



GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code 股份代號 : 1293

GRAND BAOXIN, GREAT INTEGRITY
寶德匯才 信守四方

Environmental, Social and
Governance Report

2016

環境、社會及管治報告



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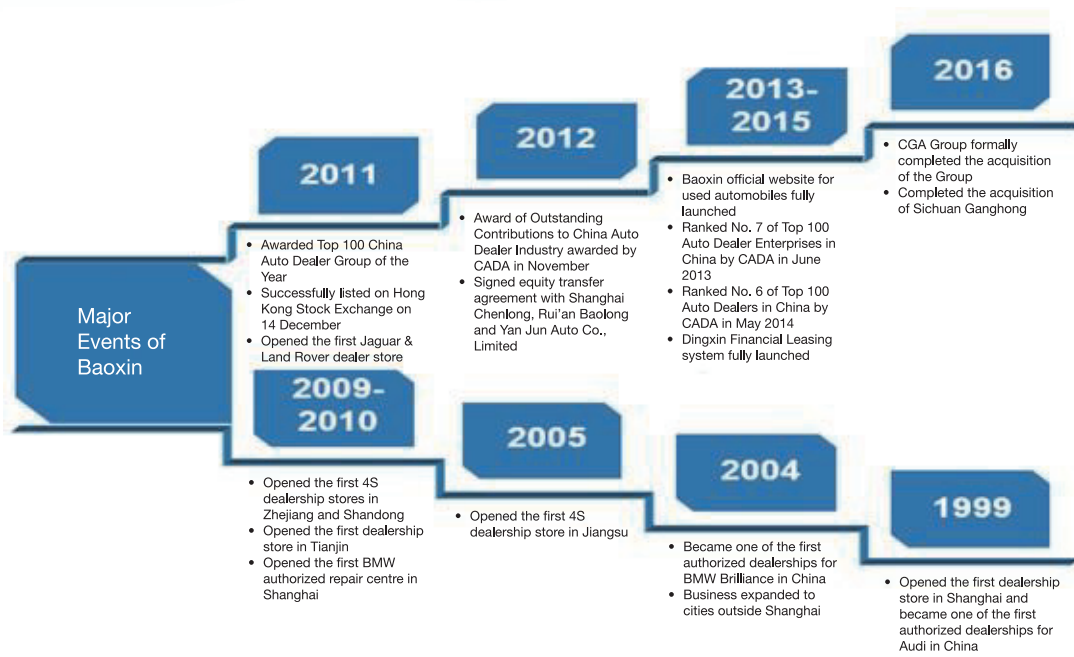
COMPANY PROFILE

Grand Baoxin Auto Group (HK1293) is an automobile sales service group operating primarily in mid- to high-end, luxury and ultra-luxury brands. With a total of 19 brands, it is also the largest distribution dealer of BMW in China as well as worldwide. The service network of the Company is mainly distributed in areas with thriving economies, dense population and markets of enormous potential. After many years of endeavours, it was listed successfully on the Main Board of the Hong Kong Stock Exchange on 14 December 2011, and won a range of honours and awards successively including “Top 10 Group Enterprises in Automobile Sales Service in China”, “Top 10 Most Influential Automobile Dealership Groups”, “Member Enterprises with Outstanding Contributions to the Automobile Sales Industry in Shanghai” and “Five Star Enterprise of Trustworthy Service”. It was awarded the honours of “Famous Automobile Sales Enterprise” and “Famous Brand in Shanghai” consecutively, and ranked No. 10 on the list of Top 100 of the Year organized by the China Automobile Dealers Association (CADA) in 2013.

As an authorized dealer of high-end luxury brands of automobiles, Grand Baoxin Auto Group provides customers with pre-sale and after-sale services at global uniform standards adopted by various auto brands. Grand Baoxin Auto Group focuses on the needs of its customers to achieve highest level customer satisfaction. It makes efforts to satisfy the comprehensive needs of its customers, making full use of the Group’s integration in realizing the maximum enhancement of the overall comprehensive competitiveness of the Group..

Facing a volatile market, Grand Baoxin Auto Group has adhered to its unique operating concept and persisted on its initial objective over the years by upholding the principles of “Be excellent, unique and professional” and concentrating on the development of the automobile industry. The Group aims to create and operate one brand whole-heartedly. The Group strives to provide a comprehensive range of integrated services, including sales of new automobiles, after-sales maintenance, auto beauty and modification services, sales of used automobiles, automobile insurance business, sales of auto parts and other auto-related products.

Grand Baoxin Auto Group pursues the objectives of “customer first, best management and far-reaching services”, adheres to the values of “honest, practical and outperforming” and observes the surviving principles of “having services not possessed by others, having better services than those possessed by others, and providing faster services in excellent areas of others” to maintain corporate reputation, quality and advancement of services, and has never forgotten the social responsibilities of a corporation. In recent years, the Group has actively participated in community poverty relief work, emergency relief for disasters, elderly services and assistance for the handicapped, making contributions to community and social welfare an important and integral part of corporate social responsibility, and establishing a good corporate image and social recognition.





REMARKS FROM THE SENIOR MANAGEMENT

In recent years, recovery of the world economy was slower than expected, there were more unstable and uncertain factors. The economy of China was in a critical stage of transformation and upgrading, pains from structural adjustments were released intermittently, downside pressure was still relatively large on the economy. After experiencing a few years of persistent doldrums, the China auto market resumed stage growth in 2016, auto dealers strived to turnaround in an adverse environment by completing new breakthroughs and developments. Grand Baoxin Auto made progress amidst stability with intentional advancement during the whole year of 2016, and significant progress was made in strategic layout, acquisition development, social responsibility and branding, while refined management and business innovations were continuing, and enhanced customer satisfaction level, management level and profitability to a new high level.

The year of 2016 was a milestone for the development of the Group. After the official completion of acquisition of the Group by China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) (“CGA”, together with its subsidiaries, the “CGA Group”), we strengthened the refined management and business innovation through an efficient all-round integration with the CGA Group, improving the management level and profitability. Benefited from the successful strategic integration between the Group and CGA Group and the synergy of their management and business, the Company significantly improved its management efficiency and operating capability in the second half of 2016 and realized a significant growth in the financial results for the year 2016 as a result of measures such as further enhancement of cost control and operation efficiency. In 2016, total revenue of Grand Baoxin Auto Group amounted to RMB25.7 billion, representing a year-on-year growth of 8.1%; profit from operations amounted to RMB1.07 billion, representing a year-on-year growth of 16%; and net profit amounted to RMB419 million, representing a year-on-year growth of 87.2%.

The Group will continue to integrate industrial size and diversified advantages of CGA Group to utilize synergy for reducing operating costs in a better manner and enhancing corporate profitability. With optimization and upgrading of the management model, and effective integration with the resources and channels of CGA, Baoxin will further enhance efficiency based on economies of scale. We believe that after integration with CGA Group, by leveraging the synergy released from integration of resources, the Group will create economic and social value. We will continue to provide professional and efficient services to customers persistently and enhance management and operation capabilities continuously.

Performing our corporate social responsibilities at an in-depth level has always been an important and integral part of the development strategies of Grand Baoxin Auto. We consider the requests of stakeholders from the angle of social responsibilities and actively perform our product, environmental, staff and community responsibilities to create common values jointly with the stakeholders. We return shareholders with good results, return customers with enhanced services, return employees with stable development and return community through charitable activities. As we have always been, we will be guided by the enterprising spirit of “pursuing excellence and scientific development” to establish management and service standards based on the management concepts of “people oriented, customer first”, to share the fruits of corporate development with employees, and to make continuous endeavours to perform social responsibilities actively, and to become the most outstanding world-class auto service group and the most excellent international auto service brand!



1. ABOUT THIS REPORT

1.1. OVERVIEW

This report is the first Environmental, Social and Governance (“ESG”) Report released by Grand Baoxin Auto Group Limited. It focuses on the disclosure of relevant information on the economic, social and environmental aspects of the Company for the period from 1 January 2016 to 31 December 2016. This report is a report on annual basis.

1.2. BASIS OF PREPARATION

This report was prepared primarily based on the revised “Environmental, Social and Governance Reporting Guide” published in December 2015 by the Hong Kong Stock Exchange. The contents of this report was prepared based on a set of systematic rules. The relevant procedures include identifying and ranking important stakeholders and the relevant important issues relating to ESG, determining the scope of this report, collecting the relevant materials and data, preparing the report according to information and reviewing the information contained in the report.

1.3. SCOPE OF THE REPORT

Unless otherwise stated, the policy documents, statements and data cover the headquarters, and de facto controlled subsidiaries of the Company and the holding company. The data of previous years quoted in this report are final statistics, and the financial data are extracted from the annual report. The financial data in this report are denominated in Renminbi.

1.4. DENOTATION

For convenience, the “Company”, “We” and “Grand Baoxin” refer to “Grand Baoxin Auto Group Limited” in this report.

1.5. CONFIRMATION AND APPROVAL

As confirmed by the management, this report was approved by the Board of Directors on 25 July 2017.



1. ABOUT THIS REPORT

1.6. ACCESS AND RESPONSE TO THE REPORT

This report is issued in three versions, namely traditional Chinese, simplified Chinese and English versions. The electronic versions of the report may be accessed at the official website of the Company.

If you have any queries or feedback on this report or its contents, you are always welcome to contact us through the following channels:

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2. INTEGRITY GOVERNANCE

2.1. ESG MANAGEMENT

The Company pursues the objectives of “customer first, best management and far-reaching services”, adheres to the values of “honest, practical and outperforming” and observes the surviving principles of “having services not possessed by others, having better services than those possessed by others, and providing faster services in excellent areas of others” to maintain corporate reputation, quality and advancement of services, and has never forgotten the social responsibilities of a corporation. In recent years, the Group has actively participated in community poverty relief work, emergency relief for disasters, elderly services and assistance for the handicapped, making contributions to community and social welfare an important and integral part of corporate social responsibility, and establishing a good corporate image and social recognition.

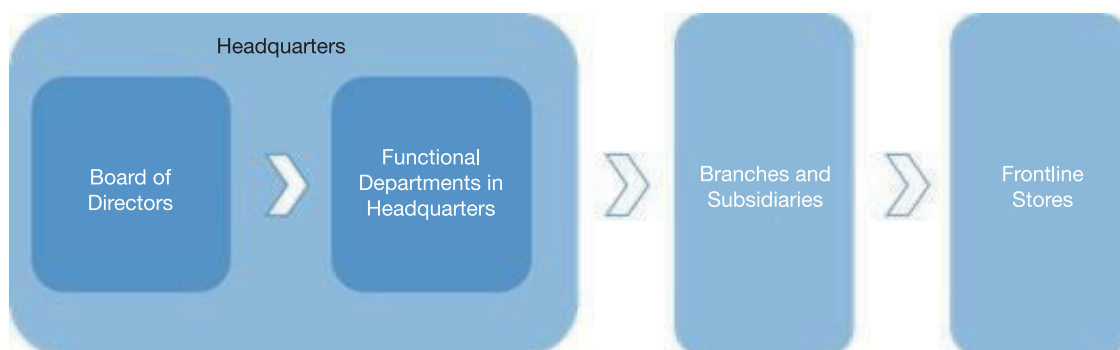
In order to fully develop the “honest, practical, outperforming and green sustainable” development concepts and proceed with the relevant work in the corporate ESG areas, the Company has established an ESG management mechanism led by the Board of Directors and responsible by the relevant functional departments to determine the specific division of work and responsibilities at the environmental, social and governance levels. The Company has obtained approval on the certification of the ISO9001 management system in order to enhance our own management standard and to provide systematic protection for corporate management.

The Board of Directors of Grand Baoxin Group is the highest decision-making leadership of ESG management, and is responsible for the determination of the ESG strategic objectives. The relevant functional departments in the headquarters of the Group are responsible for implementation of the ESG strategic objectives, and will convene thematic working meetings on regular basis to review the relevant documents and appraise the corresponding ESG performance indicators.

The branches, subsidiaries and sales stores of Grand Baoxin are the specific executors of ESG work. Each of the branches and subsidiaries has established an ESG responsible department to assist the management and the Group on specific coordination to ensure the ESG strategic objectives from the senior units will be duly delivered, and to manage the specific work of frontline store directly at the same time.

2. INTEGRITY GOVERNANCE

Through the establishment of a three-dimensional ESG management organization structure, the Company has determined the management responsibilities, optimized the management process and, in turn, to ensure the smooth implementation of the overall ESG management work in the Company.



ESG Organization Structure

Stakeholder Engagement

The sustainable development of Grand Baoxin is closely related to all stakeholders. On one hand, being a member of the industrial chain and a member in society, the stakeholders may have direct influence of the enterprise through their decisions and acts, and Grande Baoxin can obtain continuous momentum for development by responding timely to the relevant demand of stakeholders. On the other hand, through the provision of products and services, the enterprise will have direct and indirect effect on the relevant stakeholders. During the course of operation of the enterprise, the effective participation of stakeholders can help the Company to accurately evaluate the effect of its own decisions, make timely adjustments to the direction of actions and ultimately realize the sustainable development of the Company and the stakeholders.

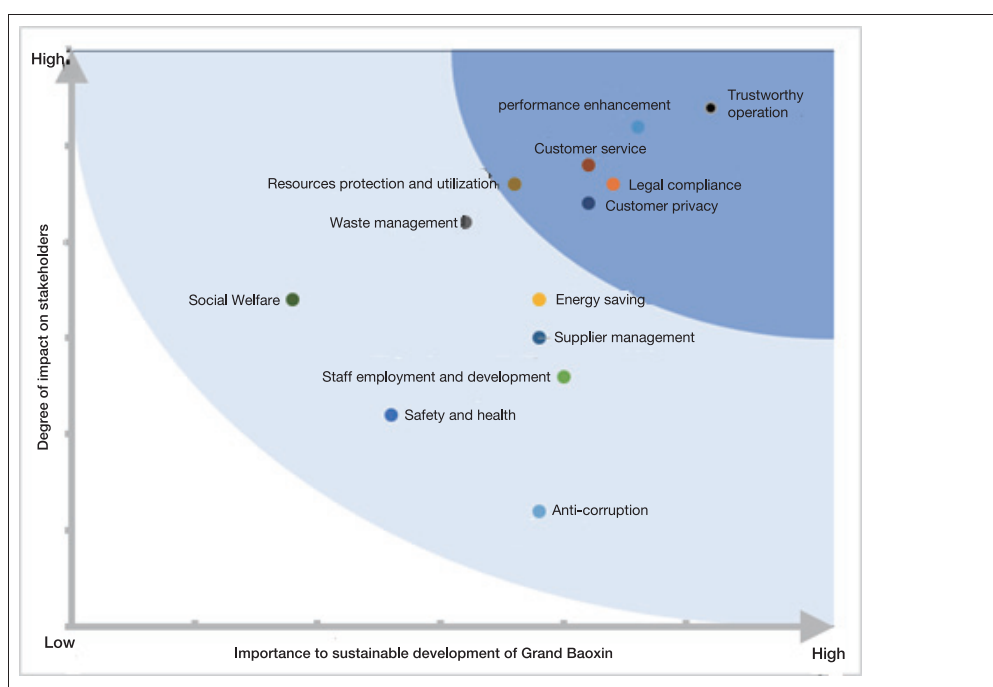
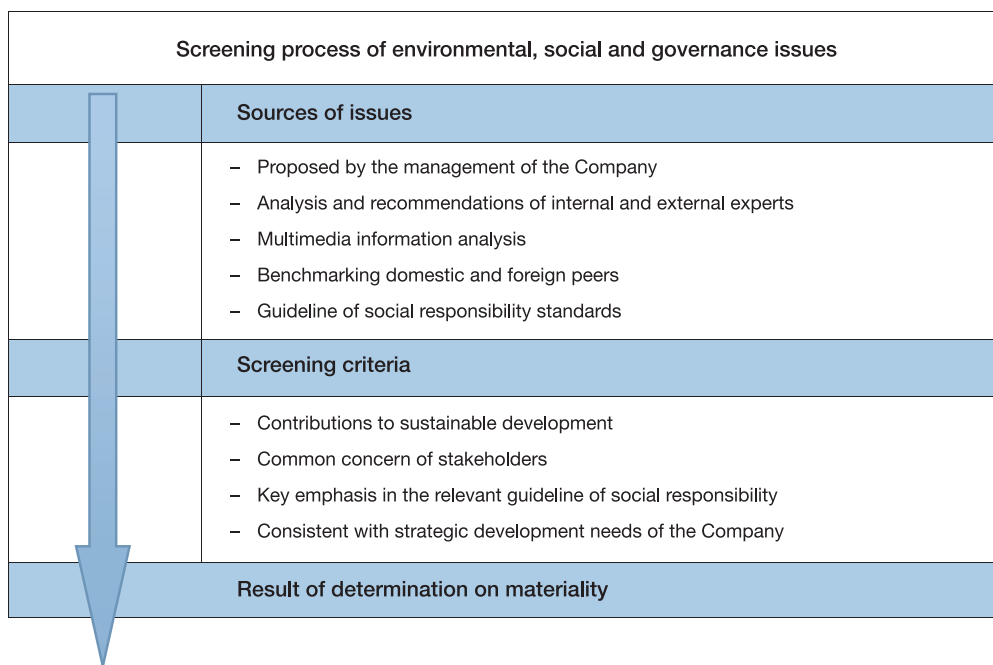
2. INTEGRITY GOVERNANCE

Stakeholders	Expectations and Demand	Method of Communication and Response
Shareholders	Return of gains	Annual report and announcements of the Company
	Legal compliance	Thematic reporting
	Information Disclosure	Regular disclosure
Customers	Performance of contract pursuant to the laws	Business communication
	Trustworthy operation	Feedback from customers
	Quality products and services	Exchange and discussion
Cooperative Partners	Stringent management	Business communication
	Procurement process	Feedback information
	Performance of agreement pursuant to contract	Procurement announcement and notice
Employees		Anti-corruption reporting by enterprise
	Protection of interests	General meeting of employees
	Occupational health	Collective consultation
Government and supervision institution	Remuneration and benefits	Democratic communication platform
	Career development	
	Consistent implementation of State policies and laws and regulations	Submission of documents
Environment	Drive industry development	Thematic reporting
		Negotiations for cooperation
	Compliance with emission limitations	Environmental management system
Community and public	Energy saving	Energy saving technology modification
	Improve community environment	Community communication
	Participate in charitable activities	Mutual visits
Media	Public and transparent Information	Company website
		Company announcement
		Interviews and interflow

2. INTEGRITY GOVERNANCE

Identification of Material Issues and Matrix

In order to understand the expectations and demand of the stakeholders, and to enhance the specific and responsive qualities of the report, the Company has determined the degree of materiality of sustainable development issues in accordance with the requirements as stated in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange to ensure that the information disclosed by the report will fully cover company developments and key issues concerned by the stakeholders.



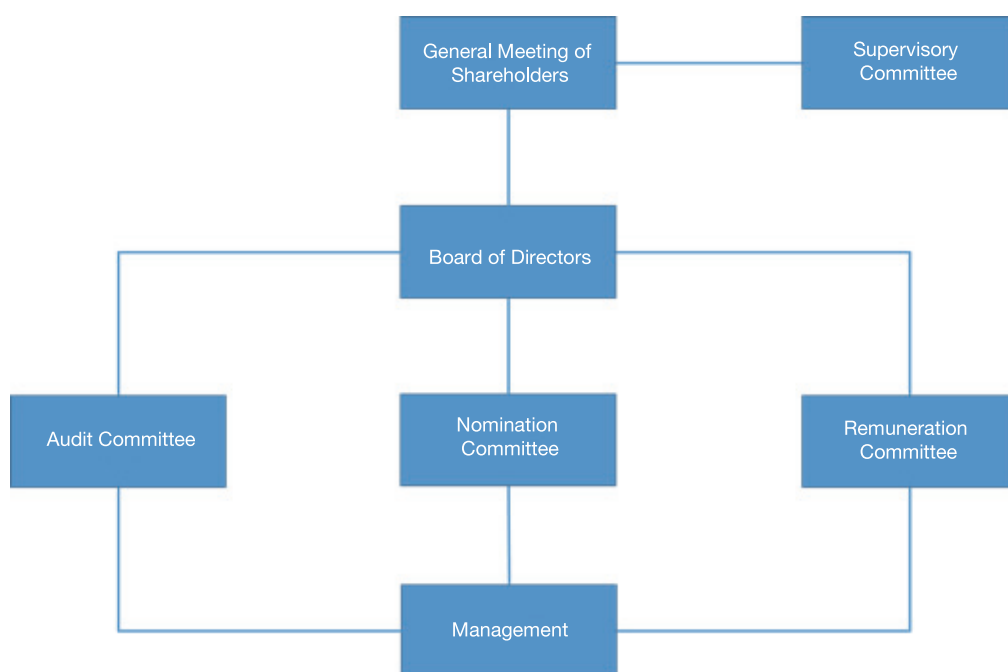
2. INTEGRITY GOVERNANCE

2.2. LEGAL COMPLIANCE

Corporate Governance

Pursuant to the requirements of the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Listing Rules and other relevant laws and regulations, normative documents and Articles of Association, the Company has gradually improved the corporate governance structure after listing.

The Company has established a proper internal control governance structure, the institution of highest authority in the Company is the General Meeting of Shareholders, the Board of Directors and the Supervisory Committee are established under the General Meeting of Shareholders, and the Audit Committee, Remuneration Committee and Nomination Committee are established under the Board of Directors. These organs will conduct supervision and review on corporate strategies, appointments of the management and other tasks including incentive measures, and risk management and control.



Internal Control Governance Structure

For further details on corporate governance, please refer to the 2016 Annual Report of the Company.



2. INTEGRITY GOVERNANCE

Corporate Risk Management

During the reporting period, the Company has established the risk management and compliance systems in accordance with the Corporate Internal Control Basic Rules and self-evaluations have been conducted in all stores. For internal control deficiencies identified during the process of internal self-evaluation, the relevant departments have been supervised to make rectifications within a limited period, effective follow-up on the rectifications have been carried out to manage and control risk actively. Based on the conclusion of long-term risk management experience, the Company has gradually formed a 3-tier risk management mechanism under which the business departments will conduct pre-event risk information collection, the functional departments will conduct risk assessment, management and control for events in progress, and the internal audit department will conduct post-event review and supervision, so that corporate risks are subject to comprehensive supervision, management and control from various aspects including the financial, technical, human resources and public relations aspects.

Probity Mechanism and Anti-corruption

The Company has strictly complied with the relevant national and local policies and regulations on anti-corruption, promotion of probity, commercial ethics and anti-money laundering, and strives to create a corporate culture of honesty and anti-fraud and anti-deceit. In order to reinforce probity in key areas of anti-corruption such as tender bidding and prevent various types of illegal acts and violations of discipline to reap unjust gains, we have established a reporting management system. The aim of setting up the reporting management system is to further enhance internal control of the Company, improve the corporate governance environment, handle and dispose of reported matters in a timely and effective manner. The purpose is to provide guidance to staff and cooperative partners on the communication and treatment methods for alleged fraudulent, money laundering or corruption acts so as to regulate the business activities of the Company.

During 2016, the Company did not involve in any litigation on fraud, deceit or money laundering matters.

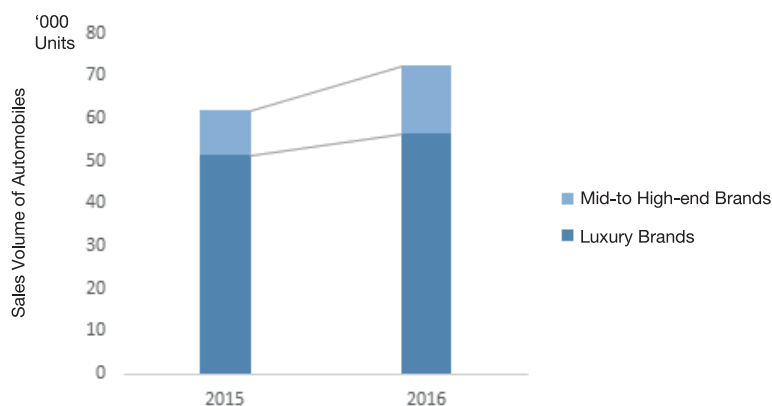
3. TRUSTWORTHY OPERATION

3.1. ECONOMIC PERFORMANCE

2016 has significant implications for the Company. China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) (“CGA”, together with its subsidiaries, the “CGA Group”) completed the acquisition of the Company. In the all-round integration with the CGA Group, the Company has incorporated the advanced experience of CGA in operational management and organization structure, together with complementary synergy with CGA, the management standard and operational capability of the Company has been enhanced continuously and great performance results have been achieved in 2016. During the year, total revenue of Grand Baoxin reached RMB25.7 billion, representing a year-on-year increase of 8.1%, profit from operations was RMB1.07 billion, representing a year-on-year increase of 16%; income tax expense amounted to RMB173 million, representing an increase of 14.6%; net profit was RMB420 million, representing a year-on-year increase of 87.2%.

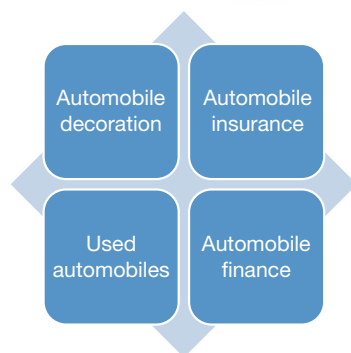
In the principal business, sales volume of new automobiles by Grand Baoxin in 2016 reached 72,315 units, representing a year-on-year increase of 17%, of which sales volume of luxury brand automobiles amounted to 56,380 units, representing a year-on-year increase of 9.7%, sales volume of mid- to high-end brand automobiles reached 15,935 units, representing a year-on-year increase of 53.3%. Since the second half of 2016, the Company has increased exploration efforts to unleash the market potential of automobile value-added business, revenue generated from automobile value-added business during the year amounted to RMB380.2 million, representing a year-on-year increase of 41.3%.

For further financial information of the Company, please refer to the 2016 Annual Report of the Company.

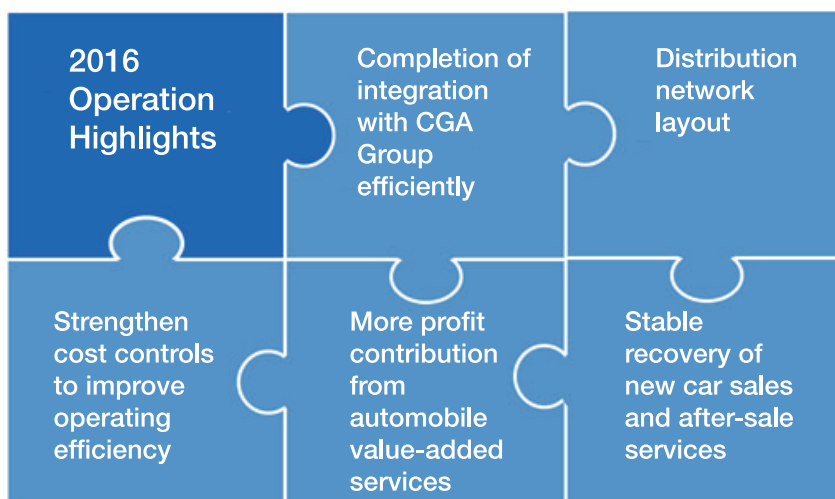


Automobile Sales in 2015 and 2016

3. TRUSTWORTHY OPERATION



Four key modules of Automobile Value-added Business



2016 Operation Highlights

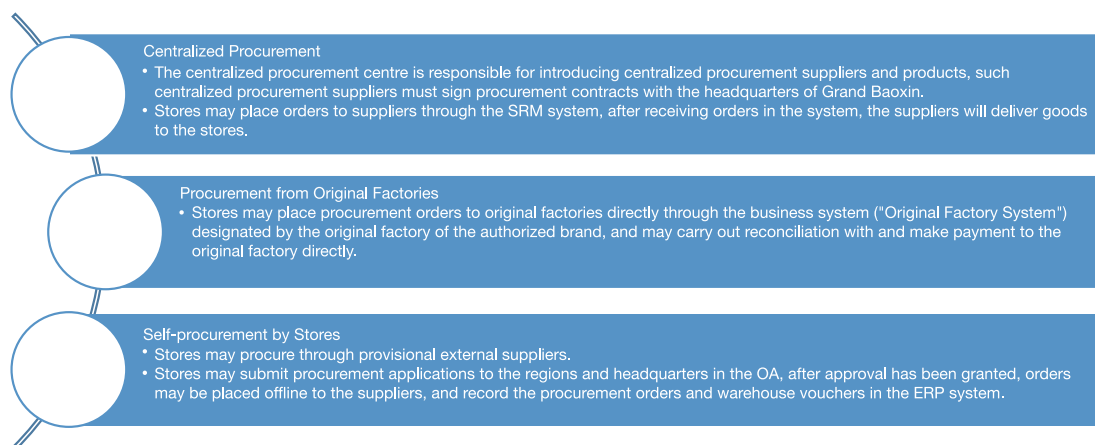
The Company acts honestly in good faith and has strictly complied with national and local laws and regulations, including the Advertising Law and the Trademark Law, in marketing promotions and operating activities, and has expressly regulated the conduct of personnel engaging in advertising and promotions and the use of logos and labels in the Sales Business Operations Guidance Handbook.

3. TRUSTWORTHY OPERATION

3.2. SUPPLIER MANAGEMENT

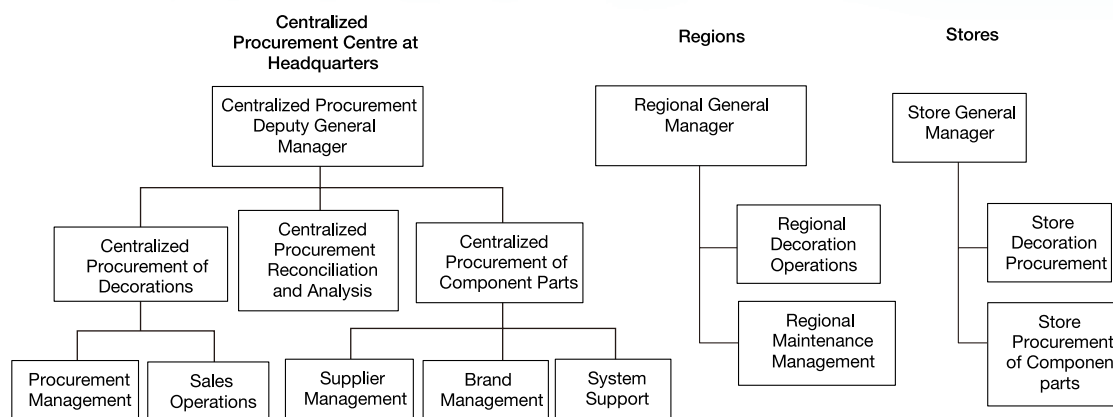
Automobile maintenance business is one of the key businesses of Grand Baoxin. The stable supply of good quality and safe components parts requires the establishment of long-term good relationship between the Company and the suppliers. The Company has always regarded suppliers as important cooperation partners and strives to create a good environment for cooperation through the creation of a win-win situation in a fair, transparent, efficient and mutual trust atmosphere.

The major procurement methods adopted by the Company are divided into three types: centralized procurement, procurement from original factories and self-procurement by stores. The major products purchased are automobile decorations and component parts, the three-tier procurement management structure is composed of the headquarters – regions – stores. The implementation of centralized procurement, management of product categories, admission of suppliers and management of suppliers are responsible by the centralized procurement centre of the Operation and Brand Management Department; decoration operations and maintenance management are responsible by the regions; “Grand Baoxin 4S Stores” (abbreviated as the “Stores”) are the entities to execute procurement.



Three Major Procurement Methods

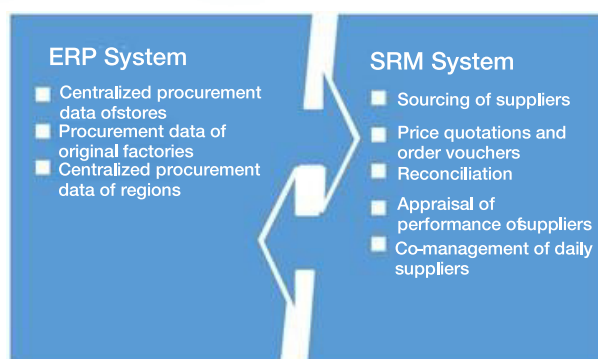
3. TRUSTWORTHY OPERATION



Procurement Management Structure

In 2016, the Company has expanded the overall Enterprise Resource Plan (ERP) system and increased the development efforts for the Supplier Relationship Management (SRM) system to reinforce unified management of suppliers and system management. Based on these systems, all data relating to centralized procurement by stores, procurement from original factories and regional procurements of the Company are required to be recorded in the ERP system. The SRM system, being a management system platform for group sourcing, price quotation and order issuance for stores, reconciliation and appraisal of suppliers, is connected to the ERP system for relating data of orders automatically. To ensure efficient operation of the systems, the Company has arranged to provide system training resources for all suppliers. Both systems regulate the procurement process, improve business efficiency while further ensuring the transparency, openness, supporting evidence in dealings, and avoid unfair competition among suppliers.

3. TRUSTWORTHY OPERATION



ERP and SRM Systems

To enhance the management of procurement business and regulate the business process, Grand Baoxin has compiled and published the Component Parts Procurement Business Management Handbook. The handbook has gathered all released policies and systems of the Group, for example, the Supplier Performance Evaluation Plan, internal control documents such as the Internal Control Handbook of the Company, explanatory notes on system operations such as the ERP and SRM Operation Manual, summary of the component parts procurement business, documentation of the organization structure and duties of various positions, to provide management principles and rules of process for the procurement business of centralized procurement centres and provide clear process and guidelines for the procurement business of component parts by regions and stores.

The Company firmly believes that excellent supplier management should ensure the mutual growth of the enterprise itself and the suppliers. While setting high standards and requirements on suppliers, Grand Baoxin also enhances synergies with suppliers and provides a platform for their development. The Brand Manager at the Headquarters of the Company will communicate with suppliers on regular basis to discuss sales plans together and provides professional insights on product positioning and sales strategies. Meanwhile, the Company will support sales activities organized by the suppliers, provides venues for their sales activities and cooperates with them in publicity and training. Through in-depth cooperation with suppliers, Grand Baoxin has built up trustful and mutually beneficial relationship with them, contributing to the healthy development of the overall automobile industry.

Centralized Procurement

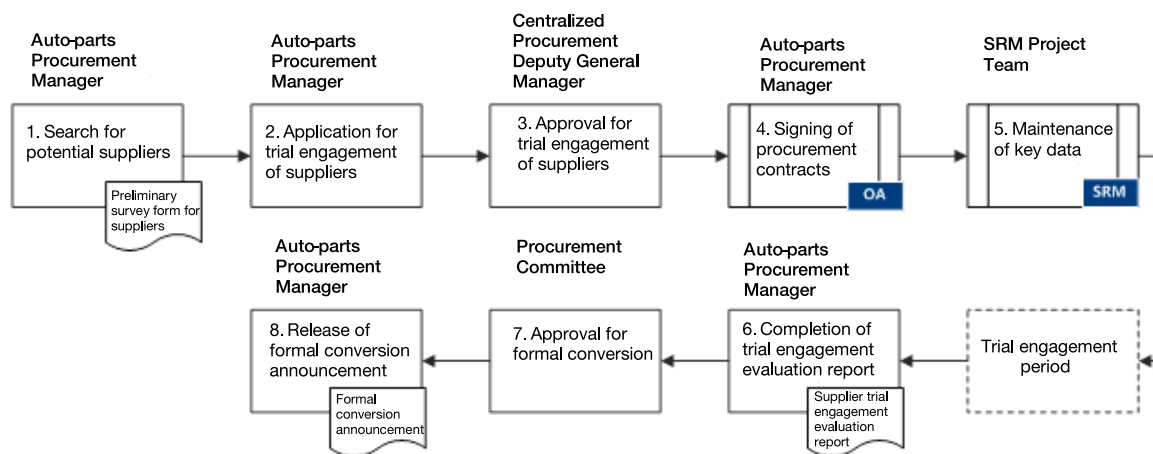
Centralized procurement is a major procurement method used by Grand Baoxin. As at the end of 2016, Grand Baoxin had a total of 38 centralized procurement suppliers, all of which are China-based suppliers. The centralized procurement centre has a mailbox as formal channel for the release of information: cgapur@chinagrandauto.com. And the manager of auto-parts procurement will gather the official email addresses of suppliers.

3. TRUSTWORTHY OPERATION

Admission of Centralized Procurement Suppliers

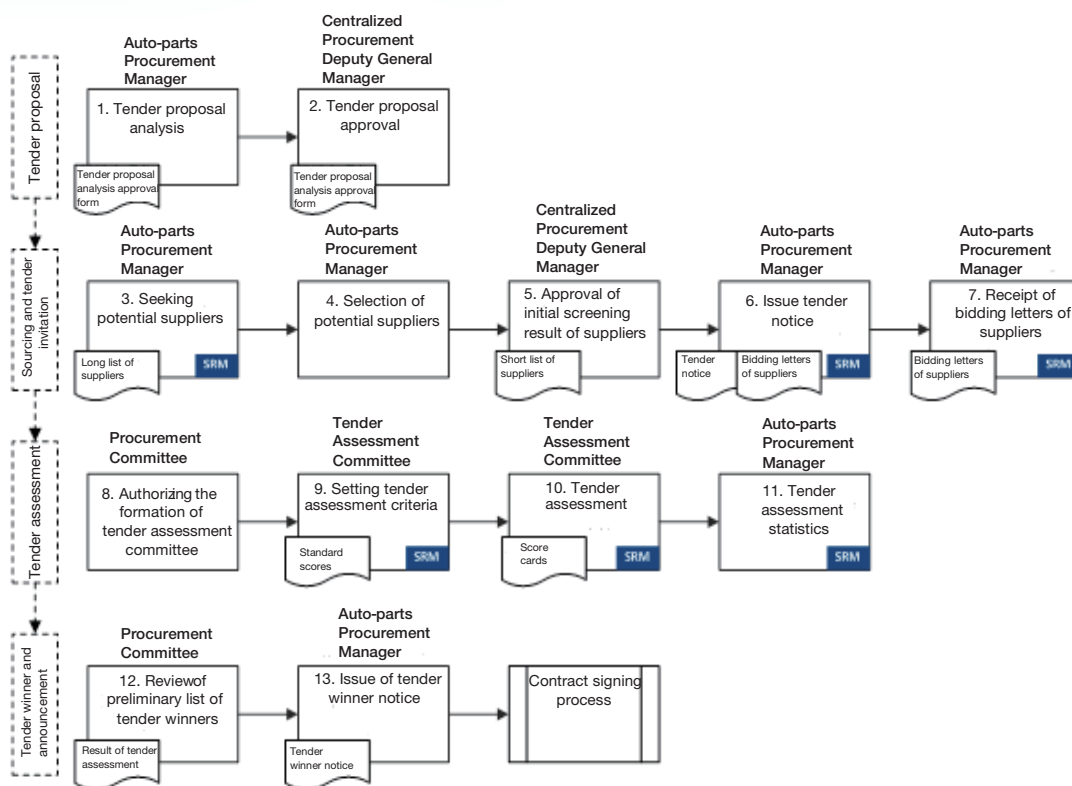
For centralized procurement suppliers, the Company implements an admission licensing system to evaluate suppliers by stringent requirements and comprehensive processes. The Company will evaluate suppliers on the qualifications, production capacity, product quality, product price and service capability of the suppliers depending on their product features. The performance of the suppliers in social responsibilities, such as the environmental, safety and health aspects, will also be considered by Grand Baoxin. Among suppliers with similar capabilities, the Company will select local suppliers in priority to support the development of local industry.

For newly admitted suppliers, the Company will issue to them the Supplier Handbook, which has been carefully compiled and will be updated regularly, containing information on business preparation, daily business, deepening of synergy and standards of commercial ethics, to assist the suppliers to commence operations rapidly. Over the long-term, suppliers that have participated in centralized procurement of the Company have grown rapidly in the course of cooperation with the Company and have gradually standardized their own management.



Admission Management of Price Quotation Suppliers

3. TRUSTWORTHY OPERATION



Admission Management of Large Order Suppliers

Appraisal of Centralized Procurement Suppliers

To ensure the quality of products, logistics and services provided by centralized procurement suppliers and to provide quality services for customers, the Company has formulated appraisal standards applicable to all centralized procurement suppliers. Scores on appraisal will be awarded based on the fault rate, sales amount, price, store penetration, satisfaction on product delivery and fee payment for usage of quality warranty bond system, and suppliers will be rejected by one-vote if they are involved in issues such as using shoddy products, infringement on intellectual property rights, leakage of centralized procurement data causing serious consequences and unfair profit making gained in collusion with stores. Suppliers with final scores of 90 – 100 are ranked as Grade A suppliers, and the Company will consider to increase the procurement volume and expand the categories of procurement products from those suppliers. Suppliers with scores of 70 – 89 are ranked as Grade B suppliers, and normal procurements will be awarded to those suppliers. Suppliers with scores below 69 are ranked as Grade C suppliers who are unqualified and will be assessed as targets for rejection.

3. TRUSTWORTHY OPERATION



Rejection items in appraisal of suppliers

3.3. CUSTOMER FIRST

The Company adheres to the service concepts of being “professional, efficient, transparent and caring” in providing services to automobile owners in general. Grand Baoxin has adopted the industry-leading CRM customer management system in which files will be created for each customer and the relevant departments will be arranged to provide professional and quality services to the customers throughout the lifecycle of car sales services.

Customer Privacy

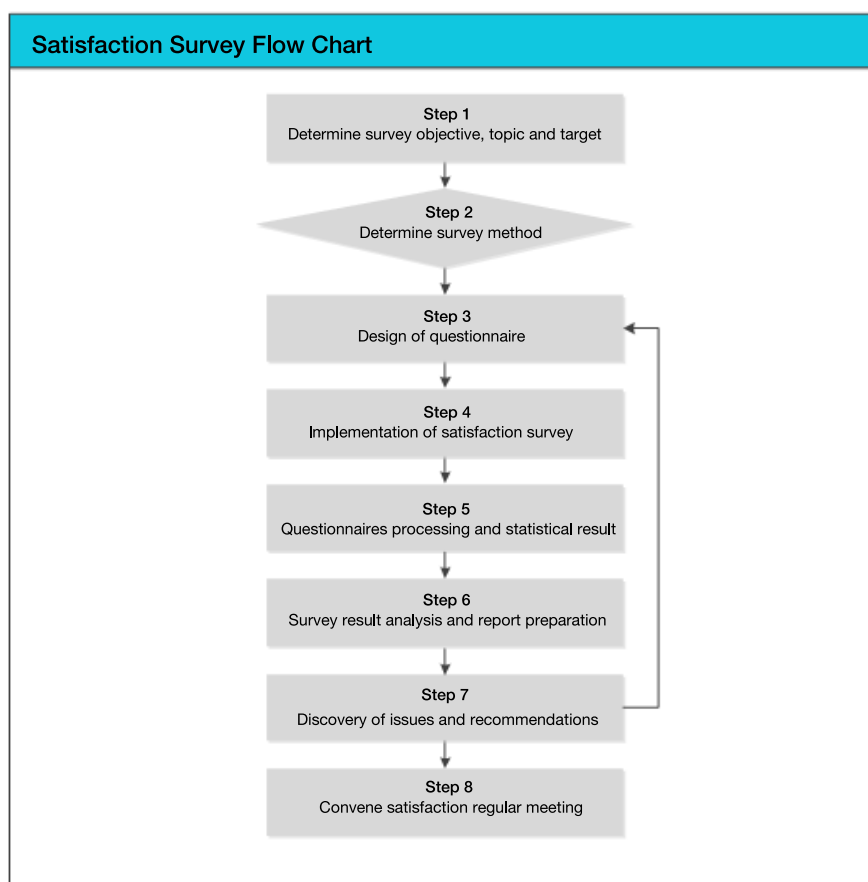
The Company has implemented a strict confidential system for customer privacy. Pursuant to Article 29 of the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests, operators that collect and use personal information of consumers shall comply with the principles of being legal, proper and necessary, as well as the requirements that the purpose, manner and scope of information collection and usage must be stated clearly and consent of consumers must be obtained. A Declaration on the Protection of Customer’s Personal Information must be signed with customers and affixed with company seal on the collection of customer’s information at the first time of contact with customers pursuant to the requirements of various brands. The Company imposes strict internal control on persons who have access to customer information to ensure the security of customer information privacy.

The Company has compiled and issued the Notice on Confidentiality and Security Management of Customer Information in the CRM System, which sets limit on the authority of working personnel to exporting customer information. An application must be made via the OA system by the exporting person to ensure that all acts of obtaining user information are recorded and traceable to practicably protect the personal privacy of customers and enhance the sense of security and trust of customers in Grand Baoxin.

3. TRUSTWORTHY OPERATION

Customer Satisfaction Management

Grand Baoxin highly values the comments and feedback on services from customers. A full understanding on customers' satisfaction is obtained through measures such as telephone interviews, face-to-face interviews in stores, WeChat surveys and third party unannounced visits, conducted by the customer service department of the regions and stores. The stores will set the annual management target and determine the investigation method on satisfaction by taking into consideration the business policy on the satisfaction of key manufacturers. Training on process and etiquette will be provided to the investigators prior to the surveys. After the survey is completed, questionnaires are timely compiled into statistics, and after analysis, survey reports will be prepared for discussion at regular meetings on satisfaction. Within 7 days of sale and within 3 days after after-sale service, the customer service department is required to conduct a telephone interview with the customer. On delivery of new cars or completion of after-sales service, customer service officers will be on-site and conduct face-to-face interviews with customers after obtaining consent from the customers.



3. TRUSTWORTHY OPERATION

Survey by Unannounced Visitors

In the fourth quarter of 2016, satisfaction surveys by unannounced visitors were conducted by the Operation Department on 40 stores in the great eastern China region. The Company invited a third-party institution to visit the stores as a customer to evaluate on the execution of two major service processes, sales and after-sales, in all stores during October, November and December; to evaluate on the service attitude, skills and knowledge level presented by sales and service consultants; and to discover deficiencies in the sales and after-sales service processes.

After the visitor survey, the Operation Department calculated the weighted average scores on various segments of the stores and conducted ranking analysis on the scores of sales and after-sales, summarized the deficiencies of services and recommended improvement proposals. According to the performance of stores, a second unannounced visit will be conducted to selected stores in the region to examine the improvement effectiveness.

Loyalty Delight After-sales Interview

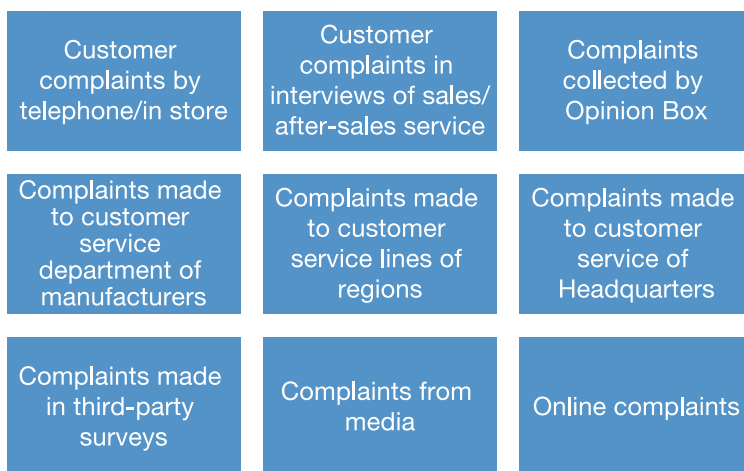
For BMW distributor stores, the customer service department has conducted after-sales interviews with each customer and summarized the interview results in monthly bulletins to provide an overview on the performance of service consultants, categories of customer feedbacks and breakdown of unsatisfied customers.

For example, at the Jinhua Store in Xi'an, the customer service department conducted interviews with a total of 1,451 customers in November 2016, the valid response rate was 78%, four major customer feedback topics were summarized, namely customer consulting, maintenance costs, after-sales service and maintenance quality, and all the problems reflected in the customer feedbacks were aggregated for improvement.

Customer Complaint Management

We highly value the opinions of customers on products and services, and have multiple channels available to facilitate customers to make complaints to the customer service department of stores, regions or headquarters. The Company observes the principles of “first-tier management and control, second-tier handling and processing” to implement a complaint handling management system in which the customer service departments of the operating companies are the hosts with mutual complementary support from the relevant departments, including the sales department, after-sales service department and value-added business department. After receiving a complaint, the relevant responsible department is required to contact the customer within 2 hours to obtain an understanding on the case; conduct an interview on satisfaction survey within 2 days after handling the complaint; and attain a complaint closing rate of above 90% within 3 days.

3. TRUSTWORTHY OPERATION



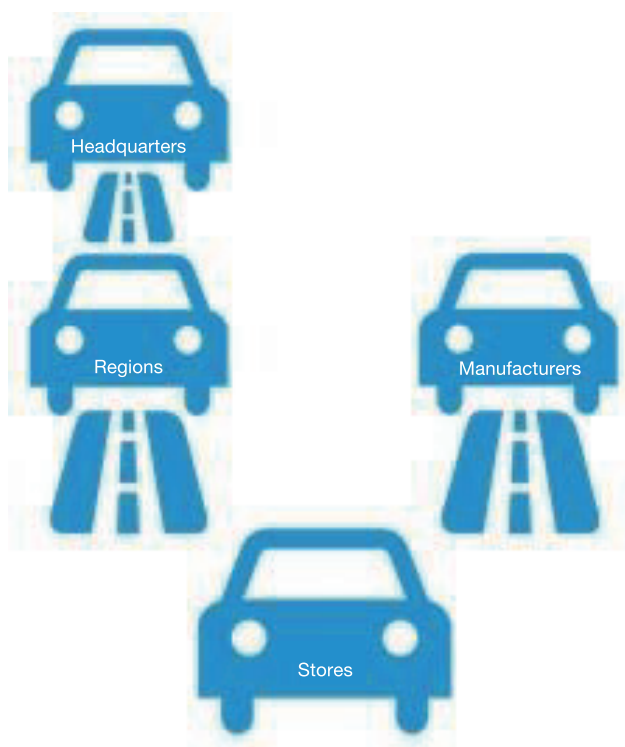
Diversified Channels for Making Complaints

Besides handling complaints efficiently, the Company also learns from experience and lessons of the complaints to rectify deficiency in management, complement internal appraisal and enhance service standard. The Company requires the customer service department to conduct case analysis of complaints on monthly basis, summarize the contents, reasons and targets of complaints, prepare monthly bulletins and propose corresponding measures, in order to reduce the occurrence rate of similar complaints.

4. COMPLIANCE AND FAITH IN ENVIRONMENTAL PROTECTION

4.1. ENVIRONMENTAL MANAGEMENT

Grand Baoxin highly emphasizes on performing corporate environmental protection responsibilities in the course of operation to implement sustainable development. We are in strict compliance with national and local laws and regulations including the Environmental Protection Law of the PRC and the Law of the PRC on Prevention and Control of Water Pollution, and have strictly implemented double-track management, that is, while the stores are implementing environment-related corporate systems and policies of the regions and the headquarters, they also need to comply with the environmental protection requirements of major manufacturers on stores. Some of the stores have already obtained certifications on the ISO9001 quality management system and the ISO14001 environmental management system according to the requirements of major manufacturers.



Double-track Management Model

4.2. ENERGY SAVING AND EMISSION REDUCTION

The Company strives to reduce the consumption of resources during the process of operation. We maintain detailed records on the utilization of energy and resources by the headquarters and all regional stores, implement budget management on energy saving and emission reduction of each store on an annual basis, and require the stores to control the consumption of resources and energy as a result of operations within a reasonable extent.

4. COMPLIANCE AND FAITH IN ENVIRONMENTAL PROTECTION

During the reporting period, the consumption of electricity by the Company was as follows:

Electricity	Unit	2016
Electricity consumption	kWh	32,540,598
Electricity consumption per RMB10,000 of Sales Amount	kWh/RMB10,000	12.66

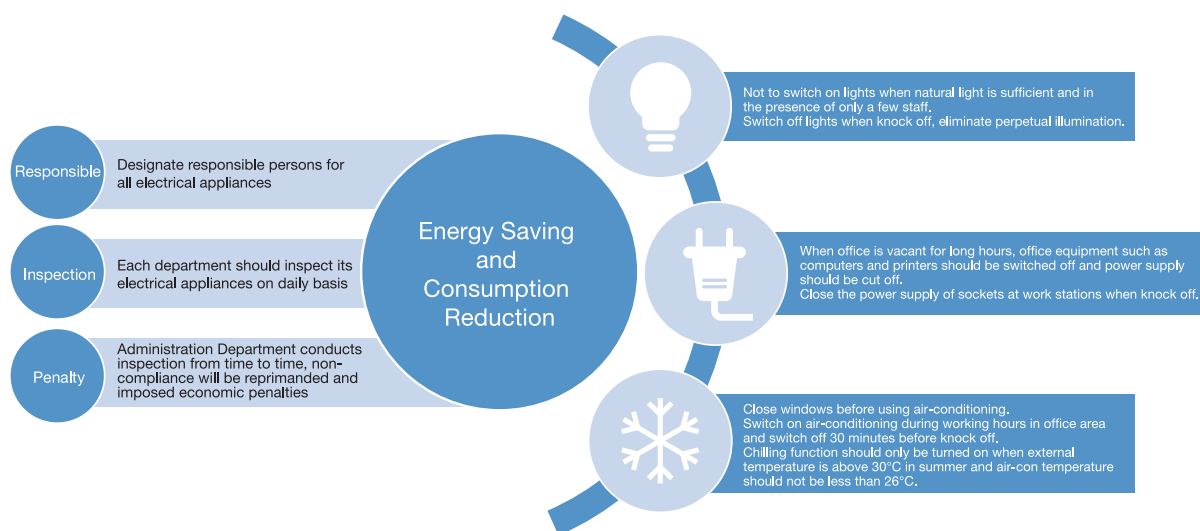
* Electricity consumption includes all branches and subsidiaries of Grand Baoxin, of which Sichuan Ganghong Enterprise Management Co., Ltd. was consolidated in 2016 and only the amount of electricity consumption after consolidation is included.

During the reporting period, the consumption of water resources by the Company was as follows:

Water	Unit	2016
Total water consumption	tonne	692,400
Water consumption per RMB10,000 of Sales Amount	tonne/RMB10,000	0.27

* Total water consumption includes all branches and subsidiaries of Grand Baoxin, of which Sichuan Ganghong Enterprise Management Co., Ltd. was consolidated in 2016 and only the amount of water consumption after consolidation is included.

To enhance energy management within the Company, the headquarters issued a notice on energy saving and consumption reduction in 2016, in which responsible persons are designated for all electrical appliances and equipment in the corresponding departments, employees are required to use lighting facilities reasonably and switch off all unnecessary power supply before knock off, and to use air-conditioning reasonably by operating in accordance with the rules. The Administration Department will inspect the electricity-saving condition from time to time. If non-compliance is discovered, the corresponding responsible person will be reprimanded or imposed other economic penalties. After determining the responsibilities and specifying the measures in detail, the Company has commenced energy saving and consumption reduction work in an orderly manner.



Energy Saving and Consumption Reduction Measures

4. COMPLIANCE AND FAITH IN ENVIRONMENTAL PROTECTION

4.3 GREEN STORES

All stores of the Company have fully cooperated with automobile manufacturers in conservation of resources while maintaining good display effects and comfortable indoor environment to minimize environmental impact.

From the beginning of store construction, the control on energy consumption in operation has been considered. Most of our stores choose to use glass walls which utilize natural light for illumination during day time and save electricity reasonably. When lighting is required, the stores will also use energy saving lighting in priority.

The stores adhere to the 3R principles (Reduce, Reuse, Recycle) in waste management, and have explicit requirements in place on the dumping, classification and disposal of waste items. The general solid wastes produced by stores are mainly obsolete automobile component parts, which may be classified into reuse, recycle and recover items according to the principles of waste management. Reuse and recycle items of the stores will be delivered to cooperative partners for processing to ensure the maximum utilization value of such component parts, while recover items will be utilized as resources. The waste engine oil produced in the process of automobile maintenance is a kind of hazardous waste. Waste engine oil recovery equipment has been installed in all stores and specialized warehouses have been constructed for dumping purpose, such waste engine oil will be ultimately transported by qualified entities for disposal externally. Records are kept to ensure the secure storage of oils to avoid causing impact on the environment.

Dongying Tianhua World Environment Day Campaign

On 5 June 2016, the Dongying Tianhua store of the Company participated in the World Environment Day publicity campaign to enhance the sense of environmental protection of employees by organizing a range of activities. The activities surrounded the themes of “low carbon, emission reduction and green living”. The human resources and administration department prepared artistic exhibition boards to introduce the World Environment Day and urged everyone to conserve water and electricity in the process of work to save energy and reduce emissions.

Dongying Tianhua also organized the campaign of “One less day of air-conditioning for one more wonderful day” to switch off air-conditioning in the back office on the Environment Day and urged everyone to switch off air-conditioner on every Saturday by using fans for ventilation. The activities received consistent support from all departments.

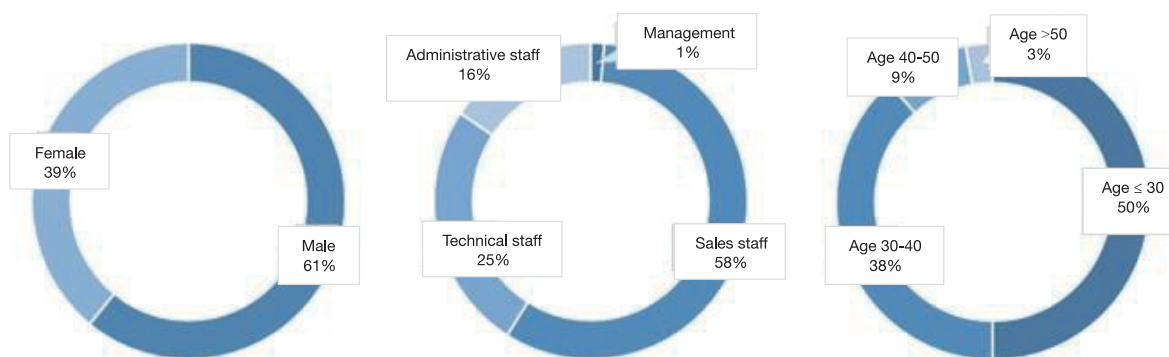


5. DEDICATED TEAM

In Grand Baoxin, the concepts to “respect talents, care for talents and safeguard talents” are deep-rooted in the hearts of everyone. We always strive to respect and safeguard the legal interests of employees, endeavour to smoothen the career development paths for employees, provide good remuneration and benefits, improve the incentive mechanism continuously, and diversify the approaches and channels for employees to participate in governance. Since we firmly believe that every step of progress achieved in Grand Baoxin is closely related to the efforts contributed by employees, thus we are very eager to share the fruition of corporate development with employees.

5.1 EMPLOYEE OVERVIEW

The Company has complied with national and local laws and regulations, including the Labour Law, the Law of Employment Contract and the Law on Protection of Women’s Interests, and has adopted transparent, fair and equal employment policies to implement non-discriminated recruitment standards for employees of different age, gender, marital status and ethnic. A strict employment system has also been established to prevent the employment of child labour. To better implement management of employees, we have specifically prepared the Employees’ Handbook to explain clearly the employment and personnel system of the Company. Contract system has been implemented strictly to manage the employees and to govern the recruitment and dismissal processes, working hours and discipline of work. As at the end of 2016, we had a total number of 6,907 employees. Of which, the percentage of employees aged below 40 was as high as 80%. The young, energetic and capable teams of employees are the perpetual driving force behind the rapid development of the Company.



Percentage of staff by gender

Percentage of staff by position

Percentage of staff by age



5. DEDICATED TEAM

5.2 EMPLOYEE WELFARE

The Company emphasizes on protecting the legal interests of all employees, adheres to democratic management, implements same remuneration for the same positions, concerns for requests from employees and organizes diversified staff caring activities to safeguard the personal development of each employee.

Grand Baoxin make contributions to pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund for employees. Employees are entitled to statutory and public holidays in accordance with national policies and the relevant laws and regulations. Besides offering competitive remuneration within the industry according to market principles, we also have policies to provide diversified benefits to employees, such as holiday allowance, transportation allowance, and allowances for business activities organizing expenses and mobile phone expenses.

We are concerned to understand the requests from employees and to resolve issues concerned by employees. The Group's human resources department and the personnel administration departments of various brands are responsible to receive and handle opinions and proposals from employees, and promise to give a reply within 36 hours on normal working days and to keep the identity of employees and contents of requests confidential. In the event of infringement against the personal interests of employees or reporting on violation acts of others, the reliable mail box and other petition channels provided by the Company may be used to submit complaints and report misconduct cases.

5.3 CAREER DEVELOPMENT

The Company has focused on talent development, incentive and training as key tasks by providing targeted and diversified training and various types of career development paths for employees to enhance the motivation and sense of achievement among employees.

5. DEDICATED TEAM

Vocational Training

Employees are precious wealth and resources of Grand Baoxin. The Company has implemented training and continuous education systems for all staff to enhance the comprehensive quality, business skills and professional level of employees. Staff training follows the principle of combining learning and work to provide planned trainings on basic and professional knowledge for employees. The trainings are divided into store management level, basic regional staff level and regional management level according to the sequence of development of the targeted staff. Grand Baoxin adopts a score system to administer training by converting the staff training conditions and appraisal results into scores, which will become a key basis for conducting staff performance appraisal, salary revision and promotions.

Training Process



Types of Training

➤ Induction training

Initial training is provided to new staff, by introducing information on the historical development and corporate culture of Grand Baoxin, new staff are more easily adapted to the Company.

➤ Occupational training

Training on various aspects, including management methods, business knowledge, operation skills and process, work efficiency and performance management, will be organized internally from time to time.

➤ Special training

Some employees will be selected by Grand Baoxin to participate in trainings on professional knowledge and occupational skills organized by the manufacturers.

➤ Career counselling

Senior management or experienced colleagues will provide training and guidance on daily work through channels such as formulating work plans, division of work, performance appraisal, work improvement and problem solving.



5. DEDICATED TEAM

➤ Two-way communication

Learning, training or practical participating in the work of 4S stores will increase understanding on the operation features of various branded stores and enhance the learning, summarizing and refining of actual operation experience.

➤ Internal exchange

Outstanding employees will share their working methods, experience and insights with all staff.

➤ External study tour

The Company will send some of the employees to conduct study tours in other enterprises or foreign countries to expand their vision and inspire their thinking.

Nurturing of Internal Training Instructors

The Company strives to nurture internal training lecturers and has established a corresponding incentive mechanism. Each of the management member of the Company is a coach, teacher and instructor. We have established a set of detailed selection process and standards for internal training instructors, clear statement of responsibilities of internal training instructors, initial training for newly recruited internal training instructors and provision of regulated training materials. Also, we have a monthly or quarterly meeting system for internal training instructors to enable sharing of experience and training materials among internal training instructors and building of an exchange platform for internal training instructors.

Smooth Promotion Path

We provide employees with a comprehensive career development path. Under the premise of fulfilling operational strategies and staff development needs, Grand Baoxin has established various career development paths for management staff, sales staff, technical staff and administrative staff based on the personnel policies of promotion and job rotation established by the Company, with reference to the training records and appraisal results of the employees, according to the needs of the Company and pursuant to the principles of allocating the best talent to the best position. Different ranks and grades are established for different job position categories, with clear standards and proportion for promotions, to ensure that all employees have equal and fair promotion opportunities.

To assist employees in having better and more suitable career development, we encourage reasonable internal deployment of personnel. Employees may submit applications in writing to their existing department for deployment to work or learn in other positions. We have also launched a reserve executive program which is a career development program established mainly for employees with greater development potential and outstanding performance in their current positions with a view to help them better develop their potential.

5.4 HEALTH AND SAFETY

Grand Baoxin is concerned about the safety and health of each employee, has strictly complied with national and local laws and regulations including the Law of the PRC on Work Safety and the Law of the PRC on Prevention and Control of Occupational Diseases, and strives to establish benchmarks for the industry. Hence, we have been improving standardization of management continuously, enhancing the management system of occupational health and safety, and making relentless efforts to safeguard the security of each employee.

Health and safety are tasks of top priority in Grand Baoxin. The President and General Manager of the Company are the first and foremost responsible persons for safety management, while the Vice President and Deputy General Manager who share the administrative work are the major responsible persons for safety management, and the managers of all departments are the direct responsible persons for safety management. The Company has strictly complied with the national laws and regulations on occupational health and safety, and has established a comprehensive safety management system to eliminate risks as far as possible through the strict implementation of various methods, including supervision duty rosters, provision of labour protective equipment and safety inspection, from multi-dimensional perspectives such as fire prevention, theft prevention, emergency protection and network hacking protection. The branch company of Grand Baoxin in each region has compiled a safety handbook which is consistent with characteristics of the region. The 4S stores of the Company will conduct self-inspections first, the regional branch companies will conduct re-inspections and recommend rectification proposals, and regional branch companies will also report the rectification progress on behalf of the 4S stores under their respective administration to the headquarters. In 2016, two large-scale safety rectification reporting meetings have been conducted.



Key points of self-inspection on safety tasks by 4S stores



5. DEDICATED TEAM

Grand Baoxin attaches utmost importance to the training on safety education for employees. Employees will receive training on production safety and fire services knowledge and must pass the required tests. The safety education training of employees will be included in the scope of selection and appointment of senior management leaders and job promotions. The Company also makes regular physical examinations for employees a mandatory requirement, particularly for frontline workers in metal plating and paint spraying who may have higher potential in occupational disease, and special health files for them will be kept by the Company to ensure that they are able to complete work in a safe and healthy environment.



6. CONFIDENT COMMUNITY

Community is the place for Grand Baoxin to develop its roots. As a member of community, we have a deep sense of responsibility. While pursuing our own development, we have not forgotten to contribute returns to community by providing better conditions and opportunities for the underprivileged and contributing our efforts to attain social justice and harmony. Meanwhile, we actively encourage corporate employees to engage in voluntary work to realize their own social values as well as to gain trust and support from the local community and the public.

The headquarters and all stores of Grand Baoxin are enthusiastic in making charitable donations, active in organizing voluntary services, and encourage employees to participate in various types of charitable activities such as providing educational support. In 2016, the headquarters in Shanghai organized a range of donation activities for the Hope Primary School in the mountain areas of Guizhou, and collected a total donation amount of RMB 22,253 and 1,139 items of daily living necessities. We are concerned about community needs, hope to serve the community and create more value for the community in order to bring about better changes. We expect to show our concern through our own efforts and try our best to assist and resolve the community problems.

Grand Baoxin actively gathers caring car owners, employees and media efforts to collaborate with automobile enterprises in organizing various long-term charitable thematic activities. In 2016, numerous stores partnered with BMW to organize the artistic thematic event of “BMW Children’s Delightful Home, Children’s Hearts • Painting the Future” by going into primary schools in rural villages together with automobile owners to assist more children in their potential development and character inspirations through professional counselling and practice. In each activity of the event, more than 100 caring car owners and employees would form an innovative team together with children from the Children’s Delightful Home to paint a happy home and expectations of an ideal future under the guidance of professional arts teachers. We always care for the growth of young people and strive to provide more learning and practical opportunities for children to enable them grow up happily in an equal and more healthy environment, and social forces are gathered to realize our long-term commitment of contributing to community through practical work.

6. CONFIDENT COMMUNITY



HKEX ESG REPORTING GUIDE CONTENT INDEX

KPI	Details	Disclosures	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure		4.2/4.3	Materiality analysis shows that waste gases, greenhouse gases, discharge of pollutants in water and on land are not material issues to stakeholders
KPI A1.5	The types of emissions and respective emissions data	4.3	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.3	
Aspect A2: Use of Resources			
General Disclosure		4.2	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	4.2	
KPI A2.2	Water consumption in total and intensity	4.2	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	4.2	
Aspect A3: Environment and Natural Resources			
General Disclosure		4.2/4.3	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4.3	
B. Social			
Aspect B1: Employment			
General Disclosure		5.1	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	5.1	
Aspect B2: Health and Safety			
General Disclosure		5.4	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	5.4	

APPENDIX CONTENT INDEX

KPI	Details	Disclosures	Remarks
Aspect B3: Development and Training			
General Disclosure		5.3	
Aspect B4: Labour Standards			
General Disclosure		5.1	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	5.1	
KPI B4.2	Description of steps taken to eliminate such practices when discovered	5.2	
Aspect B5: Supply Chain Management			
General Disclosure		3.2	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	3.2	
Aspect B6: Product Responsibility			
General Disclosure		3.3	
KPI B6.2	Number of products and service related complaints received and how they are dealt with	3.3	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	3.2	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	3.3	
Aspect B7: Anti-corruption			
General Disclosure		2.2	Materiality analysis shows that extortion related issues are non-material issues to stakeholders
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	2.2	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	2.2	
Aspect B8: Community Investment			
General Disclosure		6	
KPI B8.1	Focus areas of contribution	6	
KPI B8.2	Resources contributed to the focus area	6	



GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司