



China MeiDong Auto Holdings Limited 中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2018



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

China MeiDong Auto Holdings Limited (the “**Company**” together with its subsidiaries as the “**Group**”) is delighted to publish its annual Environmental, Social and Governance (“**ESG**”) report (“**Report**”) for year ended 31 December 2018, presenting our continuous commitment to corporate social responsibility. This Report is prepared in accordance with ESG Reporting Guide set out by Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has complied with the “comply or explain” provisions. This Report covers the sustainability performance and initiatives of the Group during the reporting period, covering the Group’s core businesses — the provision of 4S dealership business in the People’s Republic of China (the “**PRC**”). Certain key performance indicators (“**KPIs**”) which is considered as material by the Group during the reporting period is disclosed in this ESG report. The Group will continue to optimize and improve the disclosure of KPIs. The acquisition of certain 4S stores and certain new store opening during 2018 led to the change of scope in the report when compared with last year. Please refer to the Annual Report for more information.

This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Unless otherwise stated, this Report covers the period from 1 January 2018 to 31 December 2018 (“**reporting period**”). It includes disclosure of significant environmental and social impacts of our operation in the PRC.

Starting from 2016, the Group adhered to the concept of cherishing environment and ecology, and the policy of “Observe laws and regulations and value integrity” in aspect of environmental and social performance. With the advancement in our employees’ awareness towards environment and social responsibilities, the Group achieved significant improvements in those two aspects. We took emission reduction, energy conservation and natural resource maintenance as our missions, and put them into practice in operation. In terms of social responsibility topic, the Group took employees’ development as a core, and strived to allow our employees to keep pace with the Group. We kept good communications with our stakeholders based on a principle of mutual benefits, shared information about environmental and social responsibilities with them, and also established a long-term partnership with them.

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COMMUNICATION WITH STAKEHOLDERS

To understand the needs and expectations of stakeholders is the driving force of the Group's development. The Group regularly held annual general meeting and issued annual report in accordance with the relevant provisions of the Stock Exchange of Hong Kong Limited, so as to provide stakeholders with the Group's development and visions and boost their confidence in us. We were pleased to interact with and keep two-way communications with our customers and suppliers in daily operation, so that we can understand their requirements and satisfaction to maintain a smooth cooperation with them.

1. Environment

1.1 Environmental protection and emission reduction

Environmental protection and emission reduction are the concerns of the whole world at present and in the future, and the Group has firmly adhered to this key point of development. We undertook the responsibilities as a conscientious enterprise by formulating many policies and systems on environmental protection in operation, including the Management Policy on Greenhouse Gas ("GHG") Emission for gas emission and the Bidding Management Policy to support for purchasing from local suppliers. To respond to the requirements of the society for conservation and waste reduction, we formulated Green Office Management Policy, Energy Conservation Management Regulations, Management Regulations on Reduction of Hazardous Wastes and other regulations. During the reporting period, the Group is not aware of any material non-compliance with relevant environmental laws and regulations that have a significant impact the Group.

Major air pollutants emission from gaseous fuel consumption and vehicles during the reporting period for 2018 and 2017 as follows:

Type of Air Pollutants	Air Pollutants Emission	
	2018 Air Pollutant Emission (kg)	2017 Air Pollutant Emission (kg)
Sulphur Dioxide	1.84	1.53
Nitrogen Oxides	5.16	4.28
Particulate Matter	1.46	1.32
Carbon Monoxide	112.22	101.17
Hydrocarbon	13.66	12.32

Note: In view of our first time adoption of ESG Reporting Guide starting from last year, KPIs for Sulphur Dioxide and Nitrogen Oxides during 2017 are revised, the Group will continue to optimize and improve the disclosure of KPIs.

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During the reporting period for 2018 and 2017, the GHG emission from the operation is set out below:

Types of GHG emissions	GHG Emission	
	2018 Equivalent CO ₂ emission (kg)	2017 Equivalent CO ₂ emission (kg)
Scope 1 Direct emission	1,423,084.11	1,463,347.60
Scope 2 Indirect emission	503,534.29	59,247.38
Scope 3 Other indirect emission	Nil	7,127.10
Total	1,926,618.40	1,529,722.08
Intensity	50.84 kg/vehicle sold	53.28 kg/vehicle sold

Note:

The calculation of the GHG is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

Scope 1: Direct emission from sources that are owned by the Group

Scope 2: Indirect emission from the generation of purchased electricity and purchased gas consumed by the Group

Scope 3: Other indirect emission is optional disclosure that includes employee's business travel only

In view of our first time adoption of ESG Reporting Guide starting from last year, KPIs for scope 1 and scope 2 emissions during 2017 are revised, the Group will continue to optimize and improve the disclosure of KPIs.

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During the reporting period for 2018 and 2017, the wastes generated is summarized as followed:

Type of wastes	Wastes	
	2018 Wastes (kg)	2017 Wastes (kg)
Total hazardous waste	11,225	283,492
Total non-hazardous waste	13,053	12,240
Total	24,308	295,732
Intensity	0.64 kg/vehicle sold	10.30 kg/vehicle sold

The specific management practices our Group adopted include:

- 1) For GHG emission, we worked out the methods of using air conditioning equipment, lighting equipment and office equipment, as well as the methods of reducing and recycling wastes and avoiding chlorofluorocarbons (CFCs) to reduce GHG emission.
- 2) We sorted out and treated all the hazardous waste (mainly engine oil) and non-hazardous wastes generated (mainly office garbage) in official business, production, transportation, warehousing, sales, services and other operation processes, and kept the relevant records for traceability purpose.
- 3) We provided lectures on green and healthy environmental protection to our employees to strengthen their awareness of green environmental protection and improve their physical and psychological health.
- 4) We carried out the management measures on electric lamps and electrical equipment, ventilation devices and air conditioners, water conservation, waste reduction, office supplies recycling and work environment improvement in offices.
- 5) We grew plants in offices to create a green working environment. The Group adhered to the laws and regulations on emissions, so no violations against the relevant laws and regulations that have a great impact on the Group occurred in 2016.

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1.2 Resource utilization

The Group advocated to cherish resources, and we formulated the Requirements for Green Manufacturing Management. With the application of green materials and green packaging as our principle, we used recyclable materials as much as possible. In terms of automobile packaging, we strived for simplification to decrease waste of resources, environmental pollution and discarded materials. We put forward “Green concept” in offices and workshops to encourage our employees to save electricity, water and paper. We did a good practice in water collecting, delivery, distribution and usage, so as to slow down the use of water resources and avoid waste.

Energy consumption by the Group during the reporting period for 2018 and 2017 are set out below:

Type of energy	Energy Consumption	
	2018 Energy consumed (kWh)	2017 Energy consumed (kWh)
Petrol	4,833,963.54	3,720,496.58
Diesel	225,703.01	1,169,318.80
Purchased gas	5.21	3.67
Purchased electricity	748,704.00	88,094.00
Liquefied petroleum gas	798,220.77	423,460.58
Total	6,606,596.53	5,401,373.63
Energy intensity	174.34 kWh/vehicle sold	188.13 kWh/vehicle sold

Note: In view of our first time adoption of ESG Reporting Guide starting from last year, KPIs for purchased gas and liquefied petroleum gas during 2017 are revised, the Group will continue to optimize and improve the disclosure of KPIs.

Water consumption by the Group during the reporting period for 2018 and 2017 are set out below:

	Water Consumption	
	2018	2017
Total Water consumption (m³)	134,123	88,434
Water intensity	3.54 m³/vehicle sold	3.08 m³/vehicle sold

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1.3 *Environment and ecology protection*

It is known to us all that natural resources are limited, and the immoderate utilization of natural resources will cause serious damages to the earthly environment. To reduce the damages to environment and natural resources, the Group established a green education policy, and advocated an environmental protection idea among our employees and stakeholders. In addition, we also worked out the Green Procurement Management Policy as a response to our environmental protection responsibility. Starting from 2016, the Group made responses to the environment and ecology protection, including: 1) Encourage employees to drive their own cars less but take public transport carriers, or go on foot or ride bicycles for short distance to reduce gasoline consumption and exhaust emissions. 2) Establish green supply chains and comprehensively consider the environmental protection factors such as product design, purchasing, production, packaging, logistics, sales, service, recycling and reuse and other links, so as to perform environmental protection, energy conservation, emission reduction and other social responsibilities together with the upstream and downstream enterprises. 3) Educate employees to practise the concept of environmental protection and resource cherishing in their daily life and work.

2. **Employee-oriented**

2.1 *Employment*

This Group views employees as our capital and core of development. We have always endeavoured to guarantee the entitlements of our employees, and have strived to provide them with a secure working environment, so that they can grow with the Group. Therefore, we formulated various employment policies, including Human Resource Policy, Employee Welfare and Incentive Policy and Labour Contract and the like. In this way, the rights and obligations, promotion and welfare as well as employee diversity can be formulated and regulated to safeguard the legitimate rights and interests of employees. We firmly believed in the idea of “Equality in employees”, so we created a non-discriminatory employment and work-life balance environment in which they can work and develop on an equal footing. The Group adopted an employee-oriented principle and eradicated any violations of the laws and regulations on employment, so no such violation cases occurred during the reporting period.

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Below is a detailed breakdown of our employees by gender, age group and employment category as at 31 December 2018 and 2017:

	2018		2017	
	Number of staff	% of total	Number of staff	% of total
By gender				
Male	2,484	58	2,030	58
Female	1,808	42	1,459	42
Total	4,292	100	3,489	100
By age group				
30 or below	2,972	70	2,093	60
31–40	1,088	25	1,126	32
41–50	182	4	188	5
51 or above	50	1	82	3
Total	4,292	100	3,489	100
By employment category				
Contract/Short term	144	3	60	2
Normal	3,377	80	2,800	80
Middle	707	16	577	17
Senior	64	1	52	1
Total	4,292	100	3,489	100

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Below is a detailed breakdown of our employees turnover rate by gender and age group as at 31 December 2018 and 2017:

	2018	2017
Turnover rate by gender		
Male	53%	21%
Female	49%	35%
Turnover rate by age group		
30 or below	36%	39%
31–40	61%	9%
41–50	100%	2%
51 or above	100%	–

2.2 Health and safety

It is the basic responsibility of the Group to protect employees' health and safety, so we strictly observed the relevant laws and regulations, and provided publicity and training on "Occupational Health and Safety" to employees. We provided employees with personal protective equipment in workshops, and meanwhile appointed a safety representative to monitor the safety working performance, so as to ensure that the health and safety measures can be effectively implemented to guarantee the safety of employees at workplace. We did not violate the relevant laws and regulations on health and safety during the reporting period.

2.3 Development and training

The Group attached great importance to talent retaining and cultivation, and paid attention to mutual progress between employees and the Group, therefore, the Group provided employees with lots of opportunities to learn. Coordination and sustainability are two principles of vocational development of employees, therefore, we determined the career development intentions for employees coordinated with the Group while formulating vocational development schemes for them. We also arranged tutors, who were responsible for guiding employees in their career development, to deal with the training, review and promotion matters for employees, enabling employees to develop solidly and steadily in their careers.

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Below is a detailed breakdown of the percentage of employees trained by gender and employment category as at 31 December 2018 and 2017:

	2018	2017
Employee trained by gender		
Male	50%	54%
Female	50%	46%
Employee trained by employment category		
Contract/Short term	100%	3%
Normal	100%	84%
Middle	56%	12%
Senior	44%	1%

The average training hours for employees by gender and employment category during the reporting period for 2018 and 2017 are as follows:

	2018	2017
By gender	Hours per employee	Hours per employee
Male	19.94	2.39
Female	27.40	1.70
By employment category		
Contract/Short term	44.33	3.00
Normal	24.25	1.39
Middle	13.37	4.91
Senior	21.00	8.08

2.4 Labour rules

We abided by the Employment Ordinance of Hong Kong and the Labour Contract Law of the People's Republic of China, and never employed child labour or forced labour. For effective regulation, we formulated the Policy on Preventing of Child Labours and Forced Labours, and informed our employees of the importance of the labour rules via e-mail and notification. Meanwhile, we also installed suggestion boxes and implemented a whistle-blowing mechanism. With our efforts made on regulation, no case of violation against the labour rules occurred during the reporting period.

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3. Supplier management

The Group deemed its suppliers as partners, and endeavoured to keep a long-term and friendly relationship with them. In order to achieve a common development with our suppliers, we provided them with our rules on environmental protection and social responsibility to require them to strictly observe those rules and provide qualified products and services. Meanwhile, we established a review mechanism for our suppliers, by which their performances were assessed on a regular basis, so as to ensure that they can provide products and service that meet the requirements of environmental protection, quality and social responsibility.

4. Product liability

The product quality is the lifeline of the Group, therefore, we put forward strict requirements on our products, and formulated the relevant management policies and measures meeting laws and regulations. In terms of product quality and safety supervision, we strictly followed the requirements of product conformity, and required all the products to be tested for safety. Furthermore, we insisted that all products can be sold only when their technical certification on quality control and 3C certification for safe product are provided. We proposed fair publicity of information. All sales and service representatives must provide customers with accurate and true information when selling goods. As for after-sales service and product recall, we developed an interactive and open communication channel with customers through regular visits. Customers can query details from us about products and provide feedbacks, so that we can handle and recall the products in real time when we receive complaints about non-conforming products from customers. We attached great importance to product liability and effective implementation of the relevant policies, so no case of violation against the laws and regulations on service responsibility occurred during the reporting period.

5. Integrity maintenance

The Group established a good corporate governance and integrity mechanism, and held a zero tolerance attitude towards corruption, so we formulated various policies against corruption, including bribery and fraud prevention policy, open tender policy, whistle-blowing policy and policy on financial audit by an independent party. In the employment contract, we required our employees to declare the conflict of interests, and provided specific trainings to those employees who have a high possibility of conflict of interests, so as to prevent corruption behaviours by mistake. We signed the Supplier Integrity Agreement with our suppliers, and in this agreement, they were asked to be honest and trustworthy, so as to ensure integrity in our supply chain. Thus, no corruption cases occurred during the reporting period.

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6. Caring about community

The Group cared much about our community, and actively responded to the program, education and publicity on the greenhouse gas held by local environmental protection groups. In March 2016, we participated in the annual Tree-planting Day activity and low-carbon activity held by Dongguan Tian'an Cyber Park, whereby our employees were educated to drive less and use more environment friendly and low-carbon tools such as bicycles, electric cars or public buses, so as to promote the sense of environmental protection and social responsibility in enterprise and employees.

7. Brand image

The Group kept its commitment on quality, safety, environmental protection and social responsibility in terms of its products and services, and strived to make sustainable improvements. In respect of operation, we endeavoured to build our enterprise brand by following the principle of satisfying and pleasing our customers.

PROSPECT

During the report period, the Group actively improved its environmental, social and governance performance, held an attitude of "Open up and listen to every word", and regularly communicated with our stakeholders to improve governance effect. We supported our business partners' environmental protection activities, such as the Tree-planting Day activity organized by Dongguan Tian'an Cyber Park, and encouraged our employees to participate in such activity. We encouraged our employees to develop in various aspects, so we launched a long-term tutor plan. We attentively met our customers' expectations and only sold high-quality and qualified products on the market. When looking into the future, the Group will continue its efforts to feed back the society with actions, touch the industry and stakeholders with sincerity, and join hands to build a green home.