



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

2017

Environmental, Social and
Governance Report
環境、社會及管治報告

Towards a Green Future
邁向綠色未來



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Remarks from the Management

The year of 2017 witnessed overall stability in China's economic growth with continuously rising level of household consumption. The gross domestic product (GDP) grew 6.9 percent year on year, with consumption contributing 58.8% to the economic growth. As one of the pillar industries of China's national economy, the automobile industry has undergone all-round transformation and positioning after experiencing rapid growth in the past few years, and gradually transformed from a growing market to a saturated market.

As a responsible public company, Grand Baoxin and its controlling shareholder China Grand Automotive Services Co., Ltd. ("CGA") always uphold the philosophy of achieving both corporate profitability and environmental protection. We are committed to reducing the environmental impact of the business while establishing mutual trust and dependence with all the shareholders, customers, employees, suppliers, and non-governmental organizations.

Facing environmental challenges, Grand Baoxin is committed to taking preventive measures, firmly supporting and abiding by applicable laws, regulations and policies, proactively taking on environmental protection responsibilities, and promoting more environment-friendly products and services. We are well aware that the environmental protection responsibilities are the focus of attention among all the employees and senior management.

While maintaining sustainable development, Grand Baoxin works to enhance employees' happiness and create a harmonious culture. The Company is not only committed to improving the living standards of employees, but also devoted to meeting their emotional needs. We organize multiple employee-caring activities in various forms such as team building and birthday party on an annual basis to enhance the team cohesion and sense of belonging. In addition, we have also carried out employee performance appraisal, and established comprehensive talent training mechanism, providing a platform for each talented and competent employee to achieve his/her full potential at Grand Baoxin.

Looking ahead, while the consumption upgrade drives consumers to gradually mature their consumption habits and experience, China's auto market has started to show the characteristics of a mature international market. Following the customer first principle, Grand Baoxin will provide all-around and brand new service for customers and enhance its brand reputation. Meanwhile, it will continue to proactively fulfill social responsibilities, implement sustainable development concepts in the enterprise management and business operation, and strive to promote the sustainable development of the economy, environment and society.

About this Report

Overview

This report is the second Environmental, Social and Governance (“ESG”) Report released by Grand Baoxin Auto Group Limited (the “Company” or “Grand Baoxin”). It focuses on the disclosure of relevant information on the economic, social and environmental aspects of the Company and its subsidiaries (the “Group” or “We”, “Us”) for the period from 1 January 2017 to 31 December 2017. Some information may be dated prior to 2017. This report is issued on an annual basis.

Basis of Preparation

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

The 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 from previous years quoted in this report are final statistics. The financial data in this report are denominated in RMB.

Chapter One Overview of Grand Baoxin

1.1 Company Profile

Grand Baoxin is the leading automobile dealership group in China operating primarily in luxury and ultra-luxury brands. The service network of the Group is mainly distributed in areas with thriving economies, dense population and markets of enormous potential. After many years of endeavor, the Group has won a range of honors 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 honors of “Famous Automobile Sales Enterprise” and “Famous Brand in Shanghai” consecutively. On 14 December 2011, it was listed successfully on the Main Board of the Hong Kong Stock Exchange with the stock code of 01293.HK.

As an authorized dealer of luxury brands of automobiles, the Group provides customers with pre-sale and after-sale services at global uniform standards adopted by various auto brands. 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. Meanwhile, the Group focuses on the needs of its customers to achieve highest level of 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 its overall comprehensive competitiveness.

Facing a volatile market, the 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.

1.2 Company Concept

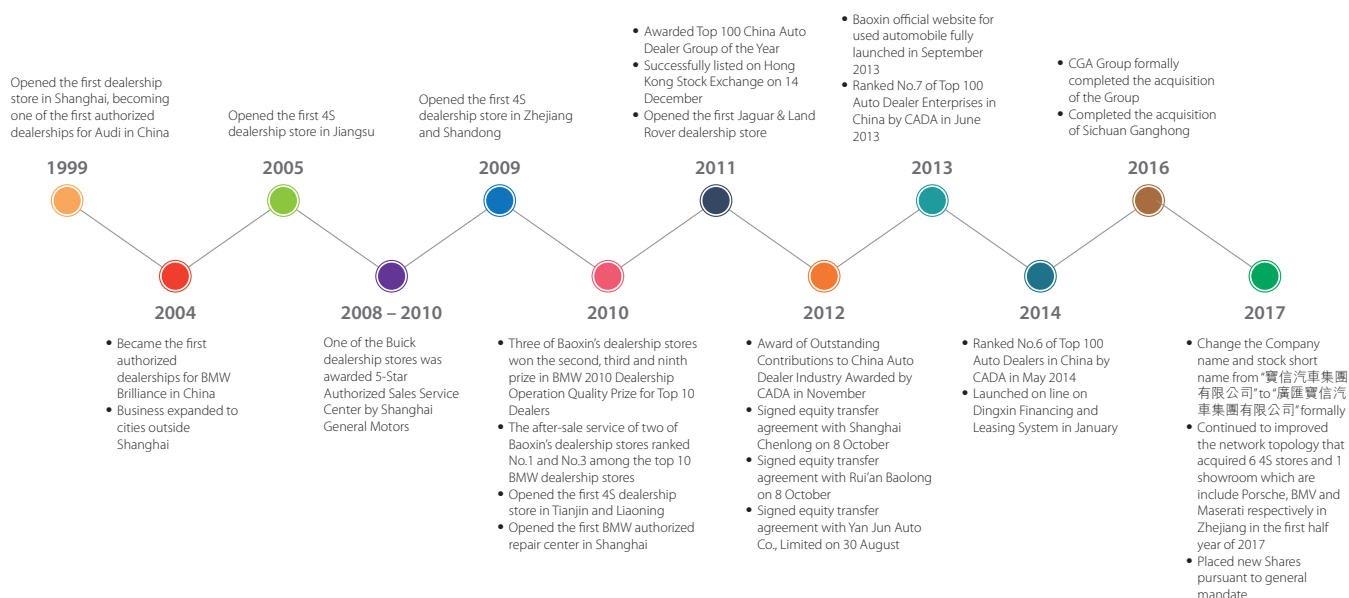
Corporate culture: Efficient, Persistent, Loyal, Co-operate

Corporate Mission: Customer-oriented, Excellence Management, Quality Service

Corporate Philosophy: Trustworthy, Prudent, Excellence

Surviving principles: Offering services others do not provide, offering better services than those others provide, and offering more efficient services than those good ones others provide

1.3 Milestones



1.4 Distribution Network Layout

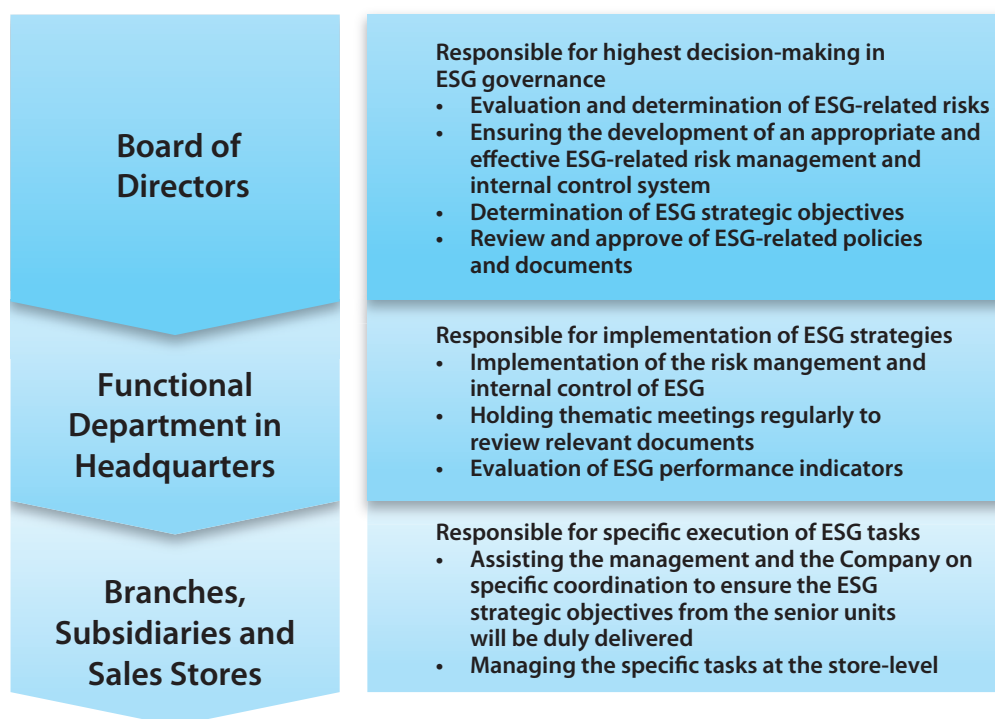
In recent years, after continuous expansion, the Group's distribution network has covered more than ten provincial capital cities in China. By 31 December 2017, the Group had 108 auto distributor stores, including 86 for luxury and ultra-luxury brands, 17 mid - and high-end brands and 5 independent after-sales services (repair, decoration, and loss assessment center) stores. Currently, we have 11 luxury and ultra-luxury brands, i.e., BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls-Royce, Maserati, and Ferrari.



Chapter Two Good Governance

2.1 ESG Governance

The Group actively responds to ESG risks and opportunities, following the “honest, practical, outperforming and green sustainable” development concepts. It integrates substantial ESG consideration into the daily enterprise operation, continuously enhances the development of ESG responsibilities, and promotes its management level under ESG governance structure led by the Board of Directors.

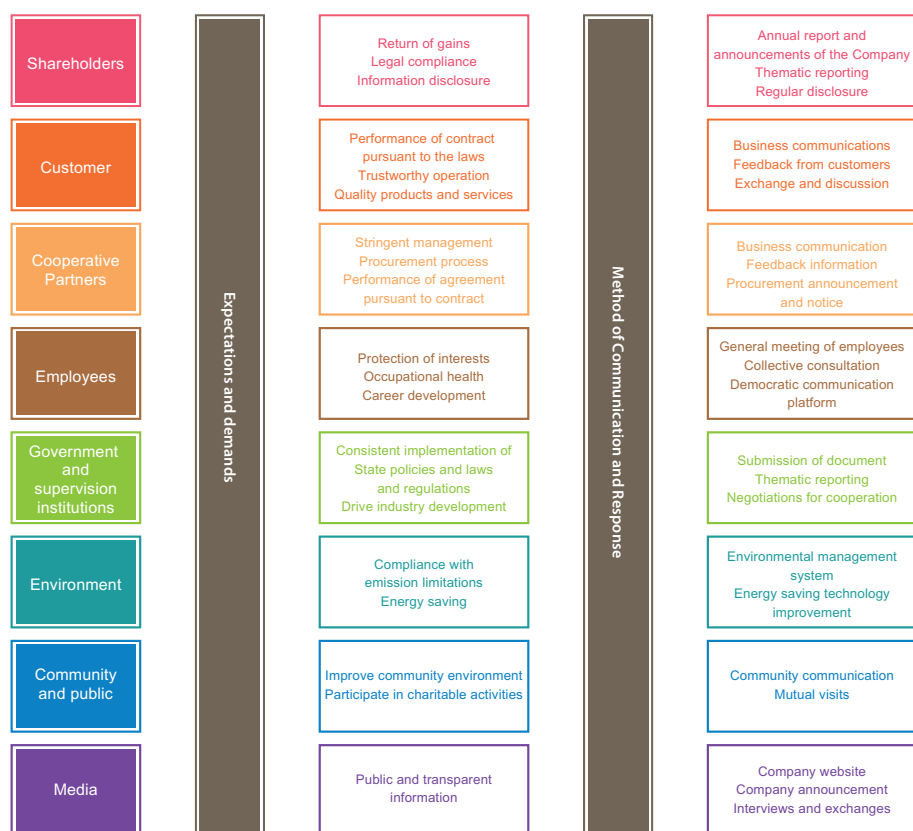


Three-tier ESG Governance Structure

Stakeholder Engagement

The Company strives to establish communication and contact with all the stakeholders in various aspects to share opinions and experience, and deliberate on various topics closely related to the Company development under the bidirectional, transparent and conventional communication mechanism. We hope that we can realize mutual benefits and sustainable development jointly with all the stakeholders based on mutual trust and respect through sufficient dialogue and positive impacts.

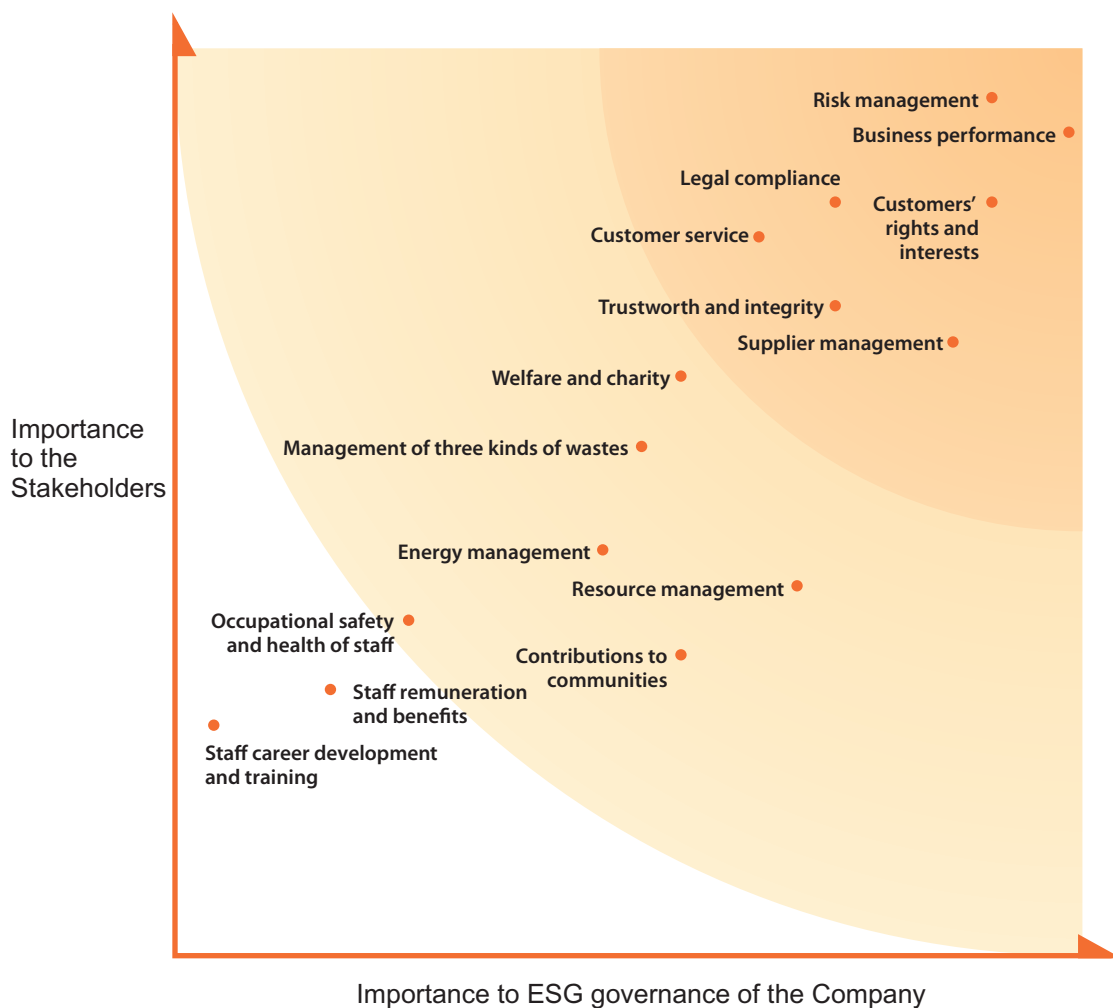
The Company has identified major stakeholders with the decision-making right, influence or close relationship with the Group. We have communicated with the stakeholders to understand the topics, concerned the regularly reviewed effects of relevant actions, and improved the communication channels to better reflect the opinions of the stakeholders. The topics that different stakeholder groups concerned in the reporting period are listed as follows.



Material Issues and Matrix

In order to understand the expectations and demands of the stakeholders, and to enhance the focus and responsiveness of the report, the Company has determined the degree of materiality of ESG 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 the development of the Group and key issues concerned by the stakeholders.

1. Source of issues	<ul style="list-style-type: none"> Proposed by the management of the Company Analysis and recommendations of internal and external experts Media information analysis Benchmarking peers Guideline of social responsibility standards ESG Reporting Guide of the Hong Kong Stock Exchange
2. Screening criteria	<ul style="list-style-type: none"> Contributions to the sustainable development Degree of concern of stakeholders Key emphasis in the relevant guideline of social responsibility Key recommendation in the ESG Reporting Guide Consistent with strategic development needs of the Company
3. Result of determination on materiality	<ul style="list-style-type: none"> Material Issues and Matrix



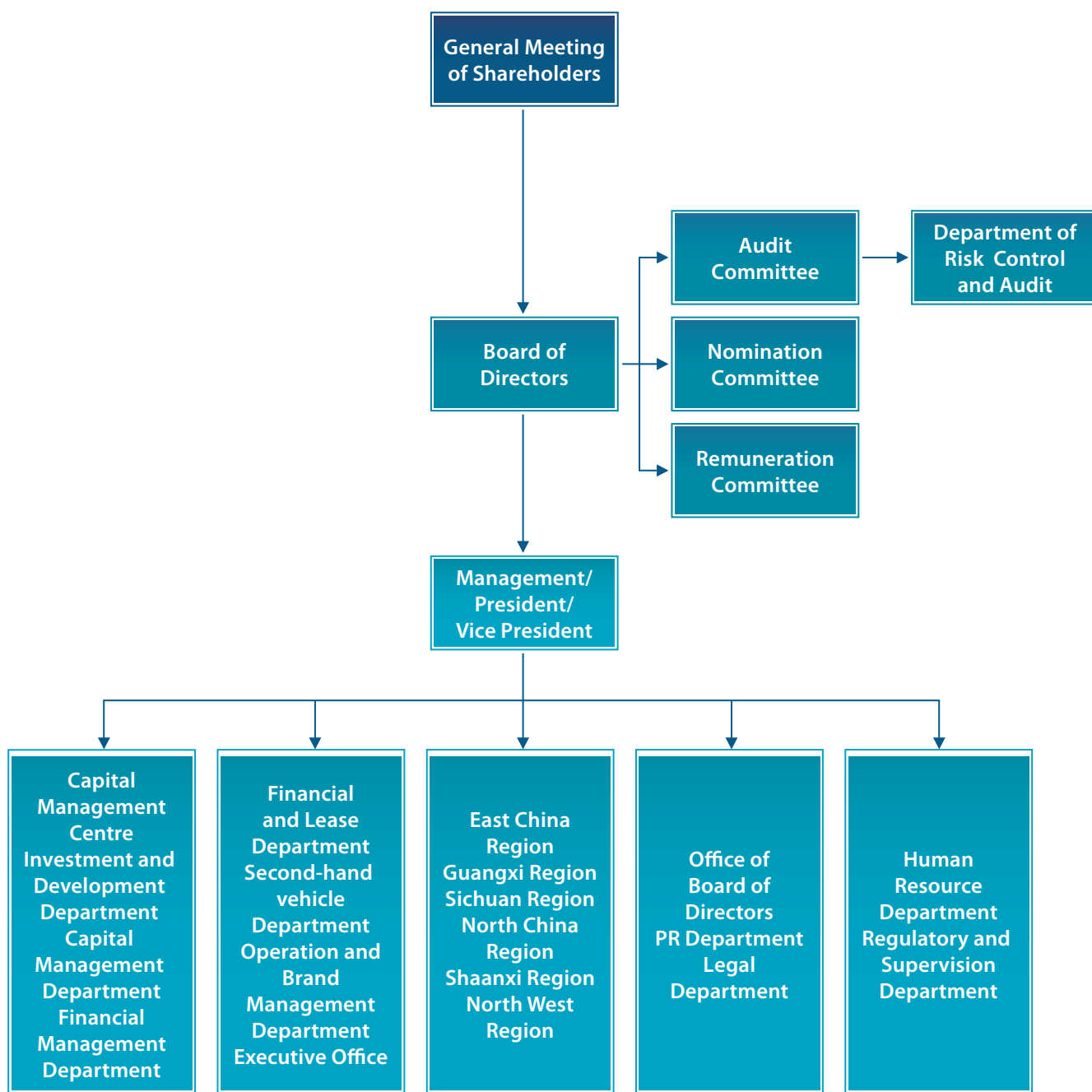
Material Issues and Matrix

2.2 Legal Compliance

Corporate governance

Pursuant to the *Rules Governing the Listing of Securities on the Hong Kong Stock Exchange*, the *Company Law of the People's Republic of China*, and other relevant laws and regulations of the place of listing, normative documents and the articles of association, the Company has gradually improved its corporate governance structure and enhanced the comprehensive governance level.

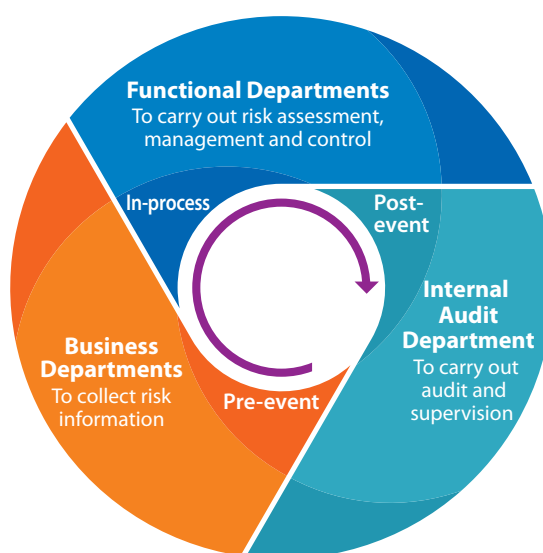
The institution of the highest authority in the Company is the General Meeting of Shareholders, and the Board of Directors is established under the General Meeting of Shareholders. The Audit Committee, Remuneration Committee and Nomination Committee are established under the Board of Directors. These organizations will conduct supervision and review on corporate strategies, appointments of the management, incentive measures, risk management and control, etc.



For further details on corporate governance, please refer to the 2017 Annual Report of the Company.

2.3 Risk Management

The Company has established and gradually improved the risk management and compliance systems in accordance with the Basic Rules of Corporate Internal Control. Based on the self-management situation and long-term risk management experience, the Company has gradually formed a pre-event, in-progress and post-event three-tier risk management mechanism, and enhanced the enterprise risk management in various aspects such as finance, technology, human resources and public relations. The internal control and self-evaluations have been conducted in all the sales stores to promptly identify internal control deficiencies and carry out pertinent rectifications.



Three-tier risk management mechanism

2.4 Probity and Integrity

The Company advocates and observes the business ethics, and strictly abides by the *Anti-unfair Competition Law of the People's Republic of China*, the *Anti-monopoly Law of the People's Republic of China*, the *Advertising Law of the People's Republic of China* and other local and national laws and regulations. We have been continuously regulating business activities and striving to build an honest, fair and clean business environment. We also convey the anti-bribery and business ethics requirements to all the suppliers during our cooperation with them. No suppliers are allowed to offer kickbacks, commissions, negotiable securities, physical objects, stock rights/shares or benefits in other forms to the Group's employees and their immediate relatives in person, via the third party or at a non-fair value, or directly/indirectly grant or allocate the contents of cooperation and derivative interests under the contract to the Group's employees and their immediate relatives, in order not to affect the fairness of the transaction.

The Company doesn't tolerate any corruption and takes every reporting seriously. We have established a reporting management system, proactively created a corporate culture of honesty, anti-fraud, and anti-deceit, established and maintained several reporting channels smooth, including reporting via letters, reporting via phones, reporting via emails and face-to-face reporting. We will investigate any behavior in violation of our principles. Upon receipt of any reporting, the discipline inspection staff will hand over the reporting contents to the higher level for discussion of further treatment scheme, and make a reply to the whistleblower within five working days. Once the reported items are verified, we will urge relevant departments to dispose of the complaint as stipulated by the Company, dismiss those with severe circumstances, and take legal actions.

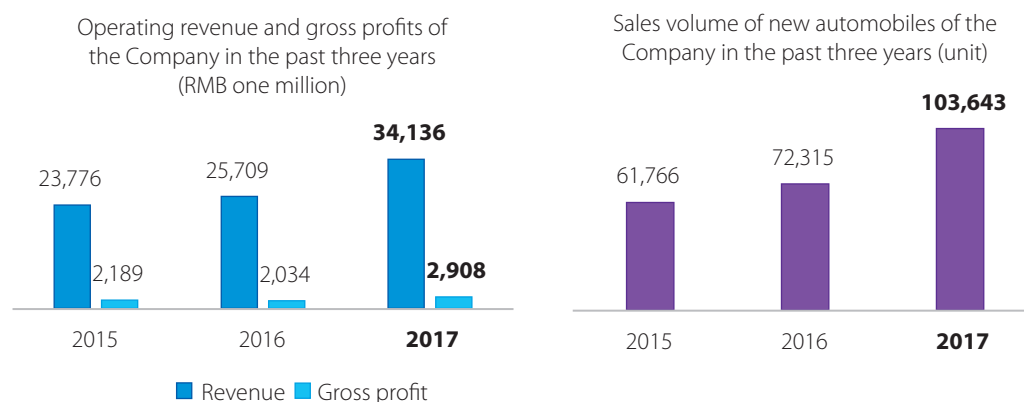
During the reporting period, the Group was not involved in any litigation on corruption.

Chapter Three Win-win Cooperation

Following the “win-win” principle, we proactively make concerted efforts with relevant partners to continuously create more resplendence and realize sustainable development in the new era.

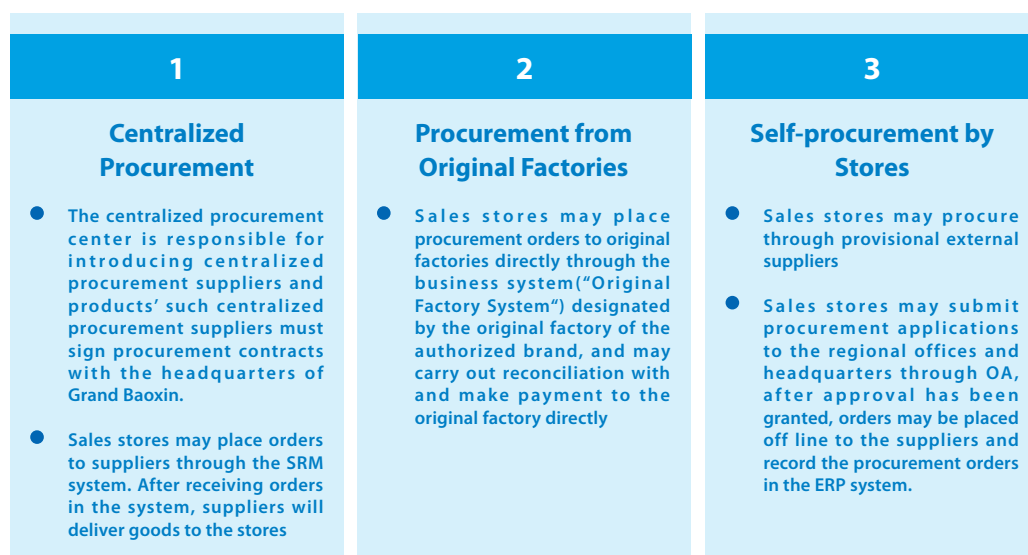
3.1 Business Performance

The Group’s business performance still achieved a satisfactory growth in 2017 despite the slower growth of sales volume of new automobiles. In 2017, the operating revenue reached RMB34,136.2 million, representing a year-on-year increase of 32.8%; gross profits reached RMB2,908.3 million with a growth of 43.0%; profits attributable to equity holders amounted to RMB803.7 million with an increase of 94.0%; and the earnings per share were RMB0.30. The sales of new automobiles reached 103,643 units in 2017 with a year-on-year increase of 43.2%.

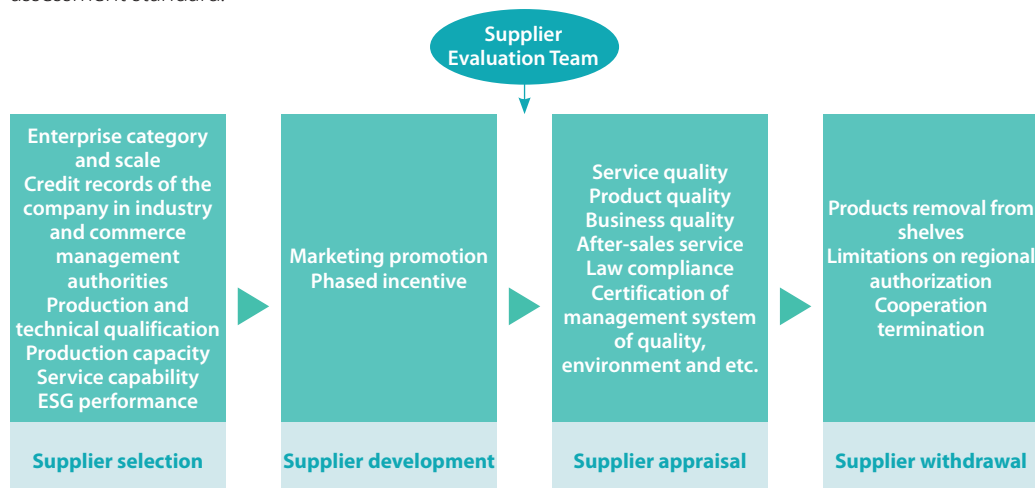


3.2 Win-win Cooperation with Partners

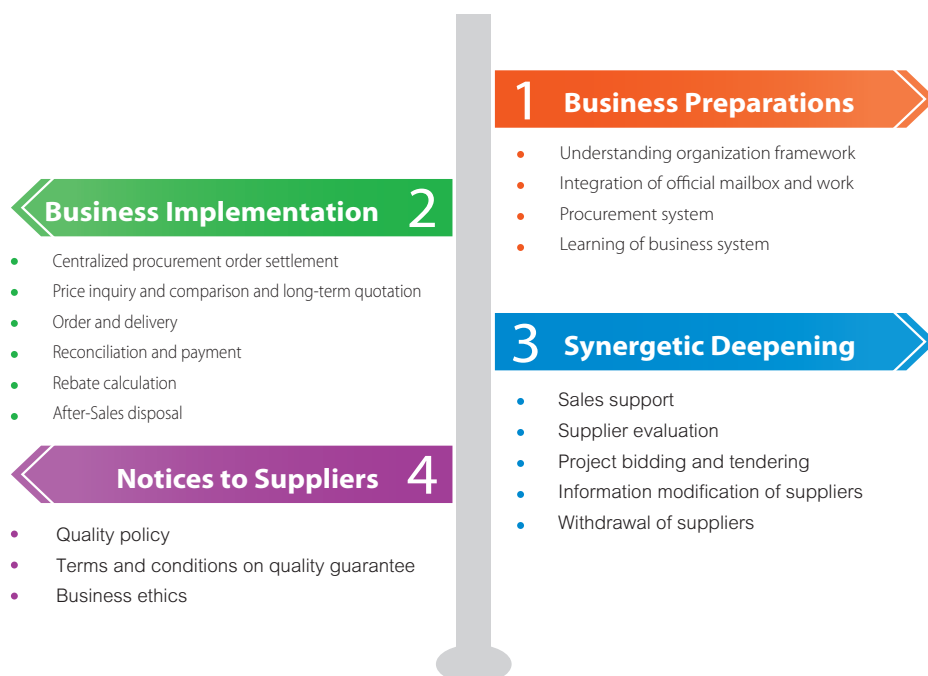
The Company strives to establish a win-win relationship with suppliers, and realize fair, transparent, efficient and mutual trust cooperation with suppliers. The major products purchased are automobile decorations and components. We have continuously optimized the supplier management system, made proactive procurement methods, and further reduced the procurement cost while guaranteeing the procurement quality. The major procurement methods adopted by us are divided into three types: centralized procurement, procurement from original factories and self-procurement by sales stores. The centralized procurement center of Grand Auto headquarters, regions and sales stores are responsible for the procurement.



In order to establish an open and orderly platform for the healthy competition among suppliers, standardize supplier management, and create a fair competition environment for quality suppliers who are willing to promote the continuous development of the procurement business, we have formulated and improved the supplier assessment procedures, supplier admission standards, supplier assessment management measures. Meanwhile, we have also established the supplier withdrawal mechanism to eliminate the suppliers with unstable product quality, weak service capability, and bad performance. In 2017, suppliers' ESG performance was gradually included into the admission and assessment standard.



The Company continuously provides the best cooperation environment for suppliers and offers the most competitive products for customers. We will provide the *Supplier Handbook* to all the suppliers, specifying our procurement system, stipulations and standards in four aspects, i.e. business preparation, daily business, synergy deepening and suppliers' instructions, in order to let them understand that we can provide a fair and effective competition environment, and help them commence operations in a fair, efficient and transparent manner. The *Supplier Handbook* can offer system basis, inquiry staff and solutions for suppliers when they encounter problems, so that we can realize mutual benefits and growth during cooperation.



Chapter Four Customer First

Customer need is the motive force of our development. Following the customer first principle, we show full respect for customers' requirements, and sincerely provide quality service for customers. We have been trying to provide quality service for customers, and guarantee their legitimate rights and interests to the largest extent possible.

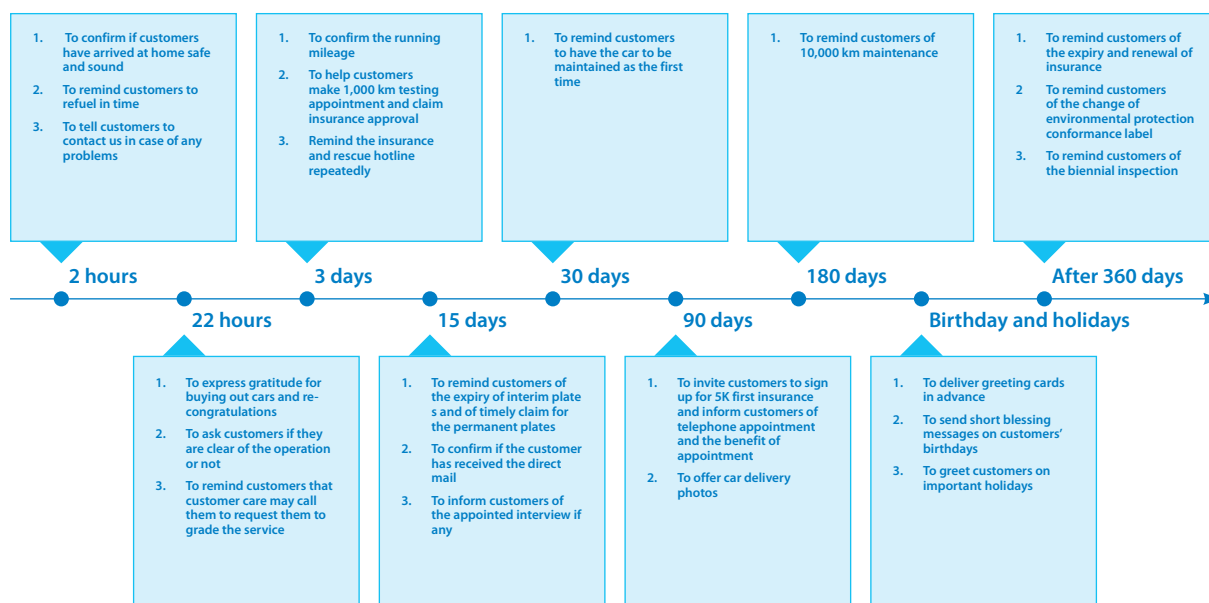
4.1 Responsibilities for customers

Customer service

We are endeavoured to leave a good impression on customers with our service. With a good understanding of customer expectations, we receive customer calls and visits in a polite, passionate and professional manner, establish a good relationship with customers, foster loyal customers, and win customers from competitive brands through detailed product introduction. We require our salesmen to receive customer calls and visits, introduce products, enhance the buying desire of potential customers and shorten the buying cycle in strict accordance with standards in the *Sales Operation Manual*, and the staff are also required to offer polite, passionate, friendly and professional service in accordance with the corresponding code of conduct to leave the best impression on customers, provide the best service to customers, win customer trust, and establish good and long-term interaction.

We sincerely welcome objective feedbacks on our service from customers, so that we can identify our shortcomings and continuously enhance our service standard. The relevant customer service department will conduct satisfaction surveys by various means such as survey by unannounced visitors, questionnaires, telephone interviews, and unannounced visits by manufacturers assisted by regions on an annual basis.

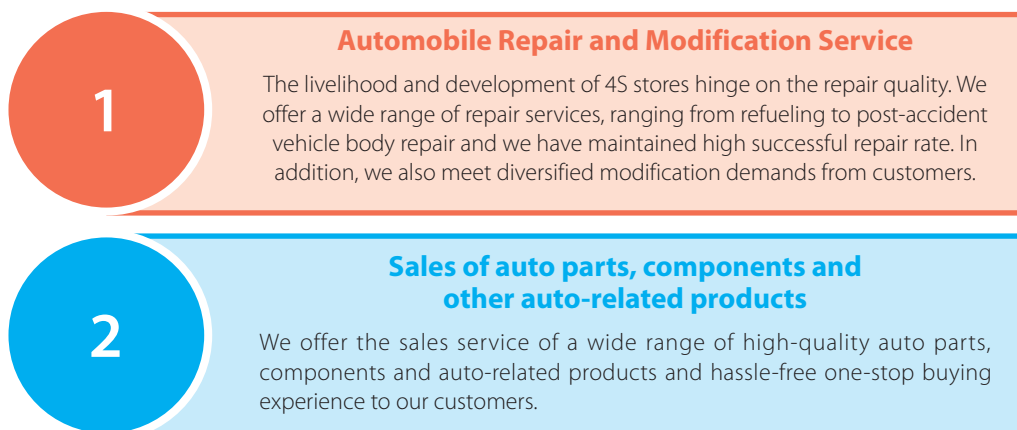
We have established detailed rules on after-sales interviews, and carried out interviews with customers in different periods after car purchase, in order to make customers experience our considerate concern.



After-sales service

With the continuously extended value chain of the auto industry, the value-adding capability and potential of the auto service have been greatly enhanced, and the after-sales service has become a key part in the sustainable development of modern auto sales companies, which can realize customer satisfaction and enhance the customer loyalty. We provide efficient and quality after-sales service according to personalized demands from customers of different vehicle models and auto ages, continuously absorb new customers, and establish long-term customer relations. We will not only provide one-stop integrated service throughout the lifecycle of the auto service for customers, but also satisfy customers' existing and potential needs and maximize the customer value during the auto service.

Our after-sales services include automobile repair and modification service, sales of auto parts, components and other auto-related products. We make great endeavor to offer personalized, people-oriented and considerate service during the reservation, in-store reception, lounge service and maintenance such as offering free drinks and wireless internet in the lounge of 4S store.



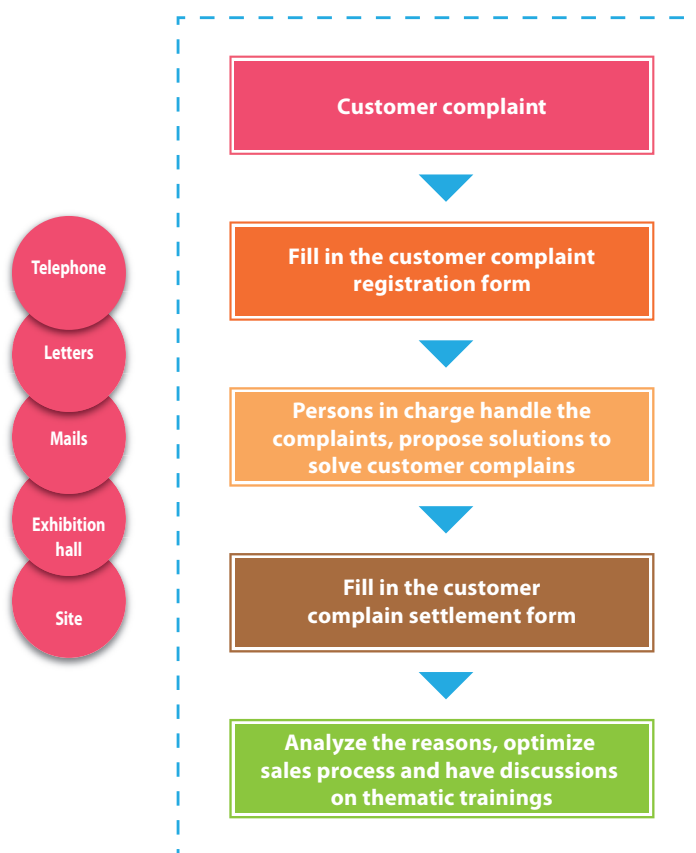
After-sales Service

4.2 Customers' Rights and Interests

Customer complaint management

The Company highly values the complaints from customers, and takes every complaint as our opportunity to make self-rectification and improvement. We can improve in-store service processes and enhance qualities of service staff by properly handling complaints. Upon receipt of customer complaints, we will respond immediately, appease dissatisfied customers, and provide satisfactory solutions as soon as possible.

The Company has established comprehensive customer complaint handling procedures, through which customers can make complaints via telephones, letters or emails, at the showroom or on the spot. The person in charge of corresponding department shall handle complaints through any channels, communicate with customers and provide satisfactory solutions. Finally, we will make internal summary and analysis, conduct special training, and learn from experience and lessons from complaints, in order to further optimize the sales processes and continuously enhance our service level.



Customer Complaint Handling Procedures

Customer privacy protection

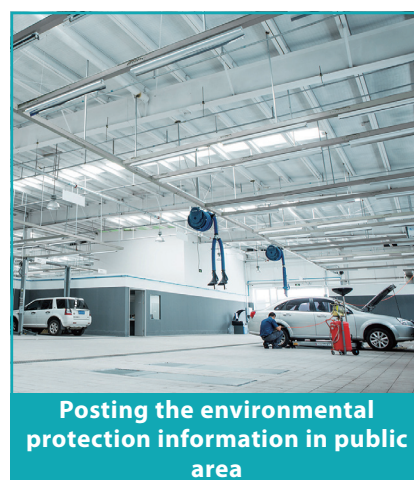
The Company has implemented a strict confidential system for customer privacy pursuant to the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*. A *Declaration on the Protection of Customer's Personal Information* must be signed with customers when customer's information is collected pursuant to the requirements of various brands. We have strengthened the internal management and control of the access to customer information, and established the license for the access to customer information. An application shall be made via the OA system for any access to the customer information to guarantee the traceability of the information access, and protects the security of customer information. Meanwhile, the confidentiality of suppliers' information is also strictly stipulated in the *Supplier Handbook*, requiring that suppliers should not obtain our confidential information by illegal means or other means violating business ethics.

Chapter Five Focus on Environmental Protection

We have been continuously and deeply exploring new models of green and environmental protection management, and implementing the green and environmental protection concept in the operation and development of the Company through mechanism building, system supervision and result assessment, in order to establish a circular green and environmental protection system for auto sales and after-sales service, and set a model in the industry with higher standards.

5.1 Environment Management

The Company highly emphasizes fulfilling corporate environmental protection responsibilities in the course of operation to implement sustainable development concept. In 2017, we achieved zero accident in environmental protection of the whole Company through concerted efforts. We require all regional stores to take professional pollution discharge measures to guarantee environment-friendly discharge in compliance with national standards and local requirements, reach specific targets in water conservation, energy saving and noise reduction, optimize working processes, and reduce environmental impact. To this end, we have strictly implemented double-track management, that is to say, 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.



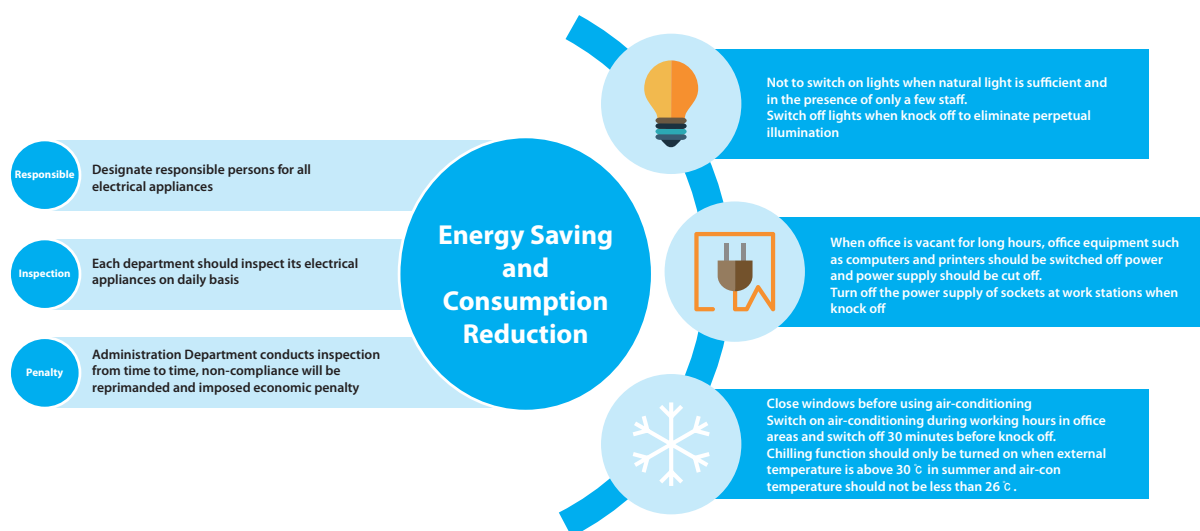
Meanwhile, we continuously promote environmental protection concept, proactively enhance the environmental protection awareness and green office concept of all the employees, and encourage employees to save electricity, water, paper, fuel and office supplies. Specific measures include double-side printing, recycling of office supplies and refined water and electricity management.

5.2 Resource Management

With respect for natural resources and emphasis on resource utilization efficiency, we have continuously improved the development of relevant system and greatly enhanced energy conservation and consumption reduction. We implement budget management on energy saving and emission reduction for 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, in order to realize effective control and maximum efficiency of the Company's resources. In 2017, we continued to strictly carry out the energy saving and consumption reduction initiatives proposed by the headquarters. During auto maintenance, washing and beauty, we have continuously explored methods to make the best use of natural resources while guaranteeing the service quality. For instance, we save energy and resources by optimizing service process such as using high-efficiency equipment and facilities and removing dust before car washing.

For the day-to-day operations of stores, regional and headquarters offices, we actively promote reducing consumption of natural resources in all aspects, such as ensuring that drinking water is not used for other purposes, recycling water resources to water the plants in the office, using electronic versions for document circulation. When printing is necessary, double-sided printing is encouraged to save paper. For electricity consumption, we require the responsible persons of the departments corresponding to the electrical equipment to make adjustments according to the actual situation in the process of implementing energy conservation and consumption reduction, so that the results of each measure are more efficient. The energy saving and consumption reduction notice of the headquarters requires employees to use the lighting facilities reasonably, and close all non-essential power sources before leaving work, use air conditioners reasonably and operate according to regulations. The administrative department conducts non-regular check in the status of electricity saving. If violations are found, the responsible person will be subject to notified criticism or financial penalties.

Energy-saving and consumption reduction measures in daily operation



During the reporting period, the consumption of gasoline by the Group was as follows:

	Unit	2016	2017
Gasoline consumption	Liter	–	1,305,453
Gasoline consumption per RMB10,000 of income	Liter/ RMB 10,000	–	0.38

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

	Unit	2016	2017
Electricity consumption	kWh	32,540,598	38,648,391
Electricity consumption per RMB10,000 of income	kWh/ RMB10,000	12.66	11.32

During the reporting period, the emission of greenhouse gas of the Group was as follows:

Greenhouse gas emission (tonne of carbon dioxide equivalence)*	Quantity
Greenhouse gas emission scope I	2,899.5
Greenhouse gas emission scope II	26,783.3
Total emission of greenhouse gas	29,682.8
Density of greenhouse gas emission (tonne of carbon dioxide equivalence/ RMB10,000 of sales amount)	0.0087

*Note:

The direct energy source is unleaded gasoline, and the indirect energy source is purchased electricity

Greenhouse gas emission scope I: Covering the greenhouse gas emission directly produced by the direct energy for business consumption owned or controlled by the Group, namely, unleaded gasoline consumption

Greenhouse gas emission scope II: Covering the greenhouse gas emission produced by the indirect energy for internal consumption of the Group, namely, electricity consumption

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

	Unit	2016	2017
Domestic water	ton	692,400	453,935
Water consumption per RMB10,000 of income	ton/ RMB10,000	0.27	0.13

5.3 Emission Responsibilities

We strictly abide by the *Environmental Protection Law of the PRC*, the *Environment Impact Assessment Act of the PRC*, the *Law of the PRC on Prevention and Control of Water Pollution*, the *Integrated Wastewater Discharge Standard*, the *Law of the PRC on the Prevention and Control of Atmospheric Pollution*, the *Law of the PRC on Environmental Pollution Prevention and Control of Solid Wastes* and other relevant local and national policies, and strictly comply with the corresponding regulatory requirements on emissions. During the reporting period, the Company didn't have any emissions-related violations against relevant regulations.

The Company adheres to the 3R principles (Reduce, Reuse, Recycle) in waste management, and has explicit requirements in place on the dumping, classification, and disposal of waste items. The general solid wastes produced by 4S and maintenance stores are mainly discarded automobile 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 licensed third-party partners for processing to ensure the maximum utilization value of such 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 special warehouses have been constructed for temporary storage. The waste engine oil will be ultimately transported by qualified entities for disposal externally, in order to guarantee the safe storage of oil and avoid causing impacts on the environment.

During the reporting period, the waste discharge of the Group was as follows:

Waste category (unit)	Quantity
Domestic garbage (ton)	5,068
Discharge density of domestic garbage (ton/ RMB10,000 of sales amount)	0.0015
Waste engine oil (liter)	1,141,317
Discharge density of waste engine oil (liter/RMB10,000 of sales amount)	0.33

Chapter Six Dedicated Employees

We firmly believe that we will not be able to realize sustainable development or grow stronger in the auto industry without our talents. Therefore, we strive to provide a platform for fair competition, build a harmonious working environment, create a good cooperation atmosphere, facilitate career development channels for employees, help employees to fully realize their self-value, and make them confident to realize long-term development with the Company, following the concept of “respect talents, care for talents and value talents”.

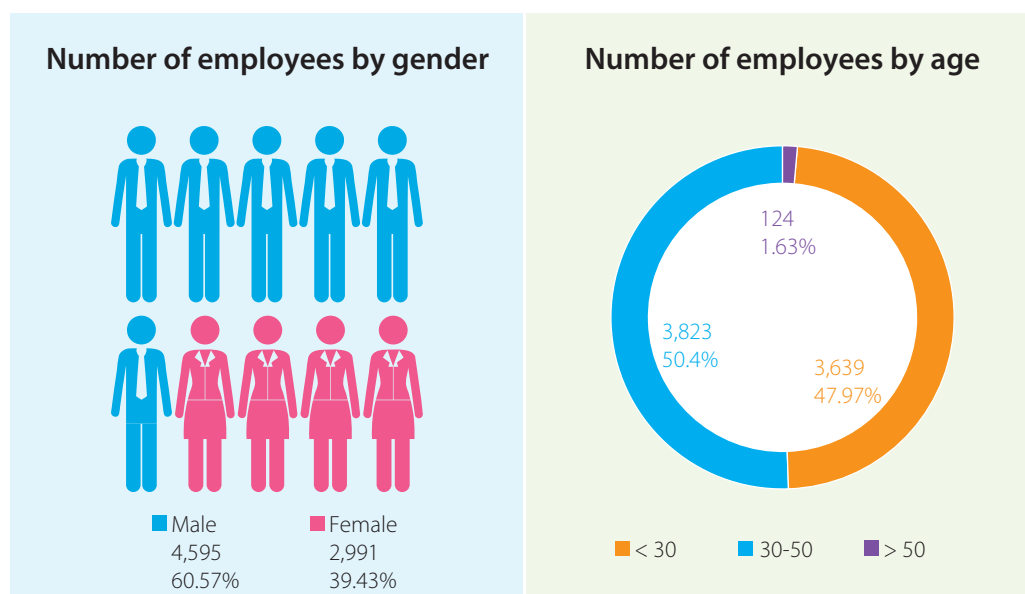
6.1 Employee Overview

Labor Policy

The Company has complied with municipal, provincial and national laws and regulations, including the *Labor Law of the PRC*, the *Regulations of Labor Insurance and Supervision*, the *Employment Contract Law of the PRC* and the *Law on Protection of Women’s Interests of the PRC*, and prepared the Employees’ Handbook based on the laws and policies mentioned above, systematically stipulating on the labor and personnel system, recruitment processes and methods, employees’ code of conduct, remuneration and welfare system, safety management system, training, development and performance appraisal, and specifying obligations of the Company and employees, in order to protect the legal rights and interests of both parties.

The Company guarantees fair recruitment process, and strictly complies with the *Provisions on Prohibition of Child Labor* and prohibits forced labor. If any child labor is found, we will ask relevant department to send the children involved to their parents or other legal guardians at the place where they live. Meanwhile, we will treat employees of different genders, ages, marital status, disabilities or religions equally, and try to provide a diversified, inclusive working environment without discrimination.

As of 31 December 2017, we had a total number of 7,586 employees. The breakdown of staff by gender and by age was as follows:



Employee Welfare

The Company emphasizes on protecting the legal interests of all employees, adheres to democratic management, implements the principle of equal pay for equal work, concerns for requests from employees and organizes various staff caring activities to safeguard the personal development of each employee. We offer competitive remuneration, welfare and benefits for employees. Through fair and reasonable remuneration management and assessment and incentive mechanism, we protect the immediate interests of employees and enhance their enthusiasm. We provide comprehensive statutory welfares including five insurances, housing provident fund, annual leave and sick leave. Meanwhile, employees are also entitled to other welfares such as holiday subsidies, transportation and communication allowances, shuttle service, consolation money for deceased relatives, and assistance for employees in difficulty, delivering care from the Company to our employees.

In addition, we strictly abide by the laws and regulations on the protection of female employees, continuously improve the working environment and working conditions of female employees. We also implement the provisions for maternity and leave and breastfeeding breaks for female employees. Meanwhile, we guarantee female employees with equal and competitive compensation and benefits as those for male employees and provide female employees with career development opportunities.

Communication with Employees

We pay attention to understand the requests from employees. We enable employees to fully express their opinions and have comprehensive and sincere communication with management through smooth and effective channels for internal communication, exchange and feedback of opinions. We also attentively listen to employees' voices. While solving their problems, we also adopt feasible and constructive suggestions from employees to encourage them to participate in corporate management. The good communication environment can create a democratic, equal, cooperative and healthy atmosphere, which can enhance employees' sense of belonging and mission, stimulate their enthusiasm, and improve their satisfaction with work. We offer diverse communication channels for employees as follows:



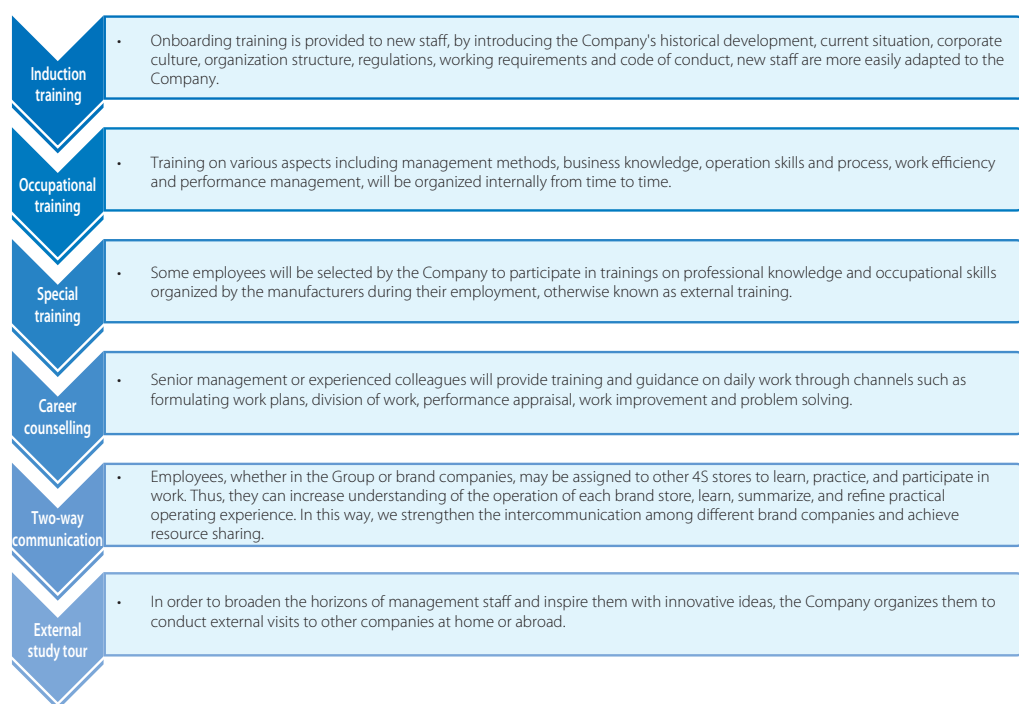
Create the employer brand-“Grand Students”, “Grand People”

In order to build a unified and competitive employer brand and attract outstanding talents, Grand Baoxin has continuously promoted the employer brand building according to the unified requirements and planning of its controlling shareholder Grand Auto. The employer brand project was launched in July 2017. Externally, the project actively fulfills its social responsibilities, spreads kindness and positive energy, strengthens the promotion of employer brand, and builds “Grand Students”(廣匯生) and “Grand People”(廣匯人) projects to enhance brand awareness, brand value and attract talents. Internally, the project actively promotes the selection of innovative projects and the role of example, implements team building work, and advocates the sustainable and healthy development of the Company's corporate culture. The promotion and construction of Grand Auto Employer's brand attracted nearly 7,000 outstanding talents to join, which enhanced the Company's reputation and won the “Outstanding Human Resource Management Excellence Award” issued by “51 Job”.

6.2 Employee Development

Career training

Employees are our precious wealth and resources. The Company has implemented training and continuous education systems for all staff to enhance the overall capability, 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 training is mainly provided for frontline sales and after-sales staff, store management staff, regional general staff and regional management staff. The Company adopts a scoring system to administer training by converting the staff training status and appraisal results into scores, which will become a key basis for conducting staff performance appraisal, salary revision and promotions.



Employee training and development measures

Continuously enhanced financial training

The Company initiated the financial training in August 2016, in order to enhance the mastery and application of financial knowledge by mid-level and senior management staff. On 30 October 2016, the headquarters and regional companies successfully completed the training for financial staff. The training was further strengthened in 2017. Random inspection was adopted by the Company, which covered more than 10,000 staff including regional senior managers, regional functional managers, store managers, and persons in charge of other segments than finance (manager, senior manager or specialist).



Full coverage of "HR Training"

The Company strengthened the team leadership and self-leadership and enhanced the post competency of managers through training on HR working concepts, skills and tools. As at the end of December, the "HR Training" was completed with 100%, covering 5,662 management staff. Meanwhile, all the aforesaid staff finished the examination with an average score of 92.4, covering all the mid-level and junior management staff.



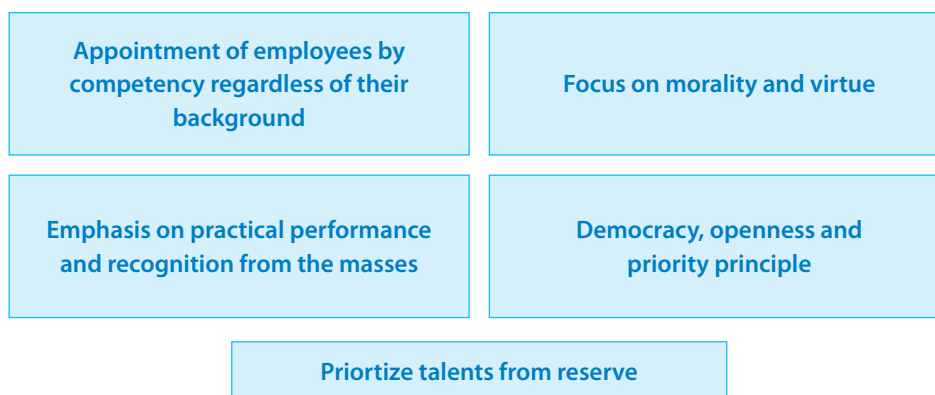
In 2017, the Group provided training totaling 440,700 hours for 14,349 staff as follows:

	Total number of trained staff	Percentage of training received	Total hours of training received
Female	5,600	39%	172,000
Male	8,749	61%	268,700

Career Development

We provide employees with a comprehensive career development path. Under the premise of fulfilling operational strategies and staff development needs, Grand Baoxin has established respective 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.

Meanwhile, in order to standardize the senior management staff appointment procedures, we revised the administrative measures of the procedures this year, and adopted the following principles for the selection and promotion of senior management staff:



During the current year, the Company formulated 2017 performance appraisal and capability evaluation scheme and organized employees to participate in the appraisal in accordance with the Performance Appraisal and Capability Evaluation Management System of its controlling shareholder CGA. As for the Company, we enhance the achievement of the annual performance of the Company through the efficient achievement of individual objectives with the systematic performance appraisal scheme and a good understanding of individual objectives. As for employees, we help employees form a scientific and measurable positioning and requirement through appraisal and evaluation, enhance their capabilities with talent development and training programs, stimulate their enthusiasm and creativity, help employees realize their professional planning, and boost their sense of responsibility and belonging. Meanwhile, during the face-to-face communication between managers and employees, employees can understand the managers' expectations and their advantages and deficiencies; they can also specify the guidance or assistance they need from managers to fulfill performance target, which can eventually enhance employees' performance and comprehensive quality.

6.3 Employee Health

Safety and health

Safe production is the key to the enterprise development. We are concerned about the safety and health of every employee, following the principle of "safety first and prevention foremost" principle. We have been strictly complied with the national and local laws, regulations and policies such as the *Law of the PRC on Work Safety* and the *Law of the PRC on Prevention and Control of Occupational Diseases*, and formulated the *Safety Management System*. At the same time, we have continuously improved standardization of management, perfected the management system of occupational health and safety, formulated emergency response measures, issued relevant system manuals, carried out safe production inspection from time to time, and offered education and training on safe production, making unremitting efforts to guarantee the safety of each employee at work. During the reporting period, the Group didn't have any work-related injuries or deaths.

The *Safety Management System* specifies the safety management responsibility system at each level in order to comprehensively strengthen the safe production. The President and General Manager of the Company are the top 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 *Safety Management System* has also established perfect safety management measures from multi-dimensional perspectives such as fire prevention, theft prevention, emergency protection and network hacking protection. Efforts are made to eliminate risks as far as possible through supervision duty rosters, provision of labor protective equipment and safety inspection. Meanwhile, the branch company of Grand Baoxin in each region has compiled a safety handbook which is consistent with the characteristics of the region. The subordinate 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.



Physical and emotional health

The Company not only guarantees the safety and health of employees at work, but also focuses on their work-life balance. We advocate effective working mode and healthy life concept, normalize and standardized cultural activities for employees, in order to guarantee their physical and emotional health. Meanwhile, we make employees feel the warmth of home and enhance their happiness and sense of belonging. In 2017, the Group headquarters, regions and stores organized diversified cultural and sports activities.

2017 Annual Sports Meeting of Grand Baoxin in Shaanxi

Grand Baoxin and Grand Auto in Shaanxi held winter fun sports meeting of Shaanxi 4S stores recently, in order to enrich employees' cultural life, display their good spirits, enhance the team cohesiveness, and build the corporate culture and team cohesiveness of optimism, unity and pursuit for excellence.

With the theme of "loving sports and be an outstanding Grand employee", the activity consisted of nearly 50 fun sports meetings, attended by approximately 3,000 employees from 46 stores and 4 professional companies in Shaanxi. The fun sports meetings in various regional stores were unique and interesting, winning unanimous recognition among employees.



Chapter Seven Harmonious Community

As a member of the community, our achievements shall be attributed to the social support. Therefore, we give back to the society while realizing rapid development, and bear greater social responsibilities by showing concern and love to more people. We provide better conditions and opportunities to the disadvantaged by implementing sustainable development strategies. We also encourage employees to engage in environmental protection, charity and voluntary activities to realize their own social values, as well as to gain trust and support among local communities and public, and contributing to the social justice and harmony.

7.1 Environmental Protection Actions

Various environmental protection problems are extremely urgent. While enjoying rich natural resources, we are obliged to protect the environment. Each segments of the Company organized a series of green and environmental protection events, appealing to employees to make concerted efforts with customers to protect the precious natural environment.

March 2017	We organized female employees to plant trees on "Women's Day"
March 2017	We organized spring tree-planting activity in Beijing Huairou Zhongtian Hanhai Agricultural Garden jointly with Grand Auto
April 2017	We organized car owners to express regards to sanitation workers
May 2017	We actively participated in large-scale activity "1st Fluorescent Charitable Running in Liu'an in 2017"
August 2017	We participated in the building of a civilized city-Liuwan Community Cleaning activity
September 2017	We participated in voluntary service activity of "Green travel and civilized transport start from me"



7.2 Return to the Society

We return to the society nationwide in various forms with actual, making small contributions to the people in need. We believe that, the world will become more beautiful if everyone can make contributions to the society.

“Colorful childhood” Large-scale Charitable Activity Held in Xinjiang

On 1 June 2017, Grand Baoxin and Grand Auto held “Colorful childhood” large-scale charitable activity in Xinjiang, jointly with China Foundation for Poverty Alleviation. A donation ceremony was held in the primary school in Aweiguan District, Qinghe County, Xinjiang, during which they had sincere communication with children and brought the “loving package” for children. “One red scarf ceremony, one splendid class about dreams and one home visit” helped children realize their dreams. The donation ceremony sent 2,000 loving packages to 11 primary schools in Qinghe County and Kuche County, Xinjiang.



Educational Support Activities

During the year, the Company, jointly with Grand Auto North China Branch, Henan Branch and Beijing Branch, sent charitable materials and warmth such as new clothes and new stationery to lovely children in No. 2 Primary School of Dongzhou Village, Lushan County, Pingdingshan City, Henan Province and Shangshe Primary School of Maojianshan Village, Yuexi County, Anhui Province.

In December 2017, Grand Baoxin, jointly with Grand Auto Shaanxi Branch, organized customers and philanthropists to carry out a charitable trip in the cold winter in Yinwan Primary School of Caoping Town, Zuoshui County, Ankang and Jianzigou Junior High School. They sent charitable materials to students, and conveyed the love for children in the mountainous regions from enterprises and philanthropists, implementing corporate social responsibilities with practical actions.



Red Chalk Charitable Activity

Red Chalk charitable activity was held in December 2017. The volunteers commenced their three-day red chalk rural education program in Anyi County, Nanchang City, Jiangxi province with their well-prepared teaching plans and the great passion and enthusiasm of organizers.



Handwork class for children



Volunteers bringing happiness to children

University-Enterprise Cooperation for Stimulation of Employment

The Company has always promoted the cooperation between universities and enterprises, enhanced resource sharing and advantage complementation between the two parties, and established long-term close cooperative relationship with universities, following the principle of “market-oriented, adaption to needs, complementary advantages and mutual development”. In 2017, Grand Baoxin established partnership with 41 universities, providing more than 4,000 job opportunities for university graduates. 53 order classes were opened, that recruited and cultivated 1,809 students of order classes. In order to enhance specialty and hands-on ability of talents, Grand Baoxin jointly with Grand Auto initiated the teaching concept integrating learning and practice in the university-enterprise cooperation, which fully combined theories with practice, greatly enhanced students’ hands-on ability, and laid solid foundation for enhancement of service technology and quality. Enterprise and team concepts were continuously integrated into students’ practice, which enhanced students’ sense of cultural identity for the enterprises, and cultivated highly skilled auto service talents for Grand Baoxin.

Appendix: Environmental, Social and Governance Reporting Guide Content Index

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content index

KPI	Details	Disclosures	Remarks	page
A. Environmental				
Aspect A1: Emissions				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.3 Emission Responsibilities		P19
KPI A1.1	The types of emissions and respective emissions data	5.3 Emission Responsibilities		P19
KPI A1.2	Greenhouse gas emissions in total and intensity	5.3 Emission Responsibilities		P18
KPI A1.3	Total hazardous waste produced and intensity	5.3 Emission Responsibilities		P19
KPI A1.4	Total non-hazardous waste produced intensity	5.3 Emission Responsibilities		P19
KPI A1.5	Description of measures to mitigate emissions and results achieved	5.3 Emission Responsibilities		P19
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	5.3 Emission Responsibilities		P19

KPI	Details	Disclosures	Remarks	page
Aspect A2: Use of Resources				
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	5.2 Resource management		P17
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	5.2 Resource management		P18
KPI A2.2	Water consumption in total and intensity	5.2 Resource management		P19
KPI A2.3	Description of energy use efficiency and results achieved	5.2 Resource management		P17-P18
KPI A2.4	Description of water efficiency initiatives and results achieved	5.2 Resource management		P17
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced	N/A		
Aspect A3: The Environment and Natural Resources				
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	5.1 Environment Management		P17
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them		The manufactory and operational activities have no significant impact on the environment and nature resource	

KPI	Details	Disclosures	Remarks	page
B. Social				
Aspect B1: Employment				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employee Overview		P20
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	6.1 Employee Overview		P20
KPI B1.2	Employee turnover rate by gender, age group and geographical region.		It will be disclosed in the future	
Aspect B2: Health and Safety				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Employee Health		P24
KPI B2.1	Number and rate of work-related fatalities	6.3 Employee Health		P24
KPI B2.2	Lost days due to work injury	6.3 Employee Health		P24
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	6.3 Employee Health		P24

KPI	Details	Disclosures	Remarks	page
Aspect B3: Development and Training				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training including internal and external courses paid by employers.	6.2 Employee Development		P22
KPI B3.1	The percentage of employees trained by gender and employee category	6.2 Employee Development		P23
KPI B3.2	The average training hours completed per employee by gender and employee category	6.2 Employee Development		P23
Aspect B4: Labour Standards				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	6.1 Employee Overview		P20
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	6.1 Employee Overview		P20
KPI B4.2	Description of steps taken to eliminate such practices when discovered	6.1 Employee Overview		P20
Aspect B5: Supply Chain Management				
General Disclosure	Policies on managing environmental and social risks of the supply chain	3.2 Win-win Cooperation with Partners		P12
KPI B5.1	Number of suppliers by geographical region		It will be disclosed in the future	
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 Win-win Cooperation with Partners		P12

KPI	Details	Disclosures	Remarks	page
Aspect B6: Product Responsibility				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Chapter Four Customer First		P14
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A		
KPI B6.2	Number of products and service related complaints received and how they are dealt with	4.2 Customer rights and interests		P15
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	N/A		
KPI B6.4	Description of quality assurance process and recall procedures	4.1 Responsibilities for customers		P14
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	4.2 Customer rights and interests		P16

KPI	Details	Disclosures	Remarks	page
Aspect B7: Anti-corruption				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.4 Integrity and Probity		P10
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	2.4 Integrity and Probity		P10
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	2.4 Integrity and Probity		P10
Aspect B8: Community Investment				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Chapter Seven Harmonious Community		P27
KPI B8.1	Focus areas of contribution	7.1 Environmental Protection Actions 7.2 Return to the Society		P27
KPI B8.2	Resources contributed to the focus area		It will be disclosed in the future	



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