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

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

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Stock Code : 1728

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## ABOUT THIS REPORT

#### Introduction

This report is the ninth 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 environmental, social and governance management practices and achievements in 2024.

#### **Basis of Preparation**

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Code 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 (2025) is expected to be released in 2026.

#### **Reporting Principles**

In preparing and disclosing the ESG Report, the Group has fully taken into account of 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 Code" 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, and the statistical scope will be further expanded in the future.

**Balance principle:** This report strives to disclose the Group's 2024 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.

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• **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 equivalent comparisons.

#### Scope of the Report

This report discloses the Group's environmental, social and governance management approaches, measures and performance from 1 January 2024 to 31 December 2024 (hereinafter referred to as the "Reporting Period"), and a portion of its contents covers historical activities before the release of this report.

This report focuses on reporting on the Group's environment and social policies in relation to the sales of mid-to-high-end 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 statistical information. The environmental elements of the statistics consist of the automobiles sales and after-sales services, being the 4S/5S stores, which had the most significant impacts on the environment. Compared with previous years, the Group has further expanded the coverage of store data collection. 78 typical stores (2023: 52, 2022: 47, 2021: 45) were selected based on their geographical locations, opening times, cooperative automotive brands and single store sales, etc.

#### 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. 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.

We have established and improved the ESG governance system, and the board of directors leads and participates in the review and decision-making mechanism on major ESG issues, including approving annual ESG reports, identifying and evaluating ESG risks, supervising management to formulate ESG strategies and policies, establishing relevant work plans and check and adjust as appropriate.

Based on the external environment and the Group's development strategy, the Group combined the requirements of disclosure standards, capital market concerns and communication with stakeholders, identified key ESG issues including: product liability, supply chain management, information security and privacy protection, among others and conducted focused reviews and performance improvement in daily life. In the future, We will continuously improve the level of sustainable development based on the expectations of stakeholders and the actual operation of the Group.

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.

### SUSTAINABILITY MANAGEMENT

#### 1.1 Business and ESG Governance

#### Business of the Group

The Group is committed to developing a one-stop automobile service platform, and its business mainly includes

- the sales of mid-to-high-end branded automobiles;
- after-sales services (including maintenance, repair and sales of auto spare parts);
- post-market businesses (including insurance brokerage, pre-owned automobiles trading, e-commerce platform and other high value-added businesses);
- supply chain business, covering automobile logistics and trading of auto maintenance supplies, etc.

As of 31 December 2024, the Group had 93 dealership stores in 36 cities across 15 provinces and municipalities in China, and, at the same time, was authorized to develop 5 additional dealership stores, which are respectively from one mid-to-high-end brand and four relatively stable new energy independent brands in the domestic market. Specifically, they include one Land Rover 4S store, one AITO 4S store, two Chery iCAR 4S stores and one JETOUR 4S store.

#### Governance of the Group

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Group also fully acknowledges that good corporate governance is extremely important for its success and sustainable operation. The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Corporate Governance	Our practices
Board of Directors	• The Board of Directors considers diversity among board members from multiple perspectives, including professional experience and qualifications, gender, age, race, culture, educational background, and other factors. As of the end of the Reporting Period, the Board consists of four executive directors and three independent non-executive directors, including two female directors.
	• The roles of Chairman and Chief Executive Officer are held by different individuals. The Chairman is primarily responsible for leading and ensuring the orderly and regulated operation of the Board, while the Chief Executive Officer is primarily responsible for the business development and day-to-day operational management of the Company.

Corporate	
Governance	Our practices
	<ul> <li>The Board has established four specialized committees to oversee specific aspects of the Company's affairs: the Remuneration Committee, the Nomination Committee, the Audit Committee, and the Environment, Social, and Governance (ESG) Committee. Each committee has clearly defined written terms of reference.</li> </ul>
	• During the Reporting Period, the Board held ten meetings, and the specialized committees collectively held twenty meetings. The attendance rate of directors required to attend each meeting was 100%.
Risk Management and Internal Controls	<ul> <li>During the Reporting Period, the Group continuously provided directors with the latest information on legal and regulatory developments, as well as changes in the business and market environment, to assist incumbent directors in better fulfilling their duties. During the Reporting Period, all incumbent directors participated in appropriate continuing professional development through attending training courses or reading materials related to the Company's business and the responsibilities of directors.</li> <li>The Board monitors the risk management and internal control systems principally through the Internal Audit Department of the Group, and is committed to conducting, at least annually, a review on the effectiveness of the risk management and internal control systems so f the risk management and compliance controls such as the governance structures, adequacy of staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.</li> </ul>
	• The Board, through the Audit Committee, has conducted an annual review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2024. The Board considers the current systems to be generally effective and adequate.
Communications with Shareholders and Investors	• The Group strives to maintain a high level of investor access through a range of investor relations activities, including teleconferences, one-to-one meetings, roadshows and site visits. The Group also regularly meets with institutional investors from overseas and Mainland China to keep the investors abreast of the major developments and strategies of the Group.

For more information on corporate governance, please refer to the Group's 2024 Annual Corporate Governance Report.

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#### ESG Strategy of the Group

The Group highly values the harmonious relationship among people, operating efficiency and the environment. In the pursuit of business and profit growth, the concept of sustainability is incorporated in 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 are dedicated to continuously enhancing 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. 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 Wang Mingcheng, chairman of the Board of the Group, serving as the chairman of the committee, and its members are Huang Junfeng, the Executive Director, and Chen Hong, the Chief Executive Officer. 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.

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 Party Committee Office, the human resources department, the administration department, the securities department, the legal department, the strategic investment management department, the digital management department, the internal audit department and the supervision office, etc, covering all relevant departments involved in the Group's operation and management, and it is an indispensable execution party for the sustainable development of the Group.



#### 1.2 Stakeholder Engagement

Stakeholders of the Group in respect of environmental, social and governance interests include external and internal stakeholders. The external stakeholders involve suppliers and partners, customers, shareholders/investors, governments and regulators and communities where the medias and businesses are operated. Internal stakeholders, in addition to the Board and senior management of the Group, also include the middle management and a large number of general staff. Through interviews, online questionnaires, participating in the compilation of the report, etc., the Group continues to ensure the participation of stakeholders and understand their expectations and aspirations.

Stakeholders	Concerned issues	Communications and responses
Governments and regulators	<ul><li>Compliant operation</li><li>Economic performance</li></ul>	<ul> <li>Regular information submission</li> <li>Accept assessment and</li> </ul>
	<ul> <li>Safety and environmental protection</li> <li>Employment promotion</li> <li>Integrity and anti-corruption</li> </ul>	<ul> <li>supervision</li> <li>Compliant operation and management</li> </ul>
Investors/shareholders	<ul> <li>Economic performance</li> <li>Information transparency</li> </ul>	<ul> <li>Increase information disclosure</li> <li>Shareholders' general</li> </ul>
	<ul> <li>Business strategy and financial performance</li> <li>Protection of shareholders' rights and interests</li> </ul>	<ul><li>meetings</li><li>Investor survey and reception</li></ul>
Suppliers and partners	<ul> <li>Responsible supply chain</li> <li>Mutual benefit and win-win</li> <li>Industry cooperation and development</li> </ul>	<ul> <li>Publish the supplier management regulations</li> <li>Sign a cooperation agreement</li> <li>Day-to-day business communications</li> </ul>
Consumers	<ul> <li>Information security and privacy protection</li> <li>Customer rights and interests protection</li> <li>Responsible marketing</li> <li>Product quality</li> </ul>	<ul> <li>Consumer satisfaction survey</li> <li>Multi-channel complaints reporting and feedback</li> </ul>

Stakeholders	Concerned issues	Communications and responses
Media	Economic performance	• Company website and social media
	<ul> <li>Industry cooperation and development</li> <li>Responsible marketing</li> <li>Development planning</li> </ul>	• Organise activities
Staff	<ul> <li>Employee compensation and benefits</li> <li>Fairness and diversity</li> <li>Employee health and safety</li> <li>Training and development</li> </ul>	<ul> <li>Internal and external training</li> <li>Employee activities</li> <li>Union organisation</li> <li>Employee representative congress</li> <li>Employee opinion survey and feedback</li> </ul>
Communities	Social welfare activities	• Regular visits and exchanges
	Community development	<ul> <li>Social activities</li> <li>Capital and material assistance</li> </ul>

#### 1.3 Materiality Assessment

The Group attaches great importance to and systematically handles ESG (environmental, social and governance) related issues. 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 2024, the Group further expanded the scope of material issues by incorporating compliance operation and risk management issues, and some issues were merged, split, or renamed. At the same time, We prioritized the issues so as to compile 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 issues 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 issue 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:



ZhengTong Auto ESG issues list in 2024				
Category	lssues	Materiality	Responses in this report	
Governance	Anti-corruption	Highly material	Business Ethics and Anti- corruption	
Governance	Compliance operation and risk management		Strengthening Risk Management	
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	
Social	Information security and privacy protection		Information Security and Privacy Protection	
Social	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	Responsible Marketing	
Environmental	Waste management	_	Emissions Management	
Environmental	Sewage discharge		Emissions Management	
Environmental	Air emissions		Emissions Management	
Environmental	Efficient energy utilization	Relevant	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	Water resources		Efficient Use of Resources	
Social	Community investments		Practicing Public Welfare and Building a Harmonious Society	

## LEAN MANAGEMENT AND STEADY OPERATION

#### 2.1 Development Led by Party Building

The Party Committee of ZhengTong Auto was officially established in December 2021 and has six 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, integrating the leadership of the party organically into all of its corporate governance links, and integrating the party building in the Group's "14<sup>th</sup> Five-year" strategic plan.



ZhengTong Auto Party Committee won the title of "Advanced Grass-roots Party Organization" in Wuhan in 2024

We consistently adhere to loyally fulfilling our duties and responsibilities. ZhengTong Auto strictly implements the "First Agenda" system and the theoretical learning system of the Party Committee's central group, earnestly fulfills the main responsibilities of comprehensively governing the Party with strict discipline, building a clean and honest Party conduct, and managing ideology (including online ideology). We actively promote, study, and implement the spirit of the Third Plenary Session of the 20th Central Committee of the Party.

The education on Party discipline has been deepened and substantiated. The Party Committee of ZhengTong Auto has solidly carried out education on Party discipline, thoroughly studied and implemented the important directives of the General Secretary Xi Jinping's speeches, and fulfilled the deployment requirements of the superior Party committee. Over 300 individuals, including members of the Party Committee, branch secretaries, Party members, senior executives, and key personnel, have participated in 11 thematic Party lectures in batches. In cooperation with the Wuhan Economic Development Comprehensive Bonded Zone and Port Logistics Park, We conducted a themed Party Day activity titled "Strict Party Discipline Engraved in the Heart, Upright Practices Carried Out in Actions." We strengthened integrity education by visiting the Historical Exhibition on the Construction of Party Discipline and paying homage to the site of the First Central Supervisory Committee. Simultaneously, We established a special task force to rectify improper practices among the masses and set up a regular supervision mechanism to conduct an in-depth "health check" on the enterprise's management and operations, thereby fortifying the ideological defense against corruption and degeneration.



ZhengTong Auto solidly carried out Party discipline education

The construction of grass-roots organizations has reached a new level. The Party Committee of ZhengTong Auto has taken the lead in creating seven Party-building brands, such as "Setting Sail with Egrets" and "Pioneers in Motion," using "brands" to enhance "quality" as a crucial means to leverage the stronghold role of grass-roots Party organizations and promote excellence and innovation. We have further standardized the construction of grass-roots organizations, implemented the requirement of "establishing where necessary," and facilitated the establishment of Party branches in two independent legal entity enterprises, electing four part-time Party affairs staff to solidify the foundation of grass-roots Party organization construction. Additionally, We conducted a training program in 2024 to enhance the capabilities of Party affairs and discipline inspection and supervision cadres, thereby improving the quality and standardization level of grass-roots Party construction work.

We are committed to implementing and comprehensively building a clean and honest enterprise. The Party Committee of ZhengTong Auto earnestly fulfills its primary responsibilities of comprehensively governing the Party with strict discipline and advancing the construction of a clean and honest Party conduct. It conveys the spirit of the superior anti-corruption meetings, summarizes the anti-corruption work annually, and urges the enterprise to prevent corrupt practices in all aspects. In response to bribery, the Party Committee steadfastly enforces a zero-tolerance policy, laying a solid foundation for practicing ESG principles and achieving good governance, thereby ensuring the healthy, stable, and sustainable development of the enterprise.

#### 2.2 Business Ethics and Anti-corruption

Our Group adheres to high standards of business ethics and strictly complies with relevant laws and regulations such as the "Labor Law of the People's Republic of China," the "Anti-Unfair Competition Law of the People's Republic of China," and the "Interim Provisions on the Prohibition of Commercial Bribery Practices." We firmly oppose any form of improper conduct, including fraud, corruption, bribery, and malpractice, and have taken a series of measures to prevent and severely punish corruption, to maintain the good image and normal operation order of the Company. In terms of anti-corruption and anti-bribery, our Group upholds the principles of no restricted zones, full coverage, and zero tolerance. During the Reporting Period, no corruption incidents were detected within our Group.

We strengthened organisational leadership and improved institutional setup. ZhengTong Auto has established a Supervision Office focusing on three functions of supervision and inspection, publicity and education, and discipline enforcement and accountability. Additionally, We have established a leadership and coordination group for construction of a clean and honest Party and anti-corruption, and developed an intra-party supervision joint meeting mechanism. The Group's Party Committee regularly organizes supervision, auditing, legal affairs, and other oversight departments to study and advance the work on integrity and anti-corruption, proactively identifying and predicting potential risks and hazards, and proposing targeted recommendations and improvement measures. Furthermore, the company has established a diversified reporting system for ethical business practices against bribery. A special reporting mailbox was set up to accept external and internal whistleblowing. Adhering to the principle of "hierarchical accountability and centralized acceptance", investigations and feedback are conducted with minimal necessary disclosure to protect the informants' information to the greatest extent possible.

We strengthened institutional construction and consolidated supervisory safeguards. The Group continues to advance the development of integrity systems. Through in-depth research and analysis, we have comprehensively reviewed the business processes across various sectors including automotive, logistics, and insurance agency, etc. In conjunction with industry characteristics and the actual conditions of the enterprise, we have formulated subsidiary documents such as the "Management Measures for Embedding Integrity Risk Prevention into Business Risk Prevention" and the "Integrity Risk Prevention Manual," integrating integrity risk prevention throughout the entire process and all aspects of business management. We have also established regulations such as the "Implementation Measures for Deepening the '1+X' Supervision Mechanism" and the "Work Plan for Establishing Corporate Integrity Officers." Integrity officers and integrity supervisors have been appointed in each Party branch, brand management department, and subsidiary enterprises, continuously consolidating the foundational safeguards for supervision.

#### Prevention in advance

#### In-process supervision

"Integrity Risk Prevention Manual" integrates the provisions of the negative list for integrity in professional conduct, clearly identifying potential integrity risk points in various sectors such as automotive, logistics, and insurance agency, and proposes corresponding risk prevention and control measures. It aims to build a "one enterprise, one policy" integrity risk prevention and control system, and formulates the "Implementation Plan for Embedded Supervision of Material Procurement Projects" to provide institutional safeguards for standardizing business management.

Conduct unscheduled special oversight on daily business operations and key areas (such as procurement, bidding, etc.) to promptly identify shortcomings in the work and prevent potential integrity risks in a timely manner.

#### Post-event disposal

For issues identified during inspections, a "Disciplinary Inspection Recommendation Letter" will be issued, requiring rectification within a specified time limit. In cases of serious violations, inadequate rectification, or perfunctory work, the relevant personnel will be held strictly accountable.

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We strengthened education on integrity and built a strong ideological defense line. In order to further promote the construction of a clean and honest Party and enhance the integrity awareness of Party members and cadres, in 2024, the Group organized seven specialized "joint business learning" training sessions on integrity for relevant functional departments and investment enterprises, focusing on key areas such as bidding, procurement, and finance. These sessions aimed to improve the ability to prevent and mitigate risks in critical areas and guide employees to adhere to integrity in their professional conduct. Additionally, leveraging the Integrity Culture Publicity and Education Month, the Group's Party Committee conducted 37 activities, including integrity education, Party discipline knowledge tests, and visits to integrity education bases, fostering a professional atmosphere of integrity and moral clarity.



On-site Party Discipline Education





Visiting the integrity education base



Study of the Spirit of the Disciplinary Commission Plenary Session

#### 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 an effective comprehensive risk management system and mechanism as well as a risk assessment committee to carry out risk management related training, clarify the collection, sorting and reporting of major operational risk events, improve the level of risk prevention and management 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.

To enhance employees' awareness and understanding of risk management, the Group conducted specialized training sessions in 2024, including a Letter of Credit workshop, "case-based legal discussions", and promotional meetings on the construction of a risk control system. During the Reporting Period, the Group performed a comprehensive risk assessment of its used car export business. To improve the business's risk response capabilities, the Group established clear operational procedures through the formulation of documents such as 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.

#### 2.4 Information Security and Privacy Protection

The Group strictly abides by laws and regulations such as the "Cybersecurity Law of the People's Republic of China," the "Personal Information Protection Law of the People's Republic of China," and the "Information Security Technology — Personal Information Security Specification." Additionally, the Group has established the "Confidentiality Management Measures" and formed a confidentiality leadership team to build an information security system that respects and protects customer privacy. We collect, store, and use customer information in strict accordance with the arrangements of the original equipment manufacturers (OEMs). Furthermore, we have implemented a customer records management system to properly store and utilize vehicle maintenance records (including vehicle information, owner and repair requester details, pre-inspection forms, quotation sheets, and damage assessment forms) in compliance with relevant national laws and regulations.

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:

- The office computers in all stores are prohibited from copying and using customer information without permission;
- 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;
- 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;

- During the customer care and return visit, We will also confirm with the customers whether there is any information leakage;
- We will desensitize the privacy information of customers which can't be downloaded by ordinary employees.

The above measures have strengthened the confidentiality awareness of the Group's employees 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. 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. We took measures to remind employees to pay attention to the protection of personal information.

During the Reporting Period, the Group organised eight trainings on information security and privacy protection covering employees of the Group headquarters and its subsidiaries, with 2,000 participants; did not have any incidents related to leakage of customer privacy.

#### 2.5 Intellectual Property and Innovation through Communication

In the face of the ever-changing market environment, the Group maintains an innovative and open attitude, actively participates in industry-related activities, understands OEM and dealer 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. During the Reporting Period, the Group attended the 2024 China Automotive Circulation Industry Annual Conference, engaging with industry partners to explore the development trends of the Chinese automotive market.

We place great emphasis on intellectual property protection, continuously strengthening awareness in this area. On one hand, we actively safeguard the intellectual property generated by the Group and support efforts to combat infringement and other forms of unfair competition. On the other hand, we respect the intellectual property of others and strive to avoid infringement.

Innovation is our primary driving force, and We are committed to advancing technological innovation in logistics. The Group is continuously improving its logistics services and product development system, focusing on creating logistics services tailored to the diverse needs of different customers and more refined overall solutions to meet future demands for diversified and cost-effective logistics services. In 2024, We remained actively engaged in research and development innovation. As at the end of the Reporting Period, we had accumulated 8 utility model patents and 37 software copyrights. During the Reporting Period, the investment in technological innovation and R&D amounted to RMB11.53 million (including salaries and social insurance for R&D personnel, depreciation and amortization, and partial freight costs).

#### 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, Hongqi and Volvo. While
  expanding the layout advantage of traditional advantageous 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 mode, 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.

#### Promoting 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 deployed new energy strategies, has applied for sales and after-sales authorization of new energy vehicles, and has carried out more extensive and in-depth cooperation with a number of new leading car-making brands. In 2024, We have successfully achieved the sales and after-sales authorization from 8 new energy vehicles brands.

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. 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.

The Group 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.

At the same time, ZhengTong Auto is also constantly exploring the business potential in the upstream and downstream of the new energy vehicle industry chain, such as battery recovery, automobile disassembly, and charging piles, and continues to conduct in-depth analysis and evaluation of these businesses in order to explore opportunities with investment value.

#### Promoting digital transformation

ZhengTong Auto actively 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 presale 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 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 Xiaohongshu, TikTok, 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 (Robotic Process Automation) technology which enables us to achieve the seamless connection between the manufacturer system and our internal OMS (Operation and Management System). Through these methods, 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.

In 2024, the Group focused on the "334" vision of the digital strategic plan and the development blueprint for the next three years, and comprehensively promote the transformation of the digital industry under the guidance of the three digital strategic directions of "Data Assetization", "Decision-making Functionalization" and "Customer Ecology". We optimized digital platform functions and system integration by promoting strategic consulting, operating BI cockpit, STS system upgrade, network security construction and other projects.

#### 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 preowned 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.

ZhengTong Auto has 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 recycle and mutual growth of domestic automobile retail and international automobile export, and "drive" on the new road of pre-owned vehicle export business transformation.

#### 3.2 Improving Customer Experience

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".

#### Quality store services

The Group continued to optimize its pre-sale service quality and delivered quality services to customers based on customer demand and customer attention.

For New Car Sales Business, ZhengTong Auto has formulated the Management Measures, which standardize all links of the pre-sales service, respond to customer consulting in a timely manner, actively follow up the needs of potential customers, provide car purchase consulting, test drives and other services, so as to meet customer car 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 enhance 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: The service consultants receive customers, understanding the customer needs, and conduct the vehicle inspection, providing vehicle repair or maintenance suggestions; We arrange for technicians to repair and in the vehicle maintenance process, We conduct three-level inspections including self-inspection, mutual inspection and completion inspection to ensure the maintenance quality.

With respect to the sold products and provided services, the Group has maintained a clear price list for the products and services provided by the Company at all 4S stores or 5S stores. All stores were equipped with large-scale electronic displays showing the prices and warranty information of all accessories and services offered in the stores, to ensure that all customers are provided with transparent and fair price information. In addition to creating a good consumption environment and convenience for customers in terms of hardware, We also actively explore extended services to improve customer satisfaction from customer feedback. For instance, 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.

#### 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. 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, strengthens service awareness and improves business ability.

During the Reporting Period, the Group organized multiple events to enhance interaction with customers. On the sales side, we hosted several group-wide activities such as the May 1st Car Buying Festival, the October Golden Autumn Trade-in Festival, and the Double 12 Car Shopping Carnival. These events were integrated with the Guomaohui (國貿薈) platform to facilitate online ordering, deposit payments, and the drawing of gift boxes, thereby enriching the forms and content of the activities. On the after-sales side, we conducted the Summer Service Month and a special after-sales improvement initiative, introducing maintenance policies for air conditioning, engines, transmissions, and brake systems. During this period, we released 729 thematic short videos and hosted 372 live streaming sessions via new media, effectively engaging with nearly 220,000 customers. Additionally, we utilized the Che Weixing online engagement tool to strengthen customer interaction and care, reminding customers to return for vehicle inspections, maintenance, or to renew their car insurance, thereby enhancing customer service.

#### 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 2024 was about 97%. In 2024, 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.

We actively and diligently addressed various customer feedback to provide them with better services. During the Reporting Period, our Group received a total of 5,119 customer feedback instances through channels such as automobile manufacturers, the headquarters' customer service hotline, and 4S store customer service calls. We responded to each piece of customer feedback promptly, addressing their concerns and resolving their queries.

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 and passed 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 receiving a major customer complaint, We will convene a meeting of the crisis management team to discuss countermeasures, and give an early warning according to the manufacturer's relevant technical specifications and business specifications. For complaints with little substance (if any), we also actively appease and ease customers' emotions.

#### Customer health and safety protection

Through formulating the Management Regulations for Three Warranty Services of Automobile Dealerships Business, the Group constructs a customer safety and security system. The following measures are implemented in the business:

- Provide three-warranty manuals and vehicle instruction manuals, and introduce the operation and guidance of the vehicle to the customers at the time of delivery;
- Through car owner lectures, short video contents and other forms to popularize vehicle functions and safe driving knowledge;
- Construct diversified service platforms such as WeCom, Cheweixin (車微星) mini program, and customer service hotline, to provide remote technical diagnosis services;
- Conduct regular safety inspections of the service venue to maintain the safety and cleanliness of the facility environment and create a high-quality service system.

#### Quality management

All of the new cars sold by ZhengTong Auto were purchased from our OEMs and passed strict product quality inspection. 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 Group takes the protection of consumers' rights and interests as its fundamental principle. In 2024, we assisted 15 brands in carrying out a total of 64,873 voluntary recalls and goodwill recalls and properly arranged the corresponding recall procedures and services to ensure the safety of customers, which greatly improved customer satisfaction, customer loyalty and brand recognition. During the Reporting Period, there were no product recalls or recoveries for safety and condition reasons after the sale and distribution of automotive products.

We In terms of vehicle maintenance, We complied with the requirements of the Regulations on the Administration of Automobile Maintenance and Repair (《機動車維修管理規定》) and Technical Specifications for Automotive Maintenance, Testing and Diagnosis (《汽車維護、檢測、診斷技術規範》) at the national level and 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. 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%. Additionally, we have achieved the relevant objectives during the Reporting Period. 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.

#### 3.3 Sustainable Supply Chain Management

For the Group's automotive sales and after-sales services, the supply chain is a key focus of our operations. Stable supply of vehicles and spare parts is the foundation for us to sell products and provide services to consumers. In terms of supplier procurement, our Group adheres to the principles of openness, fairness, justice, legality, merit selection, and integrity to reduce procurement costs and control procurement risks. After formulating the tender plan, preliminary approval and qualification assessment are conducted by the heads of relevant departments and the tender evaluation panel. Tender invitations are sent to qualified suppliers, and suppliers are selected through a public evaluation process based on comprehensive scoring.

The Group continuously strengthens the training of suppliers. By conducting various types of training for suppliers, we convey the spirit of integrity and fairness, and share knowledge related to safety, business ethics, and environmental protection.

Supplier evaluation is an important part of supplier management. To further standardize evaluation practices and improve the application of evaluation results, we have established a supplier evaluation system based on a cycle of "execution, evaluation, and application." In 2024, we conducted routine inspections of all suppliers and assessed key suppliers. The assessment included, but was not limited to, continuous performance capability, actual performance, product quality, and satisfaction surveys of subsidiaries. We also advanced random checks and supervision of procurement projects, conducting irregular spot checks on product quality and services, and irregular on-site inspections of key suppliers. By examining process system documents and assessing on-site production safety management, standardized operation management, and quality assurance management, we evaluate the production management system of suppliers. If problems are found during the evaluation, visits, and research, we will discuss appropriate solutions with suppliers based on the actual situation and require them to rectify within a specified period; if it involves red-line issues, there will be no opportunity for rectification. In 2024, We conducted on-site assessments of 25 suppliers, covering 70% of key suppliers.

Regarding supplier exit, our Group has formulated the "Interim Measures for the Management of Negative Customer List." Based on factors such as the level of adverse matters, business scale, business form, and negative impact, We classify the risk levels of customers on the negative list. Zhentong Automobile uses the "Guomao Hui" negative list system to manage customers on the negative list and has established approval processes for the inclusion, removal/downgrading, and proposed continued cooperation management of customers on the negative list. For major project suppliers, we conduct a re-tendering process every two years. For logistics suppliers, our Group requires them to provide detailed technical information before joining the network, such as the details of their own vehicles, vehicle insurance information, and related counterflow resource business, as well as the latest financial reports, legal information, and third-party content. Only those who meet the requirements can join the network.

For after-sales service suppliers, our Group regularly holds meetings to promote two-way communication and regularly assesses their performance in environmental and social responsibility. For spare parts and other suppliers, our Group has established strict supplier screening standards, including the "Procurement Management Regulations," the "Revised Management Measures for the Procurement of Automotive Accessories and Production Tools," and the "Implementation Rules for the Evaluation of Centralized Procurement Suppliers of Automotive Accessories." For logistics suppliers, we have introduced the "Transportation Management Measures," which supervises and assesses logistics suppliers from aspects such as plan management, on-site management, quality management, in-transit management, behavior management, and complaint management to ensure that they conduct standardized operations as required.

Our Group considers environmental and social risks as an important factor to consider before collaborating with suppliers. For all parts and accessories procured outside the original equipment manufacturer (OEM) channels, we require suppliers to provide product authorization certificates and relevant quality and environmental hazard substance test reports to ensure that the products sold by our Group meet environmental requirements. For example, We require paint suppliers to provide materials that meet the latest environmental requirements, such as VOCs content test reports, and We refuse to cooperate with suppliers who cannot provide such materials. We also stipulate in contract documents and other relevant files that "the use of child labor is prohibited" and "green procurement" and other specific requirements. We encourage suppliers to continuously introduce new technologies, products, and management practices in energy saving, material saving, and land saving. In 2024, our Group also included the participation of suppliers in public welfare activities, such as donations, volunteer services, and environmental actions, as one of the criteria for supplier admission and assessment. Based on the assessment results, we classify and manage suppliers. For outstanding suppliers, we will pay close attention and provide appropriate incentives and support within the scope of compliance.

During the Reporting Period, we had 96 suppliers in total, all of whom were first-tier suppliers. Among them, 35 were classified as first-tier key suppliers, accounting for 36.5% of the total number of suppliers. In 2024, we had 43 new suppliers who have passed environmental and social audits. We are committed not to work with suppliers who fail environmental and social audits. We terminated cooperation with 33 suppliers this year, and none of the terminations was due to environmental and social matters.



In 2024, the distribution of our suppliers was as follows:

#### Number of suppliers by region

#### 3.4 Responsible Marketing

The Group always adheres to the concept of responsible marketing, 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.

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 stores 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 stores, develops marketing plans and supervises the implementation and results evaluation of marketing plans in order to maintain a sunny and transparent sales promotion environment.

We have advanced the development of diversified marketing strategies. Each 4S store regularly organizes showroom sales and marketing events, actively participates in major auto shows, new model launch tours, and outdoor experience activities, such as the Guangzhou International Automobile Exhibition, Chengdu International Automobile Exhibition, Guangdong-Hong Kong-Macao Greater Bay Area Automobile Exhibition, and Central China International Automobile Exhibition Show. We have also engaged in cross-industry collaborations, hosting 14 joint marketing activities in 2024 with internal and external partners, including futures companies, real estate firms, and banking institutions. These activities included car owner events, lecture forums, and external exhibition test drives. Additionally, we organized several group-wide marketing campaigns, such as the May 1st Car Buying Festival, the October Golden Autumn Trade-in Festival, and the Double 12 Car Shopping Carnival, offering customers a variety of car purchase benefits and gift packages.

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.



Chengdu Automobile Exhibition

**Exhibition Hall Marketing Activities** 

#### Digital and new media marketing

Since 2018, ZhengTong Auto has opened enterprise WeCom 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 management of stores and staff. 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 stores.

With the popularization 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. Online live broadcasts has always maintained a high level of participation at the consumer level by creating both online and offline scenarios and constantly enriching consumer touchpoints and extensively connecting with customers. 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.

The Group has developed a checking mechanism in terms of marketing and publicity, which requires that each store needs to carefully review the graphics, texts 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 us.

In 2024, we enhanced the management of new media marketing. By emphasizing the harmonious and effective integration of people, products, and platforms in the new media context, we were able to provide customers with a positive online experience. During the Reporting Period, we organized multiple new media training sessions and new media competitions to strengthen the overall new media service capabilities of our Group.

### Case: Drive with New Joy, Shop with Great Deals

From April 28<sup>th</sup> to May 9<sup>th</sup>, 2024, we organized the "Drive with New Joy, Shop with Great Deals" New Media Challenge Competition. The competition generated 71 live streams and video entries, with a total view count of 1.1 million.



**Case:** "Master the New Ride, Explore the Authentic Essence, Golden Autumn Trade-in Festival" Live Broadcasts Competition

From September 27<sup>th</sup> to October 14<sup>th</sup>, 2024, we organized the "Master the New Ride, Explore the Authentic Essence, Golden Autumn Trade-in Festival" Live Broadcasts Competition. During the event, more than 600 special videos of the event were released, 2,280 live broadcasts were broadcast, and 10,990 clues were harvested.



## Case:

"Genuine Care, Worry-Free Travel" Summer After-Sales Service Month Live Streaming Special Event

We organized the "Genuine Care, Worry-Free Travel" Summer After-Sales Service Month Live Streaming Special Event. During this period, we conducted 372 after-sales live streaming sessions and released 729 short videos, providing car owners with comprehensive vehicle knowledge and benefits related to car maintenance and repairs.



## 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 Group.

#### 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 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 are permitted to adopt any form of coercion, intimidation, insult, humiliation or exploitation against our employees, including gestures, language abuse, and physical contact. The Group 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/compulsory labour, violation of freedom of association or disrespect for collective bargaining rights, invasion of employee privacy, discrimination/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, gender, among others, and create a diverse, open and equal working environment suitable for all employees. We provide equal employment opportunities and working environment for all of our staff. During the Reporting Period, the Group incurred recruitment expenses of approximately RMB1.32 million yuan. There were a total of 90 vacant positions, with internal candidates filling 51% of these vacancies. As at the end of the Reporting Period, the Group had 6 female managers (including intermediate and senior female managers), accounting for 15% of the total. Women held 21.7% of the positions in IT and engineering-related roles, with 2 women in IT positions and 7 women in engineering-related positions. Additionally, the Group employed 6 disabled employees, 186 ethnic minority employees, and 3 foreign employees during the Reporting Period.

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 stores, the Group will hire local employees as much as possible.

New employee indicators	Category	Unit	2024	2023
Total number of new employees	/	Person	1,468	2,266
By recruitment channel	On-campus recruitment	Person	132	176
	Social	Person	1,336	2,090
	recruitment			
Total number of vacant positions during the Reporting Period	/	Job	90	81
Number of internal candidates to fill vacant positions	/	Person	753	1,108
Percentage of vacant positions filled by internal candidates	/	%	51%	49%
Number of employees by gender	New female employees	Person	567	886
Expenditure on recruitment costs	/	RMB'0,000	131.55	160.65

New employees of the Group during the Reporting Period:

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. In order to build up a human resources management team that understands the younger generation, the Group constantly provides targeted trainings to staff in relevant positions. As at the end of the reporting year, 1 out of 6 general brand managers were of the post-80s generation, and there were 2 middle-level managers of the post-90s generation.

As at the end of the Reporting Period, the Group had a total of 5,672 (2023: 6,669) employees and the number and ratio of each classification of the Group's employees are set out below:<sup>1</sup>



Number and ratio of employees by gender

Number and ratio of employees by type of employment



In terms of employee distribution by region, the areas specifically include the following provinces: North Region (includes Beijing, Tianjin, Shanghai, Jilin, Liaoning, Hebei, Henan, Shandong, Inner Mongolia, Anhui, Jiangsu Provinces), Central Region (includes Hubei, Hunan, Jiangxi, Sichuan Provinces), South Region (includes Fujian, Guangdong, Hainan, Yunnan, Chongqing, Zhejiang Provinces), Other (includes Hong Kong).



Number and ratio of employees by rank

#### Number and ratio of employees by age




#### Number and ratio of employees by region

As at the end of the Reporting Period, the average length of service of employees with the Group was 6 years, with a voluntary turnover rate of 25.44%. The details are as follows:

Classification		2024	2023
By gender	Male	25.5%	29.8%
	Female	25.4%	29.4%
By age	Aged below 30	32.6%	38.6%
	Aged between 30 (inclusive) and 39	22.8%	28.7%
	Aged between 40 (inclusive) and 49	17.1%	20.3%
	Aged 50 and above	43.0%	17.9%

Aa at the end of 2024, the number of employees decreased by 15% as compared with that in 2023. Excluding the reasons for resignation caused by the adjustment of positions due to the Group's business transformation, personal development was one of the major reasons for employee turnover. Other changes were due to employees' family, transportation, education, and so on. As at the end of the Reporting Period, employees who have served in the Group for more than 3 years accounted for 64.9%, and those who have served for more than 5 years accounted for 50.21%.

#### Remuneration and benefits

The Group's remuneration system follows the principles of marketisation, fairness and reasonableness, equal emphasis on incentives and constraints, and pioneering culture orientation, formulating the Regulations on Management of Remuneration of China ZhengTong Auto Services Holdings Limited. It stipulates that employees' remuneration should comprise 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. 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 Group 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.

For employee performance management assessment, a comprehensive assessment will be conducted based on the responsibilities of different positions, and according to the different weights set in four dimensions covering finance, clients, internal operations, learning and growth on a monthly or quarterly and annual basis in general. Employees can exchange feedback through Wecom, and relevant systems also specify the channels for performance grievance to ensure the fairness of the assessment.

#### Employee benefits

Employee care is an important way for us to maintain a sound employment relationship with our employees. We start from the real needs of employees so that care projects can truly benefit employees in all aspects of catering, clothing, residence and transportation. In 2024, over 90% of the Group's investee companies had 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.

We care for our employees and their families, and We have established a "China ZhengTong Auto Services Holdings Limited Employee Care Fund" and formulated the 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. In 2024, care fund managed to aid one employee of the Company. In terms of employees' family care, most of the Group's main caregivers have 38.7 weeks of paid parental leave, while most non main caregivers have 26.2 weeks of paid parental leave.

Our Group conducts employee surveys annually. In 2024, we carried out an annual survey targeting management executives, focusing primarily on two dimensions: performance with a structural orientation and overall capabilities. We plan to implement a company-wide employee satisfaction survey next year and integrate it with headquarter-level surveys to gain a comprehensive understanding of our employees' work situations.

#### 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. Training is not only a crucial mean 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.

The automotive retail industry is labor-intensive, and our Group has established and revised internal regulations such as the "Employee Career Development Management Regulations (Trial)", "Compensation Management Regulations", and "Subsidiary Responsible Person Selection and Appointment Management Regulations". Based on the Group's business and job positions, the Human Resources Department has developed a four-level systematic training program covering all employees, categorized into four course system structures according to the trainees' ranks:

- "Leadership Innovation Program": Enhances the thinking and capabilities of middle and senior managers;
- "Leadership Wisdom Program": Improves the job skills of frontline managers;
- "Leadership Sprint Program": Boosts the job skills of outstanding key employees;



• "Leadership Onboarding Program": Helps new employees adapt to the corporate culture.

In accordance with the needs and development directions of different levels of trainees, we have launched a series of courses with various themes. Targeting employees in different professional fields and positions, with the goal of enhancing their professional knowledge and skills as well as management effectiveness, and focusing on the dissemination and application of new concepts and methods in each professional sector, We have established the "Vitality Plan" and other specialized training programs. We have adopted a diversified training format that combines online and offline methods, classroom teaching with interactive experiences, required courses with elective courses, and long-term training and relevant tests and assessments, we have built a high-quality team, enhanced employees' management capabilities and professional ethics, and promoted the dissemination and implementation of corporate culture.

Our Group also actively organizes employees to participate in sales and technical training sessions held by automotive manufacturers in order to provide customers with more professional and high-quality services. Moreover, to meet the needs of our steadily expanding business, we place great emphasis on the cultivation of reserve cadres. Participants in the training programs are carefully selected, including middle managers from various departments of the group company, as well as 4S or 5S stores. The lecturers invited include not only senior executives, department directors, or experienced store managers from our group, but also external trainers. During the Reporting Period, a total of 72 training lectures were conducted by external trainers.

In terms of green office skills, in order to enhance employees' understanding and use of office products and improve office efficiency, our Group has organized the "OFFICE Efficient Office Training Camp."

In 2024, our group conducted excellent employee selection activities at each 4S or 5S store as a unit.



#### 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.

Positioned as an employee growth consultant, business development partner, and business transformation catalyst, we have established a four-tier training system. Through online empowerment, frontline practice, and strengthening outcomes, we provide tailored and systematic training for employees at different levels, helping them grow progressively and actively building a learning organization. As of the end of the Reporting Period, the Group has 194 internal trainers and 6,479 training courses (including 62 online courses and 6,417 offline courses), covering professional capability enhancement topics for new and current employees across various positions (such as sales, after-sales, marketing, and customer service). During the Reporting Period, the training hours and a training investment exceeding RMB5 million. Other training-related indicators are disclosed in the chart below:



#### Training hours by gender(average hours/year)



#### Training hours by type of position(average hours/year)

#### Career development

The Group clarified career development paths through the Regulations Governing the Career Development of Employees of ZhengTong Auto (《正通汽車員工職業發展管理規定》), so that employees could understand their career development direction in the Group and thus enhance their abilities and skills in a targeted manner. Internal promotion mechanism can help motivate employees to work harder, increase their working enthusiasm and loyalty, and also help us retain talented persons. The internal promotion mechanism is implemented in accordance with the following principles:

- Fairness and impartiality: Promotion opportunities are open to all employees, with competence and performance as the main evaluation criteria.
- Motivation and retention: Through internal promotion, employees are motivated to work harder with improved loyalty and working enthusiasm.
- 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:
  - Publication of promotion information: When there is a promotion opportunity, the Company will release promotion information to all employees through internal announcements, emails, etc.

- Self-recommendation and nomination: Employees can self-recommend or be nominated by
  others to participate in the promotion selection according to their own ability, performance
  and job responsibility alignment.
- Review and assessment: The relevant departments will review and assess the participating employees, including their work performance, ability, performance, etc.

During the Reporting Period, the vast majority of employees in our Group have undergone regular performance and career development assessments.

#### 4.3 Occupational Health and Safety

The Group recognizes the importance of employee health and workplace safety, in order to minimize any accidents that may cause injuries or casualties in the course of our operations. During the Reporting Period, the Group remained in strict compliance 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" (《中華人民共和國安全生產法》), "Prevention and Control of Occupational Diseases Law of the People's Republic of China" (《中華人民共和國職業病防治法》) and "Administrative Regulations on Personal Protection Equipment of Employers" (《用人單位勞動防護用品管理規範》), and strives to provide employees with a safe, healthy and comfortable workplace. The Group has invested a total of RMB5,439,600 yuan in the occupational health and safety of its employees.

The Group requires each store to conduct annual workplace health and safety inspections, organize employees in relevant positions to participate in occupational disease medical examinations (covering pre-employment, during employment, and post-employment), regularly inspect the working environment of occupational disease hazard sites, and set up occupational health and safety notice boards in workshop areas. These notice boards disclose to all employees the occupational health hazards, preventive measures, and workplace hazard factor inspection reports. In response to potential occupational health risks that may arise from specific positions during work, the Group actively takes preventive measures, provides personal protective equipment, and equips personnel in special positions with professional occupational disease prevention devices. Additionally, the Group uses environmentally friendly, harmless, or less harmful materials (such as water-based paints for baking) to reduce potential physical harm to employees. In 2024, the Group did not have any employees diagnosed with occupational diseases.

During the Reporting Period, the Group's store, Shengze Jietong, has obtained the ISO 45001 Occupational Health and Safety Management System certification.

业健康安全管理体系认证证书 I KEALTH AND SAFETY IN T SYSTEM CERTIFICATE OF CO 圣泽捷道供应链有限公司 Shengze Jietong Supply Chain Co., Ltd. 11-325+155 + 4000001-40 FTNF S12名成長古た田王石田寺安田 511日 49694 Val. Draw Court. ter babeches i ma miter 建立物能量的联合性基础会导展建成设备。 tioled and applied OBSMS in crucion GD/T 45101-2120450-45001-2110 CHET BERG JUDG (NC) BERG 2011 RECISE. The scare congred by the pymon in #449664999958.2988. -----1984 C. art25.0 WILLIAM DISTURBAN HERE STORE HALF STORE WATCH -----a hi dan dan dija sa ja Talfing 松子 May 17, 2024 05 /1 12 10 10 10 10 LAF 上海质量体系市核中心 nghai Audit Center of Quality S 191 LA ANTON MUCHANNESS 101 Shengze Jietong ISO 45001 Certification

We will also conduct regular inspection and maintenance of large-scale equipment such as lifts to ensure their safe operation. Lock management is required for all distribution rooms and cabinets, with keys and operations of high-voltage facilities being managed by personnel with electrical qualifications. Quarterly safety production special meetings are organized for safety production management personnel from each store. Each store is required to regularly conduct comprehensive fire safety training and drills for all employees, disseminate safety production knowledge, and carry out activities such as occupational disease hazard factor training and emergency drills for hazardous chemical leaks. The Group conducts approximately 424 hours of health and safety training per year.

Our Safety Hazard Identification and Elimination in this year:

- Routine Safety Inspections:
  - Establishment of a hazard identification system: Each store conducts daily patrols by the person in charge of fire safety management, covering fire protection facilities, special equipment, gas equipment, and other large equipment as well as the entire company area to promptly identify safety hazards and prevent accidents. Weekly special safety production inspections are carried out by the Human Resources and Administration Department. Monthly safety inspections focusing on fire protection, environmental protection, and safety production are conducted by the leading members of the safety group;
  - Food safety risk management for canteens: We require daily sampling and strict management and inspection of canteen hygiene and the cleanliness of chefs to address potential food safety risks in canteens;
  - Safety production archives: Records and files are maintained for hazard identification, safety training, and other related activities;
  - External safety supervision: Annually, qualified suppliers are engaged to conduct fire protection system inspections and issue annual fire inspection reports.
- Improvement of Emergency Rescue and Response Plans:
  - Refinement of emergency plans, including measures and responsibility allocation for handling emergencies such as fires;
  - Provision of necessary emergency equipment: Fire extinguishers, fire hydrants, first-aid kits, and other emergency equipment are provided and regularly inspected and maintained to ensure their functionality.
- Emergency Drills:
  - Regular organization of various emergency drills, verifying the feasibility of emergency plans and addressing issues identified during the drills;
  - During the Reporting Period, the Group has collaborated with a fire safety training center to regularly hold fire safety training sessions and with the fire brigade to conduct fire drills. All employees of the participating stores are involved in these drills. Through simulated fire extinguishing and evacuation exercises, safety awareness is enhanced, and emergency response capabilities are improved. In 2024, the Group organized a total of 282 safety incident emergency drills, with 12,347 participants.



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Shengze Jietong Fire Drill

Shenzhen Industrial Zone Fire Emergency Drill



Yichang Baoze Flood Prevention Drill

Chengdu Hengyuehang Elevator Rescue Drill

- Safety Education and Training:
  - Conduct regular safety education and training, including safety awareness education, first aid training, hazardous chemical management training, etc.;
  - Continuously improve the quality of safety education and training by organizing diverse forms
    of training, such as safety knowledge exams and competitions, to enhance employees'
    safety awareness and self-protection capabilities.



During the Reporting Period, the number of working days lost due to work-related injuries was 451.5 days. 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 heath and safety education. From 2022 to 2024, the number of work-related fatalities of the Group was 1, which occurred in 2022. During the Reporting Period, there were no violations of laws and regulations in terms of production safety and occupational health and safety of our Group.

### LOW-CARBON OPERATION AND GREEN DEVELOPMENT

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The Group is dedicated to adopting environmentally friendly operation methods as much as possible so as to reduce emissions and energy consumption. 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 People's Republic of China (《中華人民 共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人 民共和國環境影響評價法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國 固體廢物污染環境防治法》). During the Reporting Period, the Group invested a total of over RMB2 million in environmental protection initiatives.

#### 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. To this end, we have implemented a series of measures:

- **Procurement of Energy-Efficient Production Equipment:** We updated some maintenance tools and equipment, replacing them with more efficient models. This not only reduced energy consumption per unit of product but also improved production efficiency;
- **Upgrade of Energy-Efficient Lighting Systems:** We replaced traditional lighting fixtures with LED lights and assigned dedicated personnel to conduct electricity inspections. Lighting is turned on or off based on ambient light conditions to minimize unnecessary power waste;
- **Employee Training and Awareness Enhancement:** We strengthened employees' understanding of the importance of energy conservation and emission reduction, encouraging active participation in daily energy-saving actions;
- **Cross-Departmental Management Participation:** Led by the General Manager, the administration and finance departments jointly set goals. The administration department is responsible for regularly inspecting the implementation of energy-saving measures and providing timely feedback to relevant departments. At the end of the year, the administration department conducts a comprehensive review of the annual energy-saving achievements, summarizes lessons learned, and adjusts targets for the following year.

Stores 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 63,761.71 MWh. At the end of the Reporting Period, four stores, including Shenzhen Aoze, Hubei Aoze, Shengze Aoze and Wuhan Luze have obtained ISO14001:2015 Environmental Management System Certification.



#### Energy consumption of the Group<sup>2</sup>

	2024	2023
Electricity (0'000 kWh)	4,630.48	2,774.24
Average electricity consumption per store		
(0'000 kWh/store)	59.37	53.35
Natural gas (for canteen) (0'000 m)	5.40	4.45
Average natural gas (for canteen) consumption		
per store (0'000 m/store)	0.68	0.74
Natural gas (for heating) (0'000 m)	31.72	18.88
Average natural gas (for heating) consumption		
per store (0'000 m/store)	5.29	4.7
Liquefied gas (0'000 liters)	0.92	213.07
Diesel oil (0'000 liters)	1.36	2.41
Gasoline (0'000 liters)	127.23	134.16
Unit consumption of gasoline-powered vehicles		
(liters/100 km)	14.56	10.76

Due to a 50% increase in the number of stores reporting energy consumption compared to 2023, there has been a significant increase in the consumption of certain energy resources.

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#### Photovoltaic Energy Conservation by Hubei Guomao New Energy Technology Company Limited

Our investment in Hubei Guomao New Energy Technology Company Limited has achieved significant progress in its photovoltaic business. Following the breakthrough from "0 to 1" in 2023, the company has now basically realized its strategic goal of establishing a strong presence in Hubei Province and expanding nationwide in 2024. By strengthening collaborations with local governments, industry partners, and upstream/downstream enterprises, and leveraging the resource advantages of shareholder companies, the new energy business has successfully signed 7 distributed photovoltaic projects and 1 charging pile project, with a cumulative contracted capacity of 31.23 MW and a total investment of approximately RMB65 million.

#### Notable projects include:

- Jieyuehang Supply Chain Industrial Park Distributed Photovoltaic Power Generation Project: Located in Hannan District, Wuhan City, this project has a construction capacity of 5.462 MW, a grid connection voltage of 10 kV, and operates on a "self-generated and selfconsumed, surplus power to the grid" model. The static total investment is approximately RMB24.97 million. The project utilizes a rooftop area of 62,000 square meters. Upon completion and grid connection, it will provide about 7 million kWh of clean electricity annually, saving approximately 2,104 tons of standard coal and reducing CO<sub>2</sub> emissions by about 5,767 tons annually. This is equivalent to planting 142,000 trees, making a significant contribution to energy conservation and emission reduction.
- Hubei Automobile Transportation Co., Ltd. Project: With an estimated total investment of RMB14.8 million, this project will utilize approximately 45,000 square meters of rooftop space at the Caidian logistics base of Hubei Automobile Transportation. Hubei Guomao New Energy will leverage photovoltaic clean energy to help optimize the energy consumption structure of this industrial park. Once completed and connected to the grid, the project is expected to generate about 3.5 million kWh of electricity annually, saving approximately 1,059.13 tons of standard coal, reducing CO<sub>2</sub> emissions by about 2,886.13 tons, and cutting SO<sub>2</sub> emissions by about 87.05 tons annually. This is equivalent to planting 87,700 trees, making a substantial contribution to green and energy-efficient development in the region.



Hannan District Jieyuehang Photovoltaic Power Generation 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 our own development and the source of life. In terms of water resource utilization, each store has adopted a series of measures to strengthen the daily maintenance and management of water supply equipment:

- Turn off the faucet in time after use to prevent leakage and ongoing running water;
- Conduct a comprehensive inspection and maintenance of the water pipeline system within the unit, and promptly repair any leaks;
- 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, we have also actively implemented measures related to water conservation and water recycling:

- Water Conservation Measures: Install flow control devices to reduce water consumption in processes such as car washing;
- Wastewater Recycling: Install wastewater filtration and recycling equipment to enable the reuse of wastewater from car washing, thereby reducing the use of fresh water;
- Wastewater Treatment: Install wastewater treatment facilities to treat wastewater and ensure that discharges meet national and local standards.

At the same time, we have also actively:

- Enhance Publicity and Education: Organize a series of publicity activities, including posting posters, distributing promotional materials, and holding lectures, to raise awareness among all employees about the importance of water conservation and water-saving technologies;
- Promote Water-Saving Behavior Among Employees: Organize a series of water-saving activities involving employees, such as water-saving competitions and water-saving pledges, to encourage them to identify and implement water-saving methods in their daily lives and work.

The water consumption of the Group in 2024 amounted to 444,318 tonnes, with an average of 5,696 tonnes per store. The decrease in average water consumption per store in 2024 was mainly attributable to the decrease in renovation projects compared to 2023 and the active promotion of the above-mentioned water-saving and wastewater recycling measures by each store. Some stores 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 Group will formulate specific energy and water consumption goals based on the actual situation and development needs of the stores, 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. In the transportation and storage of components, we primarily use wood (pallets, brackets) and cardboard boxes as packaging materials, which have high recyclable value. Most wooden packaging materials, such as pallets and support structures, are sturdy and durable, with only a small portion being damaged or non-recyclable. Cardboard packaging materials are mostly standardized, and 90% of the cardboard boxes can be recycled and reused, while a small portion may become non-recyclable due to moisture or damage.

#### Use of packaging materials by the Group<sup>3</sup>

	2024	2023
Total packaging materials (tonne)	177.62	110.75
Carton (tonne)	134.24	88.40
Planks (tonne)	38.79	19.98
Plastics (tonne)	4.59	2.36
Density of packaging materials (tonne/store)	2.28	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 stores, We actively implemented green construction and green operation. In 2024, Mercedes-Benz and BMW brand stores actively responded to national policies and the requirements of their manufacturers by purchasing and utilizing green electricity (such as wind and solar power). The proportion of green electricity exceeded 50% of their total electricity consumption. By the end of the Reporting Period, a total of 25 stores had obtained green electricity certificates, with approximately 12,456 MWh of electricity sourced from renewable energy.

Due to a 50% increase in the number of stores reporting packaging material usage compared to 2023, there has been a significant increase in the usage of certain packaging materials.

In 2022, BMW launched the "BMW Green Star Lighthouse" program to build a sustainable retail network from four aspects: green environment, green energy, green operation and green practice. As of the end of 2024, the Group had a total of 15 renovated BMW Green Star Lighthouse stores. 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 store 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 also enhancing customer experience. Electronic service screens can provide a comprehensive view of 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.



Renovated BMW Green Star Lighthouse stores

In 2024, each store of the Group also organised environmental protection and energy conservation knowledge training for all employees, achieving an overall coverage rate of over 50%, with approximately 95 hours of training per year. During the Reporting Period, 60 employees participated in environmental public welfare activities. We have implemented the following green office initiatives:

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- Energy-saving Measures: Use low-energy office equipment, such as LED bulbs; enable sleep mode to reduce standby energy consumption;
- Water-saving Measures: Install faucet flow restrictors to limit water flow; regularly inspect pipes, water tanks, and faucets, and promptly repair leaks; provide bottled water or install filters to reduce the use of plastic bottled water;
- Reducing Paper Usage: Use electronic documents, such as emails, electronic bulletin boards, and shared folders; develop digital signature technology to reduce printing and archiving of paper documents; limit printer usage, print on both sides, and recycle waste paper;
- Eco-friendly Procurement: Refuse to purchase non-degradable disposable items; purchase and use new products with environmental labels;
- Green Consumption: Use paper on both sides; keep office supplies simple and minimal;
- Green Services: Avoid using disposable document bags in meetings; avoid serving protected wildlife in the cafeteria; water plants efficiently to prevent waste;
- Waste Management: Set up classified trash bins to collect recyclable, hazardous, and other waste separately;
- Green Commute: Encourage employees to bike or walk to work; provide bicycle parking and shower facilities; for long-distance commuters, encourage the use of public transportation;
- Waste Classification: Set up dedicated trash bins in workshops, cafeterias, and office areas. Hazardous waste from workshops is handled by specialized agencies, cafeteria food waste is collected by designated personnel, and office waste paper and beverage bottles are centrally collected and sent to relevant factories for recycling;
  - Low-carbon Cooking: Adopt electric cooking methods, reduce fried dishes, and increase boiled and steamed vegetables. Adjust flame size for optimal heating efficiency.

#### 5.3 Emissions Management

The Group's business involves the after-sales repair and maintenance of automobiles, which inevitably generate emissions. We regard environmental protection as a crucial component of our corporate social responsibility and are committed to reducing emissions through technological innovation and management optimization, ensuring all activities comply with national and local laws and regulations. In 2024, the Group had no environmental violations or penalties.

#### Solid Waste Management Hazardous Waste

The Group primarily deals with hazardous waste such as waste engine oil, used batteries, waste paint buckets, waste oil cans, used oil filters, and oil-contaminated rags. Departments generating hazardous waste are responsible for collecting and transporting it to designated storage areas at each store for classified storage. Warehouse managers, as responsible personnel, maintain detailed records of hazardous waste inflows and outflows. Hazardous waste storage areas and containers are marked with warning signs and equipped with measures to prevent scattering, rain exposure, leakage, and fire hazards. Hazardous waste is stored separately by category, and non-hazardous waste must not be mixed with hazardous waste.

Each store contracts qualified hazardous waste management companies. Responsible personnel monthly inspect and archive after-sales hazardous waste records to ensure standardized transfer processes and strict compliance with national and local environmental policies. After entrusting third parties with the safe disposal of hazardous waste, the Group completes hazardous waste transfer manifests, which must be retained for over five years. Regional administrative departments regularly verify whether waste disposal suppliers maintain government-approved qualifications to eliminate safety risks.

In 2024, we actively reduced the generation and emission of hazardous waste by:

- Improving cleaning methods for hazardous waste;
- Encouraging employees to participate in recycling and resource recovery;
- Promoting green consumption among customers and guiding them to choose eco-friendly products.

#### Non-Hazardous Waste

The Group's non-hazardous waste mainly includes scrap iron, aluminum, plastic, paper, brake pads, and rubber. We manage recyclable non-hazardous waste uniformly, entrusting suppliers for recycling and reuse. During procurement, we prioritize durable, energy-efficient, and waste-reducing products, such as office equipment with recycling labels and energy-saving certifications. Stores are required to classify waste into recyclables, food waste, and other waste, ensuring proper sorting and reuse. By promoting resource recovery and reuse practices, we enhance waste resource utilization and strengthen comprehensive utilization of bulk solid waste. For example, we encourage the reuse of second-hand paper and the purchase of refillable pens, significantly reducing energy consumption and environmental pollution, and advancing the Group's waste reduction goals.

For electronic waste, stores can return automotive electronic components to manufacturers for professional handling. Office equipment such as computers, fax machines, copiers, and printers that are no longer usable or repairable are handed over to formal waste recycling institution for proper recycling and environmentally friendly disposal.

We actively organize stores to stay updated on environmental regulations and policies, such as the State Council's "Opinions on Accelerating the Construction of a Waste Recycling System" and government-issued environmental documents and notices, which continuously enhances employees' understanding of management standards and environmental laws, further strengthening their sense of responsibility in environmental practices.



During the Reporting Period, the Group generated 2,359.43 tonnes of hazardous waste (2023: 1,534.76 tonnes) with store average hazardous waste emission intensity of 30.25 tonnes/store (2023: 29.51 tonnes/store) and generated 1,718.90 tonnes of non-hazardous waste with store average hazardous waste emission intensity of 22.04 tonnes/store. In 2024, through the promotion of green packaging and optimization of production processes, the total amount of waste will be effectively controlled, with a significant reduction in the generation of hazardous waste.

#### Wastewater and Air Emission Management Wastewater

The Group generates wastewater primarily from the following sources:

- Car Wash Wastewater: Mainly from car wash services;
- Domestic Sewage: Generated from daily office activities;
- Industrial Wastewater: Primarily from workshop cleaning, containing oil and solid particles.

We have established a wastewater treatment system, including sand sedimentation tanks, oil separation tanks, and septic tanks with three-stage filtration, to pre-treat wastewater. Measures such as oil filtration and three-stage sedimentation ensure that discharges meet national and local standards before being released into municipal sewage pipelines. Stores implement rainwater and sewage separation based on their specific conditions, with rainwater being simply treated and reused to maximize resource utilization. Regular wastewater testing is conducted for parameters such as pH, suspended solids, BOD<sub>5</sub>, COD, petroleum, ammonia nitrogen, total phosphorus, total nitrogen, and anionic surfactants, all of which meet standards.

In 2024, stores upgraded or installed new wastewater treatment equipment, adopting more efficient purification technologies, significantly improving wastewater discharge quality to meet or exceed local standards. Enhanced treatment capabilities and increased water recycling have also maintained low wastewater discharge levels.

#### Air Emission

The primary source of exhaust gas in the Group is paint spraying during vehicle repairs. We employ technical measures to treat exhaust emissions and minimize their environmental impact. Stores have introduced VOCs photochemical purification equipment, UV photolysis, and activated carbon adsorption devices in areas like paint booths to treat exhaust gases before compliant emission. Monitoring facilities are installed to ensure real-time data accuracy. These measures effectively purify pollutants, reduce environmental pollution, enhance workplace safety, and mitigate health risks. Annual third-party testing is conducted for organized and unorganized exhaust gases, including parameters such as flue gas flow, particulate matter, benzene, benzene series, and non-methane hydrocarbons, all of which meet standards.

At the same time, we actively reduce exhaust emissions by using water-based paints and increasing the frequency of activated carbon replacement. With the increased use of clean energy and technological upgrades, the Group's exhaust emissions have been decreasing annually. In 2024, through equipment updates, technical upgrades, and emission reduction measures, we successfully lowered exhaust pollutant levels, achieving our annual emission reduction targets.

#### **Emergency Response**

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 (《突發環境事故現場處置預案》) 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.), which includes:

- Identification of Environmental Factors and Risk Points: Address hazards in key areas such as paint spraying exhaust and hazardous waste storage leaks;
- Emergency Response Organizational Structure: Establish an emergency command center with clear divisions of responsibility;
- Specific Emergency Measures: Maintenance of exhaust treatment equipment, standardized hazardous waste management, and chemical leak containment and cleanup, etc.

The Group mandates updates to reflect new regulations and local standards, ensuring timely upgrades to emergency team equipment and refine environmental risk substance analysis (e.g., revising thresholds for waste oil, paint residue, and packaging containers). Emergency supplies and measures are continuously improved, along with enhanced controls for water and air pollution. Specialized emergency plans are in place for incidents such as excess emissions, hazardous waste contamination, chemical leaks, and secondary environmental pollution from fires. These updates have strengthened our capacity to prevent and respond to environmental emergencies, ensuring stores can act swiftly, orderly, and effectively to control, mitigate, and eliminate environmental hazards. 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, particulate matter produced during 2024 were as follows:

	2024	2023
Nitrogen oxides emissions (kg)	1,306.17	1,341.45
Store average nitrogen oxides emissions (kg/store)	16.75	25.80
Sulfide emissions (kg)	85.50	61.96
Store average sulfide emissions (kg/store)	1.10	1.19
Particulate matter emissions (kg)	135.95	123.77
Store average particulate matter emissions		
(kg/store)	1.74	2.38

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

#### 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 (Task Force on 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 with the major responsibility of identifying, evaluating and supervising all issues related to clime 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> <li>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;</li> <li>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 store's inventory management and sales.</li> </ul>	<ul> <li>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;</li> <li>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.</li> </ul>
	Chronic	• 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> <li>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;</li> <li>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.</li> </ul>
Transition risks	Policy and Legal	<ul> <li>Tightening of policies to address climate change, such as the increase in emission standards and the adjustment of subsidy policies for new energy vehicles.</li> </ul>	<ul> <li>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.</li> </ul>
	Technology	• 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> <li>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.</li> </ul>

Category		Climate-related risk	Countermeasures
	Market	• 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.	• 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.
	Reputation	<ul> <li>Increased public attention to climate change issues may create negative perceptions on dealerships who do not take proactive measures.</li> </ul>	<ul> <li>Participating in or initiating environmental activities to enhance brand image;</li> <li>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.</li> </ul>

#### 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 2024, we required all stores to develop severe weather emergency plans to address various abnormal climate conditions. Key measures for floods, typhoons and other severe weather include:

- Plan Development: Based on historical weather data and climate forecasts, detailed flood prevention plans were developed in advance, clearly defining responsibilities and emergency response procedures;
- Infrastructure Inspection and Maintenance: Regular checks of drainage systems, roof facilities, and the sealing of windows and doors to ensure resilience against typhoons and heavy rain, with reinforcement work carried out as needed;
- Material Reserves and Preparedness: Ensuring sufficient flood prevention materials, such as sandbags, raincoats, flashlights, and emergency lighting, to maintain normal operations during extreme weather;
- Basement Pump Operation: Conducting comprehensive inspections of pumps in advance to ensure their proper functioning.

Additionally, we continuously optimize store energy management practices, improving the efficiency of lighting, air conditioning, and other equipment. We actively respond to industry transformation trends by expanding our new energy vehicle product lines to reduce pollutant emissions and carbon footprints. By continuously improving risk objectives and management systems, we are committed to promoting energy conservation and emission reduction across the entire supply chain, supporting the Group's steady transition to a sustainable business model and enhancing industry competitiveness and resilience.

#### Metrics 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 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 have established 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.

The Group has identified the following major sources of greenhouse gas emissions:

- Raw Material Transportation: Raw materials are sourced from various locations and transported via freight, with fuel consumption during transportation generating greenhouse gases such as carbon dioxide and nitrogen oxides;
- Production Processes (Painting Process): During vehicle maintenance, the paints used in the painting workshop release volatile organic compounds (VOCs) during spraying and drying. Some VOCs undergo photochemical reactions with nitrogen oxides in the atmosphere, producing greenhouse gases.

	2024	2023
Direct Greenhouse Gas Emissions <sup>5</sup> (Scope I)		
(tonnes of CO <sub>2</sub> equivalent)	3,657.13	7,441.92
Indirect Greenhouse Gas Emissions (Scope 2)		
(tonnes of CO <sub>2</sub> equivalent)	20,138.68	13,034.98
Total Greenhouse Gas Emissions		
(tonnes of CO <sub>2</sub> equivalent)	23,795.81	20,476.90
Greenhouse Gas Emission Intensity		
(tonnes of CO <sub>2</sub> equivalent/store)	305.07	393.79

#### Table: Greenhouse gas emissions performance<sup>4</sup>

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 water waste by adopting energy-saving equipment and optimizing operation models.

- <sup>4</sup> Direct GHG emissions are calculated based on the Appendix 4 of the China Energy Statistics Yearbook 2020, GHG Protocol, IPCC, 2014: Climate Change 2014: Synthesis Report, Intergovernmental Panel on Climate Change Fifth Assessment Report Working Group I, Working Group II and Working Group III Reports, Guidelines for Provincial Greenhouse Gas Inventories (Trial, May 2011) 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.
- <sup>5</sup> During the Reporting Period, the Group further replaced fuel-powered vehicles with electric vehicles across its stores. As a result, gasoline consumption decreased while electricity consumption increased, leading to a reduction in direct greenhouse gas emissions (Scope 1) and a rise in indirect greenhouse gas emissions (Scope 2).

In 2024, our key low-carbon transition initiatives included:

- Introducing more advanced painting processes to reduce VOCs emissions;
- Collaborating with suppliers and partners to develop emission reduction strategies (e.g., requiring suppliers to adopt low-carbon transportation methods and provide low-carbon raw materials);
- Prioritizing electric vehicles as official business cars;
- Switching kitchen stove energy from liquefied gas to electricity.

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. In the future, we will continue to improve the identification and management of governance, strategy, risk management, metrics and targets for climate-related risks. We will work together with all sectors to address climate change and achieve common sustainable development.

## PRACTICING PUBLIC WELFARE AND BUILDING A HARMONIOUS SOCIETY



ZhengTong has always regarded the philosophy of "business wealth from the society and for the society" as an important part of its corporate culture, and constantly explores ways to gather the power of good, and practice responsibility. Community investment is the driving force for the Group's continuous development in the future, while practicing social welfare can help shape a good corporate culture and public image. Therefore, ZhengTong 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 10 public welfare activities, with more than 78 volunteer service participants, a total of more than 207 hours of volunteer services, and a total donation amount of approximately RMB53,000.

## Case:

ZhengTong Honored to Be Listed on Public Welfare Ranking, Striving Forward to Write a New Chapter

From November 6 to 8, 2024, the 2024 China Automobile Circulation Industry Annual Conference was held in Suzhou. During the event, ZhengTong was selected as part of the 'Walking Hand in Hand Together, Compassionate Responsibility' Philanthropy List.



## **Case:**

Zhengzhou Aoze "In the Name of Love, Delivering Hope," Demonstrating State-Owned Enterprise Responsibility

On March 11, 2024, Zhengzhou Aoze actively encouraged all employees to participate in a blood donation drive. A total of 58 employees signed up, with a participation rate exceeding 80%. The event also attracted nearly 30 caring car owners and partners to join.



## **Case:**

Suzhou Anzhixing Takes on Corporate Responsibility, Actively Engages in Community Building

In 2024, the Suzhou Anzhixing branch party members participated in three volunteer activities organized by the community in the first half of the year, focusing on "Building a Civilized and Hygienic City." In the second half of the year, they joined the "Visiting and Comforting Elderly People Living Alone" public welfare activity organized by the Economic Development Zone Party Office, demonstrating the company's social responsibility.



## **Case:**

Dongguan Jieyunhang Charity Sale Paints Dreams, Supports People with Disabilities

In 2024, Dongguan Jieyunhang collaborated with the local Disabled Persons' Federation to organize a meaningful charity sale. The event showcased and sold paintings created by individuals with disabilities, with proceeds supporting initiatives for people with disabilities.



## **APPENDIX**

Hong Kong Stock Exchange (HKEX) "Environmental, Social, and Governance (ESG) Reporting Code" Index

ESG Report Co	de	Chapter
Part B: Mandat	ory Disclosure Requirements	
	Governance Structure Reporting Principles Reporting Boundary	STATEMENT OF THE BOARD OF DIRECTORS ABOUT THIS REPORT ABOUT THIS REPORT
Part C: "Compl	y or Explain" Provisions	
Major Category	A. Environmental	
Aspect A1: Emi	ssions	
A1	<ul> <li>General Disclosure Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</li> <li>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</li> </ul>	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT
A1.1	The types of emissions and respective emissions data.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). Repealed 1 January 2025	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, 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
A1.5	Description of emission target(s) set and steps taken to achieve them.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT
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

ESG Report Code		Chapter		
Aspect A2: Use of	Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
Aspect A3: Enviro	nment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	N/A		
Aspect A4: Climate Change				

Α4	General Disclosure Policies on identification and mitigation of significant climate- related issues which have impacted, and those which may impact, the issuer. Repealed 1 January 2025	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT
A4.1	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. Repealed 1 January 2025	5. LOW-CARBON OPERATION AND GREEN DEVELOPMENT

ESG Report Code		Chapter		
Major Category B. Social				
Employment and	Labor Practice			
Aspect B1: Emplo	byment			
B1	<ul> <li>General Disclosure</li> <li>Information on: <ul> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul></li></ul>	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B1.1	Total workforce by gender, employment type (for example, full- 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		
Aspect B2: Health	h and Safety			
Β2	<ul> <li>General Disclosure</li> <li>Information on: <ul> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul> </li> </ul>	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B2.2	Lost days due to work injury.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		

ESG Report Code	ESG Report Code Chapter			
Aspect B3: Development and Training				
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B3.2	The average training hours completed per employee by gender and employee category.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
Aspect B4: Labor	Standards			
Β4	<ul> <li>General Disclosure</li> <li>Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.</li> </ul>	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B4.1	Description of measures to review employment practices to avoid child and forced labor.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		
B4.2	Description of steps taken to eliminate such practices when discovered.	4. CARING FOR EMPLOYEES AND GROWING TOGETHER		

ESG Report Code		Chapter		
Operating Practice				
Aspect B5: Supply Chain Management				
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B5.1	Number of suppliers by geographical region.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
Aspect B6: Product Responsibility				
Β6	<ul> <li>General Disclosure</li> <li>Information on</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</li> </ul>	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		
B6.2	Number of products and service related complaints received and how they are dealt with.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES		

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ESG Report Code		Chapter	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2. LEAN MANAGEMENT AND STEADY OPERATION	
B6.4	Description of quality assurance process and recall procedures.	3. RESPONSIBLE MANAGEMENT AND HIGH-QUALITY SERVICES	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2. LEAN MANAGEMENT AND STEADY OPERATION	
Aspect B7: Anti-	corruption		
Β7	<ul> <li>General Disclosure</li> <li>Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</li> </ul>	2. LEAN MANAGEMENT AND STEADY OPERATION	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	2. LEAN MANAGEMENT AND STEADY OPERATION	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	2. LEAN MANAGEMENT AND STEADY OPERATION	
B7.3	Description of anti-corruption training provided to directors and staff.	2. LEAN MANAGEMENT AND STEADY OPERATION	
Community Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. PRACTICING PUBLIC WELFARE AND BUILDING A HARMONIOUS SOCIETY	
B8.2	Resources contributed (e.g. money or time) to the focus areas.	6. PRACTICING PUBLIC WELFARE AND BUILDING A HARMONIOUS SOCIETY	

ESG Report Code		Chapter		
Part D: Climate — related Disclosures				
D-I Governance	The governance body(s) responsible for oversight of climate- related risks and opportunities.	5.4 Response to Climate Change		
D-II Strategy	Climate-related risks and opportunities.	5.4 Response to Climate Change		
D-III Risk Management	Processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks.	5.4 Response to Climate Change		
D-IV Metrics and Targets	Greenhouse gas emissions.	5.4 Response to Climate Change		

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

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