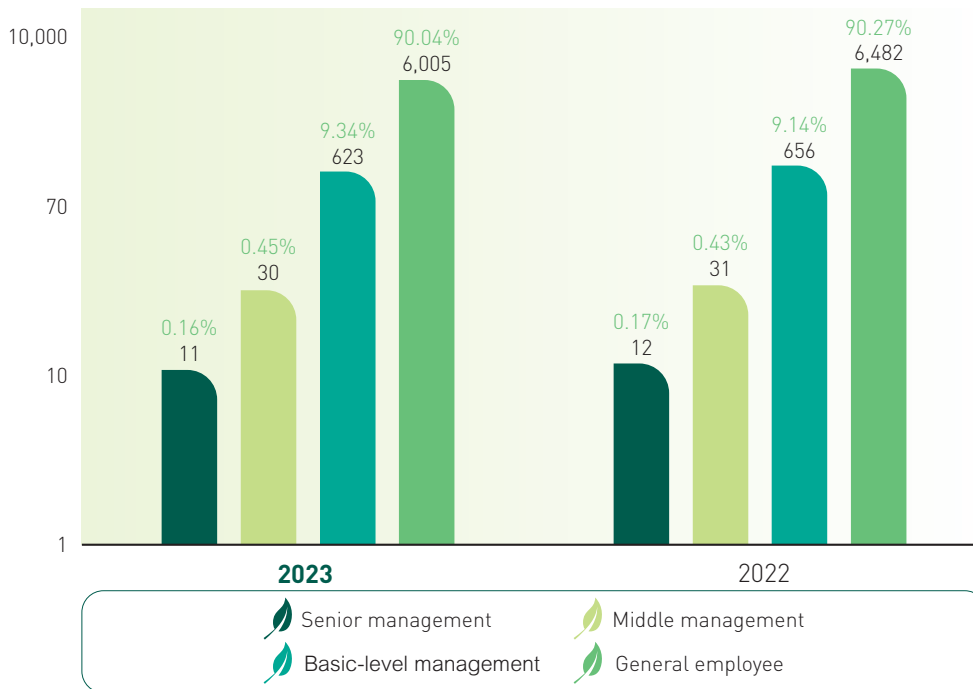
Number and ratio of employees by gender



Number and ratio of employees by type of employment

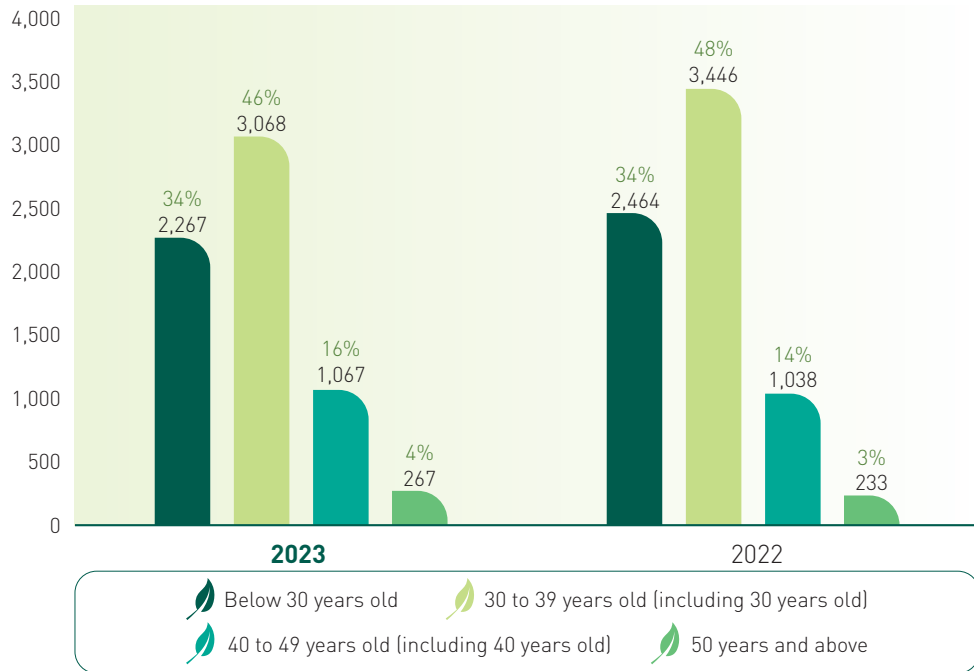


Number and ratio of employees by rank¹

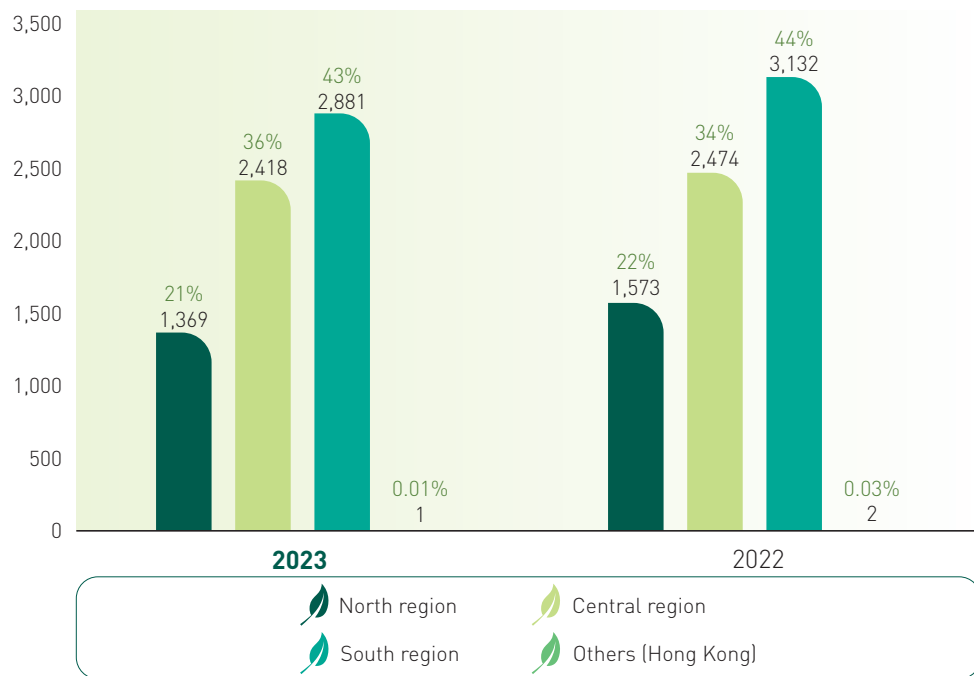


¹ Senior management are leaders at or above the level of assistant to the president, and middle management are heads and deputy heads of departments of the headquarters, the head of the brand department, the main investment managers, and basic-level management are members of the management team of each subsidiary.

Number and ratio of employees by age



Number and ratio of employees by region²



² Among them, as per the number of employees by region, such regions include the north region (including Beijing, Tianjin, Shanghai, Jilin, Liaoning, Hebei, Henan, Shandong, Inner Mongolia, Anhui, Jiangsu), central region (including Hubei, Hunan, Jiangxi, Sichuan), south region (including Fujian, Guangdong, Hainan, Yunnan, Chongqing, Zhejiang) and others (including Hong Kong).

As at the end of the reporting period, the average length of service of employees with the Group was 5 years, with a voluntary turnover rate of 17.4%.

The specific composition is as follows:

Classification		2023	2022
By gender	Male	60.7%	61.0%
	Female	39.3%	39.0%
By age	Aged below 30	38.2%	43.0%
	Aged between 30 (inclusive) and 39	47.2%	45.0%
	Aged between 40 (inclusive) and 49	11.2%	10.0%
	Aged 50 and above	3.4%	2.0%
By geographical region	Chinese mainland	99.9%	99.9%
	Hong Kong ³	0.1%	0.1%

As at the end of 2023, the number of employees decreased by 7% as compared with that in 2022. Excluding the reasons for resignation caused by the adjustment of positions due to the Company's business transformation, seeking development back in hometown was also one of the major reasons for employee turnover. Other changes were due to employees' personal career development, family, transportation, education, and so on. The Company also filled vacancies of front-line positions to satisfy the rapid need for business development.

Remuneration and benefits

The Group has specifically formulated the Regulations on Management of Remuneration of China ZhengTong Auto Services Holdings Limited, which stipulates that employees' remuneration should be determined based on their positions and titles with reference to the Company's remuneration system, and comprises of fixed salary and performance bonus in a certain proportion; in addition, on-the-job employees are entitled to Company benefits, and we also set allowances for special positions.

The Company's remuneration system follows the principles of marketisation, objectivity and incentive. Within the scope of total remuneration, the Company takes into full consideration the market and industry remuneration levels to effectively attract, motivate and retain key talents. Employee remuneration is determined based on a variety of considerations, including but not limited to academic qualifications, work experience, job title and performance appraisal results. On this basis, the Company has established a remuneration distribution system in which the income can be increased or decreased, and remuneration is closely linked to departmental and individual performance, and also matched and linked to performance indicators such as operating revenue per capita, gross profit per capita and units per capita.

Employee benefits

Employee care is an important way for us to maintain a sound employment relationship with our employees. We start from taking care of the real needs of employees so that care projects can truly benefit employees in all aspects of catering, clothing, residence and transportation. In 2023, 74 out of 81 of the Group's investee enterprises have staff canteens.

We carry out cultural and sports activities such as greetings, team building and birthday parties from time to time to promote communication and exchange among employees and unite their solidarity.

³ Due to the small size of the Group's team in Hong Kong, individual staff movements and post adjustments may have a more significant impact on the overall staffing structure.

Case:

Carrying out employee reading workshop to enhance their cultural connotation

In 2023, a total of 7 reading and sharing sessions were conducted, covering 3 major themes: Amoeba Management, Reciting Classics and Inheriting Culture, and Closed-loop Mindsets, with 46 guests standing on the podium, and covering 1,629 people.



Case:

Organising a singing competition to enrich employee life

In November 2023, ZhengTong Auto organised the Competition of Creating and Enjoying Good Music themed "Uniting Power with Sound, Seeking Excellence Together (聲匯力量·齊頌創先)", in which 13 contestants competed through the platform of "WeSing [全民K歌]", and a total of 6 winners were awarded.



We care for our employees and their families, and we have established a “China ZhengTong Auto Services Holdings Limited Employee Care Fund” and formulated a “ZhengTong Auto Employee Care Fund Charter”. The fund gives full play to its advantages of “one party in difficulty, eight parties support” to promote the harmonious and stable development of enterprises and effectively solve the actual difficulties of employees, and establishes a long-term mechanism for caring and assisting employees in difficulty. When an employee or his or her relatives experience financial difficulties due to an emergency, the fund will provide certain financial assistance as subsidies to alleviate the temporary difficulties of employees, thereby enhancing the cohesion of the enterprise and enhancing the sense of belonging of employees who regard ZhengTong as their home. In 2023, RMB44,000 of care fund was distributed to aid a total of 5 employees of the Company.

4.2 Talent Training and Development

An enterprise must maintain a talent pool of high-caliber professionals as the pillar to support its sustainable development. Despite high-quality talents being sourced from external recruitment, internal training play a greater role. Training is not only a crucial means to improve the internal quality of employees and promote their growth, but also a strategic cornerstone for enterprises to build core competitiveness and achieve sustainable development.

According to the actual needs of the Company’s development and talent team building, the Human Resources Department, based on the Company’s business and positions and focused on leadership, has built a systematic training system covering all employees, and conducted targeted trainings, to achieve hierarchical and graded empowerment. Combined with multidimensional training systems such as special training and internal training, the Group has built a service team with excellent quality through supervising employees to participate in trainings and complete relevant examination and assessment.

1. The “Vitality Programme (活力計劃)” for enhancing the professional level and service ability of employees, stimulating the vitality of the enterprise’s professional knowledge, business skills, professional standards and norms;
2. The “Innovation Programme (領新計劃)” for enhancing new employees’ sense of identity and belonging and helping them integrate quickly;
3. The “Leadership Programme (領跑計劃)” for enhancing the comprehensive ability of outstanding young backbone employees;
4. The “Wisdom Programme (領睿計劃)” for building a communication platform for junior managers and reserve talents, selecting and reserving talents for the company, and improving the management skills of junior managers;
5. The “Creation Programme (領創計劃)” for enhancing the strategic thinking and leadership of middle and senior managers;
6. The “Dandelion Plan (蒲公英計劃)” for building an in-house team of lectures.

Various marketing and technical training sessions for new car models were also arranged by the OEMs of different brands of vehicles on an irregular basis. The Group actively arranged for staff to participate in such trainings to ensure that our customers are provided with the sales, repair and maintenance services using the latest technologies, so as to provide customers with more professional and high-quality services. In addition, while emphasizing the conventional training model, we also integrated the application of new media into the daily operation to improve employees' familiarity with new media. In order to adapt to the steady expansion of the Group's business and to maintain consistent high-quality services, the Group is focused on training key personnel for the purpose of retention. The Group has continued organising "senior manager training programs" since 2009 and the participants of the training program have been strictly screened, who were all middle-level management selected from each department, 4S stores of the Group. The lecturers who taught were not only the Group's executives, department general manager or senior store managers, but also external lecturers. The Group had more than 190 internal lecturers in 2023.



Green Office Skills Training of the Group

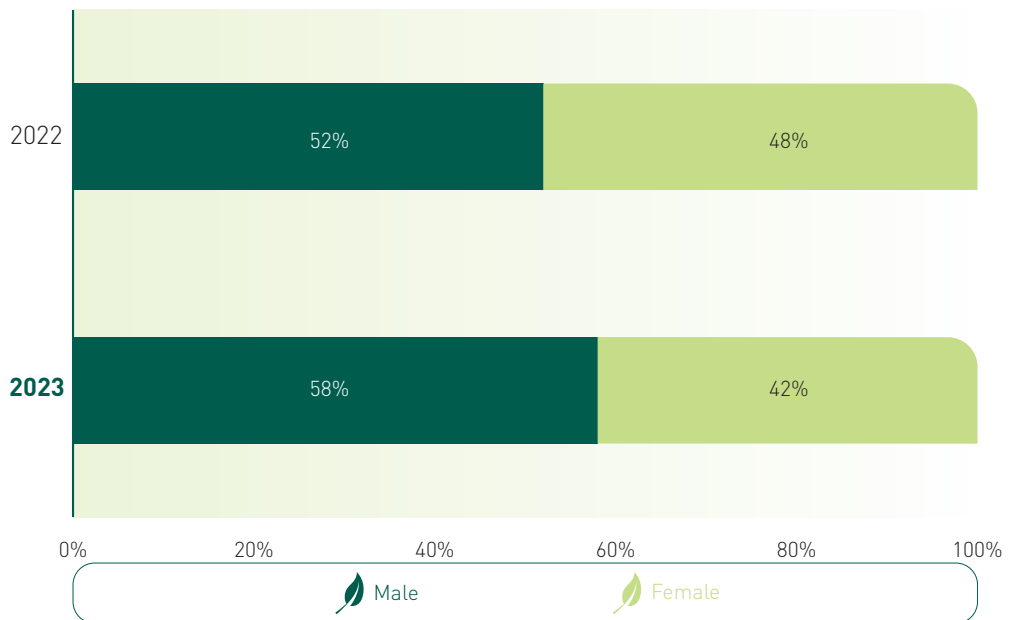
In terms of green office skills, in order to enhance the skills of the Company’s employees in using the conference system, improve the quality of conference service guarantee, the Group has organised a series of conference operation trainings to ensure that its employees are proficient in the key operation of the conference system and the routine troubleshooting methods; in order to improve the staff’s knowledge and use of the cloud office products and improve the efficiency of online collaboration, the Group organised the cloud office training.

ZhengTong College (正通學院)

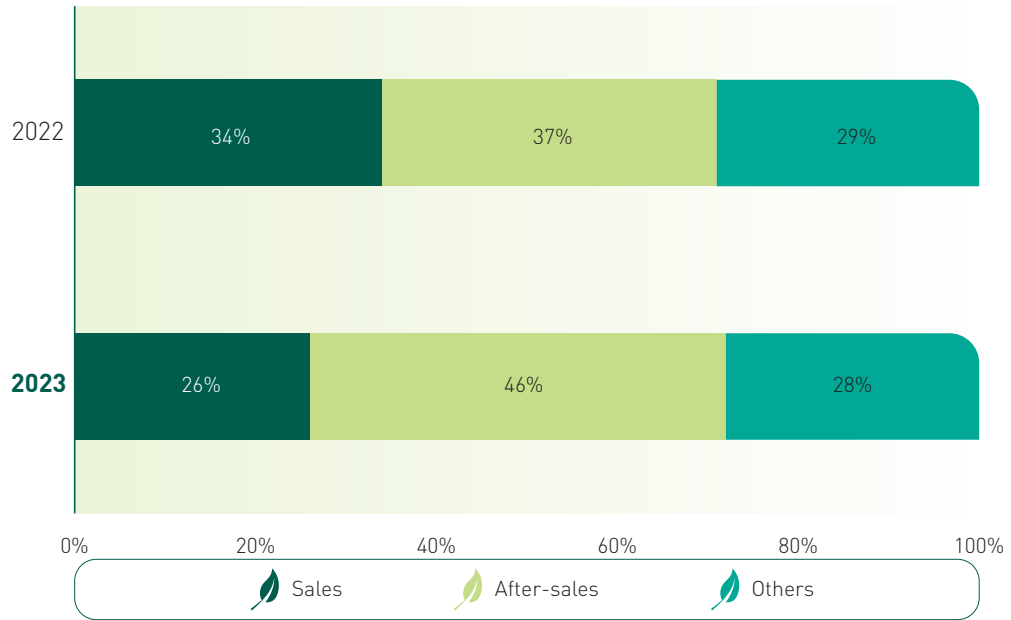
The Group established ZhengTong College in 2019, which is an internal college managed by ZhengTong Group. Our internal self-built learning platform utilizes internal and external lecturers, courses and other resources to actively roll out online and offline learning projects for various positions, which will constantly provide the Company with talents.

With the mission of becoming an employee growth consultant, business development partner, and business transformation catalyst, ZhengTong College aims to become a comprehensive, systematic, and professional training institution rooted in ZhengTong, and envisions transforming into an incubation base for talents and the accelerator for business growth. The Company’s talent training system has been effectively implemented in ZhengTong College, which provides personalised and systematic training for employees at different levels through online empowerment, front-line practice, and enhanced results, so as to help employees grow gradually and actively build a learning organisation. There are currently 7,663 internal and external online courses at ZhengTong College, covering the topics of improving the professional capabilities of new employees and on-the-job employees in various positions (sales, after-sales, marketing, customer services, etc.). During the reporting period, all employees of the Group have received training, with a total of 21,120 training hours. Other training-related indicators are disclosed in the chart below:

Percentage of employees trained by gender



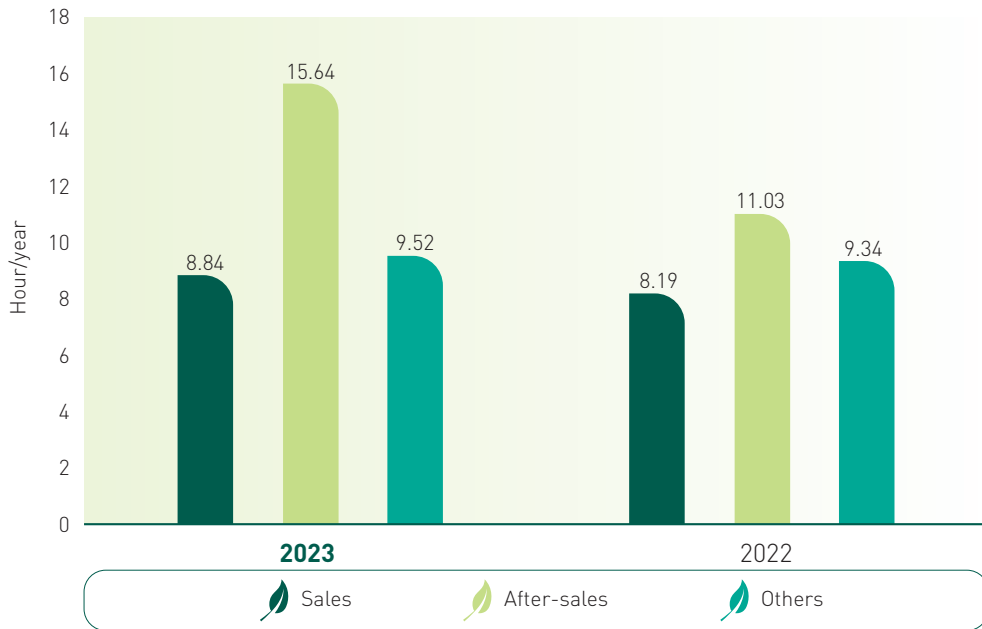
Percentage of employees trained by type of position



Number of training hours per capita by gender



Number of training hours per capita by type of position



Case:

The Group organised employee communication and feedback to improve employee working enthusiasm and satisfaction

In order to work on collaborative solutions to problems in store operations to improve employee working enthusiasm and satisfaction, the departments of administration, human resources, financial management, digital management and operations management organised weekly meetings, monthly meetings, semi-annual and annual employee debriefings and other forms of meetings by means of face-to-face meetings, teleconferences, and online video conferences in 2023, in order to exchange information and give feedback on their respective work, and have an in-depth discussion on the current operating status of the stores, and analyse the existing problems.



Career development

In 2023, the Group clarified career development paths through the Regulations Governing the Career Development of Employees of ZhengTong Auto, so that employees could understand their career development direction in the Company and thus enhance their abilities and skills in a targeted manner. The internal promotion mechanism is implemented in accordance with the following principles:

1. Fairness and impartiality: Promotion opportunities are open to all employees, with competence and performance as the main evaluation criteria.
2. Motivation and retention: Through internal promotion, employees are motivated to work harder with improved loyalty and working enthusiasm.
3. Diversified development: We encourage diversified development of employees by providing a variety of promotion channels to meet the promotion needs of employees in different positions and with different abilities. Specific operations include:
 - 1) Publication of promotion information: When there is a promotion opportunity, the Company will release promotion information to all employees through internal announcements, emails, etc.
 - 2) Self-recommendation and nomination: Employees can self-recommend or be nominated by others to participate in the promotion selection according to their own ability and performance.
 - 3) Review and assessment: The relevant departments will review and assess the participating employees, including their work performance, ability, performance, etc.

Internal promotion mechanism can help motivate employees to work harder, increase their working enthusiasm and loyalty, and also help the Company retain talented persons.

4.3 Occupational Health and Safety

The Group recognizes the importance of employee health and workplace safety, in order to avoid any accidents that may cause injuries or casualties in the course of our operations. During the reporting period, the Group has strictly complied with the relevant laws and regulations that have a significant impact on the Group such as the Production Safety Law of the People's Republic of China, the Prevention and Control of Occupational Diseases Law of the PRC and the Administrative Regulations on Personal Protection Equipment of Employers, and strives to provide employees with a safe, healthy and comfortable workplace.

The Group continues to strengthen safety production management and system development. The person in charge of each investee enterprise shall be the first person responsible for the safety production of the unit and shall bear the main management responsibility. In the preparation and revision of safety guidelines, we have identified the main security risks during operations and have taken corresponding risk control measures according to the characteristics of the risks. In the course of work, the Group identified the occupational health risks that the Company's employees may encounter in specific positions, especially the presence of some occupational disease hazards in car body spray and painting positions, mainly including dust, noise and harmful gases. If not properly prevented, such occupational disease hazard factors may lead to occupational diseases such as pneumoconiosis, noise deafness, and benzene poisoning. In this regard, the Group has taken active preventive measures, provided and distributed personal labor protection equipment, and allocated professional occupational disease protection equipment for personnel in special positions. The Group is gradually using materials which are more environmentally friendly, non-harmful or less harmful (e.g. the use of water-based paint for painting) so as to minimize bodily harm that these operations may cause to the staff.

We will also conduct regular inspection and maintenance of large-scale equipment such as lifts to ensure their safe operation. In 2023, the Group did not have any employees diagnosed with occupational diseases. At the same time, we have posted a warning sign of "Danger! Electricity!" on all power distribution rooms, power distribution cabinets, distribution boxes and other strong electrical facilities, and require that power distribution rooms and distribution cabinets shall be locked with the key kept by personnel with electrical qualifications and strong electrical facilities shall be operated by them.



In view of the possible food safety risks in self-operated canteens, we require maintenance of samples daily and strictly manage and examine the hygiene of such canteens and chefs. In view of the explosive danger of gas use, the Group provides uniform training on the safe use of gas for staff and regularly examines their use. Additionally, we actively hold emergency drills on various security incidents including environmental hazardous chemical emergency training, fire fighting training and organise and hold related seminars.



Wuhan Baoze production safety and fire safety training



Wuhan Yuechi production safety training

To address fire accidents, the Group has always considered prevention as the first line of defense and persistently promotes fire prevention awareness and provision of fire extinguishing equipment. On the other hand, we designate fire control responsible officers, and ensure that evacuation routes and safety exits are constantly accessible. The electrical wiring must be in strict compliance with regulations. Furthermore, fire extinguishers (powder and carbon dioxide) and other basic fire control equipment must be in good condition and thorough inspections are carried out every month and maintenance records are kept.

During the reporting period, the Group cooperated with the fire safety training centre to regularly hold fire safety training. Meanwhile, we also collaborated with the fire brigade to carry out fire drills. Through firefighting simulations and evacuation drills, the safety awareness and emergency response ability of our staff and customers have been strengthened. In addition, we organise fire drills covering all employees in May and November each year and organise special training on fire safety for all production safety-related personnel of all investee enterprises in November. In 2023, a total of 280 emergency drills on firefighting, environmental protection and others were organised by all investee enterprises, with 100% personnel coverage.

Case:

ZhengTong headquarters launched a series of fire drills and fire fighting training activities

On 17 November 2023, according to the deployment of ITG Holding's "119 Fire-fighting Publicity Month" activities, ZhengTong headquarters launched a series of fire drills and fire fighting training activities. Jiang'an Brigade of Wuhan Fire Prevention Branch was invited to guide the drill and conduct training publicity. More than 350 personnel administration managers, safety managers, volunteer fire chiefs and firefighters from all investee enterprises participated in the training through a combination of online and offline ways.



During the reporting period, the Group organised different types of health and safety educational programs, including trainings, safety knowledge quizzes and competitions. The Group also regularly examined the compliance of safety guidelines of the stores and vehicle maintenance workshops, so as to ensure all certificates required by laws and regulations have been obtained or renewed. In addition, we also invited external safety supervision. Qualified suppliers conduct fire inspection on the fire protection systems and issue an annual fire inspection report on a yearly basis.

The Group's logistics segment regularly conducts traffic safety and vehicle transport safety and health training for suppliers and partners. In 2023, the vehicle logistics department conducted 101 safety trainings and 101 rectifications, with a rectification rate of 100%, and there were no major safety accidents throughout the year.

The Group has strictly complied with the health and safety work requirements. During the reporting period, the aggregate number of work-related injuries was 8, and number of working days lost due to such injuries was 225. After the occurrence of work-related injuries, the Group communicated with the relevant employees and departments in a timely manner to understand the reasons for the accident and the post-injury treatment, and used these cases to strengthen occupational health and safety education. During the reporting period, there were no violations of laws and regulations in terms of production safety and occupational health and safety.

The number and percentage of work-related deaths in the past three years are as follows:

	2023	2022	2021
Number of work-related deaths (Person)	0	1	0
Percentage of work-related deaths (%)	0	0.01	0

5

LOW-CARBON OPERATION AND GREEN DEVELOPMENT

The Group is dedicated to adopting environmentally friendly operation methods as much as possible so as to reduce emissions and energy consumption, ultimately achieving the goal of minimizing the negative impacts of operating activities on the environment. The construction and operation of operating premises of the Group, such as maintenance centres and showrooms, and product marketing campaigns held outside its operating premises have strictly complied with the relevant laws and regulations that have a significant impact on the Group such as the Environmental Protection Law of the PRC, the Environmental Impact Assessment Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes.

5.1 Efficient Use of Resources

Energy consumption management

The Group attaches great importance to resource conservation. It continuously improves the management system in energy consumption management and optimizes energy conservation measures, to improve the efficiency of our energy and resource utilization. The measures taken include:

- When there is good daylight, the indoor light shall not be turned on; the outdoor lighting, light boxes, etc. are equipped with smart devices; there are specialised personnel arranged to be responsible for implementing switch-standards for high-power lighting fixtures such as spotlight and metal halide lamps etc. in the exhibition hall according to the level of sunshine in the stores, and checking the closure after work to reduce the opening time of high-power lighting fixtures;
- The Group has strengthened the management of office equipment. Equipment not in use shall be turned off in a timely manner, so as to reduce the power consumption and standby power consumption of electronic office equipment;
- Switch-standards are formulated for central air-conditioner according to the local climate, with a specialised personnel arranged to implement such standards, so as to minimize the use of central air-conditioner, and reduce its power consumption;
- There are specialised personnel arranged to control the inlet and outlet water temperature of the central air-conditioner according to the room temperature of the customer area;
- Through multi-department collaboration, the Group improved the efficiency of the paint room by concentrating its time schedule to reduce frequent temperature change;



- It is recommended to use energy-saving products such as LED lamps for newly-installed or renovated equipment and lighting fixtures, and the energy efficiency of high-power electric appliances shall not be higher than Grade 3;
- The energy-saving renovation is carried out on high-power facilities and equipment with a long remaining service life.

Shops of the Group are the major users of energy, including electricity and gas for kitchens and heating in northern China, the details of which are set out in the table below. The comprehensive energy consumption is 59,476.22 MWh. During the reporting period, four shops, including Hubei Aoze, have obtained ISO14001:2015 Environmental Management System Certification.



ISO14001:2015 Environmental Management System Certification obtained by Hubei Aoze



ISO14001:2015 Environmental Management System Certification obtained by Shenzhen Aoze



Energy consumption of the Group

	2023	2022
Electricity (0'000 kWh)	2,774.24	2,919.49
Average electricity consumption per store ⁴ (0'000 kWh/store)	53.35	63.11
Natural gas (for canteen) (0'000 m ³)	4.45	6.22
Average natural gas (for canteen) consumption per store ⁵ (0'000 m ³ /store)	0.74	1.24
Natural gas (for heating) (0'000 m ³)	18.88	25.20
Average natural gas (for heating) consumption per store (0'000 m ³ /store)	4.7	6.30
Liquefied gas (0'000 liters)	213.07	595.28
Average liquefied gas consumption per store ⁶ (0'000 liters/store)	26.63	66.13
Diesel oil — vehicles ⁷ (0'000 liters)	1.94	0.68
Unit energy consumption of diesel-powered vehicles (liters/100 km)	10.34	9.90
Diesel oil — paint room (0'000 liters)	0.47	/
Gasoline ⁸ (0'000 liters)	134.16	61.37
Unit energy consumption of gasoline-powered vehicles (liters/100 km)	10.76	11.73

⁴ The "average per store" here is the number of stores participating in environmental data collection as the denominator, which is 52 for 2023, 47 for 2022.

⁵ The "average per store" here is the number of stores with natural gas consumption and canteen as the denominator.

⁶ The "average per store" here is the number of stores with liquefied gas consumption as the denominator. The Group's stores offer staff meals and guest meals, and the decrease in the consumption of liquefied gas is due to the decrease in the number of diners in the relevant stores.

⁷ The increase in the consumption of diesel oil for vehicles is mainly due to the expansion of the statistical coverage of stores in this report and an increase in the business volume of each store in 2023.

⁸ The increase in the consumption of gasoline for vehicles is mainly due to the expansion of the statistical coverage of stores in this report and an increase in the business volume of each store in 2023.

Case:

Distributed photovoltaic project in Wuhan Shengze Logistics Park

In June 2023, ZhengTong Auto and ITG New Energy under CCRE Group jointly established Hubei Guomao New Energy Technology Co., Ltd. (湖北國貿新能源科技有限公司) in Wuhan to expand photovoltaic and energy storage related businesses with Wuhan as center. The distributed photovoltaic project in Wuhan Jieyuehang Supply Chain Industrial Park is the first collaborative project between the two parties. It is expected that after the project is completed and connected to the grid, it is estimated that it will save approximately 2,104 tonnes of standard coal and reduce carbon dioxide emissions by approximately 5,767 tonnes per year based on an annual power generation of 7 million kWh, which will make a positive contribution to the green energy transformation of Wuhan City and the sustainable development of the Company.



Design sketch of distributed photovoltaic project



Use of water resources

Saving water resources is not only a reflection of protecting the environment and fulfilling social responsibilities, but also the foundation for safeguarding its own development and the source of life. In terms of water resource utilization, each shop has adopted a series of measures to strengthen the daily maintenance and management of water supply equipment:

- In terms of workshop floor cleaning, the recommended procedure is to clean by mop at first, and then use tap water to flush, so as to reduce the flushing frequency;
- Turn off the faucet in time after use to prevent leakage and ongoing running water;
- Once the faucet and other water supply equipment are found damaged, the administration department shall be notified promptly to contact relevant professionals for repair;
- Stick water-saving signs in the tearoom and hallway;
- Inspect and examine areas such as bathrooms, air-conditioning plant rooms, fire pump rooms, boiler rooms on a regular basis, repair and replace leaking pipes in time to reduce unnecessary water consumption.

In addition, the water consumption of the Group in 2023 amounted to 345,474 tonnes, with an average of 6,643.73 tonnes per shop. The decrease in average water consumption per shop in 2023 was mainly attributable to the decrease in renovation projects compared to 2022 and the active promotion of the use of water-saving appliances by each shop.

Some shops have conducted kinetic energy analysis based on the energy consumption and water resource use data in previous years to understand the actual energy consumption and water use. In the future, the Company will formulate specific energy and water consumption goals based on the actual situation and development needs of the shops, and continue to refine improvement measures, schedules, and responsibility allocation to achieve better energy consumption and water consumption performance.

Use of packaging materials

The Group actively facilitates the conservation and recycling of packaging materials, simplifies packaging structures to reduce unnecessary material use, and selects packaging materials that are recyclable, degradable or environmentally friendly. The main packaging material requirements for each shop involve the packaging of automotive parts and interiors.

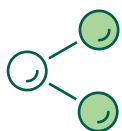
Use of packaging materials by the Group

	2023
Total packaging materials (tonne)	110.75
Carton (tonne)	88.40
Board (tonne)	19.98
Plastics (tonne)	2.36
Density of packaging materials (tonne/shop)	2.13

5.2 Green Office

We actively advocate for employees to practice the concept of green and low-carbon, and work together with employees to create a green office environment. For the hardware and operation of our shops, we actively implemented green construction and green operation. 11 shops, including Xiangtan Baoze, Changsha Ruibao, Zhuhai Baoze and Shenzhen Baotaihang, have obtained green power certificates with a total of 5,998 MWh of electricity generated by renewable energy. In particular, Guangzhou Baoze and Shenzhen Baotaihang have realized carbon neutrality.

In 2022, BMW launched the “BMW Green Star” program to build a sustainable retail network from four aspects: green environment, green energy, green operation and green practice. Shangrao Baoze, Xiangtan Baoze and Zhuhai Baoze, the first batch of BMW Green Star dealerships of ZhengTong Auto, have been upgraded and renovated since July 2022. As of the end of 2023, the Group had a total of 14 renovated BMW Green Star shops. These renovated stores provide customers with an environmentally-friendly, safe and comfortable new experience by adopting sustainable design, using efficient equipment, reducing resource waste, and using green furniture and building materials.



New and multi-dimensional display: The new exhibition hall adopts the new green design concept, and divides the scene and function into five core areas, namely, the highlight model exhibition area, the product collection exhibition area, the X model exhibition area, the new energy model exhibition area, and the large luxury car exhibition area. Such new display is clear at a glance.



Green and environmentally-friendly design: The Shop integrates a simple and luxurious design style into physical services and digital touch-points with bright light tones in general. In terms of material selection, we select wall materials that are 100% degradable, and furniture with environmental certification, which fully reflects BMW’s sustainable concept. As a result, we create warm and comfortable immersive experience for customers in an all-round way from hardware to software.



Digital technology application: Digital technology is enhancing customer experience. Through the electronic service screen, customers can browse detailed information such as product parameters and prices. Through MR devices, customers can see the overall structure of the vehicle, including motor structure, electromagnetic structure and unique vehicle configurations.



Comprehensive product presentation: Through the deep integration of real scenes and virtual environments, we create a new visual and digital sales environment that fully displays the vehicle chassis structure, power drive systems, body materials, aerodynamics and driving assistance systems.

In 2023, each shop of the Group also organised environmental protection and energy conservation knowledge training for all employees, with a total of 5 training hours. We have mainly implemented the following green office measures:

- Encourage recycling of printing paper and the use of used paper while printing internal communication documents;
- Reuse the toner cartridge for laser printers, and fill the used toner cartridge with toner powder to reduce the consumption of toner cartridge;
- Promote the replacement of office supplies with old ones and encourage the administration department to reuse old office supplies to reduce usage of daily office supplies;
- Each shop uses glass cups instead of disposable paper cups for daily receptions;
- Establish IT consumables management system and use paperless office system;
- Water purifier is used in the store instead of bottled water;
- Purchase and install charging pile equipment, and require the use of new energy vehicles for in-store receptions and office trips to reduce oil consumption;
- Use induction sanitary ware, purchase phosphorus-free hand sanitizer and car wash fluid;
- Use degradable materials and reusable three-piece set for vehicle maintenance and reception.



Reminder for air conditioning temperature setting and turning off lights when leaving



No provision of disposable paper cups, and less provision of bottled water



Eco-friendly lunch box for customers



Sample for reusable three-piece set

5.3 Waste Management

The Group's business involves the after-sales repair and maintenance of automobiles, which inevitably generate emissions. We have taken measures to reduce pollutant emissions from different dimensions and channels.

Solid waste management

In terms of hazardous waste management, special venues for the disposal of waste are set up in each shop. Warning signs are also placed outside the venues and the containers. Each shop has produced a hazardous waste storage zoning map as required for regulated classified and zoned storage, and clearly defined responsible departments and individuals to prevent staff and customers from undue exposure. Each of our shops has entered into a disposal agreement with qualified hazardous waste management providers, and arranged relevant person-in-charge to inspect and file the post-sales hazardous waste account on a monthly basis to ensure that our disposal process is standardized and the treatment process is strictly in accordance with national and local environmental protection policies. The qualification of relevant providers will be regularly checked on relevant websites by the administration department of each district to ensure that they are still authorized by the government to handle wastes to prevent any potential hazards.

In terms of non-hazardous waste emission, the Group requires each store to conduct garbage sorting, separating recyclables, kitchen waste, and other waste for proper disposal. By promoting resource recycling and reuse practices, such as encouraging the reuse of used paper within the store, we can significantly reduce energy consumption, mitigate environmental pollution, and effectively drive the achievement of waste reduction goals within the Group.

In terms of electronic waste disposal, each dealership store may take measures to return the electronic components equipped in vehicles to the original manufacturer for professional disposal based on actual circumstances. As for electronic waste from office equipment, such as computers, fax machines, copiers, and printers that are no longer usable or repairable, store will hand over the authorised waste recycling facilities for proper recycling and environmentally friendly disposal.

We actively promote the timely learning of environmental-related regulations and policies among all stores, such as the 2023 new solid waste storage labeling revised document (2023年新固廢貯存標識修改文件) and environmental-related documents and notices issued by the government, continuously enhance employees' understanding of management standards and environmental laws and regulations, and further strengthen the sense of responsibility of all employees in environmental practices.



Garbage Sorting

During the reporting period, the Group generated 1,534.76 tonnes of hazardous waste (2022: 1,020.90 tonnes) with store average hazardous waste emission intensity of 29.51 tonnes/store (2022: 21.72 tonnes/store) and generated 260.26 tonnes of non-hazardous waste with store average non-hazardous waste emission intensity of 4.91 tonnes/store. The increase in store average hazardous waste was mainly due to the increase in the number of statistically covered stores during the reporting period and increase in the business volume of each store in 2023.

Wastewater and air emission management

The Group strives to conduct preliminary treatment of the generated emissions through technical means, so as to further reduce environmental impacts. Each store actively introduced and installed the VOCs photo-oxygen purification equipment to the premises where exhaust gas was generated during the maintenance process, including the spray booth, and the exhaust gas produced was then treated before being discharged. The stores were also equipped with emission equipment monitoring facilities to monitor the rationality of emission data in real time.

In addition, the Group has actively responded to and complied with administrative rules introduced by the government and industry and promoted the use of environmentally friendly materials. Each of our stores used well-known branded water-based paint in the paint booth, which not only ensures the quality of vehicle maintenance, but also reduces the negative impact on the environment. We gradually replaced water mills with dry grinding to process the paint surface of the vehicle and stepped up our efforts to complement and promote waterless vehicle technology, which improved work efficiency and reduced the generation of sewage. We pretreated the generated wastewater, adopting measures such as wastewater oil filtration and three-level sedimentation tank filtration to discharge to the municipal sewage pipeline after the standard is met. Based on their actual conditions, all stores strived to achieve diversion of rainwater and sewage, and to recycle rainwater after simple treatment to ensure the maximum use of resources.

To establish a sound environmental emergency response mechanism, the Group has required each store to formulate internal systems such as the On-site Emergency Response Plan for Environmental Accidents in respect of potential unexpected environmental incidents (such as leakage of chemicals and materials, abnormality of exhaust gas and waste water treatment facilities, exceeding of discharge limits, etc.), to ensure rapid, orderly and efficient emergency response, control, mitigation and elimination of environmental hazards by each store. The Group has established an on-site emergency response team for unexpected environmental accidents, with the team leader responsible for understanding and grasping the situation at the scene of the accident and directing the specific work of emergency rescue, while on-site operators and members of the emergency response team maintain the order at the scene and take corresponding measures in light of the actual accident situation. In the event of abnormalities in wastewater treatment facilities, it is required to launch a response plan at the scene rapidly, stop the discharge of sewage and keep the wastewater in the regulating tank, report to the emergency command department of the enterprise, and arrange for the inspection and repair of the equipment.

During the reporting period, the Group invested a total of RMB2.9775 million in environmental protection.

Besides the repair process, because the Group provides rescue vehicles, test-drive vehicles and scooters to customers, and uses natural gas in vehicles and for business premises and canteens in daily work, the emissions of nitrogen oxides, sulfides and particulate matter produced during 2023 were as follows:

	2023	2022
Nitrogen oxides emissions (kg)	1,341.45	1,157.75
Shop average nitrogen oxides emissions ⁹ (kg/shop)	25.80	24.63
Sulfide emissions (kg)	61.96	65.48
Shop average sulfide emissions (kg/shop)	1.19	1.39
Particulate matter emissions (kg)	123.77	124.37
Shop average particulate matter emissions (kg/shop)	2.38	2.65

In the future, we will gradually establish and improve the management system to manage and control waste reduction and emission reduction targets.

⁹ Given an increase in the business volume of each shop in 2023, the mileage of new cars for test drives also increased compared to the previous year.

5.4 Response to Climate Change


Climate change has become a common challenge for human society. Adaptation to climate change has become a key issue pending to be addressed by the international community, especially by developing countries. Strengthening the ability to cope with climate change is an important element of China’s national economic and social development, and will become an important driver for promoting the establishment of ecocivilization and achieving high-quality development. With reference to the TCFD (Climate-related Financial Disclosures) framework, the Group has gradually conducted an in-depth assessment, strategic planning and risk management of potential risks and opportunities arising from climate change, based on which the Group has identified and managed the corresponding indicators and targets, and actively adopted countermeasures, so as to further promote the sustainable development of the enterprise.

Governance

A dedicated ESG Committee has been established under the Board to identify, evaluate and supervise all issues related to climate change. The Committee takes corresponding actions and measures according to the level of risk to ensure that the Company effectively implements and achieves its established climate action target. At the management level, the ESG working team under the ESG Committee conducts in-depth identification and research on the potential impacts of climate change on business operations, facilitates the implementation of specific initiatives, and regularly reports to the ESG Committee on the abovementioned significant matters and provides recommendations. For details, please refer to the section “Sustainability Management” in this report.

Strategy

Climate-related risks can be divided into transition risks arising from the transition to a low-carbon economy and physical risks arising from climate change. Transition risks can be divided into policy and regulatory risks, market and technology risks, and reputational risks. Physical risks include acute physical risks (e.g. extreme weather such as typhoons and floods) and chronic physical risks (referring to long-term changes in climate patterns such as sea level rise, persistent high temperature).

Category		Climate-related risk	Countermeasures
Physical risks	Acute 	<ul style="list-style-type: none"> Extreme weather events in existing locations such as floods, typhoons, high temperatures, etc., which may damage inventory vehicles, damage facilities, and even affect the health and safety of employees and customers. It may lead to problems in certain links of the supply chain, such as raw material shortages and transport delays, which may have an impact on the shop’s inventory management and sales. 	<ul style="list-style-type: none"> Stores in each region have formulated emergency management measures according to local climate characteristics and the frequency of extreme weather events, conducted irregular drills, and taken measures such as increasing waterproof facilities and installing back-up power generation equipment to strengthen the disaster resilience of the infrastructure. Building close partnerships with suppliers and considering diversified supply chains to reduce dependence on a single supplier or region to jointly cope with the impacts of climate change on the supply chain.

Category	Climate-related risk	Countermeasures
Transition risks	<p>Chronic</p>  <ul style="list-style-type: none"> Long-term climate change trends (such as sustained high temperatures or changes in precipitation patterns, etc.) may have a profound impact on dealership businesses. For example, hotter weather could lead to increased consumer demand for equipment such as car air conditioners, while drier climates could affect the fuel efficiency of vehicles. 	<ul style="list-style-type: none"> Launching customised after-sales maintenance programmes and services for new climatic environments, such as enhanced maintenance checks on air-conditioning systems and seasonal inspection services to ensure that vehicles can maintain good performance in extreme climatic conditions; Strengthening and improving online sales channels and service platform construction to adapt to the trend that consumers may reduce offline activities due to extreme weather.
	<p>Policy and law</p>  <ul style="list-style-type: none"> Tightening of policies to address climate change, such as the increase in emission standards and the adjustment of subsidy policies for new energy vehicles. 	<ul style="list-style-type: none"> Keeping a close eye on the policy changes and timely adjusting the sales strategy, such as strengthening support and promotion of supporting charging facilities for new energy vehicles to follow the general trend of energy conservation and emission reduction.
	<p>Technology</p>  <ul style="list-style-type: none"> The development and application of new energy technologies could change the landscape of the automotive industry as it moves towards a more low-carbon transition path. 	<ul style="list-style-type: none"> Conducting staff training on new technologies and investing in the necessary technological upgrades and service facilities to adapt to and support the development needs of new energy vehicles and intelligent vehicles.
	<p>Market</p>  <ul style="list-style-type: none"> With a focus on green and low-carbon, consumers will favour more energy-efficient and environmentally-friendly models, which may affect the demand for automobiles in the market. 	<ul style="list-style-type: none"> Studying market trends, promoting the electric vehicle dealership business, actively introducing hybrid and electric vehicles from brand manufacturers to fulfil customers' changing needs for car purchase.
	<p>Reputation</p>  <ul style="list-style-type: none"> Increased public attention to climate change issues may create negative perceptions on dealerships who do not take proactive measures. 	<ul style="list-style-type: none"> Participating in or initiating environmental activities to enhance brand image; Enhancing consumer's satisfaction and loyalty by introducing consumers about the impact of climate change and how to better use and maintain their cars in different climatic conditions.

Risk management

In terms of climate change risk management, ZhengTong Auto places emphasis on identifying and evaluating the risks that may be brought by climate change, and actively analyses and grasps new opportunities in the green economy. The Group integrates climate risks comprehensively into its ESG strategy and risk management system to ensure the coordination between business growth and environmental sustainability. In this regard, we optimise energy management practices in our stores, improve the energy efficiency of store lighting, air-conditioning and other equipment, actively respond to industry transition trends by increasing the layout of new energy vehicle product lines to reduce pollutant emissions and carbon footprint. By continuously improving risk targets and management systems, we are committed to promoting energy conservation and emission reduction throughout the supply chain, supporting the Group's steady transition to a sustainable business model and enhancing industry competitiveness and resilience.

Indicators and targets

In the face of climate change challenges, we identify and monitor indicators related to climate-related risks, including greenhouse gas emissions (scope I) and greenhouse gas emissions (scope II), and conduct the collection of annual statistics and disclosures of relevant data to provide data support for efforts to address climate change. To ensure effective monitoring and management of these indicators, we plan to continue to promote the establishment of a dedicated environmental and energy efficiency management department to collect and analyze relevant data on a regular basis, and gradually promote the setting of energy consumption target.

Table: Greenhouse gas emissions performance¹⁰

	2023	2022
Carbon dioxide equivalent (scope I) (tonne)	7,441.92	12,994.77
Shop average carbon dioxide equivalent (scope I) (tonne/shop)	143.11	276.48
Carbon dioxide equivalent (scope II) (tonne)	13,034.98	16,082.60
Shop average carbon dioxide equivalent (scope II) (tonne/shop)	250.67	342.18
Total carbon dioxide equivalent (tonne)	20,476.90	29,077.37
Shop average carbon dioxide equivalent (total) (tonne/shop)	393.79	618.67

The Group actively implements optimization plans and measures to improve energy efficiency, and encourages relevant departments such as stores and repair centres to reduce unnecessary energy consumption and waste of water resources by adopting energy-saving equipment and optimizing operation models. In light of changes in market dynamics and policy environment, the Group will continue to review the existing climate action plans, adjust energy conservation and emission reduction targets and implementation strategies in a timely manner according to the actual situation, improve the maximization of energy efficiency in the overall business operations, and actively respond to and contribute to global efforts to combat climate change.

¹⁰ Direct GHG emissions are calculated based on the Appendix 4 of the China Energy Statistics Yearbook 2020, GHG Protocol and the Energy Statistics Workbook (Department of Energy, National Bureau of Statistics, 2010). Indirect GHG emissions are calculated based on the national grid emission factors in the "Notice on Implementing Effective Management of Greenhouse Gas Emissions Reporting of Enterprises in Certain Key Industries for 2023-2025" published by the Ministry of Ecology and Environment of the People's Republic of China.

6. PRACTICING PUBLIC WELFARE AND BUILDING A HARMONIOUS SOCIETY

ZhengTong has always regarded the philosophy of “business wealth from society and for society” as an important part of its corporate culture, constantly explored ways to better integrate into society, gather the power of kindness, and take responsibility. Community investment is the driving force for the Company’s continuous development in the future, while practicing social welfare can help shape a good corporate culture and public image. Therefore, ZhengTong has proactively participated in local community development, organised and encouraged its employees to take part in a wide range of charity activities. During the reporting period, we organised a total of 35 public welfare activities, with more than 184 volunteers, a total of more than 162 hours of voluntary services, and a total donation amount of RMB308,400.

Case:

The Group’s made concerted efforts to aid the Gansu Earthquake

In 2023, we combined own advantages to provide support and protection to the communities affected by the earthquake in Gansu in many aspects, and the Party Committee of the Company and the federation of system trade unions appealed to all employees to actively provide support, and convey love and care to the victims in the disaster-stricken areas. In 2023, 2,433 employees of the Company invested a total of RMB207,000 in aiding the earthquake-affected communities in Gansu to help the victims tide over the difficult times.



Case:

Zhengzhou Aoze won the “2023 Semi-Annual Best Social Responsibility” award in Audi Manufacturers East District Area

Zhengzhou Aoze actively participates in various public welfare activities. Given the increasing use of clinical blood after the Spring Festival in 2023, there was a severe shortage in the inventory level of Zhengzhou Blood Center. In this regard, Zhengzhou Aoze decisively reached out to help by launching a call for voluntary blood donation. 46 employees expressed their great love by donating 13,800CC of blood, which demonstrated the love and social responsibility of the employees of Zhengzhou Aoze. In August 2023, Zhengzhou Aoze won the “2023 Semi-Annual Best Social Responsibility” award in Audi Manufacturers East District Area.



Case:

Changsha Ruibao paid attention to the underprivileged groups and carried out a number of public welfare activities in 2023

Changsha Ruibao was concerned about the underprivileged groups, and advocated shouldering of corporate social responsibility. It carried out public welfare activities focusing on the left-in-hometown children, the elderly living alone and children traffic safety knowledge popularity. It also joined hands with BMW to establish BMW Children's Delightful Home at Huinong Primary School in Changsha County, calling on car owners and social forces to pay joint attention to the growth and companionship of left-in-hometown children, bringing peace of mind and care to the scene by carrying out the BMW Love Games, and launching a seminar on children's traffic knowledge. In 2023, a total of six related activities were carried out, with 100 car owner participants.



INDEX OF DISCLOSURES

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Aspect	Content	Chapter of this report	
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	Reporting principles	About this Report	
	Reporting boundary	About this Report	
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A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	5.	Low-carbon Operation and Green Development
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	5.	Low-carbon Operation and Green Development
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	5.	Low-carbon Operation and Green Development
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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.	5.	Low-carbon Operation and Green Development

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B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	4.	Caring for Employees and Growing Together
B1.2	Employee turnover rate by gender, age group and geographical region.	4.	Caring for Employees and Growing Together
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Note 1: The Group's business activities involve little natural resources, and accordingly this aspect is determined to be immaterial.



**CHINA ZHENG TONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司**