



CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

中國永達汽車服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 03669

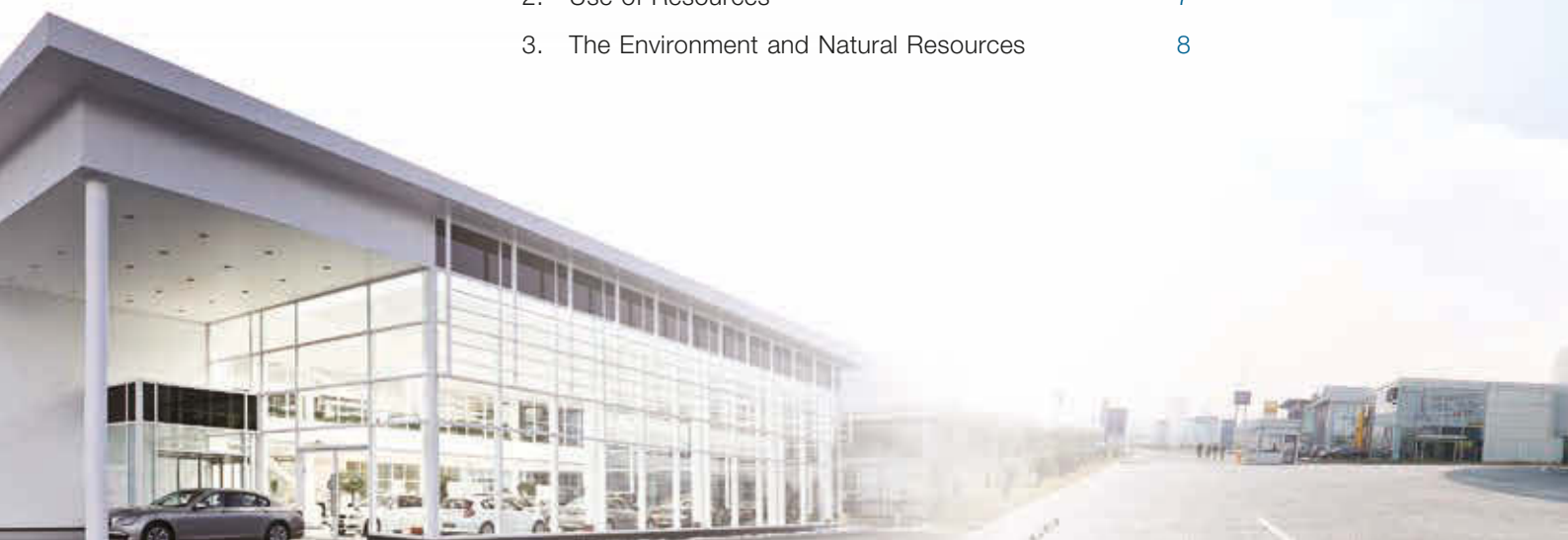
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT **2017**





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Introduction

China Yongda Automobiles Services Holdings Limited and its subsidiaries (hereinafter the “Group” or “We”) is a vehicle retailer and comprehensive service provider. The Group is engaged in a variety of businesses and specializes in new passenger vehicle sales, after-sales services for passenger vehicles, automobile rental services and proprietary finance business.

The Group has been committed to upholding the core values of “Integrity, Innovation, Professionalism and Efficiency”. While safeguarding the interests of investors, we also care about the environmental, social and governance issues, and strive to achieve a long-term and sustainable development in auto sales services, automobile finance, automobile rental and other businesses. Being one of the national leading passenger vehicle retailers and comprehensive service providers, the Group has actively expanded its new energy vehicle business in Shanghai, Shenzhen and Guangdong in response to the call of the state policies, and made utmost efforts to reduce the environmental pollution caused by vehicles, which adequately demonstrates the Group’s determination the environment.

We take great pride in the fact that our efforts have been acknowledged by the government departments and organizations. We received a number of awards and achievements in 2017. We will continue to work towards the goal of becoming the most respected automobile service brand.

Award/Achievement Title	Issuing Organization
2017 Shining Star	Society for Promotion of the Guangcai Program of Pudong New Area, Shanghai
No. 5 of Top 100 Auto Dealers in China	China Automobile Dealers Association
Leading Enterprises in Cultural Establishment of Chinese Private Enterprise	China Corporate Culture Institute
2017 Shanghai Top 100 Private Enterprises (Rank: 6)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association
2017 Shanghai Top 100 Enterprises (Rank: 30)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organization
Advanced Unit in National Open and Democratic Management in Factory Affairs	National Coordinating Group for Making Factory Affairs
Shanghai Labor Day Certificate	Shanghai Federation of Trade Unions
2017 Five-Star Integrity Innovative Enterprise of Shanghai	Organization Committee of Enterprise Credit Creation Activities in Shanghai
National Civilized Unit (passing review)	Central Commission for Guiding Cultural and Ethical Progress
2017 Best Risk Control Company of Auto Finance in China – Golden Qilin Award	Brand Times, China Green Finance Development Strategic Alliance, etc.
2017 Top 10 Consumer Finance Companies in China – Golden Qilin Award	Brand Times, China Green Finance Development Strategic Alliance, etc.

Table 1 – The Group Received a Number of Awards and Achievements During the Reporting Period

Reporting Principles

This report is compiled and prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited:

1. **Materiality:** Environmental, social and governance matters that have significant impacts on investors and other stakeholders have to be reported in this report.
2. **Quantitative:** If there are key performance indicators, the indicators should be quantitative and be compared effectively where appropriate. The indicators must also state their purposes and impacts.
3. **Balance:** This report impartially presents the Group's environmental, social and governance performance and avoids selections, omissions or presentation formats that inappropriately mislead the report readers' decision or judgement.
4. **Consistency:** This report uses consistent methods of statistic disclosure so that meaningful comparisons of data may be made in the future. Any future changes in methodologies will be indicated in the report.

Scope of Reporting

This report presents the businesses operated by the Group during the Reporting Period (from 1 January 2017 to 31 December 2017), including our businesses in new passenger vehicle sales, after-sales services for passenger vehicles, automobile rental services, and proprietary finance. In respect of environmental and social policies, this report covers the headquarters office in Shanghai and 4S stores across China. As the headquarters office in Shanghai represents the Group's core organization for policy formulation and operation management, the KPIs or other statistical information contained herein will focus on the headquarters office in Shanghai.

Communication with Stakeholders

Every stakeholder serves a crucial role. We understand that it is vital to establish an effective communication with all stakeholders and do our best to deliver the relevant information to them through various channels. The stakeholders of the Group can be classified as the customers, suppliers, employees and investors. A variety of communication channels are kept open to maintain a close relationship with these stakeholders, who can reach out to us via telephone or email at all times. The Group has its own website, which allows the stakeholders to acquire the basic information of the Group on the Internet, including product information and the company structure. In addition, we prepare annual and interim reports to provide our investors and stakeholders with sufficient understanding of our financial status. We also summon meetings with the suppliers and investors based on various situations.

A. ENVIRONMENT

The Group adheres to the principles of “Protecting the environment, Reducing pollution, Effectively using resources, Enhancing the environmental protection awareness of the public, and Promoting sustainable development of the economy and society”, and strives to support the environmental protection policies of the state. The Group has introduced a series of environmental management regulations to implement the methods concerning the management of exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, thereby reducing the damage to the environment caused by day-to-day business activities. The environmental governance principles implemented by the Group includes:

- Supporting the environmental policies and regulations of the region;
- Promoting and implementing environmental management regulations;
- Allocating sufficient resources to promote emissions reduction and waste management; and
- Raising the Group’s overall environmental awareness through education and training.

1. EMISSIONS OF GREENHOUSE GAS AND EXHAUST GAS

The Group regards greenhouse gas (GHG) and exhaust gas management as part of our operation and actively takes effective measures to reduce emissions of GHG and exhaust gas. As the Group is principally engaged in business activities in automobile sales services, automobile finance and automobile rental, we do not have significant air emissions and discharges into water or land, such as nitrogen oxides, sulphur oxides and respiratory suspended particles; nor do we produce a significant volume of hazardous waste. The major emissions of the Group are the GHG emissions and solid non-hazardous waste generated from our office operations, including fuel consumed by the Group’s vehicles and purchased electricity used in offices and daily operations.

Communication with Stakeholders

The total GHG generated by the Group during the Reporting Period was approximately 200 tonnes CO₂e, with an intensity of 0.8 tonnes CO₂e per employee, comprising of our electricity and gas consumptions.

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO ₂ e)	Intensity (emission/ employee)	Total Emission (in percentage)
Scope 1				
Direct Emission	Fuel consumed by the Group's vehicles ¹	22.26	0.09	11.35
Scope 2				
Indirect Emission	Purchased Electricity	173.93	0.69	88.65
Total		196.19	0.78	100

Table 2 – Total Greenhouse Gas Emissions in the Reporting Period

The Group proactively takes effective measures to reduce emissions of GHG and exhaust gas. In terms of saving business travels, we encourage employees to replace long-distance face-to-face meetings with telephone or video conferences, so as to reduce carbon emission from transportation; we also encourage employees to travel by public transport to reduce exhaust gas and GHG emissions by private cars.

(a) Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. By entering into an agreement on domestic waste treatment with the local environmental protection department, we undertake to cooperate with the relevant departments on waste storage, cleaning, transportation and processing, as well as keeping the environment clean and hygienic. For damaged and wasted furniture, we encourage the return to the factories for fixing and recycling to reduce the generation of solid waste. We have also entered into cartridge recycling agreements with the suppliers of photocopiers and printing machines to encourage recycling.

During the Reporting Period, the Group did not generate a significant amount of hazardous waste, while the major non-hazardous waste generated was paper waste, with a weight of approximately 380 kg, which was entirely recycled.

(b) Actively exploring new energy vehicles

To promote new energy vehicles to achieve the sustainability for automobiles, the Group proactively explores the new energy vehicles market. Combining its resources and focus areas, the Group endeavors to contribute to environmental protection. In order to bring customers more choices in new energy vehicles, we actively partner with a number of brands selling new energy vehicles. During the Reporting Period, the Group sold a total of 4,383 new energy vehicles. In the future, we will continue to strengthen our promotion in the use of new energy vehicles.

During the Reporting Period, the Group did not identify any non-compliance regarding environmental protection that has significant impacts on the Group.

¹ Fuel consumption arose from 1 public mini-bus and 2 service cars

Communication with Stakeholders

2. USE OF RESOURCES

To effectively use resources, reduce wastage, and protect the ecological environment, the Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue our environmental commitment, we have implemented multiple measures in enhancing energy efficiency, minimizing the use of papers, reducing water consumption, encouraging replacing business travels with video conferences, and driving behavioral changes of employees. Through active monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Our business does not involve packaging materials. Details of energy and water consumptions will be discussed in the following sections.

(a) Resources

During the Reporting Period, the resources we consumed directly for our operations are as follows:

Resources	Unit	Consumption Quantity	Intensity (Consumption/employee)
Electricity	kWh	215,095	856.95
Fuel oil	L	9,238	36.80
Water	m ³	47.12	0.19

Table 3 – Total Resources Consumption in the Reporting Period

We are mainly engaged in automobile sales services, automobile finance, automobile rental and other businesses, therefore, lighting and air conditioning in various kinds of industrial outlets and offices are the Group's biggest source of power consumption. In light of this, the Group introduced a number of energy-saving measures, which can be roughly divided into two areas, namely office and day-to-day operations, including:

Office

- Specifying the running hours and temperature of air conditioning in winter and summer, and putting up conspicuous signs by the switches of air conditioners;
- Reminding employees to close the doors and windows when turning on the air conditioners;
- Cleaning the air conditioners twice a year to improve operational efficiency;
- Using natural light as much as possible during daytime to reduce the use of lighting;
- Partnering with a landscaping company which places plants at each office area to purify the working environment since 2002; and
- Designating personnel to check and inspect to ensure that all non-use or unnecessary equipment is powered off.

Communication with Stakeholders

Day-to-day operations

- Encouraging employees to walk more and use fewer elevators;
- Advocating double-side printing, recycling and reuse of office supplies and paper;
- Recycling and reusing printing and copying consumables;
- Giving priority to products with better energy-efficiency when replacing electrical equipment;
- Separating waste and delivering it to environmental departments for handling;
- Reminding employees to turn off lighting, air conditioning and other electrical equipment that are not in use;
- Establishing separate hazardous waste storage to store hazardous waste generated during vehicle maintenance;
- Entering into cooperation agreements with local collectors qualified to collect hazardous waste to handle hazardous waste;
- Equipping every lacquer room with exhaust gas purification devices and having exhaust gas from lacquer rooms tested by third parties to ensure that it meets the relevant national requirements.

During the Reporting Period, the Group achieved results regarding energy saving: 80% of lighting in the office area at the Shanghai headquarters has been retrofitted to use LED lighting system. We will continue to improve and aim at implementing 100% LED lighting.

(b) Water consumption

The sustainable and responsible use of our water resources is a key issue globally. We are aware that water shortages, excessive demand and usage could pose serious problems. Due to our business nature, we do not use or discharge a significant amount of water. However, in order to raise the awareness of water conservation, our Group promotes water saving practices throughout the Group. For instance, we have entered into water conservation agreement with the water supply company and undertaken to treasure water and enhance employees' awareness of conservation. During the Reporting Period, the Group achieved results regarding water conservation: the monthly water consumption was controlled at below 70% of the rated consumption specified by the water supply company, thereby effectively lowering the total annual water consumption.

3. THE ENVIRONMENT AND NATURAL RESOURCES

Given our business nature and activities, the impact of the Group on the environment and natural resources is not significant. Consumption of energy mainly stemmed from the general use of electricity in the office. During the Reporting Period, we stipulated a number of measures to reduce the use of resources and disposal of waste (see the section headed "Use of Resources" above).

Communication with Stakeholders

The Group will continue to be committed to maintaining a balance between industry and ecological environment, and pursuing long-term and sustainable development. While reviewing our business strategy and planning for future industrial development, we would take into account the importance of protecting the environment and cherishing natural resources. We will also promote the Group's overall awareness of environmental protection and the awareness of our customers' through education, trainings and awareness advocacy, thereby shouldering our corporate social responsibility.

In addition, we will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations that applies to the Group's emissions and the use of resources.

B. SOCIAL

1. EMPLOYMENT AND LABOR PRACTICE

Employees are the most valuable assets for the Group. They have a huge influence on the products and services. We place a great deal of value on employees' protection and development, and we aim to build an enduring relationship with our employees.

The Group is actively building a safe and healthy, fair and just, non-discriminatory working environment. We are also committed to maintaining the harmonious labor relations and pooling the wisdom of our employees to promote the long-term and sustainable development of the Group's industries.

(a) Anti-discrimination policy

We deeply believe that equal employment relations can improve employee satisfaction, thereby retaining and motivating talented people to accelerate the Group's industrial development. As such, to protect employees from any discrimination during the recruiting process, the Group has formulated the "Anti-discrimination Policy" and the "Recruiting Procedures" to ensure that in hiring, promotion, compensation, welfare and professional trainings, the candidates have been judged by their individual competence and performance, and that we would not take measures that violate the right of equality such as double standard, discrimination, exclusion or preference based on gender, age, race, religion or other backgrounds.

(b) Compensation system

In terms of the compensation system, we pay high attention to external competitiveness and internal fairness. Each year, we offer room for salary-increase to employees with outstanding performance so that the efforts they have contributed would be duly rewarded. In addition, the Group has formulated the "Policy on Termination of Labor Contract". For employees who fail to meet the job requirements of the Group, the Group follows the survival of the fittest employment strategy. We will fully communicate with the dismissed employees and report to the trade union of the Group for approval to avoid forced or illegal termination of employment relations. Our termination process is in full compliance with the provisions of the Labor Contract Law.

Communication with Stakeholders

(c) *Proactively recruiting and retaining talents*

In terms of recruiting and retaining talents, apart from implementing a series of anti-discrimination policies, the Group also posts recruitment information internally and externally based on the job requirements of the open positions, and organizes and carries out relevant recruitment-related work in strict accordance with personnel selection criteria and the recruitment and employment process. Promotion for employees at each position shall be primarily based on the assessment results of employees' basic job qualifications, performance, and capabilities. The Group has specifically built a robust system of position hierarchy comprising five career development paths: senior management, management, specialist, sales, and technical.

Breakdown of employees during the Reporting Period by gender, age group, and employee category:

	Number of employees	Percentage of total (%)
By gender		
Male	117	46.6
Female	134	53.4
Total	251	100
By age group		
below 25	19	7.6
25-34	101	40.2
35-44	100	39.8
45-54	24	9.6
55-64	7	2.8
Total	251	100
By employee category		
Senior management	16	6.4
Middle management	23	9.2
Supervisor	54	21.5
General employee	158	62.9
Total	251	100

Table 4 – Breakdown of Employees by Gender, Age Group, and Employee Category

Communication with Stakeholders

Breakdown of the turnover rate by gender and age group during the Reporting Period:

	Number of employees	Percentage of total (%)
By gender		
Male	11	68.8
Female	5	31.2
Total	16	100
By age group		
below 25	1	7.6
25-34	7	40.2
35-44	5	39.8
45-54	2	9.6
55-64	1	2.8
Total	16	100

Table 5 – Breakdown of Employees Turnover Rate by Gender and Age Group

During the Reporting Period, the Group did not receive any case of violation of the relevant employment laws and regulations, nor any complaints about recruitment.

2. OCCUPATIONAL HEALTH AND SAFETY

Ensuring that the working environment is safe and healthy is a basic responsibility for all businesses, which we regard as our duty. The Group implements the laws, regulations and standards of the state on safe production, laying a foundation for safe operation. In establishing safety guidelines, the Group assesses risk points with safety hazards and takes corresponding control measures based on the characteristics of the risk. The Group has formulated a number of policies on occupational health and safety, including:

- Safety regulations and safety procedures;
- Annual arrangements for safety management;
- Routine safety guidance and supervision;
- Regular safety inspections, and taking timely actions to remove the hidden dangers discovered in the inspections;
- Investigation and reporting procedures for various accidents;
- Arranging safety education and training;

Communication with Stakeholders

- Implementing emergency rescue plans for workplace safety accident;
- Paying attention to safety accidents in news reports and collecting typical cases of safety accidents to share with employees for caution and education purpose; and
- Equipping employees exposed to occupational hazards with proper personal protective equipment, such as insulating gloves, insulating shoes, corrosion prevention materials, and safety masks.

In terms of fire safety, the Group holds four sessions of fire safety training each year, and especially invites personnel from the fire safety department to give lectures to provide employees with trainings on fire safety. Moreover, we organize fire drills participated by all employees and we perform scheduled inspection and maintenance twice a year on the condition of the fire-fighting equipment.

The Group uses the “Yongda Newspaper”, “Corporate Safety Culture Wall” and other propaganda positions to conduct education on workplace safety, promote the knowledge of the corresponding laws and regulations, safety tips and good practices, and foster an atmosphere and culture of workplace safety in the Group.

During the Reporting Period, the Group did not identify any violation of laws and regulations relating to occupational safety and health, or any complaints relating to work conditions; there were no work-related fatalities or work injuries.

3. DEVELOPMENT AND TRAINING

The Group follows the principles of “Recruiting people with vision, Cultivating people with talents and Appointing people with competence”. We acknowledge the importance of providing employees with opportunities to pursue a meaningful and rewarding career while also accomplishing the goal of the Group.

(a) Management personnel training program

In light of this, the Group has launched a management trainee program, with the aim of looking for talents that are devoted to managerial positions and retaining those with strong learning capability, innovation consciousness and development potential from the outstanding graduates of well-known institutions in China. We provide them with the required training to join the management team of the Group in the future. This shall cultivate them to devote to the future development of the Group.

(b) Attracting young talents

In addition to the management trainee program, we launched a future young leaders program for young talents of the post-1985 and post-1990 generations that meet the criteria of “Virtue”, “Talents”, “Development Potential”, “Development Willingness” and “Stability”, and provided them with a comprehensive training program to cultivate a capable working team.

(c) Diversified employee training

The Group will continue to review the training and development needs of its employees, provide new recruits with orientation training, set career development plans for existing employees, encourage and support employees to pursue advanced education, and provide them with training opportunities in management, sales and maintenance.

Communication with Stakeholders

During the Reporting Period, a total of 251 employees of the Group completed various trainings, representing 7,589 training hours.

Training rates of employees during the Reporting Period by gender and employee category are as follows:

	Number of employees	Percentage of total (%)
By gender		
Male	117	46.6
Female	134	53.4
Total	251	100
By employee category		
Senior management	16	6.4
Middle management	23	9.2
Supervisor	54	21.5
General employee	158	62.9
Total	251	100

Table 6 – Training Rates of Employees by Gender and Employee Category

4. LABOR STANDARD

(a) **Prohibition of the use of child labor and forced labor**

The Group has formulated the “Prohibition of Child Labor Policy” and the “Prohibition of Forced Labor Policy and Procedure” to prevent any forms of child and forced labor in any of our operations and services. Labor being forced to work by means of physical punishment, abuse, involuntary servitude, debt bondage or trafficking is strictly forbidden. In addition, we have set up employee suggestion boxes for employees to report child labor and forced labor, so as to prevent illegal employment of child labor or forced labor. To better prevent accidental employment of child labor, we have formulated stringent procedures to verify the age of candidates to ensure that all those employed have attained statutory working age.

(b) **Employee welfare activities**

In addition, the Group believes that employees enjoying a prosperous leisure life will be more devoted to their work. Accordingly, we advocate efficient working during working hours instead of overtime-working culture and taking work to home. We have also organized activities at various levels to enrich the leisure life of our employees and help in relieving their pressure. The following are welfare activities provided by the Group for employees:

- Employee team-building activities;
- Weekly fitness activities;

Communication with Stakeholders

- Regularly inviting experienced traditional Chinese doctors to provide medical benefits for employees;
- Crew buses for commuting; and
- Food allowance.

In addition to providing basic welfare for employees in compliance with statutory requirements, the Group has also offered additional benefits such as paid leave on birthday and paid leave for female employees on Women's Day, so that the employees could more effectively manage their work and life.

During the Reporting Period, the Group did not identify any non-compliance with laws and regulations on labor standards.

5. SUPPLY CHAIN MANAGEMENT

We believe that building a sustainable supply chain can create value for our employees, suppliers, service providers, communities and our clients. We also advocate a sound relationship of communication and cooperation with our business partners and work together with them to maintain the quality and safety of our products and services. In terms of vehicle maintenance parts and decorations, we have entered into agreements with suppliers and developed supplier management regulations, requiring them to strictly observe those rules and provide qualified products and services. Meanwhile, we established a review mechanism for our suppliers, by which we require member companies to assess suppliers' supplied products and service quality semiannually, so as to ensure that they can provide products and service that meet the requirements in relation to environmental protection, quality and social responsibility. In April 2018, the Group held the 2017 supplier conference.

Manufacturers of brand automobiles are close partners of the Group with whom we have entered into the distribution and other licensing agreements. In terms of after-sales services, we have actively promoted the sharing of experience, resources and technologies with automobile manufacturers for mutual benefits.

As for tendering, the Group conducts open tendering for a substantial amount of decorations, and the discipline inspection commission and relevant business units of the Group jointly carry out bid opening and deliberation works to ensure that the entire process is fair and just. For tendering of other projects, the Group will appoint dedicated personnel to participate in the tendering work and limit the bidders' information to a small group of people. We have entered into the "Cooperation Agreement" and the "Yongda Group Supplier Anti-Bribery Agreement" with all partner suppliers.

6. PRODUCT RESPONSIBILITY

The Group is committed to providing top-quality services that respond to customer demands and improve the brand's reputation. We have always given top priority to meeting customer demands and devoted utmost efforts to making our brand the most preferred choice of the consumers through proper brand positioning and internal resources allocation.

Communication with Stakeholders

The Group has undertaken to provide a complete package of after-sales services for all newly-sold vehicles and vehicles repaired and maintained by the Group, including repair, replacement and return services, to protect the lawful rights and interests of consumers. For vehicle products that have not met the quality, safety and reliability standards, the Group would provide feedback to the automobile manufacturers for our customers to help solving their problems.

(a) Respecting intellectual property rights

With respect to intellectual property rights, the Group has strictly complied with the intellectual property rights of the automobile manufacturers of different brands, including the requirements on trademark, logo and store name. The promotion materials and advertisements used by the Group in marketing and product highlights have all been strictly examined. They would only contain correct information about our products and services, and no false, exaggerated or misleading information would be included.

(b) Customer information protection and privacy policy

The Group has established stringent standards and requirements for customers' information management. By standardizing the collection, possession, usage and processing of customer information, customers' information would be handled in a legal, prudent and confidential manner to ensure customer information security. Before collecting customers' information, we would clearly explain the aim and purpose of such collection to our customers.

To better protect customers' information, the Group has established an information management system. When completing the entry formality, every new recruit is required to sign the "Company Confidential Agreement", which clearly defines the scope, usage, and security of the Group's data. Upon entering into cooperation agreements with suppliers, the Group will also require suppliers to simultaneously sign the "Data Confidentiality Agreement". All personnel involved in customers' information must also sign the "Confidentiality Agreement" with the Group. We have taken precautionary measures to prevent the disclosure, abuse or misuse of information.

Moreover, the Group has strict ranking requirements for access to customer information and imposes functional restrictions on roles in the system so that each employee can only access information of customers for whom he/she is responsible for. Only a few members of the senior management have access to the information of all customers but the contents of the information they can access are also limited.

(c) Taking service quality towards another level

The Group has in place a dedicated internal inspection mechanism for service quality where a survey group will be dispatched to member companies. Each month, on-site examination and evaluation will be carried out according to the "Service Quality Handbook", focusing on service process and quality as per predetermined evaluation items.

In addition, the Group has specially developed the "Service Quality Handbook" which is updated and improved on an annual basis. We will organize all employees to study the Handbook and arrange for examination thereon after class. Each year, the Group will invite third-party companies to carry out mystery shopper's secret investigation on the service quality of the Group's member companies using criteria based on the latest "Service Quality Handbook" for the year. For poorly performing employees, we will require and supervise them to undergo special rectification.

Communication with Stakeholders

The Group has in place a dedicated training department that has cultivated a number of internal trainers. Whenever a new product or service is launched, trainers will specially train salespersons, customer service persons and the relevant personnel to ensure that they immediately understand the latest information so as to better serve customers.

(d) Customer complaint

For reasonable complaints and requests from customers, we prioritize addressing customers' needs. The Group has a dedicated 24-hour customer service hotline, a 24-hour online service WeChat platform and a complaint email address on the Group's official website for customers to file their complaints.

The Group has developed management methods for customer complaints, standard operation process and contingency handling measures. Once customer complaints are received, the handling mechanism is immediately triggered to resolve the issue for customers as soon as possible. The Group has always been committed to continuously enhancing customer satisfaction.

During the Reporting Period, the Group did not identify any violation of laws and regulations regarding the Group's provision and use of products/services.

7. MAINTAINING INTEGRITY

The Group advocates business integrity and fair competition and requires its employees to observe the code of professional ethics at all times. We expect all our employees to adhere to the highest ethical, personal, and professional behavior and standards. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. The Group encourages its employees to reflect any potential integrity issues, including blackmail, fraud and money-laundering.

(a) Anti-corruption measures

The Group has developed a code of practice for its employees, including disciplines and regulations on financial management, operation management, procurement of goods, hand-in of gifts and personnel management, and cautioned the employees to deal with potential misconduct with prudence.

The Group prohibits its employees from seeking personal gains with their power or accepting any benefit from customers, suppliers or other business associates by exploiting their power. In any case, employees must not seek to affect any person or company with bribery or remuneration to gain business or interest. All employees in the Group must sign the "No-bribery agreement", and commit to jointly stopping commercial bribery to safeguard the interests of the Group and the brand image of the Group. At the same time, we would not tolerate, assist or support money-laundering activities.

Communication with Stakeholders

(b) Whistle-blowing policy

The Group has set up anonymous email and telephone whistle-blowing channels. Should any employee discover any suspicious incidents, they may report to the Group any alleged misconduct which are corrupt, dishonest or fraudulent activities. In addition, we have established a managerial personnel integrity management inspection group which organizes and conducts integrity inspections to promptly identify and handle integrity issues.

During the Reporting Period, the Group did not identify any corruption incidents or any violation of relevant laws and regulations.

8. COMMUNITY ENGAGEMENT

We believe that a sustainable business is dependent on the stability and well-being of the community. We encourage our employees to actively participate in charitable activities and co-host voluntary and charity activities in the community to foster a culture of care and mutual support.

(a) Yongda Foundation

The Group has established the Yongda Foundation (永達公益基金會) to carry out charity activities such as poverty alleviation, elderly support, study subsidy, and disaster relief. On 11 November 2017, Yongda Foundation held its first charity auction dinner party where all 56 auction lots were sold. The substantial charity funds raised will be used entirely for study subsidy projects in the poverty-stricken mountainous regions in the future.

(b) Green culture

To support the building of green culture in the community, we have participated in the old-book-for-green-plants campaign to promote green culture activities, and encouraged employees to actively take part in it.

(c) Helping low-income families

To help community residents with low income or families with difficulties, we have worked with community welfare organizations to organize volunteers to visit and assist residents with difficulties and have promoted the spirit of mutual assistance in the community.

(d) Community campaign against the four pests

In order to reduce the incidence and prevalence of infectious diseases, improve the living environment and protect public health, during the Reporting Period, the Group has consistently participated in the community campaign against the four pests (i.e. rats, bedbugs, flies and mosquitoes).

Communication with Stakeholders

(e) **Donation**

During the Reporting Period, the Group made the following donations:

- Study subsidy donation for poverty-stricken students in University of Traditional Chinese Medicine – RMB600,000
- Yunnan traditional Chinese medicine research in University of Traditional Chinese Medicine – RMB200,000
- Ganlin Program of Renji Hospital – RMB1,000,000 (2016: RMB3,000,000)
- 2017 Yongda Foundation Traffic Walk – RMB150,000
- 2017 donation to Charity Partnership in “TWO NEW” Organization of Shanghai – RMB300,000
- 2017 donation and visit to Xijia Village, Heqing Town for poverty alleviation – RMB500,000

2017 Donation Over

RMB2,750,000

Voluntary Service Over

430 Hours

Table 7 – The Group's Donation Amount and Voluntary Service Hours During the Reporting Period