EvDynamics

Ev Dynamics (Holdings) Limited
科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 476)

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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SCOPE AND REPORTING PERIOD

This ESG report was prepared by Ev Dynamics (Holdings) Limited (hereinafter referred as the "Company", and together with its subsidiaries referred as the "Group"), highlighting its Environmental, Social and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 27 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and "Stock Exchange" respectively).

This ESG report covers the Group's principal operations in two subject areas, namely, the Environmental and Social of the business operations in Hong Kong including the general administrative and operational office in Hong Kong (the "Hong Kong Office") and its principal business, automotive manufacturing plant, in Chongqing, the People's Republic of China (the "PRC Manufacturing Plant") from 1 April 2022 to 31 March 2023 (the "Reporting Period"), unless otherwise stated. These two business operations represent the core operations of the Group during the Reporting Period.

For the Group's information on corporate governance practice, please refer to the "CORPORATE GOVERNANCE REPORT" on pages 48 to 65 of the Group's 2023 Annual Report.

REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement are presented in the section headed "Stakeholder Engagement and Materiality" in this report.

Quantitative – key performance indicators (the "KPI"s) have been established to make measurable and applicable comparisons under appropriate conditions. Information on the standards, its methodologies and assumptions, its calculation tools used and its sources of conversion factors used have been disclosed when applicable.

Balance – performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

THE GROUP'S MISSION AND VISION

The Group aims to achieve positive and sustainable outcomes for its businesses, the environment and the community. The Group strives to increase cost efficiency by minimising production costs and obtaining the optimum economies of scale. In addition, the Group aims to be an environmentally friendly corporate by developing pure electric vehicles and providing healthier or cleaner resources to customers.

THE BOARD'S STATEMENT

The board of directors (the "Board") regularly reviews environmental and social-related performance and disclosures to ensure compliance with the Listing Rules requirements. The Board has overall responsibility for ESG strategy and reporting. The Board monitors and evaluates the implementation of environmental, social and governance policies in business operations, and leads an inter-departmental working group to formulate and implement feasible work plans on environmental, social and governance matters. The Board is also responsible for prioritising ESG-related issues to find out the material issues of the Group's stakeholders and reviewing the progress made against ESG-related goals and targets.

The climate-related issues are integrated into the management strategies. During the regular reviewing process of the Group's ESG performance, immediate action will be taken if any risk is identified. The inter-departmental working group formulated corresponding climate-related risk management strategies to cope with the challenges brought by the risks. Details of the climate-related risk management strategies of the Group are mentioned in section A4 "Climate Change".

The Board takes ESG issues seriously, and senior management in each department monitors their areas, looks for areas for improvement and responds to stakeholders' concerns and launches a development plan. During the Reporting Period, the Group continues to standardize the ESG-related issues and focuses on the process of determining material ESG-related issues. Based on the Group's development strategy, the Group optimizes communications and engages key stakeholders to identify, assess and manage ESG-related issues. The Board supervises the preparation process of the ESG report, reviews and approves the annual ESG report, and ensures the authenticity and effectiveness of information disclosure.

The Group believes that, as an environmental protection company developing pure electric vehicles to meet international demand, the increase in environmental awareness around the world has a positive impact on its business.

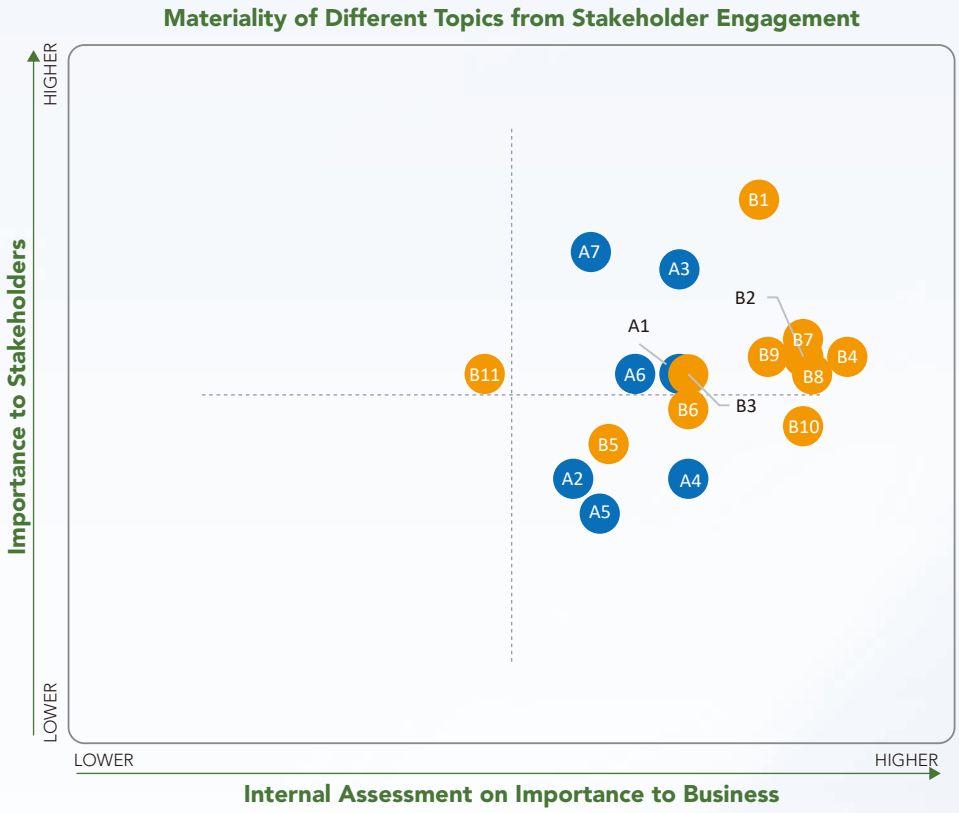
STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group communicates regularly with and gathers feedback from stakeholders through various channels to understand their expectations, build and maintain a good relationship, and identify the most significant environmental and social aspects of the Group's operations to its stakeholders. The table below outlines the Group's various dialogue channels for different types of stakeholders:

Stakeholders	**Means of communications**
Shareholders/investors	• Shareholders' general meeting • Announcement • Press release • Investor meeting • Company's website • Email or postal correspondences, telephone enquiries or fax
Directors	• Directors' meeting
Employees	• Training programmes • Employees' performance review • Work review meeting • Email or telephone • Inspection of complaints mailbox
Customers	• Exhibition • Customer meeting • Product training • Product maintenance
Suppliers	• Exhibition • Supplier meeting • Factory site-visit • Pre-testing orders • After order service
Government and regulators	• Government meeting • Inviting visit

STAKEHOLDER ENGAGEMENT AND MATERIALITY

During the Reporting Period, the Group has specifically engaged board members, senior management, frontline employees and business partners to gain further insights on ESG aspects they find material. The Materiality Matrix below shows the result of the Group's materiality assessment process:



Environmental

A1 Energy
A2 Water
A3 Air Emission
A4 Waste and Effluent
A5 Other Raw Materials Consumption
A6 Environmental Protection Measures
A7 Climate Change

Social

B1 Employment
B2 Occupational Health and Safety
B3 Development and Training
B4 Labour Standards
B5 Supplier Management
B6 Intellectual Property Rights
B7 Data Protection
B8 Customer Service
B9 Product/Service Quality
B10 Anti-corruption
B11 Community Investment

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The following topics have been deemed as the most important by stakeholders:

- Labour Standards;
- Data Protection;
- Occupational Health and Safety;
- Customer Service;
- Product/Service Quality; and
- Employment.

The Group reviews and manages the material aspects with policies and best practices and will continue to work towards building positive relations with its stakeholders, improving the overall ESG performance and developing better control of ESG-related risks. Through the development of pure electric vehicles, the Group strives to reduce its impact on the environment and society and to achieve sustainable and optimum economic growth with a company strategy on new products and new energy business.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Suggestions or views can be sent by post: 46th Floor, United Asia Finance Centre, 333 Lockhart Road, Wan Chai, Hong Kong or through the communication channels described on the Company's website: www.evdynamics.com.

AWARDS AND RECOGNITION

The Group is a pioneer and prominent enterprise which integrates the design, development, manufacture, sales and technical services of new energy buses and vehicles, and their entire electric power and control systems, other vehicles and vehicle components. The production qualification of passenger cars and new energy vehicle products had been approved by the Ministry of Industry and Information Technology of the People's Republic of China (the "PRC"). The Group obtained the ISO 9001:2015 Quality Management System Certificate, ISO 50001:2018 Energy Management System Certificate, ISO 14001:2015 Environmental Management System Certificate and the national compulsory 3C certificate from China Quality Certification Centre. Besides, the qualification of automobile export had been approved by the Ministry of Commerce of the PRC, the Ministry of Industry and Information Technology of the PRC, the General Administration of Customs of the PRC, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Certification and Accreditation Administration of the PRC (CNCA). The Group had been included in the "List of Enterprises Eligible for Applying for Automobile Export License" since 2016.

A. ENVIRONMENTAL

A1. EMISSIONS

The Group adopts environmental management policies and practices to improve operational efficiency and convey mutual benefits to society and itself.

The PRC Manufacturing Plant strictly complied with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Atmospheric Pollution;
- Law of the PRC on the Prevention and Control of Environmental Noise Pollution;
- Law of the PRC on the Prevention and Control of Water Pollution; and
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

During the Reporting Period, the Group did not note any cases of material non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharge into water and land, and the generation and disposal of hazardous and non-hazardous waste.

A1.1 Air Emissions

During the Reporting Period, air emissions were mainly generated from fuel consumption by the Group's vehicles. The Group's production did not involve any stationary combustion of gaseous fuel.

Petrol and diesel were mainly used for passenger cars for the Group's local business commuting. During the Reporting Period, 0.21 kg (2022: 0.46 kg) of sulphur oxides ("SO_X") was emitted from the gaseous fuel consumption of the Group, while 2.91 kg (2022: 7.12 kg) of nitrogen oxides ("NO_X") and 0.21 kg (2022: 0.52 kg) of particular matter ("PM") were emitted from the PRC Manufacturing Plant's fuel consumption.

A. ENVIRONMENTAL

A1.2 GHG Emissions

During the Reporting Period, the Group generated 168.25 tCO_2eq (2022: 309.47 tCO_2eq), resulting in a carbon intensity of 4.10 tCO_2eq (2022: 6.19 tCO_2eq) per employee. The decrease in total GHG emission and carbon intensity could be attributed to the decrease in energy consumption, which will be discussed in section A2.1 "Energy Consumption".

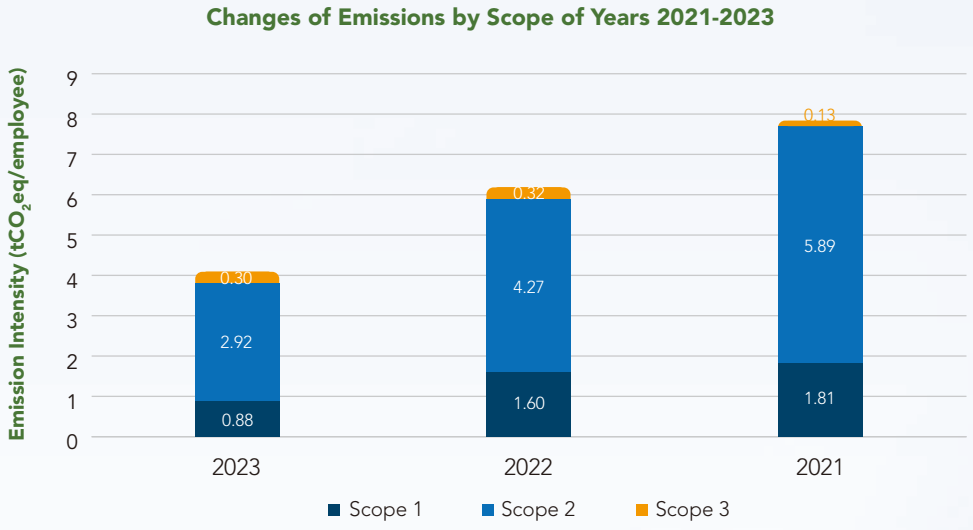
Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2eq")		Percentage of Total Emission	
		2023	2022	**2023**	2022
Scope 1					
Direct Emission	Combustion of Fuel for Mobile Combustion Source – Petrol and Diesel	**38.14**	81.66	**21%**	26%
	Tree Planting	**(2.09)**	(1.82)		
Scope 2					
Energy Indirect Emission	Purchased Electricity	**119.97**	213.87	**72%**	69%
Scope 3					
Other Indirect Emission	Paper Waste Disposal	**0.90**	1.61	**7%**	5%
	Electricity used for Processing Fresh Water	**2.99**	9.47		
	Electricity used for Processing Sewage	**0.80**	1.20		
	Business Air Travel	**7.54**	3.48		
Total		**168.25**	309.47	**100%**	100%

Notes:

- tCO_2eq represents tonnes of carbon dioxide equivalent GHG (mainly carbon dioxide, methane and nitrous oxide).
- Emission factors were referred to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange unless stated otherwise.
- Combined margin emission factors of 0.581 and 0.68 tCO_2/MWh were used for purchased electricity in the PRC and Hong Kong respectively.
- Tree planting: 12 new trees had been planted in the PRC Manufacturing Plant during the Reporting Period.

A. ENVIRONMENTAL

The figure below illustrates the comparison of GHG emission intensity by year.



A1.3 Hazardous Waste

Hazardous waste generated from the Group's operation during the Reporting Period is 593.50 kg (2022: 1,008.06 kg), resulting in an intensity of 14.48 kg (2022: 20.16 kg) per employee, which included waste ink and paint, toner cartridges and fluorescent tubes. For the Hong Kong Office, hazardous waste was collected by the supplier for recycling. For the PRC Manufacturing Plant, all the hazardous waste was collected and handled by a qualified waste handling company.

A1.4 Non-hazardous Waste

Non-hazardous waste mainly consisted of wastepaper, waste wood materials and commercial waste from offices and manufacturing plant. During the Reporting Period, the Group generated 0.78 tonnes (2022: 1.03 tonnes) of wastepaper, in which 0.28 tonnes (2022: 0.33 tonnes) of office wastepaper was sent to the landfill. Apart from the wastepaper, approximately 1.40 tonnes (2022: 1.30 tonnes) of domestic and commercial waste were generated from the PRC Manufacturing Plant. The total amount of non-hazardous waste generated during the Reporting Period was 2.18 tonnes (2022: 2.33 tonnes), resulting in an intensity of 0.05 tonnes (2022: 0.05 tonnes) per employee.

A. ENVIRONMENTAL

A1.5 Measures to Mitigate Emissions

The Group has set a target to reduce 10% of GHG emission intensity in 10 years, or by the year 2032, with 2022 as the base year. To achieve this goal, the Group has implemented some measures to mitigate GHG emissions.

As part of the Group's environmental policy, employees are encouraged to reduce business air travel. The Group keeps track of employees' business travelling and their corresponding carbon emissions throughout the year. The Group has installed telephone conference facilities in the office setting. Employees are encouraged to make use of teleconferencing to reduce flight frequency and hence carbon footprint.

When purchasing new office electronic equipment, the Group opts for products with high energy efficiency and low emissions. Local products and office accommodations are given priority to reduce transportation and hence indirect emissions.

Since 2018, the Group had planted various species of trees in the PRC Manufacturing Plant for the assimilation of carbon dioxide. During this Reporting Period, 12 new trees had been planted in the PRC Manufacturing Plant.

The GHG emission intensity decreased by 34% compared with the previous reporting period. The significant decrease in GHG emission is due to the decrease in the production activity in PRC Manufacturing Plant compared with the previous reporting period. The Group will continue to review the existing GHG emissions reduction measures in order to maintain the GHG emissions reduction efficiency.

Note: The GHG emission reduction target has been restated to compare the intensity instead of the absolute amount in order to reflect the actual situation of the Group's environmental performance.

A. ENVIRONMENTAL

A1.6 Wastes Handling and Reduction Initiatives

The Group aims to reduce 30% of waste intensity in 10 years, or by the year 2032, with 2022 as the base year, and strives to adopt various measures to achieve this goal.

The Hong Kong Office supports the waste reduction programme of its supplier by returning used toner cartridges for recycling. Besides, the following waste reduction practices have been adopted and encouraged. These practices are promoted by displaying promotional messages in different office areas, such as the printing area and pantry:

- Reduce unnecessary printing;
- Collect and reuse single-sided paper;
- Reuse office stationeries when appropriate;
- Use e-mail instead of fax;
- Buy only when necessary;
- Reduce plastic rubbish bags consumption;
- Reuse and recycle containers and utensils; and
- Reuse or donate unwanted items.

For the PRC Manufacturing Plant, hazardous waste was sent to a qualified environmental protection engineering company for further handling, complying with applicable laws and regulations. Similar to the practice in Hong Kong Office, the PRC Manufacturing Plant also displays promotional messages in different areas to encourage the staff to follow waste reduction routines, such as food waste reduction messages in the canteen area, and tissue paper waste reduction at restrooms. Besides, the Group has installed recycling bins with proper signages in the public area. Since 2022, the PRC Manufacturing Plant has formulated a food waste reduction policy in which the amount of food in the canteen is prepared according to the number of employees present every working day.

A. ENVIRONMENTAL

During the Reporting Period, the non-hazardous waste intensity remained the same with the previous reporting period, and the hazardous waste intensity was reduced by 28% compared with the previous reporting period. The Group will continue to review the existing waste reduction measures in order to improve waste reduction efficiency.

Note: The waste reduction target has been restated to compare the intensity instead of the absolute amount in order to reflect the actual situation of the Group's environmental performance.

A2. USE OF RESOURCES

A2.1 Energy Consumption

The Group's business operations resulted in total energy consumption of 332.33 MWh (2022: 626.75 MWh), with an intensity of 8.11 MWh (2022: 12.54 MWh) per employee, from the use of electricity, diesel and petrol. The total energy consumption (in MWh) during the Reporting Period decreased by 47% compared with the previous reporting period. The significant decrease in energy consumption was due to the decrease in the production activity in PRC Manufacturing Plant compared with the previous reporting period. The tables below present the details of energy consumption and consumption intensity per employee.

Energy Consumption Sources	Direct Consumption		Consumption in MWh	
	2023	2022	**2023**	2022
Electricity	**198.40 MWh**	342.83 MWh	**198.40**	342.83
Petrol	**13,992.71 L**	26,328.74 L	**130.44**	239.98
Diesel	**349.36 L**	4,394.75 L	**3.49**	43.94
Total			**332.33**	626.75

Energy Consumption Sources	Consumption Intensity (MWh/employee)		
	2023	2022	2021
Electricity	**4.84**	6.86	6.94
Petrol	**3.18**	4.80	5.87
Diesel	**0.09**	0.88	0.30
Total	**8.11**	12.54	13.11

A. ENVIRONMENTAL

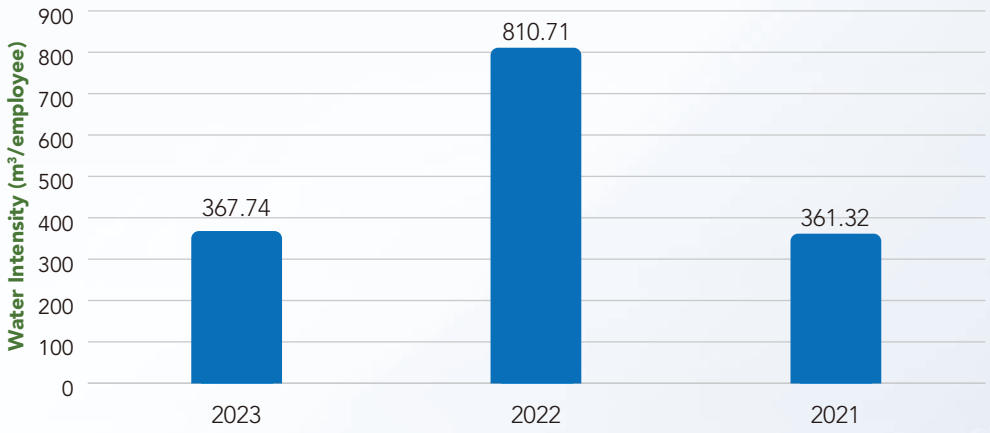
A2.2 Water Consumption

During the Reporting Period, 6,987 m^3 (2022: 22,700.00 m^3) of freshwater was consumed by the PRC Manufacturing Plant, resulting in an intensity of 367.74 m^3 (2022: 810.71 m^3) per employee. A significant decrease in water consumption during the Reporting Period was due to the decrease in the production activity in the PRC Manufacturing Plant compared with the previous reporting period. Besides, the water main incident occurred last year had been fixed, resulting a significant reduction in water consumption during the Reporting Period.

The Hong Kong Office's water supply and discharge were managed by the building's management office and hence the breakdown was, therefore, not readily available. It is noteworthy that the Hong Kong Office's water consumption was insignificant.

Note: As the Hong Kong Office's water supply was not directly controlled by the Group, the number of employees of the Hong Kong Office is excluded in the calculation of the intensity of water consumption (i.e. the amount of water consumption/the number of employees of PRC Manufacturing Plant).

Changes of Water Intensity by Scope of Years 2021-2023



A. ENVIRONMENTAL

A2.3 Energy Use Efficiency Initiatives

The Group aims to reduce 10% of energy consumption intensity in 10 years, or by the year 2032, with 2022 as the base year, and has adopted some measures and practices to achieve it. The Group has been replacing traditional lighting with LEDs in the Hong Kong Office. The thermometer has also been installed to encourage employees to be more aware of the suitable and comfortable temperature for necessary air conditioning adjustments. Moreover, an energy-efficient model is preferred when purchasing new office equipment, such as printers, for greater energy conservation. Employees are also encouraged to take public transport for the business commute to work and meetings.

Reminders are posted in the Hong Kong Office to remind employees of energy-saving behaviours such as:

- Activate auto energy-saving mode;
- Lower the brightness of computer screens;
- Switch off lighting, air-conditioners, and electronic appliance during lunch break, before leaving work, and after use; and
- Use heating facilities, dehumidifier and office equipment only when necessary.

The energy consumption intensity was decreased by 35% compared with the previous reporting period. The Group will continue to review the existing energy consumption reduction measures in order to maintain the energy consumption reduction efficiency.

Note: The energy consumption reduction target has been restated to compare the intensity instead of the absolute amount in order to reflect the actual situation of the Group's environmental performance.

A2.4 Water Use Efficiency Initiatives

The Group had set a target to reduce 10% of water consumption intensity in 10 years, or by the year 2032, with 2022 as the base year. To achieve this target, the Group adopted various water-saving measures. For instance, the Group encourages water saving by posting green messages in pantries and washrooms as reminders for conserving water resources. In addition, the Group has installed flow controllers in water taps and regular maintenance of the water supply network to reduce the leakage rate. There was no issue in sourcing water that was fit for purpose for the Group during the Reporting Period.

A. ENVIRONMENTAL

The water consumption intensity was decreased by 55% compared with the previous reporting period. The Group will continue to review the existing water consumption reduction measures in order to maintain the water consumption reduction efficiency.

Note: The water consumption reduction target has been restated to compare the intensity instead of the absolute amount in order to reflect the actual situation of the Group's environmental performance.

Wastewater Discharge

The PRC Manufacturing Plant is equipped with on-site wastewater treatment facilities to conduct pre-treatment of sewage generated from production and domestic activities before discharge to the wastewater treatment plant within the industrial park. Effluent discharged met Level 1 of the Integrated Wastewater Discharge Standard GB8978–1996 (Table 4), which sets limits for parameters such as pH, suspended solids ("SS"), chemical oxygen demand ("COD"), biochemical oxygen demand ("BOD") and Ammonia-Nitrogen ("NH_3-N"). Sludge is then collected by a licensed collector for further treatment. No exceedances were reported during the Reporting Period.

A2.5 Packaging Material

The finished products of the Group are mainly vehicles, for which the delivery does not involve material use of packaging materials. Hence, no such data is reported.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

A3.1 Significant Impacts of Activities on the Environment

The Group's major business involves electric vehicle development and manufacturing, of which the production generates wastewater, GHG and air emissions. The Group monitors and manages wastewater discharged from on-site wastewater treatment facilities, ensuring that it has met the national discharge standard. The Group also reviews and updates the energy conservation practices for its production process regularly. With the implementation of green practices, the Group has been minimising its significant impact on the environment and natural resources.

Heavy photochemical smog and haze in the PRC have been an ongoing issue in recent years. One of the factors contributing to the continuing deterioration is the increase in transportation, which results in a higher level of emissions. Electrification of cars is inevitably a global trend to improve air quality. Thus, the Group commits to being an environmentally friendly manufacturer of pure electric vehicles, investing in energy-efficient products. The Group also strives to influence the market to adopt electric vehicles, minimising impacts on the environment. The Group believes that electric vehicles can contribute to a better and healthy environment for future generations.

A. ENVIRONMENTAL

A4. CLIMATE CHANGE

A warming planet creates a wide range of risks for businesses, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. The risks derived from climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the climate-related risks and opportunities by using the following matrix.

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level
		Physical Risks	
Extreme weather	Short term and Long term	The extreme weather may make transportation more difficult and affect the stability of the raw material supply. To reduce the risk of supply chain disruption, the Group cooperated with various approved suppliers from different regions in the PRC to ensure a stable supply of car components for manufacturing products. The diversification of suppliers is an important practice to maintain the stability of business in the long term. Due to the effective above-mentioned measure adopted by the Group, the physical risk level is low.	Low
		Transition Risks	
Tightening of climate-related policies	Long term	Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for noncompliance. The Group has an experienced research and development team to review the products regularly in order to ensure compliance with climate-related requirements, so the risk derived by the tightened environmental policies is medium.	Medium

A. ENVIRONMENTAL

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level
Cost to transition to lower emissions technology	Long term	In purpose to meet the increasing demand for environmentally friendly vehicle systems and products, more research and development of new vehicle systems is needed, and it results in a high cost of research and development. The expense consists of testing fees, certificates of obtaining on vehicle design, and the expense to the third-party suppliers for software and vehicle systems. To cope with the high cost of research and development of new vehicle systems, the Group has expanded its customer base to strive for more revenue. With a large customer base developed, the risk of the cost incurred by the transition to lower emissions technology is low.	Low
Changing customer behaviour	Medium term and Long term	A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals. Following the growing demand for electric vehicles in overseas, the Group has diversified its business to overseas markets in Southeast Asia and Europe instead of relying solely on the PRC market. The Group believes that the risk of changing customer behaviour is low as the main business of the Group is manufacturing environmentally friendly electric vehicles, which can meet the expectation of the customer behaviour and preferences.	Low

A. ENVIRONMENTAL

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level
Reputation Risk	Long term	The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing services. It may affect the reputation of the Group. The Group adopts industry best practices according to the potential climate-related risks identified, which aims to improve energy efficiency throughout the Group's operation. All internal professionals and frontline staff are encouraged to focus on the daily procedure to achieve the objective of climate change mitigation. The Group believes that the reputation risk is low as the main business of the Group is manufacturing environmentally friendly electric vehicles, which can meet the expectation of the customer behaviour and preferences.	Low

Opportunities

As climate change may lead to changes in consumer preferences for high energy efficiency transportation, it is a favourable opportunity for the Group to commit as a manufacturer of environmentally friendly pure electric vehicles in the future. Following this trend, the Group strives to develop low-carbon goods and services to provide healthier and cleaner alternatives for customers.

B. SOCIAL

1. EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group recognises employees are its greatest asset and commits to providing fair and open employment opportunities. The Group strictly complies with national and local laws and regulations, including but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC; and
- Employment Ordinance in Hong Kong.

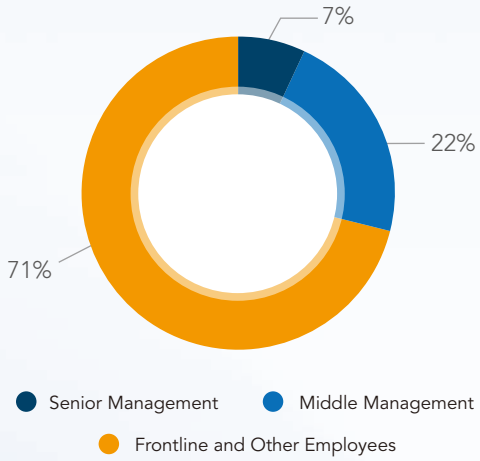
The Group did not note any cases of material non-compliance with laws and regulations regarding the Group's employment and labour practices including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for the Hong Kong Office and the PRC Manufacturing Plant during the Reporting Period.

B. SOCIAL

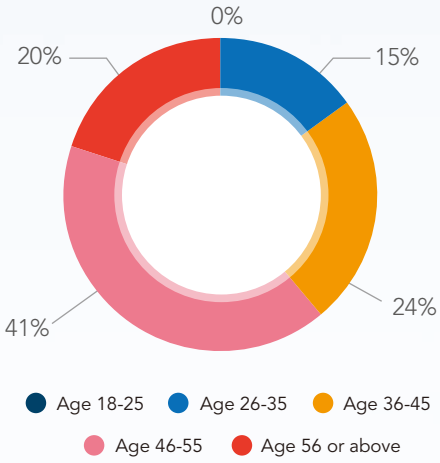
Workforce

The operation of the Hong Kong Office and the PRC Manufacturing Plant had a total number of 41 employees as of 31 March 2023 (2022: 50 employees), of whom 98% were in full-time positions with the rest on a part-time basis. The tables below illustrate the detailed distribution of the workforce.

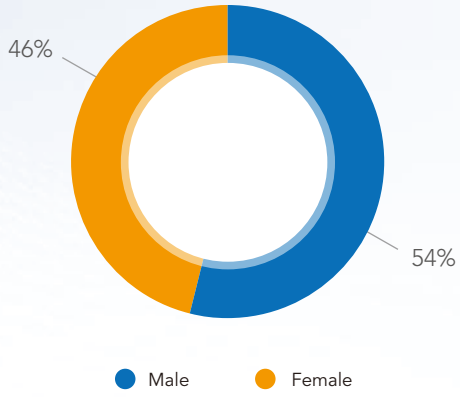
Percentage of Workforce by Employee Category



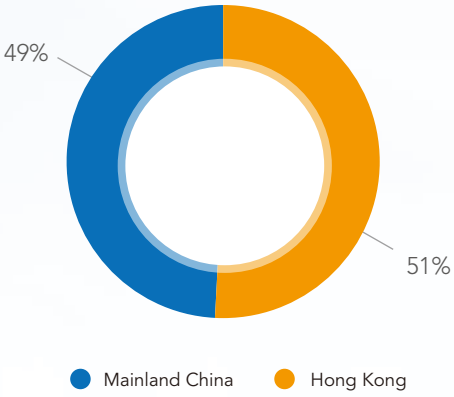
Percentage of Workforce by Age Group



Percentage of Workforce by Gender



Percentage of Workforce by Geographical Region



B. SOCIAL

Turnover rate

There were 14 employees left the Group during the Reporting Period (2022: 0 employees), resulting in an overall turnover rate of 34%. As some of the production process changed to OEM model recently, it leads to the decrease in the production activities and decrease in the workforce needed. The breakdowns of the turnover rate by employee category, employment type, age group, gender and geographical region are shown in the following table.

Turnover rate by employee category	
Senior management	33%
Middle management	33%
Frontline and other staff	34%

Turnover rate by employment type	
Full-time	33%
Part-time	100%

Turnover rate by age group	
18–25	100%
26–35	0%
36–45	30%
46–55	53%
56 or above	13%

Turnover rate by gender	
Male	45%
Female	21%

Turnover rate by geographical region	
Mainland China	52%
Hong Kong	15%

B. SOCIAL

Employee Welfare

The Group has established a competitive remuneration system for its employees. They are entitled to basic salaries, statutory holidays, various types of paid leave (annual, marriage, compassionate, maternity, paternity and sick), medical allowance, transportation allowance, and year-end bonus. The Group regularly reviews and upgrades its medical coverage. Other benefits of the Group include share options and festival gifts. For the PRC Manufacturing Plant, employees are entitled to social insurance and housing provident funds under local laws and regulations.

The Group cares for and values employees' work-life balance and mental wellness. It has established fair and reasonable working hours and leaves policies to ensure sufficient rest and leisure time for employees. Standard working hours for regular and seasonal production periods have been stated in the employment contract. Compensation leaves or pay is granted if overtime work is needed for production, observing relevant national laws and regulations.

Appraisal

The Group conducts regular assessments to review employees' job-required knowledge, working attitude, sense of responsibility, efficiency, time management, effective use of resources, and cooperation skills. These abilities are used as a reference for salary adjustment and promotion. The appraisal process has been outlined in the employee handbook.

Dismissal/Termination

Detailed conditions and procedures regarding contract expiration and termination have been listed in the employment contract. Financial compensation is required for the party terminating the contract without giving prior notice.

B. SOCIAL

Equal Opportunity

The Group strictly complies with the national and local standards relating to equal opportunities and develops policies to eliminate discrimination in the Group, including but not limited to the Disability Discrimination Ordinance (Cap. 487), Sex Discrimination Ordinance (Cap. 480), Family Status Discrimination Ordinance (Cap. 527) and Race Discrimination Ordinance (Cap. 602) in Hong Kong. The employee handbook outlines the Group's commitment to equal opportunities. Employees are not discriminated against concerning recruitment, employment, training, promotion and employee benefits. The Group makes decisions based on individual employees' working capability, qualification, and on-the-job experience, regardless of their gender, family status, ethnicity, marital status, pregnancy, health care needs, or any other discrimination prohibited by applicable law.

Staff Communication

The Group believes that effective communication can create trust among employees and increase productivity. In the PRC Manufacturing Plant, a canteen and areas for leisure activities are provided at the workplace. During the Reporting Period, the PRC Manufacturing Plant held a staff communication meeting. In Hong Kong Office, most of the social activities were suspended due to the COVID-19 pandemic, but a staff banquet was arranged when our society returned to normal gradually.

B2. Occupational Health and Safety

Occupational health and safety are part of the Group's fundamental value on social sustainability. The Group strives to provide a safe, hygienic and productive working environment for all employees through training, designated supervision, and regular provision of general and occupational health checks. First-aider training is provided for employees. Emergency contact lists and fire evacuation plans showing the locations of emergency exits and emergency equipment are prominently displayed. A fire drill is conducted annually to refresh employees' knowledge of emergency procedures and raise their awareness. In the PRC Manufacturing Plant, the Group identifies occupational hazards regularly and designs preventive and control measures to minimise health risks. The Group also provides personal protective equipment, such as earplugs, gloves, and masks for filtering dust and odour, to its employees. Air purifiers are placed in corridors and common areas throughout Hong Kong Office and the PRC Manufacturing Plant to establish a healthier working environment for its employees.

B. SOCIAL

There were no work-related fatality or injury cases during the Reporting Period. The Group did not note any cases of material non-compliance with health and safety laws and regulations during the Reporting Period including but not limited to:

- the PRC Law on the Prevention and Control of Occupational Diseases; and
- the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong.

Occupational Health and Safety Statistics	**2023**	2022	2021
Work-related fatality rate	**0%**	0%	0%
Work injury cases > 3 days	**0**	0	0
Work injury cases≤3 days	**0**	0	0
Lost days due to work injury	**0**	0	0

Responses to the COVID-19 pandemic

During the COVID-19 pandemic, the Group has taken measures to protect employees.

The Hong Kong Office has implemented work-from-home arrangements, reduced office hours and rotational shifts policies to minimise the risk of the coronavirus outbreak. These policies are reviewed and adjusted according to the situation of pandemics. Wages were paid as usual to employees and medical subsidies were offered to the employees who got infected with COVID-19. The Hong Kong Office also supplied protective resources for employees, such as surgical masks, disinfectant alcohol, rapid antigen test ("RAT") kits and air purifiers.

The PRC Manufacturing Plant strengthened pandemics prevention by arranging frequent disinfection of factory areas, requiring employees to wear masks and avoiding contact with outsiders. In addition, the Group promoted personal hygiene to employees to maintain a clean and hygienic working environment.

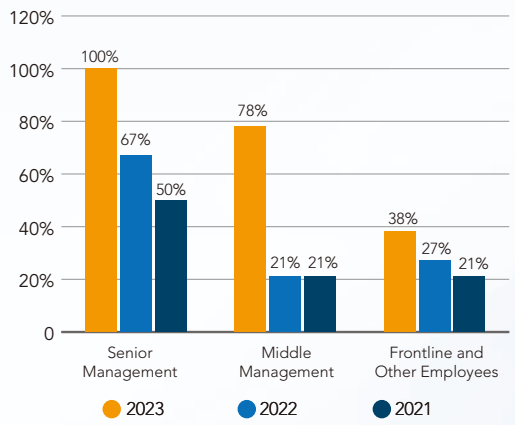
B. SOCIAL

B3. Development and Training

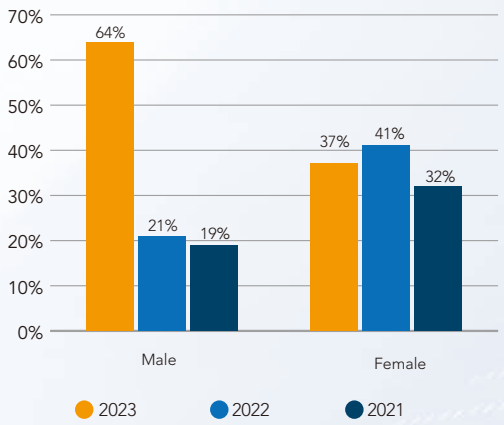
The Group considers training as a valuable tool to maintain the competency, professional level, and integrity of its employees and their sense of belonging. With core business focusing on innovation and advanced environmental technology, the Group motivates employees to attend seminars, training, and conferences organised by professional institutions, training centres and management schools to equip themselves with the most updated industrial standards, laws and regulations, technology trends and market, as well as essential knowledge and skills related to their job duties. The training materials cover areas in accounting, corporate governance, environment, finance, tax, technology and safety production management qualification training etc.

During the Reporting Period, the Group provided a total of 567.50 hours (2022: 232.00 hours) of training to its employees, with an average of 13.84 hours (2022: 4.64 hours) per employee and 51% (2022: 30%) of the employees had received training. The percentage of employees who received training during the Reporting Period increased by 21% compared with the previous reporting period.

Percentage of Employees Trained by Employee Category by Scope of Years 2021-2023

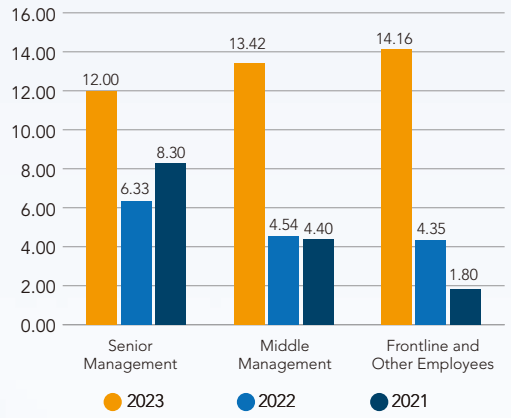


Percentage of Employees Trained by Gender by Scope of Years 2021-2023

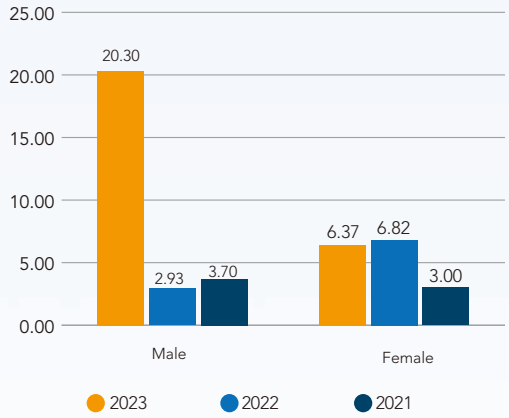


B. SOCIAL

Average Training Hours Completed per Employee by Employee Category by Scope of Years 2021-2023



Average Training Hours Completed per Employee by Gender by Scope of Years 2021-2023



The breakdowns of the training topics, the number of staff trained, and the completed training hours are as follows:

Training topics	The number of staff trained	Training hours completed
Anti-corruption	1	24.00
Occupational health and safety	12	288.00
Technological innovation	10	209.00
Accounting	3	11.50
Corporate governance	4	12.50
Corporate and Strategic	4	7.50
Tax	1	5.00
ESG	2	10.00
	Total:	567.50

B. SOCIAL

B4. Labour Standards

The Group strictly complies with the respective labour laws and regulations in its operating countries, including the Employment Ordinance (Cap. 57) in Hong Kong, the Labour Law of the PRC and the Labour Contract Law of the PRC. The Group strictly prohibits the hiring of child labour and opposes any form of forced labour. The Group formally goes through background checks on every employee, which includes obtaining an identity card, certificate and previous job reference letter to ensure that they are legally entitled to work. All employees have signed the employment contract and agreed to the stipulated employment terms and conditions. If the violation is found, the management will review the recruitment procedure, identify and rectify the issues by revising the procedure, providing further training to the concerned parties and taking disciplinary actions when necessary.

During the Reporting Period, the Group did not note any cases of material non-compliance with laws and regulations regarding labour standards.

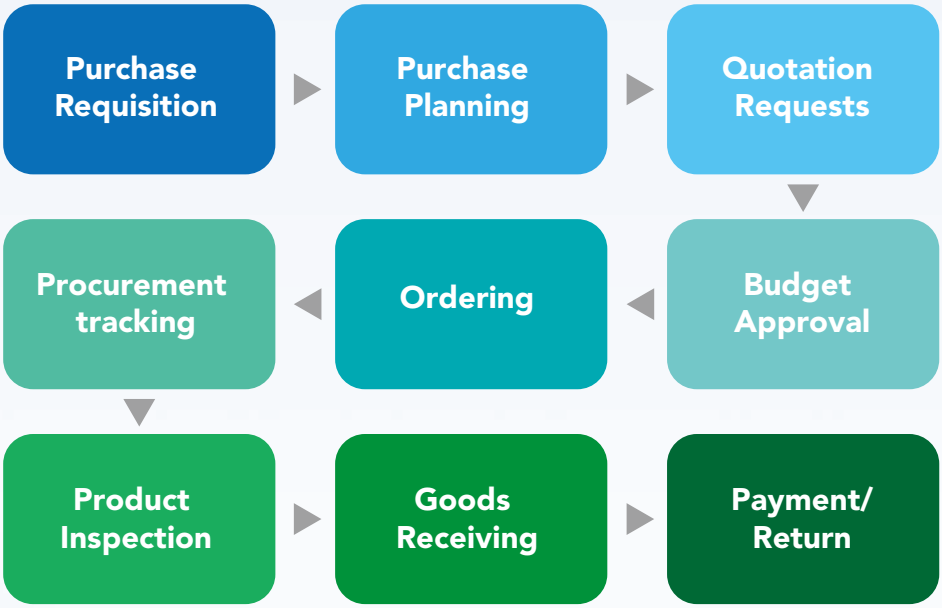
2. OPERATING PRACTICES

B5. Supply Chain Management

During the Reporting Period, there was no major change in policies on managing environmental and social risks of the supply chain. The Group has a total of 148 (2022: 182) approved suppliers from the PRC for various automobile parts.

To ensure the Group has standardised procurement procedures and guidelines to follow and to promote a consistent, sustainable and environmentally friendly procurement function, the Group has established a procurement control procedure. The procedure applies to all raw materials, components, production spare parts, tools, equipment and office supplies. Standard workflow, related documents and forms, responsible parties and areas of attention in each stage, from the request of purchase to payment upon receipt of product or product returns, have been stated in the procedure. The simplified procurement workflow is outlined below.

B. SOCIAL



The Group communicates with suppliers on their environmental and social responsibilities, including the provision of a healthy and safe working environment, prohibition of child and forced labour and a fair working environment without discrimination. To ensure the quality of the suppliers, the Group evaluates and assesses the suppliers annually, and selects the qualified suppliers for product or material procurement. The product quality department of the Group inspects the products of the suppliers by assessing the sample products provided by the suppliers, and then the purchasing department may arrange on-site evaluations and meetings to assess the suppliers if necessary. The Group strives to implement this practice strictly to ensure the suppliers comply with the related laws and regulations of nations and customers' satisfaction. The purchasing department, the research and development department and the quality control department of the Group pass the qualified suppliers, and it is finally approved by the manager. The qualified suppliers are included in the "List of Qualified Suppliers" and archived by the purchasing department. The Group continues to evaluate the suppliers according to their quality of products and services, performance and cost advantage. The "List of Qualified Suppliers" will be updated timely according to the results of the evaluations.

Office purchasing policy is adopted particularly for office operation, aiming at raising awareness of green purchasing among employees. The Group purchases office paper from suppliers who can provide Programme for the Endorsement of Forest Certification ("PEFC") or Forest Stewardship Council ("FSC") certified paper.

B. SOCIAL

B6. Product Responsibility

During the Reporting Period, the Group did not note any cases of material non-compliance with laws and regulations regarding health and safety, advertising, labelling and privacy matters relating to products and services provided.

Quality Assurance

The Group has developed a standardised quality assurance procedure, which provides clear instructions and processes for various levels of inspections and states the responsibility of different departments. Every vehicle sold is provided with a user manual and a warranty is provided. The Group has a standard after-sale service management procedure, in which a dedicated national customer service hotline is available to handle any product or service-related complaint after products are sold. A service satisfaction survey form is distributed to customers for reflecting the service quality. Improvement measures will be formulated to prevent the problems from happening again.

During the Reporting Period, no complaint was received, and no products were recalled for safety and health reasons.

Customer Data Protection

The Group is committed to protecting customers' personal information. All directors and employees of the Group shall strictly abide by the Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong and the General Principles of the Civil Law of the PRC and other relevant laws, regulations and rules (applicable to employees in the PRC). The unauthorised access or abuse of confidential information could result in disciplinary action, including termination.

No substantiated complaint regarding a breach of client privacy, identified leak, theft, or loss of customer information was received during the Reporting Period.

B. SOCIAL

Data Confidentiality

The Group strictly observes the Cybersecurity Law of the PRC as well as the internal policies on data protection. The Group has established a clear management approach to handle confidential information in the employment contract. Employees are prohibited to disclose any information related to the Group, such as the Group's partnering companies, customer works, business operations, products, technology, financial matters, human resources, research and development, and market information, without authorisation. Also, the Group's employment contract has mentioned the confidentiality clause and is signed by every employee. This is to protect all materials, experiences and information of the Group in areas including but not limited to the business plan, meeting content, document content, financial data, marketing strategy, customer information, and human resources information.

Intellectual Property Rights

The Group strictly complies with laws and regulations relating to intellectual property protection, such as the Patent Law of the PRC. The Group applies pioneer technology to continuously enhance its product quality. Through numerous tests and simulations, the Group has obtained several utility model patents in the PRC. The Group protects and enforces intellectual property rights. Directors and employees of the Group are not allowed to sell or use any designs, company assets, property, data, trade information, and resources for non-business purposes without authorisation. The Group shall bring any patent rights infringement dispute to the Patent Re-examination Board of the State Intellectual Property Office in the PRC for handling. As of the Reporting Period, the Group has obtained 29 utility model patents and 1 design patent.

B7. Anti-corruption

The Group strives to maintain honesty, integrity and fairness in its business operations. The Group strictly complies with anti-corruption related national and local laws and regulations in the PRC and Hong Kong, including but not limited to:

- Criminal Law of the PRC;
- Anti-unfair Competition Law of the PRC;
- Anti-Money Laundering Law of the PRC; and
- Cap. 201 Prevention of Bribery Ordinance.

B. SOCIAL

The Group has formulated an internal control system and has set up a prevention of commercial bribery control procedure on the receipt of money, gift, loan, commission, payments, remuneration, any sort of securities or property, employment, contract, service or favours, etc. The Group understands that employees may potentially face these situations when dealing with customers, suppliers or contractors during business operations, and thus guidelines and procedures have been outlined in the Group's policy and employee handbook for employees to seek advice on proper actions. The administrative department reminds employees of laws and regulations relating to anti-corruption through notice boards and emails.

Whistle-blowing Policy

The Group has established a whistle-blowing policy which encourages employees to report on suspected cases of misconduct, through various channels such as the opinion box situated at the canteen of the PRC Manufacturing Plant. The policy applies to all employees in the Group and covers not limited to the violation of laws and regulations, but also to the Group's policies, damage and harm to the environment, public interest and personal health and safety, discriminatory or disciplinary actions, bribery, extortion, fraud, money laundering and other related crimes. Any suspicious issues reported will be followed up and investigated by independent personnel. The whistle-blowers are protected in reporting and investigation procedures which are free from unfair treatment and victimisation. The Audit Committee is responsible for reviewing the whistle-blowing policy regularly and recommending the material issues of the policy for the Board's annual review.

Anti-corruption Training

The executive department of the Group reminds employees about the anti-corruption laws and regulations through bulletin boards and emails to strengthen employees' risk awareness and promote a compliance culture in workplaces. During the Reporting Period, the PRC Manufacturing Plant provided information through notice boards and emails to all employees which are about the anti-corruption authorities and corruption laws of the PRC. Besides, an anti-corruption training session was arranged for all the staff. The contents of the training included the ways to avoid corruption taking place in the workplace, the common means of corruption, the related laws and regulations and the method of handling corruption cases. The Group attaches great importance to business integrity and fair working culture and commits to providing various anti-corruption training to employees in the future.

B. SOCIAL

There were no concluded legal cases regarding corrupt practices brought against the Group or its employees, and the Group did not note any cases of non-compliance with laws and regulations regarding bribery, extortion, fraud and money laundering during the Reporting Period.

B8. Community Investment

The Group cares about the community's well-being and social services. Not only does it put effort into environmental protection, but also contributes to social responsibility, aiming to raise environmental awareness and pay attention to the needy in the community. The Group helps its employees overcome difficulties, illnesses, or situations that they come across. Due to the outbreak of the COVID-19 pandemic, charitable activities were suspended during the Reporting Period. The Group will continue to encourage its employees to participate in charitable events in the future as our society is returning to normal gradually.