



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 2019



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

China MeiDong Auto Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is delighted to publish its annual Environmental, Social and Governance (“**ESG**”) report (“**Report**”) for year ended 31 December 2019, presenting our continuous commitment to corporate social responsibility. This Report is prepared in accordance with ESG Reporting Guide set out in 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 (as defined below), 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**”) considered as material by the Group during the Reporting Period are disclosed in this Report. The Group will continue to optimise and improve the disclosure of KPIs. The opening of 9 new stores during 2019 lead to the change in the scope of the Report when compared with the ESG report for last year. Please refer to the 2019 Annual Report of the Company 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 2019 to 31 December 2019 (the “**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 respect of environmental and social performance. With the advancement in our employees’ awareness of 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, 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 meetings and issued annual reports in accordance with the relevant provisions of the Listing Rules, so as to provide stakeholders with information on 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 purchasing from local suppliers. To respond to the requirements of the society for conservation and waste reduction, we formulated the 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 has a significant impact on the Group.

Major air pollutant emission from gaseous fuel consumption and vehicles during the Reporting Period and the period from 1 January 2018 to 31 December 2018 (the "2018 Reporting Period") are as follows:

Type of Air Pollutant	Air Pollutant Emission	
	2019 Air Pollutant Emission (kg)	2018 Air Pollutant Emission (kg)
Sulphur Dioxide	1.99	1.84
Nitrogen Oxides	6.02	5.16
Particulate Matter	1.60	1.46
Carbon Monoxide	123.04	112.22
Hydrocarbon	14.98	13.66

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During the Reporting Period and the 2018 Reporting Period, the GHG emission from the operation is set out below:

Type of GHG emission	GHG Emission	
	2019 Equivalent CO ₂ emission (kg)	2018 Equivalent CO ₂ emission (kg)
Scope 1 Direct emission	1,996,238.79	1,423,084.11
Scope 2 Indirect emission	732,155.21	503,534.29
Total	2,728,394.00	1,926,618.40
Intensity (kg/Revenue RMB'000)	0.17	0.17

Note:

The calculation of the GHG is based on the "Corporate Accounting and Reporting Standard" from GHG 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

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During the Reporting Period and the 2018 Reporting Period, the waste generated is summarised as below:

Type of waste	Waste	
	2019 Waste (kg)	2018 Waste (kg)
Total hazardous waste	16,517	11,225
Total non-hazardous waste	18,986	13,053
Total	29,570	24,308
Intensity (kg/Revenue RMB'000)	0.0022	0.0022

The specific management practices our Group adopted include:

- 1) For GHG emission, we set 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 waste 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 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 2019.

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1.2 Resource utilisation

The Group advocated resource conservation, 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 and the 2018 Reporting Period are set out below:

Type of energy	Energy Consumption	
	2019 Energy consumed (mWh)	2018 Energy consumed (mWh)
Petrol	6,730.86	4,833.96
Diesel	328.30	255.70
Purchased gas	0.01	0.01
Purchased electricity	1,088.64	748.70
Liquefied petroleum gas	1,161.05	798.22
Total	9,308.86	6,606.59
Energy intensity (mWh/Revenue RMB'000)	0.00057	0.00060

Water consumption by the Group during the Reporting Period and the 2018 Reporting Period are set out below:

	Water Consumption	
	2019	2018
Total water consumption (m³)	195,088	134,123
Water intensity (m³/Revenue RMB'000)	0.012	0.012

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1.3 Environment and ecology protection

It is known to us all that natural resources are limited, and the immoderate utilisation of natural resources will cause serious damage to the global environment. To reduce the damage done 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 implemented 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 distances 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 conservation in their daily lives 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. 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 2019 and 2018:

	2019		2018	
	Number of staff	% of total	Number of staff	% of total
By gender				
Male	2,713	57	2,484	58
Female	2,035	43	1,808	42
Total	4,748	100	4,292	100
By age group				
30 or below	2,544	53	2,972	70
31-40	1,832	39	1,088	25
41-50	285	6	182	4
51 or above	87	2	50	1
Total	4,748	100	4,292	100
By employment category				
Contract/Short term	98	2	144	3
Normal	3,807	80	3,377	80
Middle	770	16	707	16
Senior	73	2	64	1
Total	4,748	100	4,292	100

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Below is a detailed breakdown of our employee turnover rate by gender and age group as at 31 December 2019 and 2018:

	2019	2018
Turnover rate by gender		
Male	53%	53%
Female	58%	49%
Turnover rate by age group		
30 or below	63%	36%
31-40	48%	61%
41-50	35%	100%
51 or above	32%	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 retention 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 2019 and 2018:

	2019	2018
Employee trained by gender		
Male	56%	50%
Female	44%	50%
Employee trained by employment category		
Contract/Short term	100%	100%
Normal	100%	100%
Middle	25%	56%
Senior	22%	44%

The average training hours for employees by gender and employment category during the Reporting Period and the 2018 Reporting Period are as follows:

	2019	2018
By gender	Hours per employee	Hours per employee
Male	22.04	19.94
Female	23.15	27.40
By employment category		
Contract/Short term	24.24	44.33
Normal	26.06	24.25
Middle	5.89	13.37
Senior	10.52	21.00

2.4 Labour rules

We abided by the Employment Ordinance of Hong Kong and the Labour Contract Law of the PRC, 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 relationships 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

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 advocate fair publicity of information. All sales and service representatives must provide customers with accurate and true information when selling goods. As for after-sales services 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 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. The Group has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Period, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Group or its employees.

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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 GHG 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 Reporting Period, the Group actively improved its ESG 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 organised 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.