



中國動力
China Dynamics

China Dynamics (Holdings) Limited 中國動力（控股）有限公司

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

Environmental, Social and Governance Report 2020



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SCOPE AND REPORTING PERIOD

This ESG report was prepared by China 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 “Stock Exchange” and “Listing Rules” respectively).

This ESG report covers the Group’s principal operations in two subject areas, namely, 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 plants, in Chongqing Province, the People’s Republic of China (the “PRC Manufacturing Plants”) from 1 April 2019 to 31 March 2020 (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 of corporate governance practice, please refer to the “CORPORATE GOVERNANCE REPORT” on pages 36 to 53 of the Company’s 2020 Annual Report.

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 the production costs and obtaining the optimum economies of scale. In addition, the Group aims to be an environmentally friendly corporate through the development of pure electric vehicles, providing healthier and cleaner options for customers.

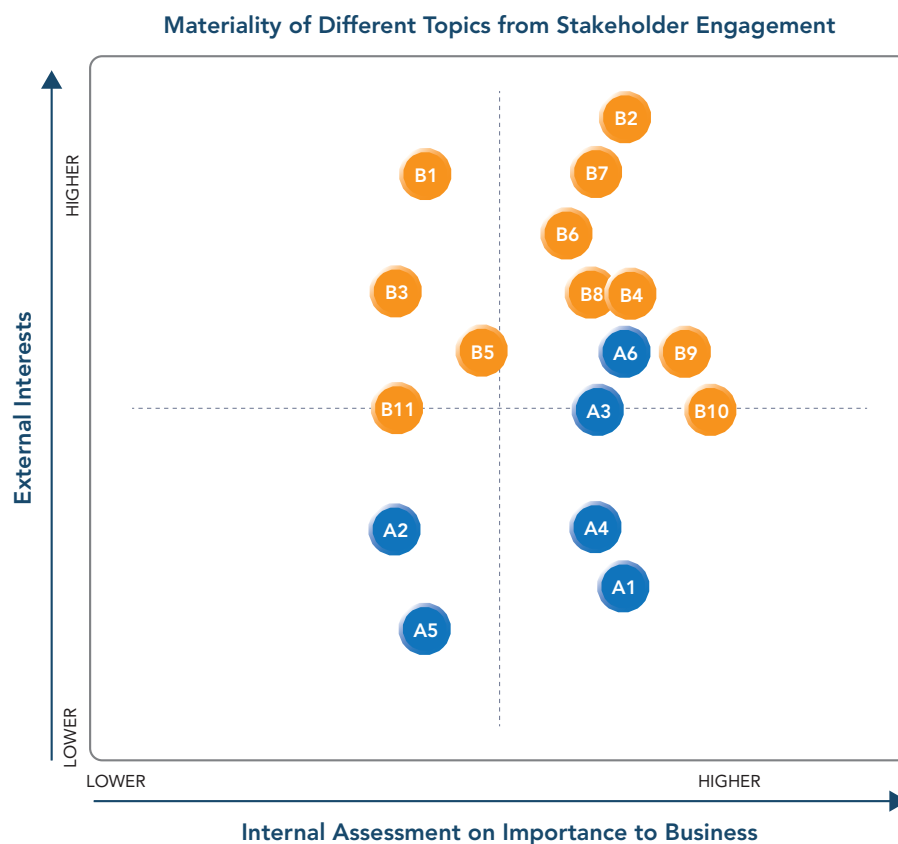
STAKEHOLDER ENGAGEMENT AND MATERIALITY

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	<ul style="list-style-type: none">• Shareholders' general meeting• Announcement• Press release• Investor meeting• Company's website• Email or postal correspondences, telephone enquiries or fax
Employees	<ul style="list-style-type: none">• Training programmes• Employees' performance review• Work review meeting• Email or telephone• Inspection of complaints mailbox
Customers	<ul style="list-style-type: none">• Exhibition• Customer meeting• Product training• Product maintenance
Suppliers	<ul style="list-style-type: none">• Exhibition• Supplier meeting• Factory site-visit• Pre-testing orders• After order service
Government and regulators	<ul style="list-style-type: none">• 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

Social

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Following topics have been deemed as the most important by stakeholders:

- Occupational Health and Safety;
- Data Protection;
- Intellectual Property;
- Labour Standard; and
- Product/Service Quality.

The Group reviews and manages the material aspects with policies and best practice and will continue to work towards building positive relations with its stakeholders, improving the overall ESG performance and developing better control on 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 company strategy on new products and energy business.

A. ENVIRONMENTAL

A1. EMISSIONS

The Group incorporates environmental management policies and practices to improve operation efficiency, conveying mutual benefits to the society and the Group.

The PRC Manufacturing Plants in Chongqing strictly complies 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 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 owned 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, 0.37 kg (2019: 0.33 kg) of sulphur oxides (SO_x) was emitted from the gaseous fuel consumption of the Group, while 6.00 kg (2019: 6.43 kg) of nitrogen oxides (NO_x) and 0.58 kg (2019: 0.77 kg) of particular matter (PM) were emitted from the PRC Manufacturing Plant's fuel consumption.

A. ENVIRONMENTAL

A1.2 Greenhouse Gas ("GHG") Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO ₂ eq")		Percentage of Total Emission	
		2020	2019	2020	2019
Scope 1					
Direct Emission	Combustion of Fuel for Mobile Combustion Source – Petrol and Diesel	67.92	60.63	26%	18%
	Tree Planting	(1.59)	(1.59)		
Scope 2					
Energy Indirect Emission	Purchased Electricity	174.07	237.45	69%	73%
Scope 3					
Other Indirect Emission	Paper Waste Disposal	1.87	2.05	5%	9%
	Electricity used for Processing Fresh Water	1.13	5.17		
	Electricity used for Processing Sewage	0.33	2.79		
	Business Air Travel	7.88	19.38		
Total		251.61	325.88	100%	100%

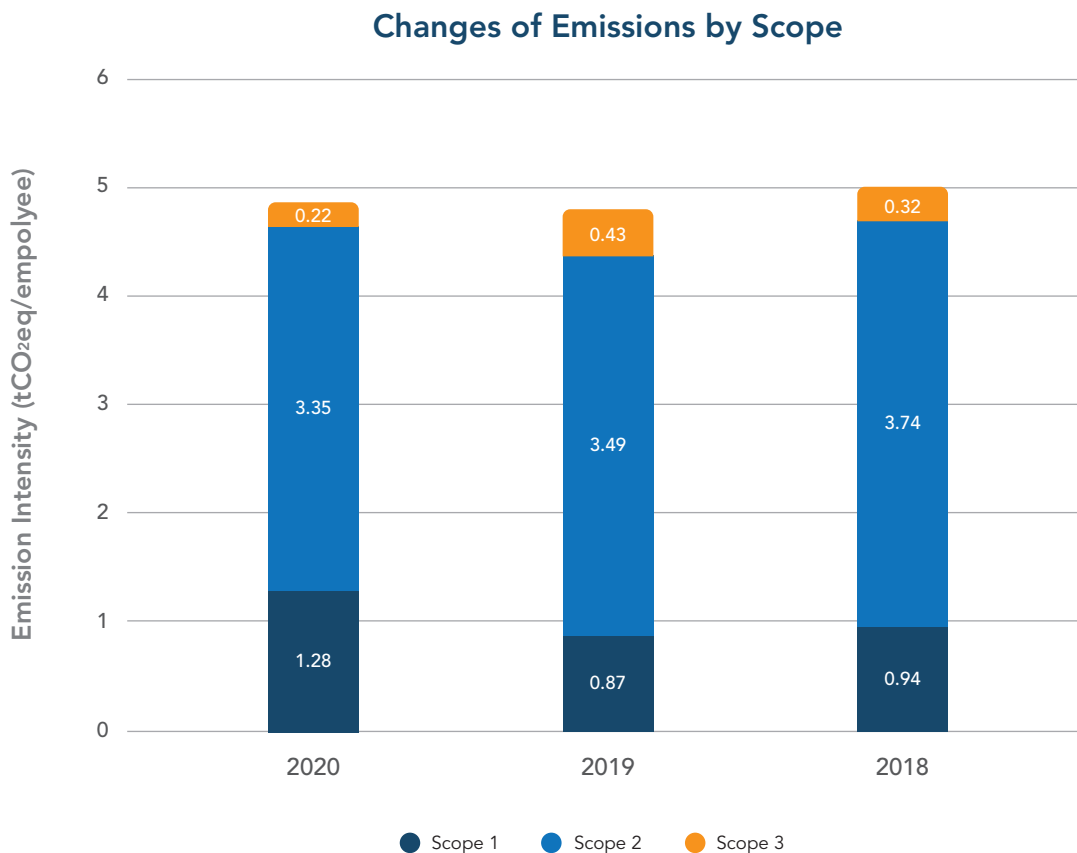
Notes:

- tCO₂eq represents tonnes of carbon dioxide equivalent greenhouse gases (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 factor of 0.61 and 0.80 tCO₂/MWh was used for purchased electricity in the PRC and Hong Kong respectively.
- Tree planting: 69 trees of 3 different species had been planted at the PRC Manufacturing Plants zone since 2018.

During the Reporting Period, the Group generated 251.61 tCO₂eq (2019: 325.88 tCO₂eq), resulting in a carbon intensity of 4.85 tCO₂eq (2019: 4.79 tCO₂eq) per employee.

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 included eight toner cartridges and eight fluorescent tubes, which were collected by the supplier for recycling. As some production process have changed, other hazardous waste that was generated in the previous year (2019: 1.51 tonnes) was not produced during the Reporting Period.

A1.4 Non-hazardous Waste

Non-hazardous waste mainly consisted of waste paper and commercial waste from offices and manufacturing plants. A total of 0.39 tonnes (2019: 0.43 tonnes) of paper was disposed of at landfills during the Reporting Period (under the assumption that all paper, whether is stored or purchased within the organisation boundary, will eventually be disposed of at landfills unless collected and recycled). Apart from office paper, approximately 1.50 tonnes (2019: 4.06 tonnes) of domestic and commercial waste were generated from the PRC Manufacturing Plants.

A. ENVIRONMENTAL

A1.5 Measures to Mitigate Emissions

As part of the Group's environmental policy, employees are encouraged to reduce business air travel. The Group keeps tracks of employees' business travelling and their corresponding carbon emission 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.

A1.6 Wastes Handling and Reduction Initiatives

The Hong Kong Office supports waste reduction programme of its supplier by returning used toner cartridges for recycling. The Hong Kong Office has installed recycling bins with proper signages. It recycled 26% of the wastepaper generated, resulted in an emission reduction of 0.29 tCO₂eq. Licensed recycling companies were engaged to collect wastepaper, waste metals, waste aluminium, cardboard and wooden boxes. Other types of non-hazardous waste were sent to qualified treatment facilities for further handling and landfilling, complying with applicable laws and regulations. The Group also displays promotional messages of food waste reduction at the canteen areas.

For the Hong Kong Office, the following waste reduction practices have been adopted and encouraged:

- 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.

A. ENVIRONMENTAL

A2. USE OF RESOURCES

A2.1 Energy Consumption

The Group's business operations resulted in a total energy consumption of 478.85 MWh (2019: 544.58 MWh), with an intensity of 9.20 MWh (2019: 8.01 MWh) per employee, from the use of electricity, diesel and petrol. The tables below present the details of energy consumption in the Reporting Period and comparison of consumption intensity by year respectively.

Energy Consumption Sources	Direct Consumption		Consumption in MWh	
	2020	2019	2020	2019
Electricity	254.41 MWh	342.04 MWh	254.41	342.04
Petrol	24,309.02 L	21,608.29 L	215.42	193.48
Diesel	901.96 L	901.71 L	9.02	9.06
Total			478.85	544.58

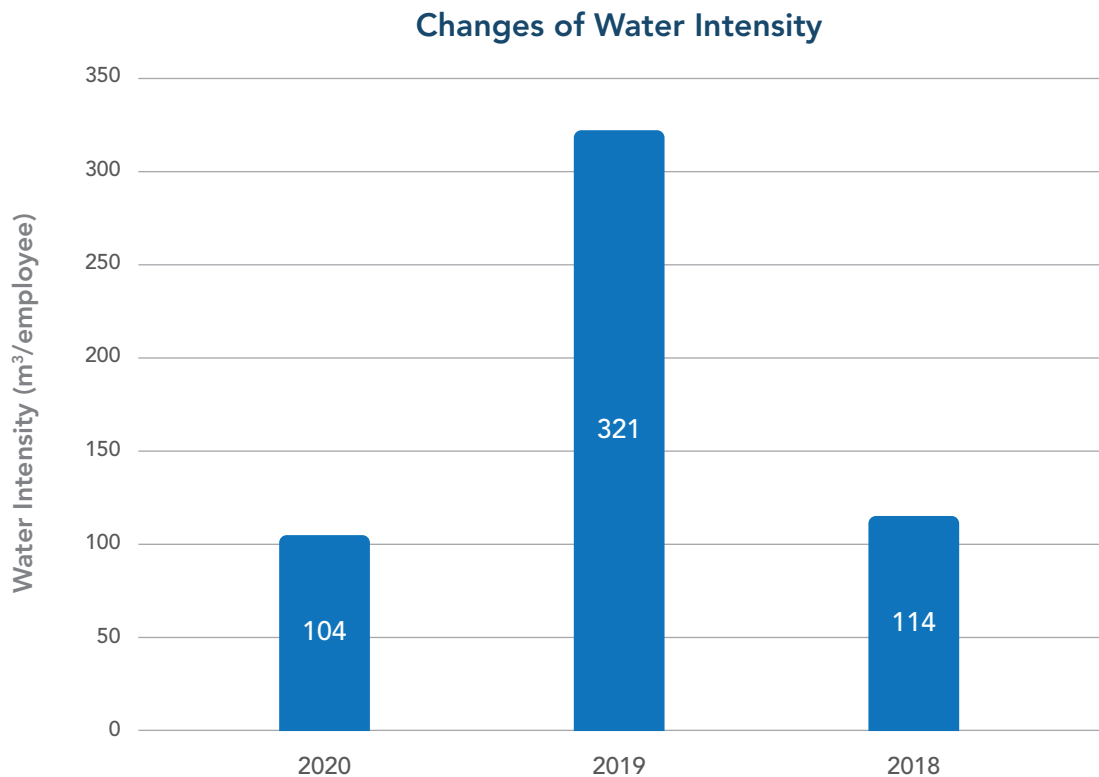
Energy Consumption Sources	Consumption (MWh/employee)		
	2020	2019	2018
Electricity	4.89	5.03	5.57
Petrol	4.14	2.85	2.27
Diesel	0.17	0.13	1.01
Total	9.20	8.01	8.85

A. ENVIRONMENTAL

A2.2 Water Consumption

During the Reporting Period, 2,802 m³ (2019: 12,840 m³) fresh water was consumed by the PRC Manufacturing Plants, resulting in an intensity of 104 m³ (2019: 321 m³) per employee. As the incidents of water mains had been solved in the last reporting period, the water intensity resumed normal.

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



A. ENVIRONMENTAL

A2.3 Energy Use Efficiency Initiatives

The Group has been replacing traditional lightings with LEDs in the Hong Kong Office. Thermometer has also been installed to encourage employees to be more aware of the suitable and comfortable temperature for necessary air conditioning adjustment. Moreover, 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 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 lightings, air-conditioners, electric appliance during lunch break, before leaving work, and after use; and
- Use heating facilities, dehumidifier and office equipment only when necessary.

A. ENVIRONMENTAL

A2.4 Water Use Efficiency Initiatives

The Group encourages water saving by posting green messages in pantries and washrooms as reminders for conserving water resources. Various water saving measures are also adopted, including the installation of flow controllers in water taps and regular maintenance of water supply network to reduce leakage rate. There was no issue in sourcing water that was fit for purpose for the Group during the Reporting Period.

Wastewater Discharge

The PRC Manufacturing Plants are equipped with on-site wastewater treatment facilities to conduct pre-treatment of sewage generated from production and domestic activities prior to discharge to 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 (NH₃-N). Sludge is then collected by licensed collector for further treatment. No exceedances were reporting 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.

A. ENVIRONMENTAL

A3. THE ENVIRONMENT AND NATURAL RESOURCES

A3.1 Significant Impacts of Activities on the Environment

The Group's major business involves electric vehicles 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 higher level of emission. 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.

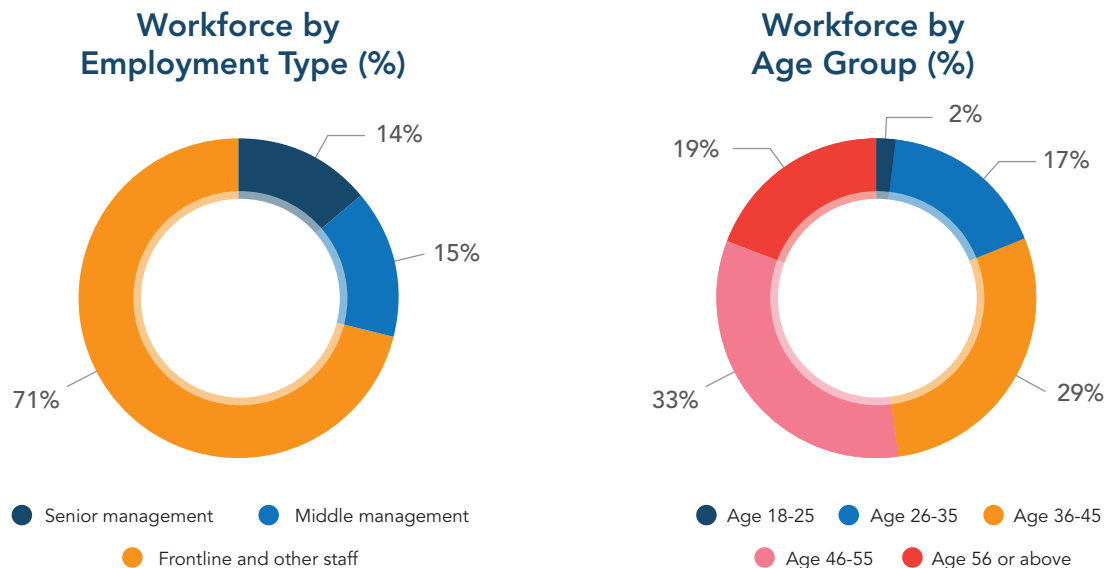
1. EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group recognises employees are the 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 the 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 during the Reporting Period.

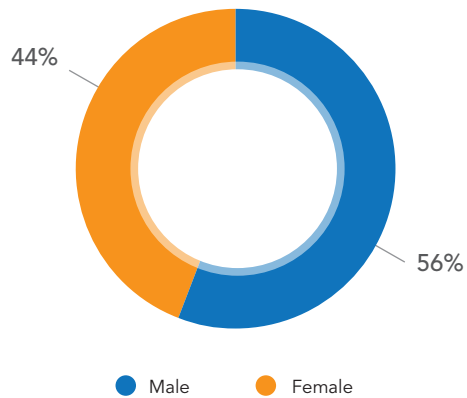
Workforce

The operation of the Hong Kong Office and the PRC Manufacturing Plants had a total number of 52 employees as of 31 March 2020 (2019: 68 employees), of whom 94% were in full time position with the rest on part-time basis. The drop in the total workforce was mainly due to the decrease in production activities during the Reporting Period. The tables below illustrate the detailed distribution of the workforce.

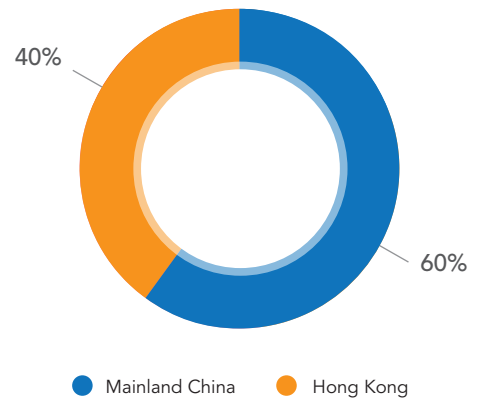


B. SOCIAL

Workforce by Gender (%)



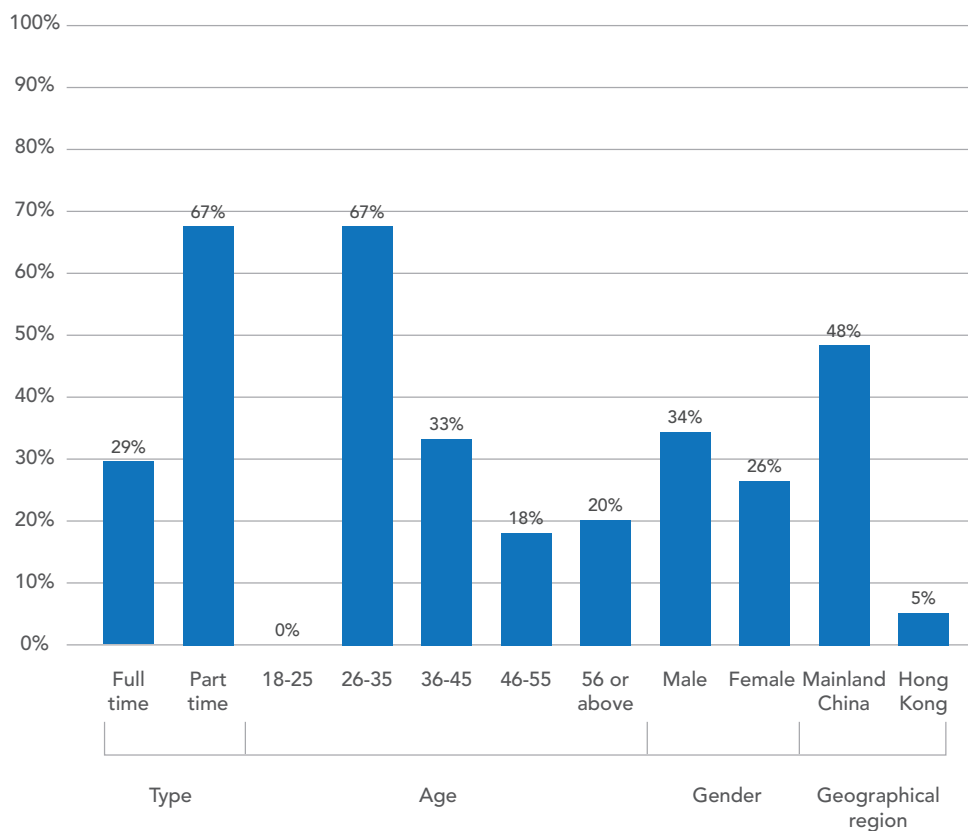
Workforce by Geographical Region (%)



Turnover rate

During the Reporting Period, 16 employees left the Group, resulting in a turnover rate of 31%. Details are presented in the figure below:

Turnover Rate



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, sick), medical allowance, transportation allowance, and year-end bonus. The Group regularly reviews and upgrades their medical coverage. Other benefits of the Group include share options and festival gifts.

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

Appraisal

The Group conducts annual assessment 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 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 has been listed out in the employment contract. Financial compensation is required for the party terminating the contract without giving prior notice.

Equal Opportunity

The Group strictly complies with national and local standards relating to equal opportunities and develops policies to eliminate discrimination in the Group. The employee handbook outlines the Group's commitment to equal opportunities. Employees are not discriminated against with respect to recruitment, employment, training, promotion and employees' benefits. The Group makes decision based on individual employee's working capability, qualification, and on-the-job experience, regardless their gender, family status, ethnic, marital status, pregnancy, health care needs, or any other discrimination prohibited by applicable law.

B. SOCIAL

Staff Communication

The Group believes that effective communication can create trust among employees and increase productivity. In the PRC Manufacturing Plants, canteen and areas for leisure activities are provided at the workplace. Activities and gatherings were also organised to celebrate different festivals and encourage employees to relax and mingle with each other.

B2. Occupational Health and Safety

Occupational health and safety is 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 trainings, designated supervision, and regular provision of general and occupational health checks. First aider training is provided for employees. Fire drill is conducted annually to refresh employees' knowledge on emergency procedures and raise their awareness. In the PRC Manufacturing Plants, 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 the office and the PRC Manufacturing Plants to establish a healthier working environment for its employees.

There was no work-related fatality or injury cases, and the Group did not note any cases of material non-compliance in relation to health and safety laws and regulations during the Reporting Period.

Occupational Health and Safety Statistics in the Reporting Period

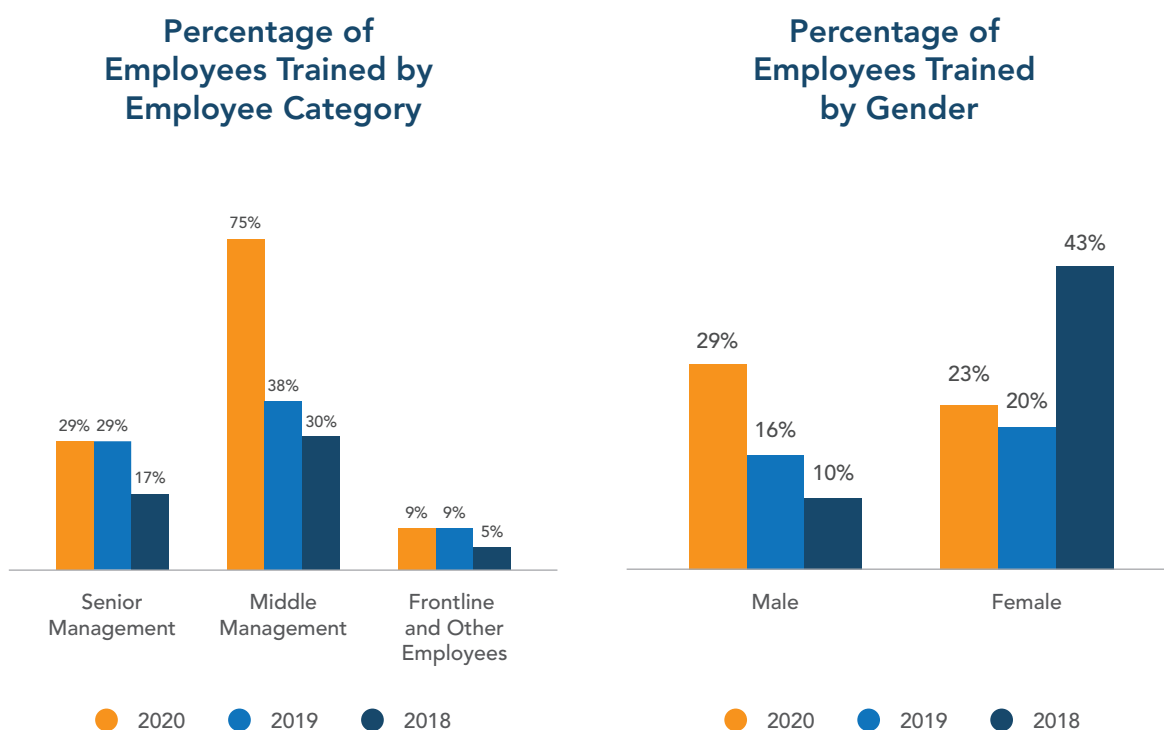
Work-related fatality	0
Work injury cases > 3 days	0
Work injury cases ≤ 3 days	0
Lost days due to work injury	0

B. SOCIAL

B3. Development and Training

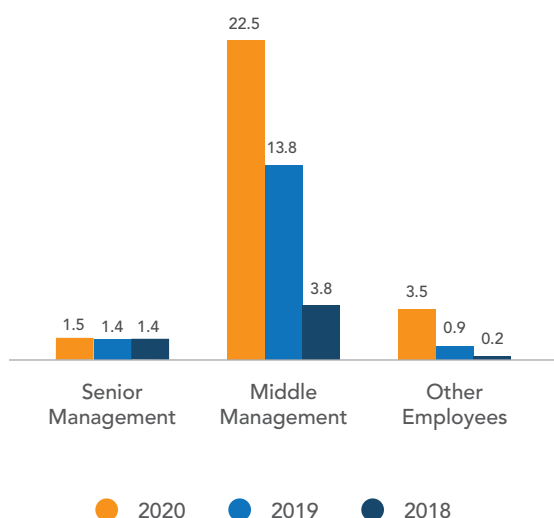
The Group sees training as a valuable tool to maintain the competency, professional level, integrity of its employees and their sense of belongings. With core business focusing on innovation and advanced environmental technology, the Group motivates employees to attend seminars, training, and conferences organised by professional institutions, training centres and management schools to equip themselves with the most updated industrial standards, laws and regulations, technology trend and market, as well as essential knowledge and skills related to their job duties. The training materials cover areas in finance, compliance and national standards, risk management, tax, auditing, accounting, environment, new energy and technology.

During the Reporting Period, the Group provided totally 198.50 hours of training to its employees, with an average of 3.82 hours per employee and 19% of the employees had received training. When comparing with the last reporting period, a higher percentage of employees, especially middle management, had received training during the Reporting Period.

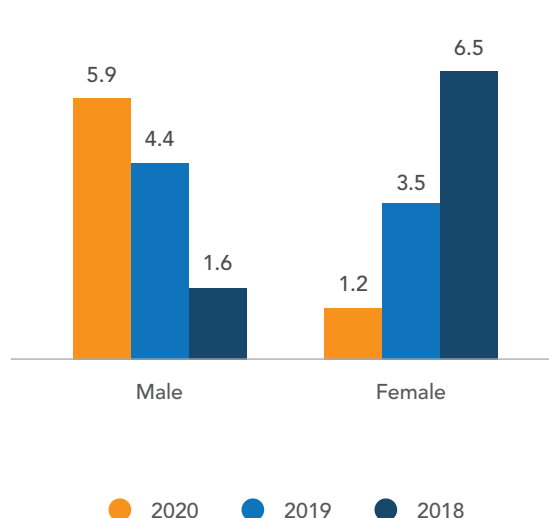


B. SOCIAL

Average Training Hours Completed Per Employee by Employee Category



Average Training Hours Completed Per Employee by Gender



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 and Labour Contract Law of the PRC. The Group strictly prohibits hiring of child labour and opposes to any form of forced labour. The Group formally goes through background check on every employment, which includes obtaining 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 on the stipulated employment terms and conditions. If 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.

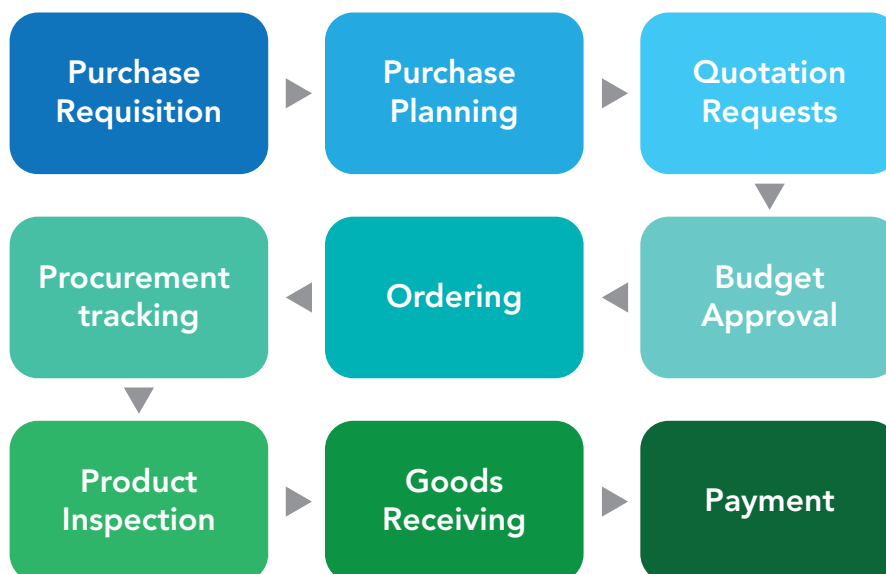
During the Reporting Period, the Group did not note any cases of material non-compliance with laws and regulations regarding labour standards.

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 engaged 446 suppliers from Mainland China for various automobile parts.

To ensure the Group having standardised procurement procedure and guideline to follow, and to promote 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 attentions in each stage, from request of purchase to payment upon receipt or product returns, have been stated in the procedure. The simplified procurement workflow is outlined below.



The Group communicates with suppliers on their environmental and social responsibilities, including the provision of healthy and safe working environment, prohibition of child and forced labour and fair working environment without discrimination. 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 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 being 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). Unauthorised access or abuse of confidential information could result in disciplinary action, including termination.

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

B. SOCIAL

Data Confidentiality

The Group has established clear management approach on handling 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 operation, product, 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 business plan, meeting contents, document content, financial data, marketing strategy, customer information, and human resources information.

Intellectual Property

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 testings and simulation, 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, any 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.

B. SOCIAL

B7. Anti-corruption

The Group strives to maintain honesty, integrity and fairness on its business operations. The Group has formulated an internal control system and has set up the Prevention of Commercial Bribery Control Procedure on the receipt of money, gift, loan, commission, payment, 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 operation, 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.

The Group has established a whistleblowing 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 Plants. The policy applies to all employees in the Group and covers but not limited to the violation of laws, regulation and 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.

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 in environmental protection, but also contributes its resources to social responsibility. The Group aims to enhance environmental awareness and pay attention to the needy in the community. During the Reporting Period, its staff in the PRC Manufacturing Plant took root in the community and served the residents and children in the local region. The Group visited the youngsters in the community and showed warmth and support to them. The Group also helped some of its employees overcome difficulties, illness, or situations that they come across. The Group will continue to encourage its employees to participate in charitable events.