



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT **2018**



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





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Introduction

China Yongda Automobiles Services Holdings Limited and its subsidiaries (hereinafter the “Group” or “We”) is a leading vehicle retailer and comprehensive service provider in China, specializing in luxury and ultra-luxury brands. Through the way of distribution agreements, the Group operates 4S dealership stores for multiple luxury and ultra-luxury automobile brands. The Group is engaged in a variety of businesses, among which, its principal businesses include 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 long-term and sustainable development in automobile 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 to protect the environment.

The Group’s social and environmental governance philosophy and business practices have been acknowledged by the government departments and organizations. In 2018, we received a number of awards and achievements. The Group will continue to work hard, striving to become the most respected automobile service brand.

Award/Achievement Title	Issuing Organization
2017 Shanghai Model Safety Organisation	Shanghai Municipal Committee of Comprehensive Management of Public Security
2017 Outstanding Contribution Award of Shanghai Modern Service Industry Federation	Shanghai Modern Service Industry Federation
2017 BMW Global Best Dealer Award	BMW Group
No. 5 of Top 100 Automobile Dealers in China	China Automobile Dealers Association
2016-2017 Contract Credit Rating AAA	Shanghai Contract Credit Promotion Commission
2018 Shanghai Top 100 Enterprises (Rank: 26)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organization
2018 Shanghai Top 100 Private Enterprises (Rank: 4)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organization
2018 Shanghai Top 100 Service Industry Enterprises (Rank: 14)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organization
2018 Shanghai Top 100 Private Service Industry Enterprises (Rank: 3)	Enterprise Management Association of Shanghai, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organization
2018 Business Service Model Innovation Enterprise in China’s Automobile Dealers Industry	China Automobile Dealers Association
2018 No.2 of Top 100 Enterprises of Pre-owned Vehicles Dealers in China’s Automobile Dealers Industry	China Automobile Dealers Association
2018 National Top 10 Automobile Sales Group	China Automobile Dealers Chamber of Commerce, China Automotive News

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 (“The Stock Exchange of Hong Kong”):

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.



Reporting Scope

This report presents the businesses operated by the Group during the Reporting Period (from 1 January 2018 to 31 December 2018), including our businesses in new passenger vehicle sales, after-sales services for passenger vehicles, pre-owned vehicles, automobile finance, automobile rental services, and new energy vehicles. In respect of environmental and social policies, this report covers the headquarters office 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.



Reporting Approach

The environmental, social and governance philosophy of the Group is to achieve business growth and sustainable development in the environment in which it operates, and to create long-term values for its stakeholders. The Group is committed to becoming a responsible corporate citizen and believes that corporate sustainability and transparency are important cornerstones to establish mutual trust with its stakeholders.

Accordingly, the board of directors of the Company (the “Board”) is committed to contributing to the sustainable development of the society and the environment. In addition to upholding this objective, the Board is also responsible for assessing and determining the Group’s environmental, social and governance risks. By identifying and adjusting relevant risks, the Board is able to develop a clear vision and key strategies, and to oversee the management team to ensure that environmental, social and governance measures and systems are properly implemented.



Communication with Stakeholders

As part of its business strategy, the Group is committed to complying with legal and regulatory requirements and exchanges with stakeholders through constant communication to gather their views on environmental, social and governance issues that they considered relevant and important. We understand that it is vital to establish effective communication for a company 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 the Group 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 and publish them on the websites of The Hong Kong Stock Exchange and the Group 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 realized that global climate change is one of the environmental issues of greatest concern to the United Nations and governments of different nations. Therefore, the Group reviews the environmental factors related to its business operations to develop effective energy and water conservation measures and reduce waste generation. The Group actively responds to the global trend of emission reduction and devotes resources to reduce the impact of its daily operations on the environment.

In addition, we strive 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 include:

- 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. 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 190 tonnes CO₂e, with an intensity of 0.8 tonnes CO₂e per employee, mainly from our electricity and fuel consumptions.

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO ₂ e)		Intensity (emission/employee)		Total Emission (in percentage)	
		2018	2017	2018	2017	2018	2017
Scope 1							
Direct Emission	Fuel consumed by the Group's vehicles	17.11	22.26	0.07	0.09	8.80	11.35
Scope 2							
Indirect Emission	Purchased Electricity	177.49	173.93	0.72	0.69	91.20	88.65
Total		194.60	196.19	0.79	0.78	100.00	100.00

Table 2 – Total GHG 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 reducing the adverse impacts of wastes from our business activities on the environment. 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 366 kg (2017: 380 kg), which was entirely recycled.

(b) Actively exploring new energy vehicles

The Group is constantly improving its energy efficiency and reducing energy consumption and carbon emissions from its operations. We continue to promote the development of new energy vehicles with our unique advantages in the automobile sales market. In order to offer more choices for customers 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 6,432 (2017: 4,383) new energy vehicles, increasing 46.75% from last year. The Group will learn from the past and march towards the future, continuing to promote 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.

Communication with Stakeholders

2. USE OF RESOURCES

The Group is committed to implementing environmental protection policy to reduce and to make good use of resources, including saving energy and reducing waste. Through promoting 4R culture, namely “Reduce, Reuse, Recover and Recycle”, throughout the Company, the Group and its employees work together to reduce the environmental impact of the Group’s business. 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)	
		2018	2017	2018	2017
Electricity	kWh	22,600.00	215,095.00	900.41	856.95
Fuel	L	7,525.00	9,238.00	30.71	36.80
Water	m ³	40.69	47.12	0.17	0.19

Table 3 – Total Resources Consumption in the Reporting Period

As a leading automobile retailer and comprehensive service provider in China, the Group aspires to improve the efficiency of the traditional supply chain with technology, and to promote green business awareness as its responsibility. The Group’s principal businesses are automobile sales services, automobile finance, automobile rental, etc., therefore, its environmental impacts during its operation are relatively insignificant. 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 the following areas:

Power conservation

- Giving priority to products with better energy-efficiency when replacing electrical equipment;
- 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;



Communication with Stakeholders

- Partnering with a landscaping company which places plants at each office area to purify the working environment since 2002;
- Designating personnel to check and inspect to ensure that all non-use or unnecessary equipment is powered off; and
- Encouraging employees to walk more and use fewer elevators.

Energy conservation

- Implementing a policy of phasing out fuel-powered business vehicles, including a car and a public minibus, and encouraging staff to use public transportation. This policy effectively drove the Group to reduce energy consumption, reducing approximately 1,700 litres of petrol consumption during the Reporting Period; and
- Continuing to review and optimize energy consumption and improving consumption of energy and other resources constantly.

Paper conservation

- Making full use of the Internet resources and striving to be a paperless office; and
- Advocating double-side printing, recycling and reuse of office supplies and paper.

Environmental protection and waste reduction

- Recycling and reusing printing and copying consumables;
- Separating waste and delivering it to environmental departments for handling;
- 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; and
- Equipping every lacquer room with exhaust gas purification devices and having exhaust gas tested by relevant agencies to ensure that it meets the relevant national requirements.

(b) Water consumption

We understand the importance of precious water sources to the earth and the environment. Due to the Group's business nature, we do not use or discharge a significant amount of water. The Group actively promotes water-saving practices. For instance, we have entered into a 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 of 6.43 m³.

Communication with Stakeholders

3. ENVIRONMENT AND NATURAL RESOURCES

Given our business nature and activities, the impact of the Group on the environment and natural resources is limited. 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).

Although the Group’s operation model does not involve high energy consumption activities, we are still committed to maintaining a balance between industry and ecological environment, and pursuing long-term and sustainable developments. 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, training 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

The Group’s business is built on the efforts of its employees. Therefore, we strive to create a safe and healthy, fair and just, non-discriminatory working environment, enabling employees to unleash their full potential. 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*

The Group actively promotes fair competition to ensure no discrimination or dismissal of employees based on their race, gender, age, marital status or religion etc.. In view of this, the Group has formulated the “Anti-discrimination Policy” and “Recruiting Procedures” to regulate the Group’s principles of equal opportunity, diversity and anti-discrimination. The equality principles of the Group include recruitment, dismissal, probation period, working hours, holidays, equal opportunity, career development, promotion of employees and other remuneration packages and benefits systems, etc. All of which will be conducted in accordance with established fair procedures and objective criteria, so as to ensure that all employees and job applicants receive fair treatment.

(b) *Compensation system*

The Group attaches great importance to talents, adheres to the philosophy of being people-oriented, and abides by the personnel management principles of fairness, openness and justness. In order to attract and retain excellent talents, the Group adopts competitive salary and welfare treatment in the industry, insists on performance-based reward and internal fair treatment, and provides employees with on-the-job training and equal and long-term development opportunities.

Communication with Stakeholders

In terms of the compensation system, we pay 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 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.

(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 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 by gender, age group and employee category as at the end of the Reporting Period and 2017:

	Number of employees		Percentage of total (%)	
	As at December 31, 2018	As at December 31, 2017	As at December 31, 2018	As at December 31, 2017
By gender				
Male	114	117	46.53	46.61
Female	131	134	53.47	53.39
Total	245	251	100.00	100.00
By age group				
below 25	21	19	8.57	7.57
25-34	99	101	40.41	40.24
35-44	96	100	39.18	39.84
45-54	22	24	8.98	9.56
55-64	7	7	2.86	2.79
Total	245	251	100.00	100.00
By employee category				
Senior management	16	16	6.53	6.38
Middle management	23	23	9.39	9.16
Supervisor	52	54	21.22	21.51
General employee	154	158	62.86	62.95
Total	245	251	100.00	100.00

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

Communication with Stakeholders

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

	Number of employees		Percentage of total (%)	
	2018	2017	2018	2017
By gender				
Male	11	11	57.89	68.75
Female	8	5	42.11	31.25
Total	19	16	100.00	100.00
By age group				
below 25	0	1	0.00	6.25
25-34	16	7	84.21	43.75
35-44	2	5	10.53	31.25
45-54	1	2	5.26	1.25
55-64	0	1	0.00	6.25
Total	19	16	100.00	100.00

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

For the Group, good health of employees is the guarantee of productivity. To provide a healthy and safe working environment for employees, the Group complies with 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 implemented the following measures to protect employees' safety and health:

- 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;
- Implementing emergency rescue plans for workplace safety accident;



Communication with Stakeholders

- 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 order to enhance employees' fire safety awareness and standardize the Group's fire safety management, 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

In the ever-changing business environment, we strive to equip our employees with the latest knowledge and skills to enable them to stay competitive in the industry. Following the principles of "Recruiting people with vision, Cultivating people with talents and Appointing people with competence", the Group assists its staff in developing their potential while meeting the Group's goals.

(a) Management personnel training program

The Group has formulated 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 is committed to promoting continuous excellence and improvement in the professional and personal development of all employees. Meanwhile, 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 245 employees (2017: 251 employees) of the Group completed various training, representing 7,765 training hours (2017: 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 (%)	
	2018	2017	2018	2017
By gender				
Male	114	117	46.53	46.61
Female	131	134	53.47	53.39
Total	245	251	100.00	100.00
By employee category				
Senior management	16	16	6.53	6.38
Middle management	23	23	9.39	9.16
Supervisor	52	54	21.22	21.51
General employee	154	158	62.86	62.95
Total	245	251	100.00	100.00

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

During the Reporting Period, the Group has fully complied with laws and regulations related to the prevention of child labor and forced labor. The Group has formulated the “Prohibition of Child Labor Policy” and rigorous working age verification procedures to ensure that all employees meet the statutory age of employment.

In addition, the Group has formulated the “Prohibition of Forced Labor Policy and Procedure” to prevent any threat of violence or unlawful restriction of personal freedom in any operations or 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.

(b) Employee welfare activities

The Group also strictly abides by the labour regulations on working hours, rest days and holidays to ensure the physical and mental health of all employees. Accordingly, we advocate efficient working during working hours instead of overtime-working culture and taking work 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:



Communication with Stakeholders

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

The Group believes that building a sustainable supply chain can create values for our employees, suppliers, service providers, communities and our clients. The Group applies the principles of openness, fairness and transparency to selected suppliers and service providers, and establishes a supplier evaluation system to evaluate their prices, quality, costs and after-sales services. The Group monitors the supplier qualification constantly, reviews the performance of each supplier regularly, and requires member companies to assess suppliers' supplied products and service quality semi-annually, so as to ensure that they can provide products and service that meet the requirements in relation to environmental protection, quality and social responsibility.

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 improving the brand's reputation, focuses on the interests of customers and the good reputation of the Group, and devotes utmost efforts to make 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 and the health and safety in using the products. 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, so as to safeguard the rights and interests of our customers.

(b) Customer information protection and privacy policy

The Group regards customer information as the guarantee of safe corporate operation and healthy development of customer relations. Accordingly, the Group has developed a sound customer information confidentiality management system, established a graded customer management system, a mandatory mechanism with tiered authorization, and built a safe customer information database to ensure that the collection, holding, use and processing of customer information are protected. 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 of the senior management members have authorities to access the information of all customers but the contents of information they can access are also limited. As the Group is required to collect and use the personal data of customers or consumers in conducting its business, we would clearly explain the aim and purpose of such collection to our customers before collecting the information.

In addition, upon entering into cooperation agreements with its suppliers, the Group also requires its suppliers to simultaneously sign the “Data Confidentiality Agreement”. All personnel involved in customers’ information must also sign the “Confidentiality Agreement” with the Group. In addition, 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 also requires suppliers to simultaneously sign the “Data Confidentiality Agreement”. The Group has taken precautionary measures to prevent the disclosure, abuse or misuse of information.

(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 “Channel Service Standards”, focusing on service process and quality as per predetermined evaluation items.



Communication with Stakeholders

In addition, the Group has specially developed the “Channel Service Standards” which is updated and improved on an annual basis. We will organize all employees to study the “Channel Service Standards” and arrange for examination thereon after class. The Group will engage third-party agencies quarterly to carry out mystery shopper’s secret investigation on the service quality of the member companies using criteria based on the latest “Channel Service Standards” for the year. For poorly performing employees, we will require and supervise them to undergo rectification.

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 especially train salespersons, customer service persons and the relevant personnel to ensure that they immediately understand the latest information so as to better serve customers.

In terms of product quality, the Group ensures that the products provided comply with the quality and safety standards as required by law. Our products are purchased from the main plant or external channels that are compliant with the required standards. Before external procurement, we require suppliers to provide relevant authorization and product testing reports and other information to ensure the quality of externally provided products.

(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 and 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 will continue to commit to 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 is committed to building and promoting a good corporate culture. During the Reporting Period, the Group has organised a number of activities to promote anti-corruption culture. At the staff level, we have organised staff integrity knowledge competition and various training activities to educate staff on integrity; at the supplier level, we held supplier management conferences, and used WeChat platform to remind suppliers of integrity regularly so as to keep the business environment uncorrupted constantly.



Communication with Stakeholders

Meanwhile, the Group has developed a code of practice, 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.

(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. The Group has also set up an internal audit department to conduct internal audit on the development and operation management of the Group’s businesses and to resolutely investigate and deal with violations of laws and regulations found in the audit process. 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

The Group understands that sustainable business development depends on the long-term sustainable development of local communities. Accordingly, we strive to serve the people in need, especially children, elderly and other disadvantaged groups. During the Reporting Period, the Group has encouraged its staff to take an active part in volunteer and charitable activities in the hope of fostering a caring and supportive culture.

(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. In November 2018, Yongda Foundation held a charity auction dinner party, all the donations raised will be used for charity activities.

(b) Students and university education

In order to provide students with better education opportunities, the Group has spared no effort in developing educational affairs. During the Reporting Period, the Group donated to the Government of Heqing Town through the Yongda Foundation to establish the “Yongda Education Special Fund” (永達教育專項基金) and donated to Shanghai Normal University to establish a special education fund, which will be for three years to support students to complete their studies.



Communication with Stakeholders

(c) *Caring community*

During the Reporting Period, more than 1,000 elderly people in 10 nursing homes benefited from the Group's "Love will be there for you" activity launched by Yongda Foundation. In addition, the Group also donated to the collective relocation of poor households in Heila Village, Yiliang County, Yunnan Province, to improve the living quality of local villagers, and donated to the Government of Heqing Town to support the elderly living alone, patients with serious diseases and poor families to help them overcome difficulties.

Donation in 2018

RMB1,953,000



Prospects

The Group believes that the current environmental protection and social responsibility measures in place are adequate to comply with relevant laws and regulations. That said, the Group will continue to review its measures from time to time according to the latest requirements, striving to enhance its environmental protection and social responsibility measures.