

FDG ELECTRIC VEHICLES LIMITED

五龍電動車(集團)有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 729

2018/19

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



e Road Forward

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. INTRODUCTION

FDG Electric Vehicles Limited (the “Company” or “FDG”, and together with its subsidiaries, the “Group”) is a pure electric vehicle manufacturer. It is principally engaged in (i) vehicle design and the design, manufacture and sale of electric vehicles (“EVs”); (ii) research and development, production and sale of lithium-ion batteries and related products; (iii) leasing of electric vehicles; (iv) research and development, manufacture and sale of cathode materials for lithium-ion batteries; and (v) direct investments. This Environmental, Social and Governance Report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and presents the relevant information. It covers the environmental, social and governance performance of the following operation locations of the Group for the year ended 31 March 2019 (given Yunnan FDG Automobile Co., Limited was disposed of by the Group on 3 May 2018, this report does not cover the Kunming Production Base):

- Hong Kong Wanchai Headquarter Office (“Hong Kong Headquarter”)
- Beijing Vehicle Design Centre
 - *engaged in design of EVs*
- Hangzhou Production Base
 - *engaged in manufacture of commercial EVs*
- Tianjin Production Base
 - *engaged in manufacture of lithium-ion batteries*

2. MANAGEMENT APPROACH AND STRATEGY

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 value for its stakeholders. The Group is committed to becoming a responsible corporate citizen, and believes that sustainability and transparency are the cornerstone of building mutual trust with 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 this objective, the Board is also responsible for assessing and determining the Group’s environmental, social and governance risks. Through determining and adjusting the relevant risks, the Board is able to develop a clear vision and key strategies, and supervises the management to ensure that environmental, social and governance measures and systems are properly implemented.

The Group continues to adhere to the philosophy of “providing high-quality pure EVs for customers, making the greatest contribution to a green community, and creating a harmonious and healthy working environment for employees”, and endeavours to keep pace with international sustainable development. The Group strives to improve the environmental, social and governance performance and fulfil corporate citizen responsibility. The Group is committed to continue its mission of building a green ecological environment and actively provide high-quality pure EVs to enable the community to practice “green driving and clean air”.

3. COMMUNICATION WITH STAKEHOLDERS

The Group is committed to complying with legal and regulatory requirements, strengthening corporate governance and enhancing corporate transparency. According to the business nature of the Group, the Group identifies the major stakeholders (including shareholders, institutional investors, employees, customers, suppliers and business partners, etc.), and develops and sets up appropriate communication channels to maintain constant communication and exchanges with stakeholders, so as to collect opinions on environmental, social and governance that they consider relevant and important.

The Group strives to improve corporate information transparency and maintain open and close communication with stakeholders through various channels including general meetings, meetings, telephone and emails to understand stakeholders' opinions and expectations on the Group, and allows the market to access the Group's business development information timely and properly assess its growth potential.

At general meetings, the Board can explain the operations of the Group as well as listen to feedback from shareholders directly, thereby enabling two-way communication between the Board and the investors.

In addition, the Group also participates in investors' meetings, organises non-deal roadshows and visits to its production bases, striving to ensure that investors have a thorough understanding of the Group's strategy and business. In the current reporting year, the investor relations team met with institutional investors and analysts in Hong Kong, mainland China and overseas for over 200 times.

Access to Information

Placing great emphasis on the principle of timely, fair and transparent information disclosure, the Group takes the initiative to disclose information that may affect investment decisions to ensure that stakeholders have equal and timely access to the Company's important information. The Board has adopted the shareholders communication policy, which is reviewed in due course to ensure its applicability and effectiveness.

The Group publishes announcements in strict compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and voluntarily, and discloses the latest business development of the Group on the websites of The Stock Exchange of Hong Kong Limited and the Company. In addition, information such as corporate news is also available on the Company's website for stakeholders' reference. The Group encourages stakeholders to enquire and communicate via telephone and e-mails.

Market Recognition

The Group is committed to maintaining close communication with investors in an efficient and open manner and discloses the Group's business operations and development to the investors through various communication channels. In the current reporting year, the Group won a number of investor relations and corporate management awards in recognition of the management's outstanding performance and efforts in maintaining good investor relations and corporate management.

In the current reporting year, FDG and its subsidiary FDG Kinetic Limited won multiple investor relations awards respectively. Among which, FDG was awarded "Best Digital IR" by Hong Kong Investor Relations Association, "Best IR of Hong Kong Listed Company" by New Fortune Magazine, and "Golden Hong Kong Equities – The Most Valuable Small-Mid Cap Company" by Zhitong Finance and Tonghuashun Finance. FDG's subsidiary, FDG Kinetic Limited, was also awarded "Certificate of Excellence" by Hong Kong Investor Relations Association and "Best IR of Hong Kong Listed Company" by New Fortune Magazine, in recognition of the Group's outstanding performance in investor relations. In addition, the Group actively promotes environmental protection and advocates sustainable development. Among which, FDG was awarded "EcoPartner" in the contest of "Bank of China (Hong Kong) Limited Corporate Environmental Leadership Awards" to recognise the Group's outstanding performance and achievements in environmental protection and sustainable development advocacy.

The Group pays significant attention to stakeholders' opinions on its future sustainable development, and spares no effort in creating value for its stakeholders such as customers, suppliers and the community to pursue mutual success. For customers, the Group constantly improves product quality and capability, sets up a comprehensive after-sales service process to maintain good relations with customers and strengthens the Group's brand reputation. For suppliers, the Group adheres to commercial principles with respect to careful selection and establishment of long-term cooperation mechanism to achieve mutual benefit. For the community, the Hong Kong Headquarter also sets up a corporate social responsibility team and will regularly participate in volunteering and public welfare activities, enabling the staff to serve the community.

To enhance corporate transparency, the Group shares updates on corporate social responsibility and the latest information with stakeholders through diverse communication channels including visits and meetings, enabling the stakeholders to obtain information on the Group's latest operation and development.

Communication means between the Group and its major stakeholders:

Major stakeholders	Communication means
Shareholders/Investors	The Group maintains close, transparent and efficient communication with shareholders/investors through general meetings, investor meetings, e-mail, investor relations hotline, social media, investor mailbox, annual and interim reports and announcements, etc.
Customers	Communication channels including after-sales service hotlines, email, WeChat are set up at Hangzhou and Tianjin production bases to facilitate communication with customers and collection of feedbacks.
Employees	Employment and employee benefit systems are formulated to improve employees' awareness of occupational safety and health through trainings, and various employee activities are regularly organised to enhance their sense of belonging to the Group.
Suppliers	At Hangzhou and Tianjin production bases, open and transparent procurement policies are demonstrated through e-mail, meetings, review and evaluation process to achieve mutual benefit with suppliers.
Community	The Hong Kong Headquarter established a corporate social responsibility team, which regularly participates in volunteering and public welfare activities to enable the staff to serve the community; Hangzhou production base and Beijing vehicle design centre cooperate with colleges and universities to set up internship training programmes and cultivate talents; at Tianjin production base, employees were assigned to participate in the environmental seminars organised by the Tianjin government to keep abreast of environmental protection updates in the market.



4. ENVIRONMENT

4.1 Emissions

The Group is aware that global climate change is one of the major environmental issues of concern to the United Nations and governments. Therefore, the Group reviews the environmental factors related to business operations to develop effective energy and water conservation measures and reduce waste generation. The Group is committed to investing resources to reduce the environmental impact of its daily operations. During the current reporting year, the Group had not discovered any cases of violation of the environmental laws and regulations. The Group has adopted a series of environmental protection policies and measures, which are regularly monitored and evaluated, to lay a solid foundation for green management, including:

Waste Reduction Policy

The Group adheres to the principle of waste management and strives to properly handle and dispose of waste generated from business operation. The production bases of the Group take appropriate measures to minimise the potential environmental hazards caused by wastes to air, land and water sources. These efforts, including reduction of waste generation, proactive implementation of resource classification, recovery and recycling, and enhancement of environmental management across the product life cycle such as proper procurement, production and disposal after use, allow the Group to actively reduce the waste volume and fulfil its corporate social responsibilities.

Exhaust Gas Reduction Policy

During the current reporting year, no significant emissions of exhaust gas were generated by the Group. The main source of exhaust gas emissions of the Group is air pollutants from fuel consumption of automobiles, which mainly consist of sulphur oxides (SOx).

The table below sets out the exhaust gas emissions in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Sulphur oxides (SOx) (kg)	N/A	N/A	0.35	0.37	0.12	0.23

Note: The Hong Kong Headquarter is engaged in general office operation, which does not involve exhaust gas emissions.

In addition to monitoring sulphur oxides (SOx) emission data, the Group also pays great attention to reduce exhaust gas emissions from sources. Tianjin production base uses a container storage system to store electricity and replaces the diesel emergency generator, effectively reducing exhaust gas pollution from traditional diesel power generation. Hangzhou production base has fully adopted water-based environmental protection paint to replace solvent paint, and the new technology can effectively reduce the emission of volatile substances to the air.

With respect to greenhouse gas emissions, the Group has conducted data monitoring to identify and classify sources of greenhouse gas emissions so that the Group can compare the data of various sources of greenhouse gas emissions.



The table below sets out the total volume and density of greenhouse gas emissions in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Direct greenhouse gas emissions						
Diesel consumption of stationary sources (litre)	-	-	1,400.00	64.00	-	-
Liquefied petroleum gas consumption of stationary sources (kg)	-	-	-	-	5,012.00	-
Diesel consumption of mobile sources (litre)	-	-	-	-	-	18.96
Gasoline consumption of mobile sources (litre)	-	-	23,570.56	25,330.94	8,200.60	15,696.54
Natural gas consumption (m ³)	-	-	429,317.00	1,806,459.91	-	-
Refrigerant (R134a) consumption (kg)	-	-	-	500.00	-	-
Carbon dioxide consumption (kg)	-	-	-	-	809.00	68,000.00
Steam consumption (m ³)	-	-	-	-	1,405.00	1,688.50
Total direct greenhouse gas emissions (tonnes carbon dioxide equivalent)	-	-	999.78	4,667.68	35.33	108.30
Indirect greenhouse gas emissions						
Facility electricity consumption (kWh)	793,792.51	1,062,580.00	10,028,665.82	10,479,335.00	3,624,322.00	6,505,931.00
Total direct and indirect greenhouse gas emissions (tonnes carbon dioxide equivalent)	768.40	1,062.58	9,068.85	13,141.27	3,543.68	6,614.23
Production volume (vehicles* or 1 million ampere hours*)	-	-	200.00*	408.00*	2.89 [#]	7.94 [#]
Greenhouse gas emission density (tonnes carbon dioxide equivalent/ vehicle* or 1 million ampere hours*)	-	-	50.72*	32.21*	1,226.19 [#]	833.03 [#]

Note:

- During the current reporting year, Hangzhou production base underwent complete power outage due to inspection and maintenance by the local power supply bureau. During power outage, diesel was used to generate power thus increasing diesel consumption.
- During the current reporting year, the production volume in Hangzhou production base has reduced resulting in lower consumption of natural gas.
- The Hong Kong Headquarter is engaged in general office operation, which does not involve significant generation of greenhouse gas emissions.

Business Travel Reduction Policy

The Group thoroughly understands that business travel will increase energy consumption, leading to the emission of greenhouse gas. Therefore, the Group actively reduces the number of business trips of employees and encourages employees to communicate in a green manner, e.g. replacing face-to-face meetings by video and phone conferences so as to reduce extra greenhouse gas emissions caused by business travel. In addition, the Group encourages employees to make use of public transportation whenever possible and requires each department to plan travel itineraries and manpower arrangements in advance in order to share vehicles, further reducing energy consumption and pollution caused by travelling.

Procurement Policy Supporting Local Suppliers

To reduce energy consumption and the emissions of waste gas due to transportation, the Group encourages its production bases to give priority to products of local suppliers under reasonably practicable situations with an aim to reduce the goods delivery distance so as to lower the exhaust and greenhouse gas emissions. During the current reporting year, the Group's local suppliers accounted for 100% of the total number, effectively reducing the extra greenhouse gas emissions due to transportation.

Hazardous Waste Disposal Policy

Where feasible, the Group will use non-hazardous and/or natural materials so far as possible to replace hazardous materials so as to minimise land pollution from hazardous wastes. Accordingly, Beijing vehicle design centre has set up internal management procedures for hazardous waste disposal, and has properly disposed of hazardous wastes by entering into a "hazardous waste treatment contract" with a qualified recycler.

The Group implements the classification of hazardous wastes. Through training of each production base's employees on the correct classification methods, centralised storage and isolation of hazardous wastes, and engaging qualified contractors for collection and treatment, the Group has effectively reduced the hazardous wastes pollution on land. In addition, the Group has taken a series of precautionary measures to prevent hazardous wastes from polluting water sources, including constructing sewage treatment stations in Hangzhou and Tianjin production bases. All wastewater is properly treated to effectively reduce the harmful substances in the wastewater. The discharged wastewater has met the Grade 3 requirements set forth in the GB8978-1996 "Integrated Wastewater Discharge Standard", complying with the relevant requirements.

The table below sets out the total volume and density of hazardous wastes generated in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Total hazardous wastes generated (tonne)	N/A	N/A	14.00	3.40	0.50	0.54
Production volume (vehicles* or 1 million ampere hours [#])	N/A	N/A	200.00*	408.00*	2.89 [#]	7.94 [#]
Emission density per production unit (tonne/vehicle* or 1 million ampere hours [#])	N/A	N/A	0.07*	0.0083*	0.17 [#]	0.07 [#]

Note:

1. During the current reporting year, Hangzhou production base handled the accumulated hazardous wastes generated over past years, thus recorded an increase in generation of hazardous wastes.
2. The Hong Kong Headquarter is engaged in general office operation, which does not involve significant generation of hazardous wastes.

Non-hazardous Waste Disposal Policy

The Group classifies non-hazardous wastes and sets up recycle bins. The Group has arranged recyclers to collect packaging wastes, solder wastes and paper wastes for recycling. In addition, the Group regularly trains employees to improve their overall environmental awareness. The Group also monitors the effectiveness of waste management in various departments and assists in formulating relevant improvement measures, effectively reducing the production of non-hazardous waste.

The table below sets out the total volume and density of non-hazardous wastes generated in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Total non-hazardous wastes generated (tonne)	N/A	N/A	2.21	1.00	3.44	44.00
Production volume (vehicles* or 1 million ampere hours [#])	N/A	N/A	200.00*	408.00*	2.89 [#]	7.94 [#]
Emission density per production unit (tonne/vehicle* or 1 million ampere hours [#])	N/A	N/A	0.01*	0.0024*	1.19 [#]	5.54 [#]

Note:

- During the current reporting year, the production volume in Tianjin production base has reduced resulting in lower emission of non-hazardous wastes.
- The Hong Kong Headquarter is engaged in general office operation, which does not involve significant generation of non-hazardous wastes.

4.2 Use of Resources

The Group adheres to the management philosophy of “Conserving and Controlling Resources at Source”, striving to implement multiple resource-saving measures to improve energy efficiency.

Energy Conservation

On energy conservation, the Group adopts different strategies at its production bases to actively reduce impact on the ecological environment.

Operation location	Energy conservation measures and effect
Hangzhou production base	<ul style="list-style-type: none"> Strengthened inspection and implementation of the “Changjiang Automobile Energy Management System” and the “Work Rules for Energy Management” with estimated power saving of 3,596,090 kWh/year; Gradually replaced ordinary fluorescent lamps with 5,000 LED energy-efficient lamps since 2016; all replacement work has been completed as planned; Adopted the 8 MW photovoltaic solar power generator provided more than one-third of the total electricity consumption of the plant during the current year;

Operation location	Energy conservation measures and effect
	<ul style="list-style-type: none"> Introduced RTO (Regenerative Thermal Oxidizer), an efficient environmental energy device, which can oxidize toxic, hazardous and non-recyclable VOCs (Volatile Organic Compounds) at high temperature, thus recovering clean heat energy from oxidization and reducing fuel or electricity consumption of the boiler; and Adopted electrostatic spraying technology to significantly mitigate environmental pollution from painting operations.
Tianjin production base	<ul style="list-style-type: none"> Used air conditioners with energy-efficiency labels, each saving electricity consumption by 10 kWh compared with those without energy-efficiency labels; and During the current reporting year, over 50% of the electric lamps in the plant are LED lamps, saving electricity consumption by over 5% compared with traditional fluorescent lamps.
Beijing vehicle design centre	Adopted air conditioning with water-source heat pump for temperature adjustment – an application of heat pumps using air or water as refrigerant for temperature adjustment, which is more operationally efficient and helps to reduce energy consumption and save cost.

The Group regards employee participation as an important part of achieving its goals. Therefore, the Group requires each employee to participate in energy conservation and emission reduction campaigns, such as turning off equipment in idle areas and ensuring energy-consumption equipment are turned off before off duty. In addition, the Group promotes knowledge on energy conservation and emission reduction to foster energy conservation and environmental protection work practices among employees.

Water Conservation Policy

Sustainable and responsible use of water is a global key issue. The Group is aware that water shortages and overuse of water sources can cause serious problems. Although the Group has not discovered any problem with the applicable water source and has no difficulty in water supply during its day-to-day operations, the Group constantly reminds employees to conserve water by putting up water conservation labels in washrooms, employee canteens and rest areas. Moreover, water faucets are inspected regularly to prevent leakage so as to avoid water wastage. At Hangzhou and Tianjin production bases, wastewater treatment systems are set up to treat wastewater for reuse, which effectively reduces consumption of water. Hangzhou production base uses treated waste water for toilet flushing and passage cleaning, saving water consumption by approximately 350 tonnes per month on average.

Green Office

The Group promotes a green office, advocates environmental filing and recording methods in daily operations, encourages staff to access files in computers instead of printing documents, use double-sided printing and recycle and re-use single-sided printed paper whenever possible to save papers. Beijing vehicle design centre encourages employees to minimise the use of office resources such as water, paper and printing supplies, and to store drawings and product information electronically. Printer toner cartridges used by the Hong Kong Headquarter are regularly recycled by the suppliers. Hangzhou production base has entrusted a third party, the “Environmental Supervision Agency of Provincial Academy of Environmental Sciences” to review environmental protection related work regularly.

The table below sets out the total consumption and density of major resources and packaging materials for finished products in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Production volume (vehicle* or 1 million ampere hours ^a)	–	–	200.00*	408.00*	2.89 [#]	7.94 [#]
Gasoline consumption of mobile sources (litre)	–	–	23,570.56	25,330.94	8,200.60	15,696.54
Consumption density (litre/vehicle* or 1 million ampere hours ^a)	–	–	117.85*	62.09*	2,837.58 [#]	1,976.89 [#]
Natural gas consumption (m ³)	–	–	429,317.00	1,806,459.91	–	–
Consumption density (m ³ /vehicle* or 1 million ampere hours ^a)	–	–	2,146.59*	4,427.60*	–	–
Electricity consumption (kWh)	793,792.51	1,062,580.00	10,028,665.82	15,769,825.00	3,624,322.00	6,505,931.00
Consumption density (kWh/vehicle* or 1 million ampere hours ^a)	–	–	50,143.33*	38,651.53*	1,254,090.66 [#]	819,386.78 [#]
Water consumption (tonne)	1,815.88	11,744.00	13,242.29	102,725.00	17,416.49	50,263.00
Consumption density (tonne/vehicle* or 1 million ampere hours ^a)	–	–	66.21*	251.78*	6,026.47 [#]	6,330.35 [#]
Total packaging materials for finished products (tonne)	–	–	–	–	8.03	19.87
Consumption density (tonne/1 million ampere hours)	–	–	–	–	2.78	2.50
Total packaging materials for finished products (adhesives) (tonne)	–	–	–	–	0.33	0.07
Consumption density (tonne/1 million ampere hours)	–	–	–	–	0.11	0.01
Total packaging materials for finished products (paper) (set [#] /tonne*)	–	–	–	–	0.16*	1,114.00 [#]
Consumption density (set [#] or tonne*/1 million ampere hours)	–	–	–	–	0.05*	140.30 [#]
Total packaging materials for finished products (foam) (m ²)	–	–	–	–	–	4,494.00
Consumption density (m ² /1 million ampere hours)	–	–	–	–	–	566.00
Total packaging materials for finished products (wooden box) (piece [#] or tonne*)	–	–	–	–	5.72*	1,338.00 [#]
Consumption density (piece [#] or tonne*/1 million ampere hours)	–	–	–	–	1.98*	168.51 [#]
Total packaging materials for finished products (metal) (tonne)	–	–	–	–	1.83	–
Consumption density (tonne/1 million ampere hours ^a)	–	–	–	–	0.63	–

Notes:

1. During the current reporting year, the production volumes in Tianjin and Hangzhou production bases have reduced resulting in lower consumption of water.
2. During the current reporting year, Beijing vehicle design centre has a lower workforce and has introduced water reduction measures resulting in lower consumption of water.
3. The Hong Kong Headquarter is engaged in general office operation, which does not involve consumption of packaging materials for finished products and significant resources.

4.3 *Environment and Natural Resources*

The Group continues to identify, assess and manage potential adverse impacts on the environment, and strives to maintain a balance between the industry and the ecological environment. In response to the keen attention of the society and customers on energy conservation and emission reduction, the Group will definitely take environmental protection and cherishing natural resources into consideration when reviewing business strategies and planning future industrial development.

Large-scale Solar Power Generation System

The Group is committed to using renewable energy to reduce environmental impact. Making use of geographical advantage of Zhejiang Province, the Group has set up a photovoltaic-panel electricity generator on the rooftop of its Hangzhou production base. The device converts solar energy into electrical energy and achieves energy conservation and emission reduction through pollution-free power generation, while improving space utilisation of the building. The photovoltaic energy storage system was connected to the power grid in March 2016, and is the largest photovoltaic power generation project for colour-coated steel tile roof in Zhejiang Province. With a total installed capacity of 8.68 MW on the factory roof of 200,000 square meters, it generates power for self-use with remaining power dispatched to the power grid. In 2018, it generated a total of 3,600,000 kWh electricity, which substantially reduced the reliance of the production base on general power, and directly lowered the overall carbon emission of the Group.



New Energy Application

To reduce environmental pollution and protect natural resources, the Group advocates the application of clean energy by providing pure EVs and lithium-ion batteries, promotes the advantages of lithium-ion batteries through publication materials, and educates employees to protect the environment in daily life and at work.

All pure EVs of the Group are independently developed and produced by a professional team with advanced scientific research and technology, which can effectively reduce or avoid vehicle energy consumption and exhaust gas emission. The Group continues to enhance the environmental performance of our products, which has been duly recognised by the Chinese government. Our subsidiary, Changjiang Automobile, has officially been listed in the 302nd batch in the catalogue of the “Announcement of the Road Motor Vehicle Manufacturing Enterprises and Products” published by the Ministry of Industry and Information Technology in 2017 in manufacturing new energy passenger vehicles, reflecting that the Group’s technology and production capacity meet national standards.

FDG has been implementing the green environmental protection concept, taking initiatives to fulfil its social responsibilities and marching toward the path of sustainable development. Through promoting the substitution of renewable energy for traditional energy sources and exploring technological innovations, the Group has continuously reduced the direct environmental impact of our business operations while supplying green energy products to help customers, partners and the society reduce energy consumption.

The Group continues to invest in pure EV industry to promote the replacement of traditional fuel vehicles, and provides pollution control solutions to the society so as to maximise the protection of ecological environment. The Group’s customers include government departments, hotels, tourist attractions and rental companies, and the Group’s pure electric logistics vehicles have been exported to the United States. With concerted and continuous efforts, the Group is extending the outreach of green energy through various channels. FDG will continue its efforts going forward and commit to promoting the transformation and upgrade of the global automobile industry and contributing to a green planet.

Support Green Activities Organised by the Government and Green Organisations

When visiting the Beijing vehicle design centre, the senior members of the Science and Technology Committee gave positive feedback on the Group’s efforts in taking the lead to industrialise wheel side electric motor axle and other electric vehicle core technologies in the PRC. In addition, Beijing vehicle design centre also supports the government’s traffic restriction policy that restricts the use of vehicles based on even and odd numbered license plates on the particular dates or under special weather conditions in order to reduce air pollution. In Tianjin production base, tree planting activities have been organised in the open space, and employees were assigned to participate in the environmental seminars organised by the Tianjin government to help the Group to keep abreast of environmental protection updates in the market.

Second Use of Power Battery

In the era of environmental protection, the new energy vehicle (“NEV”) industry has entered a phase of rapid development. As the NEV industry shows an exponential growth, undoubtedly a significant amount of EV power batteries will be retiring in the coming few years. As the current battery recovery rate in the PRC is less than 2%, the large number of power lithium-ion batteries to be disposed of in the future will pose a threat to the environment. Avoiding the waste of resources and re-pollution to the environment will become new issues for the PRC government and relevant enterprises.



The large amount of abandoned batteries causes environmental pollution but, if utilised properly, can bring business opportunities that effectively mitigate environmental pollution through reasonable use of resources and can even greatly reduce the cost of the NEVs. The requirement of battery performance for EVs is relatively high but the retired batteries from EVs can still be applied for other purposes, such as light-duty power and low-speed vehicles, telecommunication base stations, back-up power supply or energy storage, etc. Through the data collection, processing and analysis at each stage from R&D and production, sales and usage, retirement and reuse to recycling of the batteries, a battery lifetime management system with a green and efficient process throughout and which maximises battery efficiency and minimises environmental burden can be established. The Group strives to utilise the concept of scientific management to recycle battery, adheres to the principle of “advocate for technology, pursue green development”, and actively explores the feasibility of relevant development, not only for grasping future business opportunities in that area, but also taking the responsibility on environmental protection in the society as an outstanding corporate citizen.

5. SOCIAL

5.1 Employment

The Group is committed to building a professional corporate culture and works with employees to pursue the mission and goals of the Group. The Group promises to create a safe, healthy, fair and reasonable working environment for its employees and to comply with relevant employment laws and regulations.

The table below sets out the total workforce and distribution in the current reporting year and the previous reporting year respectively:

	Hong Kong Headquarter		Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Employees by gender								
Male	15	26	46	355	504	858	58	178
Female	19	34	5	45	126	182	32	61
Employment type								
Full-time	34	60	51	400	630	1,040	90	239
Part-time	-	-	-	-	-	-	-	-
Employees by age								
18-30	9	31	7	191	221	496	37	131
31-45	14	15	32	185	331	475	45	98
46-60	11	14	12	24	75	66	6	8
≥61	-	-	-	-	3	3	2	2
Total	34	60	51	400	630	1,040	90	239

Note:

- During the current reporting year, Beijing vehicle design centre reduced its business and Hangzhou and Tianjin production bases reduced their respective production volume, resulting in lower workforce.

Recruitment, Promotion and Equal Opportunity Policies

The Group actively builds a fair, impartial and non-discriminatory working environment, and is committed to maintaining harmonious relationship between the Group and employees, and pooling talents and workforce to promote the long-term sustainable development of the Group's industries.

The Group focuses on employees' capability and work experience in recruitment and promotion, treats job applicants and employees equally, and ensures that employees will not be treated differently because of age, gender, race, ethnic group, religion, marital status, sexual orientation, disability, pregnancy, nationality, or political opinion in terms of employment, wages, welfare, bonus, promotion, dismissal, etc. The staff of Hangzhou production base can complain any discrimination to the management representative of the factory in written or oral form, and the factory will assign a designated person to investigate and provide oral or written reply to the complainant. The production bases comply with local laws and regulations and the Group's guideline, namely Management Measures for Performance Assessment on New Employees, to conduct recruitment.

To improve employees' personal competence and capability and to facilitate future development of the Group, Hangzhou production base has adopted a series of fair, impartial and open competitive measures:

1. The principle for employees promotion are: (i) possess both ability and integrity, and believe in meritocracy; (ii) openness, equality, competition and merit-based selection;
2. Maintain an effective assessment system based on the principle of openness, fairness and impartiality in promotion, conduct assessment on an objective and impartial basis, and make promotion decisions mainly based on the assessment results; and
3. Adopt open, well-defined and specific promotion policies, procedures and methods to ensure all qualified employees have the opportunities for fair competition. Improve employee participation in the promotion decision-making process in order to make proper promotion decisions in an objective and impartial manner.

Work and Life Balance Policy

The Group attaches great importance to the physical and mental health of employees. The Group is fully aware that a good work-life balance can help improve employees' performance and enhance the Group's overall operating efficiency. Therefore, the Group strictly complies with local and national laws and regulations to ensure employees' rest days and holidays. Beijing vehicle design centre arranges rest days for employees in accordance with its Attendance and Vacation System. To strengthen employees' sense of belonging to the Group, the Group implements the following work-life balance policies:

1. Ensure employees have proper breaks and leaves according to local relevant employment laws;
2. Commit to creating a harmonious working atmosphere and a comfortable workplace;
3. Concern about employees' health and care for their families;
4. Provide living quarters at each production base for employees in need with high quality living environment (furnished with air conditioning, hot water and WiFi as well as facilities such as laundry rooms, billiard rooms, table tennis rooms, etc.); and
5. Organise entertainment activities regularly to enhance team cohesion. For example, Tianjin production base and the Hong Kong Headquarter hold birthday parties to celebrate employees' birthday every month.

Dismissal and Retirement Policy

The Group has established proper dismissal and retirement policies, and ensures that dismissal is in accordance with local laws, such as the relevant regulations of the “Labour Law of the People’s Republic of China” and the ‘Labour Contract Law of the People’s Republic of China’ in mainland China, and the “Employment Ordinance” and the “Mandatory Provident Fund Schemes Ordinance” in Hong Kong.

Employee Benefits Policy

The Group provides social security insurance for employees in accordance with national laws and regulations, and offers group accident insurance for employees as needed. Medical insurance is also arranged for employees in the Hong Kong Headquarter and Tianjin production base, so that they can get medical services at a lower cost.

The table below sets out the monthly average turnover rates of employees in the current reporting year and the previous reporting year respectively:

	Hong Kong Headquarter		Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Employees by gender								
Male	0.92	1.28	17.75	3.69	39.75	3.98	18.83	10.91
Female	0.75	2.94	2.67	1.85	6.17	2.93	4.83	14.62
Employees by age								
18-30	0.75	1.61	7.17	4.62	25.75	4.42	15.58	14.50
31-45	0.67	5.00	12.33	2.48	18.92	3.35	7.33	2.30
46-60	0.25	0.59	0.83	2.08	1.17	2.40	0.67	1.04
≥61	-	-	0.08	-	0.08	2.78	0.08	-
Monthly average turnover rate of employees	1.67	2.22	20.42	3.48	45.92	3.80	23.67	11.85

During the current reporting year, the Group had not discovered any irregularities or received any complaint in respect of employment and use of labour.

5.2 Health and Safety

It is the basic responsibility of every company to ensure that employees enjoy a safe and healthy working environment. Through the establishment of occupational safety system, improvement of employees' safety awareness, maintenance of equipment and regular monitoring, the Group is committed to creating a proper and safe working environment for employees.

Occupational Health and Safety Policy

The Group is committed to pursuing “zero-accident at work”. The Tianjin production base has obtained the certification of OHSAS 18001 Occupational Health and Safety Management System. The system covers various aspects of safety management, including fire protection facilities, fire drills, electrical and mechanical equipment maintenance, hazardous materials and waste management, safety education for employees; usage of protective supplies and contingency for safety incidents. These systems effectively control potential safety risks. Hangzhou production base has formulated occupational health policies in accordance with the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, and has launched the “One compliance and five fulfilments” remediation program in 2018. In addition, according to the requirements of Yuhang District Fire Brigade in Hangzhou, Hangzhou production base has established fire safety management system, effectively strengthening the base’s fire training, daily inspection, maintenance and monitoring of fire protection facilities.

The table below sets out the number of lost days due to work injuries of employees in the current reporting year and the previous reporting year respectively:

	Hong Kong Headquarter		Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Lost days	5	-	-	-	-	-	-	-

During the current reporting year, the Group had not discovered any violation of relevant local laws and regulations on occupational health and safety and there was no incident of work-related fatalities of employees.

Indoor Air Quality Policy

The Group implements strict smoking control management. Smoking is strictly prohibited at any indoor location and there is a designated outdoor area for smoking. In addition, green plants are placed indoors in each operation site to maintain fresh air.

5.3 Development and Training

Career Knowledge Development Policy

The Group understands the importance of providing development opportunities for its employees to help them develop their potential and facilitate the Group’s business development. Accordingly, the Group arranges induction training for each new employee. In Tianjin production base, the Group arranges experienced employees to guide new employees, and provides on-the-job training for all employees regularly, including technical and management training. These enable both new and old employees to obtain career development, and then adjust and develop their own career direction. In addition, Beijing vehicle design centre and Hangzhou production base provide trainings for employees regularly to encourage employees to continue improving and developing potential.

Employee Skills Development Policy

The Group is actively building a comprehensive career development space to help employees reach the synergy between their career development and the Group's growth, so as to discover and retain talents. The Group has established a comprehensive and complete training system covering many areas including induction training, environmental protection, safety training and other professional training. Promotion opportunities are offered to employees through annual performance assessment. The Group effectively promotes the development of employees to assist the sustainable development of the Group's business. Hangzhou production base has implemented an internal job rotation programme to provide employees with more opportunities and expand their working capacity. It has also implemented a comprehensive human resource development that can help employees to be professional, practical, market oriented and internationally oriented. All employees of the Hong Kong Headquarter have already met the entry requirements and professional qualifications required by the Group before employment. However, the Group still encourages employees to continuously improve their professional knowledge, so employees are granted leave to receive external training and take relevant professional examinations.

The table below sets out the percentages of employees who received internal training in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Employees by gender						
Male	–	72.63	100.00	40.48	89.66	100.00
Female	–	55.00	100.00	24.04	87.50	100.00
Employee level						
Senior management	–	26.39	100.00	–	50.00	100.00
Middle management	–	48.09	100.00	8.94	72.73	100.00
Junior employees	–	82.54	100.00	36.67	92.21	100.00

Note: Employees of the Hong Kong Headquarter have met the requirements and possessed the professional qualifications required by the Group before employment, and hence no internal training is needed.

The table below sets out the average training hours completed per employee in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Employees by gender						
Male	–	1.49	8.93	1.31	3.59	6.53
Female	–	2.27	9.00	0.66	3.50	6.85
Employee level						
Senior management	–	1.46	7.50	–	2.00	4.77
Middle management	–	1.32	7.20	3.36	2.91	4.26
Junior employees	–	0.07	9.05	1.44	3.69	7.12

Note: Employees of the Hong Kong Headquarter have met the requirements and possessed the professional qualifications required by the Group before employment, and hence no internal training is needed.

5.4 Labour Standards

Child Labour Prevention Policy

The Group strictly abides by national laws and regulations and prohibits the use of child labour in any operations. To effectively avoid the use of child labour, applicants are required to be at least 18 years old as set out in the recruitment advertisement. The recruitment process also includes verification of candidates' identity documents and a strict age verification process to ensure that all candidates are of the legal age of employment.

Forced Labour Prevention Policy

The Group strictly abides by national laws and regulations and prohibits any forms of forced labour. The following measures are implemented strictly:

1. A labour contract or internship agreement shall be signed by every employee on fair and voluntary basis;
2. Detention of an employee's identity card, temporary residence permit or other identification documents is strictly prohibited;
3. Any forms of physical abuse, assault, body search or insult, or any forms of restricting an employee's personal freedom is strictly prohibited; and
4. Forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom is strictly prohibited. The Group prohibits any involuntary overtime work. Any identified breach of this principle shall be investigated.

During the current reporting year, the Group had not discovered any violation of the laws and regulations related to the use of child labour or forced labour.

5.5 Supply Chain Management

The Group believes that building a sustainable supply chain can create value for employees, suppliers, communities and customers. Accordingly, the Group has formulated the supplier management policy to promote the establishment of good communication and cooperation relations with suppliers, and jointly maintain product quality and safety. The supplier management policy covers product quality, environmental protection, social responsibility and business ethics, which are the important criteria for the Group to select suppliers. The Group will evaluate the existing or new suppliers as and when necessary and propose improvement requirements accordingly.

Supplier Code Policy

The Group understands that suppliers may also pose environmental and social risks, and therefore, the Group implements a strict management system. Accordingly, each production base follows the principle of corporate social responsibility to select suppliers. For example, Hangzhou production base requires suppliers to have an ISO9001 or ISO/TS16949 certificate and obtain relevant China Compulsory Certification (3C) according to national regulations. Tianjin production base requires that suppliers must obtain quality system certificates and production safety permits; and Beijing vehicle design centre requires that the products of a new electronic material supplier shall meet environmental requirements under the Restriction of Hazardous Substances (RoHS) Directive.

Supplier Review

The Tianjin production base of the Group evaluates the suppliers on a monthly basis through the evaluation process which involves an onsite check and/or verification of qualification and compliance documents. The review scope includes the supplier's product type, business ratio, cooperation relationship, industry position, management system and past performance. The Group may engage third-party agencies to conduct review. The supplier's corporate social responsibility performance is recorded as the basis for future review.

In considering the scope of evaluation mentioned above, if the business requirements of the Group can be met with, the Group will give priority to local suppliers with the same conditions in order to reduce greenhouse gas emissions caused by long-distance transportation, which can promote local employment and economic development at the same time.

The table below sets out the number of suppliers by geographical region in the current reporting year and the previous reporting year respectively:

	Beijing		Hangzhou		Tianjin	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
China	–	–	–	34	35	24
Taiwan	–	–	–	–	–	2
Korea	–	–	–	–	–	1

Note: The Hong Kong Headquarter is engaged in general office operation, which does not involve significant suppliers in its business operation.

5.6 Product Responsibility

The Group is well aware that products and services quality is closely-related to long-term business development. In countries where the products are produced and sold, the Group strictly complies with local laws and regulations and the needs of customers, promising that high-quality products are provided to the customers.

During the current reporting year, the Group had not discovered any recall of sold products due to safety and health reasons.

After-sales Service Policy

The Group strictly controls every aspect in the product trade process and implements strict control over quality management. Accordingly, the Group formulates different policies in the design, planning and production stages to ensure that the products meet the quality and safety requirements. The Group has set up an after-sales service hotline and a technical inquiry hotline for customers' inquiries, product knowledge and follow-up. A department is designated for following up the process and responding to customers. Furthermore, the Group has developed a customer complaint mechanism, whereby customers' complaints will be forwarded through the Group's Customer Complaint Management System to relevant departments for cause analysis and formulation of improvement measures, in order to reduce the occurrence of similar problems. The Group has established the procedures on product recall, which will be implemented by designated department as and when necessary.

During the current reporting year, the Tianjin production base received 2 customer complaints on products and all complaints have been dealt with.

Protection of Intellectual Property Rights

The Group respects intellectual property rights and promises that the Engineering Technology Centre of the Group shall not plagiarise other designs. As for employees, the Group states in the service contracts that employees of the design department are not allowed to plagiarise and are required to maintain confidentiality for their designed products. At Beijing vehicle design centre, user manual, repair manual and maintenance manual for each series of the vehicle model are self-developed and there will be no unauthorised use of photos of any third party. As for office software, the Group undertakes not to use any pirated ones. All office software is provided by copyright holders.

Product Quality Assurance Policy

The Group is well aware that high-quality products are essential for supporting long-term business development, and hence, all products of the Group are subject to quality inspection procedures. Hangzhou production base offers a Quality Agreement for parts and components, which provides warranty on all the main parts and components as a commitment to after-sales service. Quality inspection procedures specific to different production locations are adopted. At Tianjin production base, the quality inspection procedures are as follows:

1. Raw materials suppliers shall provide product quality certificates;
2. Upon completion of production, the products will be sent to the Quality Department to inspect their safety and quality;
3. After inspection, the Quality Department will issue inspection reports;
4. Only qualified products will be launched to the market; and
5. Defective products will be repaired and then inspected.

Product Safety Policy

Hangzhou production base has passed the China Compulsory Certification (3C) regarding product safety, and established a comprehensive quality assurance system to ensure product quality.

Procedures for Product Recall/Returned Goods

Customer complaint handling procedures and product recall mechanism of Tianjin production base are as follows:

1. Customers can describe the problems of the product via hotline or email;
2. After the comments are received, the Customer Service Department will assess whether the product needs to be recalled;
3. If a recall decision is made, the customer will be informed by the Customer Service Department and designated employees will be assigned to recall the product;
4. All recalled products recorded by the Warehousing Department will be sent to the Inspection Unit;
5. The Inspection Unit will follow up on the record and analyse the cause of the problem; and
6. The Inspection Unit will discuss with the Research Centre on the solutions.

Fair Promotion of Products

The Group ensures that all information used in marketing plans and product promotions are subject to strict approval process and only true product and service descriptions are made to avoid misrepresentation, exaggeration or misleading. The Group's products are provided with operating manuals and their contents are supported by reliable evidence. Also, when sales persons are promoting products, the Group also requires that all information provided is authentic and does not involve negative descriptions of competitors or their products.

Privacy Protection of Customer Information

Tianjin production base has established protection policy for customer privacy. All customer information will only be used for publicity purposes with the consents of the customers. In addition, all customer information is stored in the central customer information system, which is monitored and maintained by a technology company.

During the current reporting year, the Group complied with relevant product liability laws and was not involved in any prosecution for violation of the laws in relation to product liability or privacy.

5.7 Anti-corruption

Honesty, integrity and fair competition are important principles for the Group to conduct business. Accordingly, the Group has developed comprehensive risk management code and internal control code to prevent fraud and eliminate unethical business practices and to prevent corruption and fraud from happening.

During the current reporting year, the Group had not discovered or received any violation case or complaint in respect of corruption.

Policy against Corruption and Extortion

The Group has stated in the employment contract that all employees shall abide by the norm of business ethics and shall not commit any corruption, bribery or extortion. Tianjin production base has established the "Sunshine Convention" and the whistle-blowing hotline, which specify the mechanism on reporting to the Legal and Compliance Department of the Group, and encourages employees to report conducts that harm the Group's interest or are illegal.

Open Tender and Approval Policy

For contract of significant amount, Beijing vehicle design centre will arrange for open tender through e-mail invitations and company website and invite 3 or more suppliers to submit tender. Different contract amount shall be approved by different levels of management, and the Procurement Department shall conduct sampling inspection on the approved information on an annual basis.

Whistle-blowing Procedures Policy

The Group advocates honest operation and fair competition and is committed to maintaining an open, clean and accountable business environment. In this regard, the Group encourages employees to raise concern about any suspected internal improper behaviour or misconduct. Whistle-blowing procedures have been established at the Hong Kong Headquarter and production bases. Beijing and Tianjin production bases provide whistle-blowing hotlines and mailboxes through e-mail, bulletin board and company website. The responsible department shall start investigation within 3 days after receiving a whistle-blowing report. Details of the case and the investigation will be reported to the Board. After the investigation has been concluded, the officer responsible for the case will reply to the whistle-blower within 2 days. All investigation files are restricted and can only be accessed by the Human Resources Department and designated staff at Administration Office. Tianjin production base also shares the “Sunshine Convention” through e-mail or its intranet. At the Hong Kong Headquarter, a whistle-blower may submit a written report to its direct supervisor (or superior), who must handle the reported case immediately. If the whistle-blower thinks that the direct supervisor fails to handle the case or is dissatisfied with the way it is handled, he/she may also choose to report the case directly to the Head of Internal Audit or Chairman of the Audit Committee through e-mail or mail.

5.8 Community Investment

As a responsible corporation, the Group fully understands the importance of active engagement with the community. Therefore, the Group has been committed to integrating community communication and interaction during its daily operation process and making contributions to local community development.

In addition, the Group also promotes education through school-enterprise collaboration. Hangzhou production base cooperates with local universities, colleges and vocational institutes to provide internship positions for students and a learning and development platform for interns. Beijing vehicle design centre and Hefei University of Technology jointly set up the vehicle design and research institute. Led by the enterprise to keep in pace with market dynamics through the innovative technological platform, it combines production, education and research and provides a new model of technological innovation and talent cultivation. This programme helps both the Company and the educational institutes to improve their innovation capabilities and develop advanced technologies.

The Group attaches great importance to community environmental protection. In addition to arranging employees to attend environmental seminars organised by Tianjin Municipal Government, the Group also conducts tree-planting activities on the open space of Tianjin production base to raise employees’ environmental awareness. The Hong Kong Headquarter establishes a corporate social responsibility team to organise environmental and community activities from time to time so as to give back to the society. During the current reporting year, the Hong Kong Headquarter participated in tree-planting activities organised by the Agriculture, Fisheries and Conservation Department, red packets recycle activities organised by China Resources Building, blood donation activities jointly organised by China Resources Building and the Red Cross, and charity walk organised by Yan Oi Tong, contributing to the community and the environment.

The Company will continue to regularly review the objectives and direction of community investment and oversee community investment, sponsorship and donation activities and approval policies. The Company will also review annually whether the Company’s social performance is in line with the community investment policy and the objectives of community activities, monitor and optimise the team’s capabilities, and ensure that the community investment policy is implemented in all departments.