

**FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.**

鮮馳達控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

2017

Environmental, Social and
Governance Report



鮮馳達

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PRINCIPLE

The Group is pleased to present their first Environmental, Social and Governance Report for this year with an aim to demonstrate the effectiveness of the Group's efforts in promoting sustainable development to internal and external stakeholders.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and mainly contains measures and activities on Environmental and Social areas of the Group for the period from 1 April 2016 to 31 March 2017 ("Year 2017"). For information on the corporate governance of the Group, please refers to the Group's 2017 Annual Report.

The Group is committed to maintaining sustainable development of its business and supporting environmental protection in communities where its operations are located. The Group has prudently managed its business and provided high-quality products and services to customers through reasonable decision-making procedures. The Group and stakeholders (including shareholders, customers, employees, suppliers, debtors, regulatory institutions and the public) have maintained close relationships and the Group strives to listen to and accommodate different views and interests of related stakeholders through constructive communications to determine the direction of the Group's long-term development. The board of the Company is responsible for assessing risks associated with environmental, social and governance matters of the Group and ensuring that the relevant risk management and internal control systems are operated properly and effectively.

In Year 2017, the Fresh Express Logistics Warehouse of Weishuo Industrial (Shanghai) Company Limited ("Shanghai Weishuo", the subsidiary of the Group) located at Songjiang District, Shanghai ("Songjiang Base"), was mainly engaged in cold-chain food storage and logistics business. As Songjiang Base has been a primary cold-chain food storage warehouse of the Group in Year 2017 and cold-chain food business is relatively energy-consuming, it has higher relevance to the environmental, social and governance matters. Therefore, this report will focus on the disclosure of the policies and performance regarding to three environmental aspects and eight social aspects of Shanghai Weishuo in Year 2017.

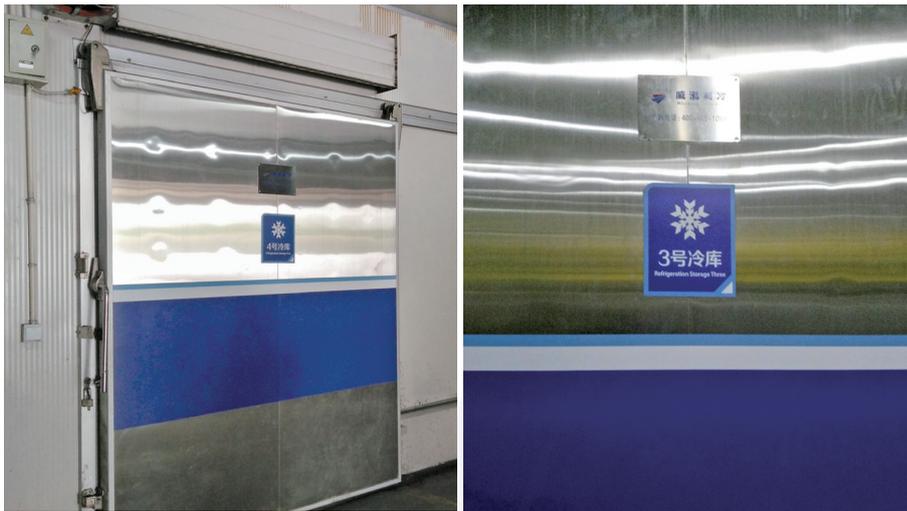


ENVIRONMENT

To adhere to its commitment to sustainable development and to comply with the requirements under relevant laws and regulations related to environmental protection, the Group has been dedicated to reducing the impact of its operating activities on the environment.

Emissions

The Group is principally engaged in cold-chain food integrated distribution in the PRC, which, in essence, does not involve any direct production process. As such, the Group does not discharge pollutants into water and land or generate hazardous wastes. Vehicles used in food delivery business are not directly owned by the Group but it would still arrange delivery services according to the schedule and location as set out in the order of the customers to reduce the utilization of the vehicles and their travel distance. As a result, the utilization and carbon emission of the vehicles will be lowered during delivery.



▲ the entrance of the cold storage warehouse at Songjiang Base.



The cold storage warehouse (“Cold Storage Warehouse”) of Songjiang Base is a primary food storage area of the Group. During each storage, transportation and sales process, the Group has to ensure frozen food are being kept under required low-temperature environment for the guarantee of the frozen food quality.

The environmental impact caused by the Group is mainly the greenhouse gases generated by power consumption of the Cold Storage Warehouse. Energy saving measures are in place to reduce power consumption at Songjiang Base.

In Year 2017, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Furthermore, no substantial fines or non-monetary sanctions for non-compliance with relevant laws and regulations were imposed on us in Year 2017.

Use of Resources

The Group is committed to its philosophy of conservation, high efficiency, reasonable utilization of resources, and prevention of wastage of resources. The Group actively promotes green office model and enhances staff's awareness of energy conservation and environmental protection.

The Group encourages staff more use of electronic documents and transfer of files via email or internal communications tools. Staff is also encouraged to save the use of paper and to avoid unnecessary printing by adopting office automation system for daily operation and management.

Light tube lightings with low power consumption are used in the office of Songjiang Base of the Group. More use of natural resources such as daylight and less use of lights is encouraged. Unnecessary power consumption is avoided with the use of automatic lighting system in the Cold Storage Warehouse, for which energy conservation measures are in place to reduce power consumption.

Environment and Natural Resources

Employees are encouraged to participate in various environmental protection activities, minimize damages to the surrounding environment of our operations and energy consumption. In Year 2017, operations of the Group did not have significant impact on the environment and natural resources.

SOCIETY

The Group believes that maintaining good relationship with our employees is one of the keys to our success. In order to enhance employees' satisfaction, they are provided with competitive salary and benefits as well as sound training program for realizing their potentials and giving full play of their strengths.

In Year 2017, the Group has organized a team-building and outreach training for enhancing staff co-operation, which is also conducive to the creation of a friendly and harmonious working environment.



Employment

The Group implements rigorous recruitment procedures and equal opportunities are offered to applicants and employees through internal promotion, internal position exchange and external recruitment, regardless of employment discriminations against ethnicity, race, gender, age and religious belief, etc.

The Group strictly abides by Labour Law of the People’s Republic of China, Labour Contract Law of the People’s Republic of China and related laws and regulations. No minors under 18 years of age are employed for any job duties. “Staff Attendance and Leave Management System” is established and standard working hours system i.e., 8 hours per day and 5 days per week, is implemented. Compensation leave is arranged for overtime work and specific policies are implemented to guarantee the entitlement of all employees to statutory holidays.

The Group strictly complies with the laws and regulations of the PRC, and contributes to social insurance premiums including pension, medical care, work injury, unemployment and maternity insurance, as well as housing funds for all employees to protect their basic legal rights.

The Group offers meals to long-term employees and accommodation to staff working at logistics base. Employees staying in dormitories are required to fill in the “Application Form of Staff Accommodation” and “Commitment to the Staff Dormitory Safety Management System” and accommodation would only be arranged after approval.

In Year 2017, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the Group’s compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2017.

Health and Safety

The Group has formulated “Logistics Base Emergency Preparedness and Response Control Procedures” in identifying potential incidents and emergencies for all activities, products or services, so that it can react promptly in case of incidents to reduce possible casualties, property loss and environmental impacts as well as to achieve sustainable development and fulfill social responsibilities.

The Group has also formulated and strictly executed “Base 6S Management Standardisation” to improve accomplishment of staff, strengthen their safety awareness and create premium working environment for an overall enhancement of the corporate image of Songjiang Base.

In Year 2017, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the provision of safe working environment and protection of employees from the Group’s occupational hazards. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2017.

Development and Training

In order to actively cooperate with the implementation of “Internet + Cold Chain Food” strategy of the Group, “IT System Training and Assessment Management Standardisation” is in place to enhance employees’ utilization of the information system delivery operational management center and end-users application system. Upon completion of training, assessment for employee will be arranged by the Group according to the scope of training.

In Year 2017, to further popularize the use of electronic field system among staff, field training was specially organized. In the course, staff were guided by instructors in the installation of a field mobile application and mobile positioning service for both Apple and Android phones, as well as functions like work tracking and calculation of purchase orders in the application.

Labour Standards

The Group is well aware that the employment of child and forced labour is a serious breach of universal values and therefore assumes the responsibilities for doing our utmost to fight against all employment of child and forced labour and strictly complies all laws and regulations on child and forced labour. Labour contract system is strictly implemented, with labour contract or employment agreement entered into between all new employees and the Company upon formal employment. Identification documents of all employees will be verified and background review will be selectively conducted.

In 2017, the Group was not aware of any gross violations of relevant laws and regulations prohibiting the employment of child or forced labour in the Group. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in 2017.

Supply Chain Management

The Group is well aware that selection and management of suppliers is a key link in ensuring the stability and safety of product quality. Close communication and interaction with suppliers is maintained from time to time and the Group is committed to maintaining mutually beneficial partnership.

Sound review process of suppliers is in place and new suppliers are prudently selected based on a number of standards such as suppliers' products selection and quality, products quality records and business scale. Quality control personnel of the Group conduct field visits and require substitute suppliers to provide necessary licenses, permits and documents for operation in order to assess their qualifications and capability to control products quality. For existing suppliers, their product quality records will be reviewed and are required to renew relevant licenses and provide proofs upon expiry. For suppliers or products failing in quality assessment, relevant measures such as termination of procurement will be taken.

Product Liability

The Group is well aware of the great importance of the responsibility of ensuring food safety and put in the first priority the quality and safety of food products. The Group has established stringent quality control procedures, which is strictly enforced to ensure that the operation of the Group are in full compliance with laws, regulations and standards, and is committed to providing customers with quality safe food.

The Group has obtained the "Food Circulation Permit" issued by the Shanghai Municipal Food and Drug Administration. The Cold Storage Warehouse of the Group maintains a suitable storage environment for the quality and safety of food. The Group implements quality control at various stages of business operations such as receipt, warehousing and pre-delivery inspection. As the suppliers supply edible agricultural products, on the basis of prudent selection of suppliers, the Group will further examine the inspection reports as well as the relevant inspection and quarantine reports issued by state-level food safety testing institutions.

The Group has formulated a series of quality management system and operation procedures such as "Qualification of Issues and Handling Management Standards of Sales Process", "Management Standards in Handling Buyers' Return of Goods" and "Analysis and Solution of Return of Goods with Quality Issues" for clear standardisation.

In Year 2017, the Group was not aware of any gross violations of relevant standards, laws and regulations relating to the health and safety of products and services offered, advertising, labelling and privacy matters in the reporting period. In addition, no substantial fines for such non-compliance was imposed on the Group in 2017.

Anti-corruption

The Group strictly abides by relevant laws and regulations of the State, and formulates and promulgates "Regulations on Administration of Anti-Corruption Policies" for circulation of all employees of the Company in order to enhance their awareness of anti-corruption, prevent corruption and abuse of power and strengthen their self-discipline.

The Group has set up discipline inspection office for supervision and acceptance of complaints or reports of staff on misconduct or breaches. Upon receiving the complaints or reports, the Group will carry out inspection and investigation according to the information of the complaint and will collect relevant evidence for verification then report to the Executive Committee. Penalty will be decided by the Executive Committee after consideration during executive meeting and implemented by the Human Resources Management Committee.

In Year 2017, neither the Group nor its employees were involved in any legal cases relating to corruption.

Community Investment

The Group strives to be a positive force in the community in which it operates and has maintained close communication and interaction with the community for making contribution to community development from time to time.

As a responsible global citizen, the Group is committed to improving social image and social responsibilities through community investment. All employees of the Group are encouraged to take the initiative to help and support local communities and neighbourhood.