



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



Environmental,
Social and Governance Report

2018 環境、社會
及管治報告

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About this Report

Overview

This report is the third Environmental, Social and Governance (“ESG”) Report released by Grand Baoxin Auto Group Limited (the “Company”). It focuses on the disclosure of relevant information on the economic, social and environmental aspects of the Company and its subsidiaries (“Grand Baoxin”, the “Group” or “We”, “Us”). Some of the content relates to China Grand Automotive Services Group Co., Ltd. (“China Grand Automotive”, “CGA”), the controlling shareholder of the Company. This report is issued on an annual basis, covering the period from 1 January 2018 to 31 December 2018.

Basis of Preparation

This report was prepared primarily based on the revised Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Main Board Listing Rules 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 the ESG report, collecting the relevant materials and data, compiling the report according to information and reviewing the information contained in the report.

Scope and Boundary of the Report

The policy documents, statements, and data contained in this report basically cover the Company and its subsidiaries. The data from previous years quoted in this report are final statistics. The financial data in this report are denominated in RMB.

Reliability Assurance

As confirmed by the management, this report was approved by the Board of Directors on 24 July 2019. The Group guarantees that the contents of this report do not contain any false statements, misleading representations or material omissions. We undertake to accept responsibility for the contents of this report as to its authenticity, accuracy and completeness.

Access and Response to the Report

This report is issued in traditional Chinese and English. The electronic versions of this report can be accessed at the website of the Stock Exchange in the headline category “Financial Statements/ESG Information” on the page of Grand Baoxin and at the official website of the Group in the column “Investor Relations”. If you have any queries or suggestions regarding the contents of this report, you are always welcome to share your views through the following channels:

Address:	No.3998, Hongxin Road, Hongqiao Township, Minhang District, Shanghai
Telephone:	+86-21-24032888
Fax:	+86-21-24032900
E-mail:	baoxin@pordahavas.com



Remarks from the Management

The year of 2018 witnessed the transformation of China's economy from high-speed growth to high-quality development and increased downward pressure but generally stable development with progress amid stability. China's GDP for the year exceeded RMB90 trillion, representing an increase of 6.6%. Affected by a multiple of internal and external factors, China's automobile market suffered negative growth for the first time in the recent 30 years with a decrease of 2.8% in the sales volume of automobile and a decrease of 4.1% in the sales volume of passage vehicles.

As a responsible public company, Grand Baoxin and its controlling shareholder China Grand Automotive Services Co., Ltd. (廣匯汽車服務集團股份有限公司) ("CGA") always uphold the social philosophy of achieving both corporate profitability and environmental protection. We are committed to reducing the environmental impact of our business while establishing mutual trust and dependence with all shareholders, customers, employees, suppliers, and non-governmental organizations.

Facing environmental challenges, Grand Baoxin is not only committed to seeking to realize economic value, but also to following and solving major environmental and social issues. Grand Baoxin has integrated the undertaking of social responsibilities into its corporate culture and strategies and has proactively shouldered the related responsibilities, thereby maintaining the vitality of the corporate.

While maintaining sustainable development, Grand Baoxin attaches great importance to the enhancement of happiness of employees and creating a harmonious corporate culture. On one hand, the Group aims to create a pleasant working environment for employees through organizing employee-caring activities in various forms such as team building activities and birthday parties in order to cater to the spiritual and cultural needs of employees, thus enhancing team cohesion and the sense of belonging. On the other hand, the Group has implemented an employee performance appraisal, established a comprehensive talent training mechanism and designed an effective incentive mechanism to provide a career development platform for each talented and competent employee to reach his/her full potential.

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. Grand Baoxin will continue to stick to the "people-oriented" principle to provide healthy, comfortable, green and environmentally-friendly customer service and travel experience and to strengthen the brand recognition of Grand Baoxin amongst our customers.

The Group firmly believes that the best way for a company to achieve long-term healthy development and undertake social responsibilities is to actively seek solutions for the urgent social responsibility issues faced by the industry and field in which it operates. Therefore, Grand Baoxin is dedicated to achieving harmony among company, society and environment, continuously responding to social demands and creating value for charity. Today, Grand Baoxin has integrated its social responsibilities into all of its business operations and into the mind of its employees, which has in return created positive effects for the Group's healthy development.

1. About Grand Baoxin

1.1 About Us

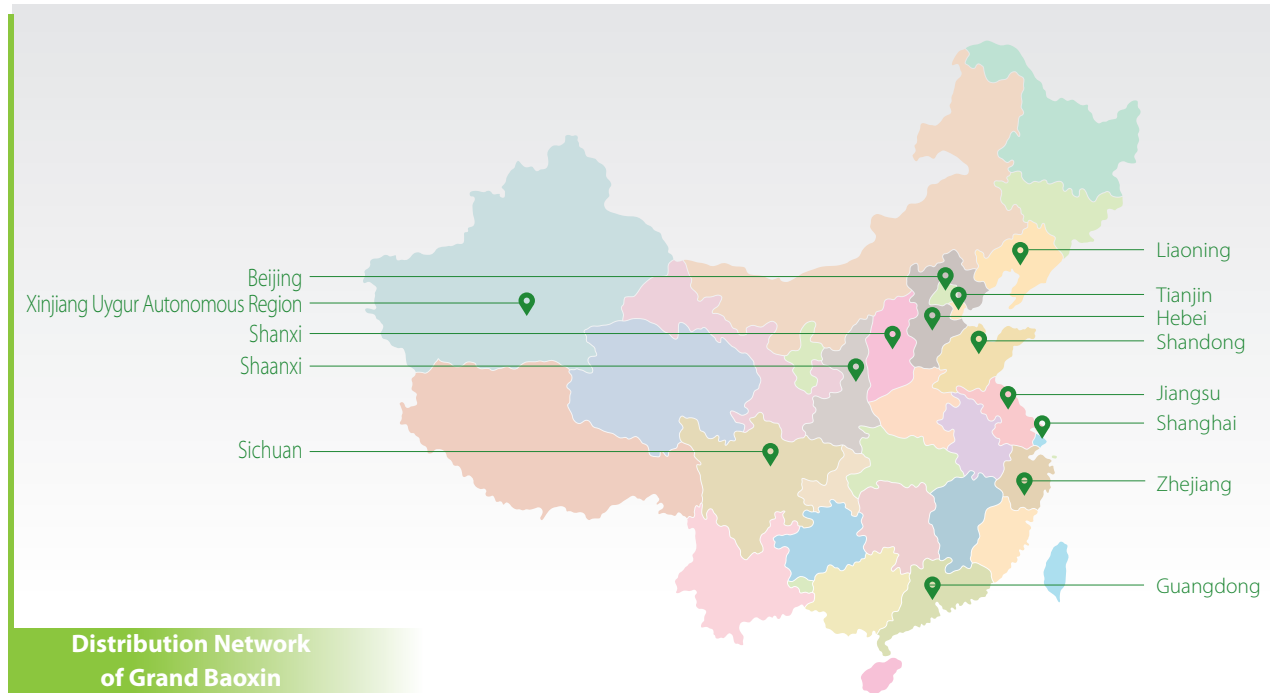
Company Profile

Grand Baoxin is an automobile sales service company 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 endeavours, it was listed successfully on the Main Board of the Hong Kong Stock Exchange on 14 December 2011 with the stock code of 01293.HK. The Group has won a range of honors and awards successively since its establishment 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.

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. We strive to provide a comprehensive range of integrated services, including sales of new automobiles, after-sales maintenance, auto care and decoration services, sales of used automobiles, automobile insurance business, sales of auto parts and other automobile-related services. Meanwhile, the Group takes the needs of our customers as a starting point and focus for providing services in order to achieve the highest level of customer satisfaction. We uphold the core service principle of satisfying the comprehensive needs of our customers, and we capitalize on the integrated operations of the Group to realize the maximum enhancement of its overall comprehensive competitiveness.



As of 31 December 2018, the Group operated a total of 113 stores and owned a diversified portfolio comprising 10 luxury and ultra-luxury automobile brands (namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce and Maserati). Specifically, such stores included 91 luxury and ultra-luxury brand dealership stores, 17 mid- to high-end brand dealership stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores.



Corporate Culture

Corporate Spirit:

Efficient
Persistent
Loyal
Cooperative

Corporate Mission:

Customer-oriented
Excellence Management
Quality Service

Corporate Philosophy:

Trustworthy
Prudent
Excellence

Survival 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

Historical Development

2017

- Changed the Company name and stock short name from “寶信汽車集團有限公司” to “廣匯寶信汽車集團有限公司” formally
- Acquired 6 4S stores and 1 showroom including Porsche, BMW and Maserati respectively in Zhejiang during the first half of 2017
- Placed new Shares pursuant to general mandate

2014

- Ranked No.6 of Top 100 Auto Dealers in China by CADA in May
- Launched on line on Dingxin Financing and Leasing System in January

2012

- Award of Outstanding Contributions to China Auto Dealer Industry awarded by CADA in November
- Signed equity transfer agreement with Shanghai Chenlong on 8 October
- Signed equity transfer agreement with Rui'an Baolong on 8 October
- Signed equity transfer agreement with Yan Jun Auto Co., Limited on 30 August

2018

- Acquired 1 Jaguar & Land Rover store, 3 BMW 4S stores and 1 BMW used automobile store respectively in East China region in the first half of the year, and also upgraded and renovated certain stores in other regions to better capitalize on the Group's strategic advantages and optimize brand distributions in core regions

2016

- CGA Group formally completed the acquisition of the Group
- Completed the acquisition of Sichuan Ganghong

2013

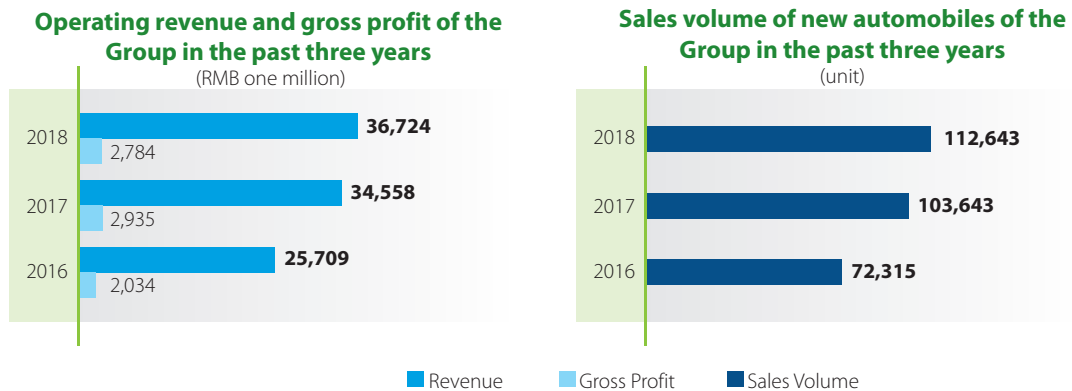
- Baoxin official website for used automobile fully launched in September
- Rank No.7 of Top 100 Auto Dealer in China by CADA in June

2011

- Awarded Top 100 China Auto Dealer Group of the Year
- Successfully listed on the Main Board of the Hong Kong Stock Exchange on 14 December
- Opened the first Jaguar & Land Rover dealership store

Business Performance

The automobile industry was under pressure in 2018 as a result of the changes in economic situation and policy environment. The source of revenue and gross profit of automobile dealers in China has preliminarily completed its structural transformation from sale of new automobiles to after-sales services. The Group's business performance was satisfactory in the financial year 2018 despite the slower growth of sales volume of new automobiles. As of 31 December 2018, the revenue of the Group was approximately RMB36,723.8 million, representing a year-on-year increase of 6.3%; the gross profit was RMB2,784.5 million, representing a decrease of 5.2%. During the reporting period, the total sales volume of new automobiles of the Group was 112,643 units, representing a year-on-year increase of 7.8%. Sales revenue from new automobiles was RMB32,203.4 million, representing a year-on-year increase of 4.8%.



(For disclosure of more information on business performance, please refer to the 2018 Annual Report of Grand Baoxin)

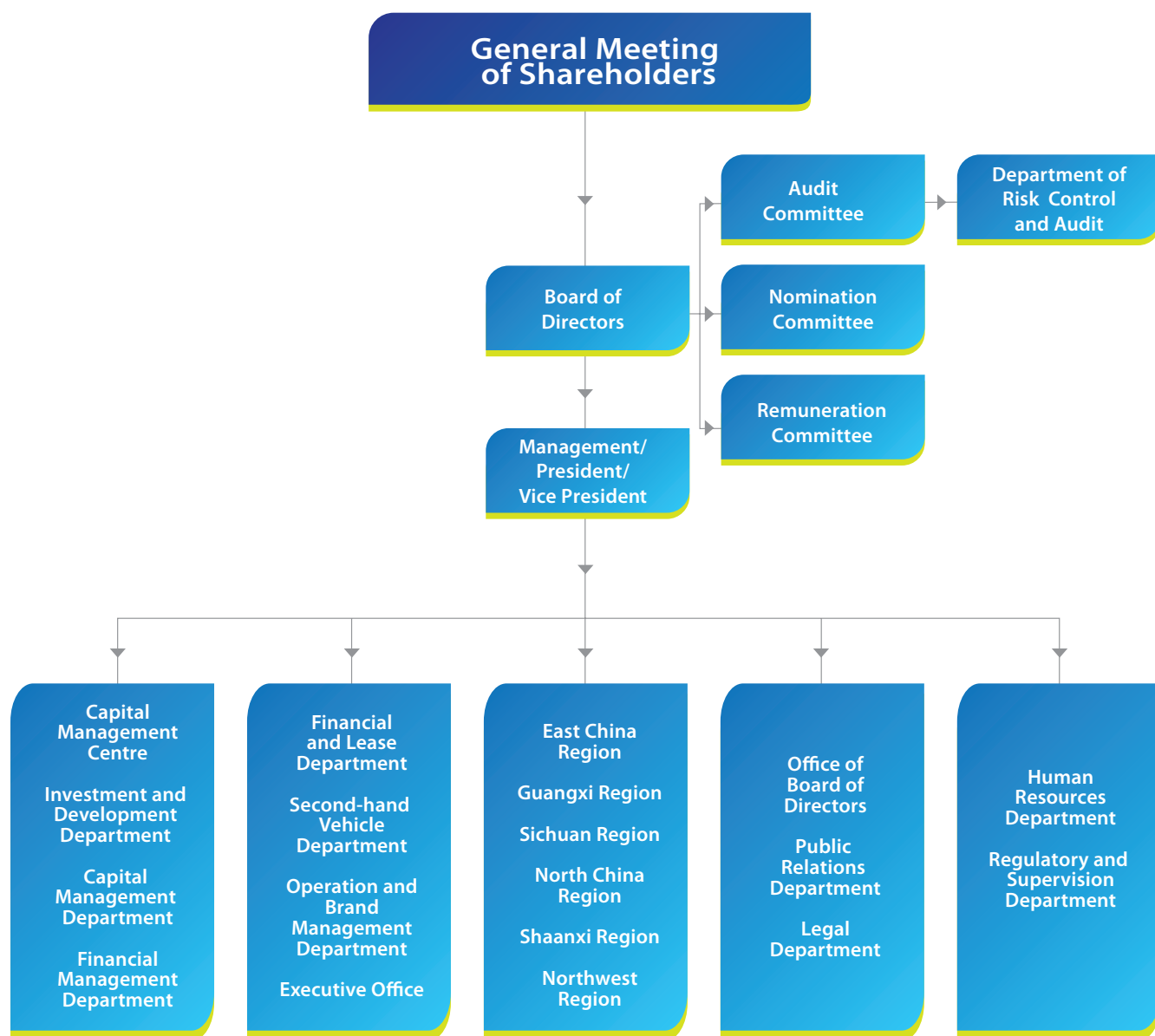
1.2 Corporate Governance

Compliance Governance

The Group is in strict compliance with the requirements under laws and regulations such as the *Company Law of the PRC* and the *Securities Law of the PRC*, and the Group has gradually improved its corporate governance structure and enhanced its comprehensive governance level. Pursuant to the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board continually reviews and supervises the Group's development strategies, appointments of the management, incentive measures and internal governance such as risk management and control.

The Audit Committee, Nomination Committee and Remuneration Committee are established under the Board of Directors of the Group, and the Board coordinates various departments including the Financial Management Department, Investment and Development Department, Legal Department and Human Resource Department through the management. The specific governance structure setting is as follows:





(For disclosure of more information on corporate governance, please refer to the section "Corporate Governance Report" in the 2018 Annual Report of Grand Baoxin)



Risk Management and Control

The Group 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 Group has gradually developed a pre-event, in-progress and post-event three-tier risk management mechanism. According to such mechanism, the business departments conduct risk information collection during the pre-event stage, the functional departments conduct risk assessment, management and control during the in-process stage and the internal audit department is in charge of audit and supervision during the post-event stage. The internal control and self-evaluations have been conducted in all sales stores to promptly identify internal control deficiencies through self-evaluation and carry out pertinent rectifications.

We consider that we must foster the awareness of risk management from corporate management to grass roots employees for a healthy and stable development of the company. During the reporting period, the Group further overhauled the risk management system from three aspects to comprehensively identify and control potential risks, thereby securing the healthy and stable development of our business even in the face of risk.

Establishing a sound corporate management responsibility system

- Establishing a sound corporate responsibility system for each management department to secure the effective implementation of the comprehensive risk management system

Establishing a stringent internal control mechanism

- Regulating the corporate governance structure and rules of procedure, clearly defining the duties and powers of posts regarding areas such as decision-making, execution and supervision
- Strengthening the internal audit functions, ensuring the establishment of an internal audit institution, staff allocation and the independence of audit functions
- Setting up a smooth communication system and enhancing information exchanges between different business segments and stakeholders

Forming a competitive team of talents

- Setting up a competitive mechanism and training mechanism in line with the corporate culture in each department, so as to enable identification of excellent professional talents and ensure the successful implementation of the corporate risk management system in all departments

Probity and Integrity

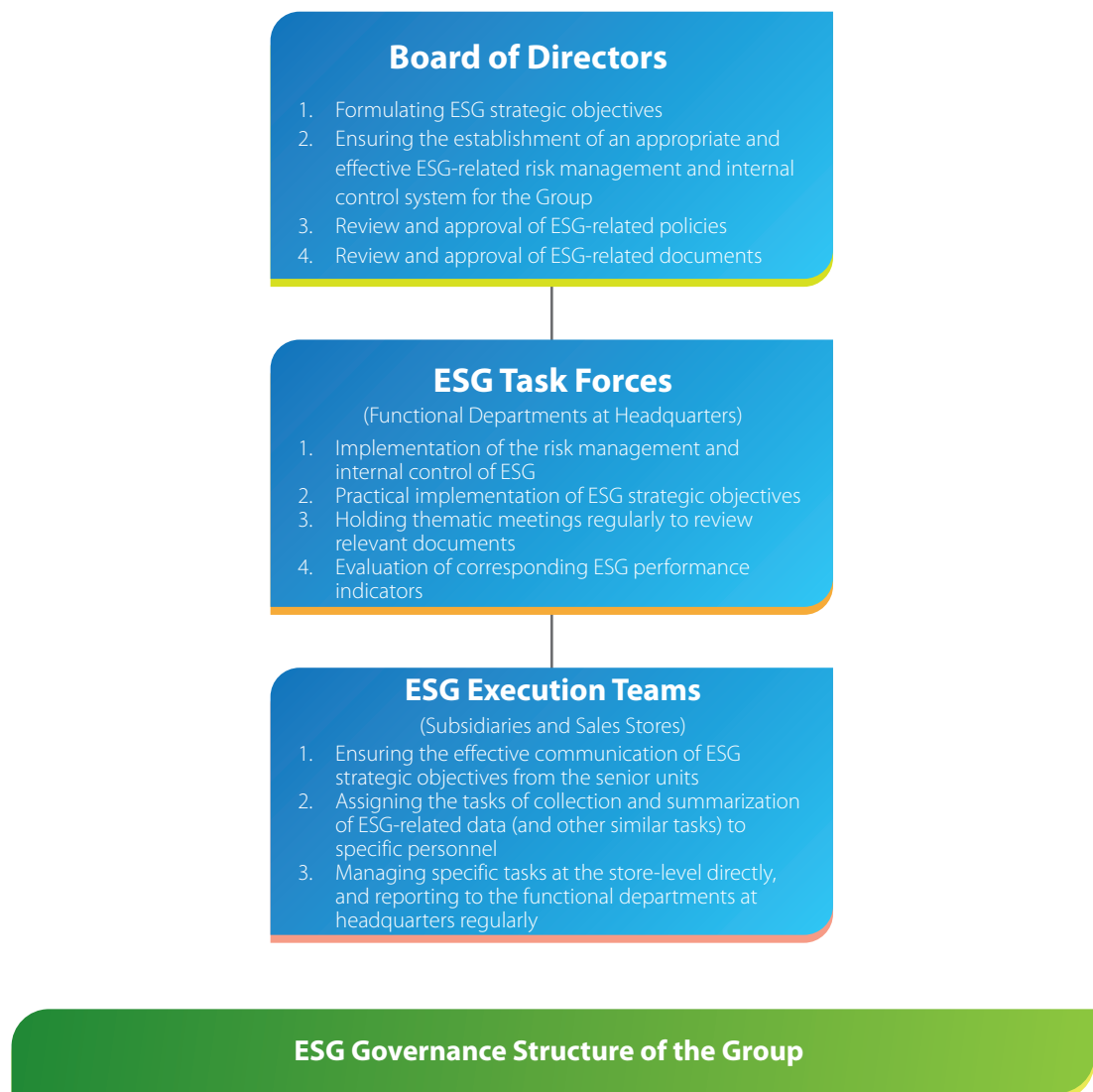
The Group advocates acting in compliance with laws and with integrity and strictly abides by relevant laws and regulations which include the *Anti-unfair Competition Law of the PRC*, the *Anti-monopoly Law of the PRC* and the *Interim Provisions on Banning Commercial Bribery*. The Group puts the institutional system of anti-corruption and promotion of probity into effect, safeguards the legitimate interests of investors and the steady and healthy development of the Group and actively maintains a business environment of honesty, integrity and compliance. During the reporting period, the Group further stepped up its efforts on system innovations to extend the coverage of such system of anti-corruption and promotion of probity, and established a disciplinary mechanism, a prevention mechanism and a security mechanism under which one wouldn't, couldn't and can't easily commit corruption, so as to minimize the barriers and loopholes in the system which may breed corruption.

Meanwhile, we intensified efforts in the promotion and education of anti-corruption and promotion of probity, revamped the execution and supervision system and the accountability mechanism, encouraged employees to report or charge on non-compliances and disciplinary offenses such as extortion and bribery through various reporting channels. Upon receipt of any report, the discipline inspection staff shall make a reply to the whistleblower within five working days. Once the reported items are verified, we will urge relevant departments to take actions against the person subject to the complaints as stipulated, dismiss those who have committed serious offences and take legal actions. If the whistleblower does not receive a prompt reply after reporting through the abovementioned channels, the whistleblower may choose to report to the management of a higher level.

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

1.3 ESG Governance

In order to enhance the competitiveness of an enterprise, the support of a well-established ESG management system is essential. The Group has continued to reinforce the integration of the concept of ESG responsibility into its operating strategies in order to improve its ESG responsibility management system. The Group has set up a multi-tier ESG governance structure, with the Board of Directors as the highest decision-making authority, each of the functional departments at headquarters as the major motivators, and the subsidiaries and sales stores thereunder mainly responsible for implementation. The work responsibilities and missions of each tier are clearly delineated.



1.4 Material Issues Assessment

Stakeholder Engagement

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

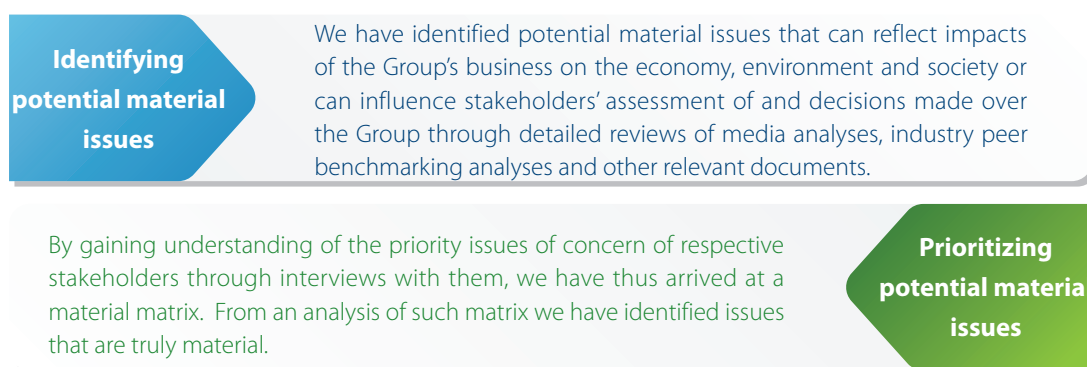
The Group has identified major stakeholders who have decision-making right or influence over us or are in a close relationship with the Group. Our communication with stakeholders allows us to understand what issues concern them, to regularly review the efficiency of measures taken, and to improve the communication channels. The issues that concerned different stakeholder groups during the reporting period are listed below.

Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Investors/ Shareholders	<ul style="list-style-type: none"> Annual reports and announcements of the Company Thematic reports Regular disclosure 	<ul style="list-style-type: none"> Regular/Irregular Regular/Irregular Regular 	<ul style="list-style-type: none"> Gains and returns Legal compliance Information disclosure
Government Departments	<ul style="list-style-type: none"> Regular reports/Interim announcements Correspondences On-site investigation 	<ul style="list-style-type: none"> Regular/Irregular Irregular Regular/Irregular 	<ul style="list-style-type: none"> Consistent implementation of State policies and laws and regulations Promotion of industry development

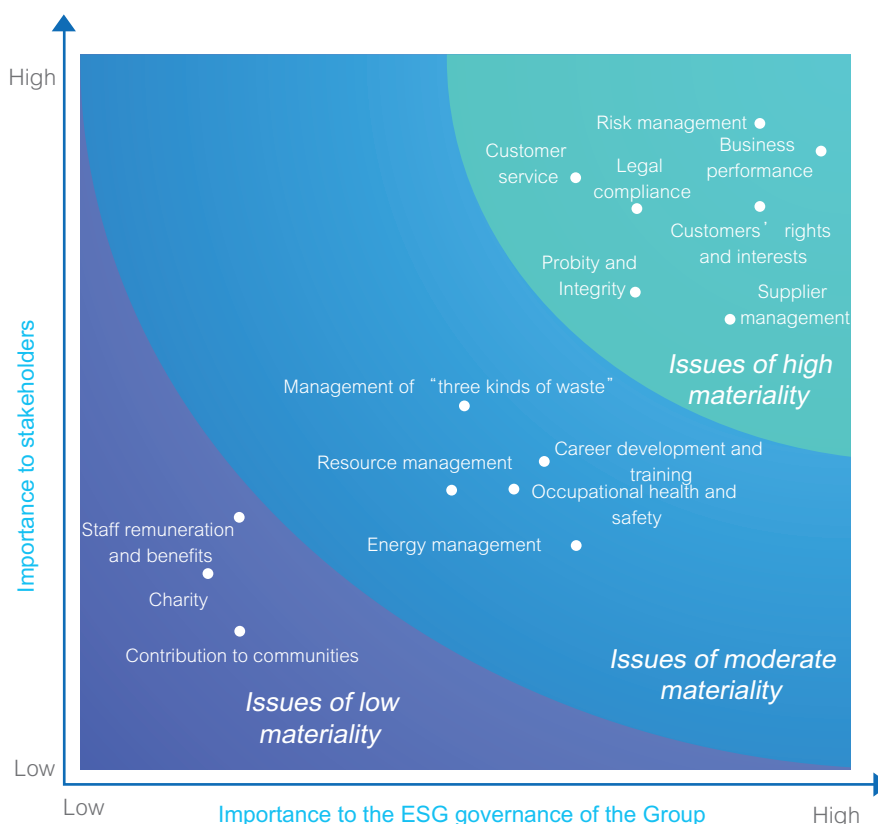
Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Customers	<ul style="list-style-type: none"> Business communication Feedback from customers Exchange and discussion 	<ul style="list-style-type: none"> Irregular Irregular Regular/Irregular 	<ul style="list-style-type: none"> Performance of contracts pursuant to the laws Integrity of operation Quality products and services
Employees	<ul style="list-style-type: none"> General meetings of employees Collective consultation Communication platforms for employees 	<ul style="list-style-type: none"> Regular Irregular Irregular 	<ul style="list-style-type: none"> Employees' interests Occupational health Career development
Local Communities	<ul style="list-style-type: none"> Communal activities Press releases Announcements Interviews and surveys 	<ul style="list-style-type: none"> Irregular Irregular Regular Irregular 	<ul style="list-style-type: none"> Community contribution Impacts of daily operation on neighboring communities Neighboring communities' integration Compliance of environmental regulations
Media	<ul style="list-style-type: none"> Company website Company announcements Interviews and exchange 	<ul style="list-style-type: none"> Irregular Irregular Irregular 	<ul style="list-style-type: none"> Public and transparent information
Cooperative Partners	<ul style="list-style-type: none"> Business communication Feedback information Procurement announcements and notices 	<ul style="list-style-type: none"> Irregular Irregular Regular/Irregular 	<ul style="list-style-type: none"> Stringent management Procurement process Performance of agreements pursuant to contracts

Materiality Matrix

In order to identify the material risks and opportunities regarding the Group's sustainable development, the Group adjusts annually its material issues in accordance with the requirements as stated in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and with reference to recommendations made by the Group's management, advice provided by internal and external stakeholders, analyses of media information and benchmarking results of domestic and overseas industry peers.



From the above assessment process, the Group has identified 7 ESG issues of high materiality, 5 ESG issues of moderate materiality and 3 ESG issues of low materiality. Among them, the most material issues constitute the key part of this report. We will disclose in details of such content in this report.



Materiality Issues Matrix

1.5 Honours Received by the Company

While striving to create economic benefits, the Group is committed to assuming the corresponding social responsibilities, being an exemplary citizen of society, and winning society's respect. Keeping in line with our own operation and development, we have continued to improve management in respect of employee development, risk management and control and other areas, strengthen the Company's governance, and assist in the steady growth of the automobile dealer industry. These endeavors have earned us recognition from all walks of life.

Some of the honorary titles and awards the Group received successively since its establishment include:

- "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"
- "Five-Star Enterprise of Trustworthy Service"
- The honorary title of "Famous Automobile Sales Enterprise"
- The honorary title of "Famous Brand in Shanghai"
- "Annual Compassion Award for Poverty Alleviation" ("Colorful childhood" Large-scale Charitable Activity)
- "2018 Public Welfare Practice Award" ("Colorful childhood" Large-scale Charitable Activity)

2. Professionalism and Quality Services

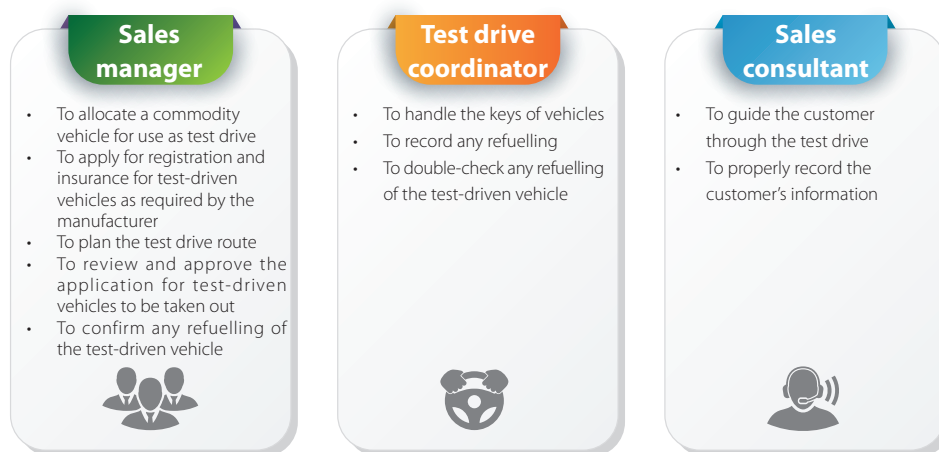
Since its founding, Grand Baoxin has stood by its brand principle of being “excellent, unique and professional” as well as its service philosophy of being “professional, efficient, transparent and caring”. It is committed to establishing a comprehensive, integrated and quality service system with customers as its core. It strives to understand what customers need, act in customers’ best interests, fully protect their interests and settle for nothing less than their satisfaction, in order to achieve continuing corporate development through ever-improving services.

2.1 Dedicated Services

As an automobile sales service group, the Group provides pre- and after-sales services and derivative services, including sales of new automobiles, sales of used automobiles, after-sales repair and maintenance, automobile insurance business and sales of auto parts. We establish and continue to improve our customer service standard system, create a file for each customer and provide professional, dedicated and stable services to customers throughout the lifecycle of automobile sales services.

Pre-sales Services

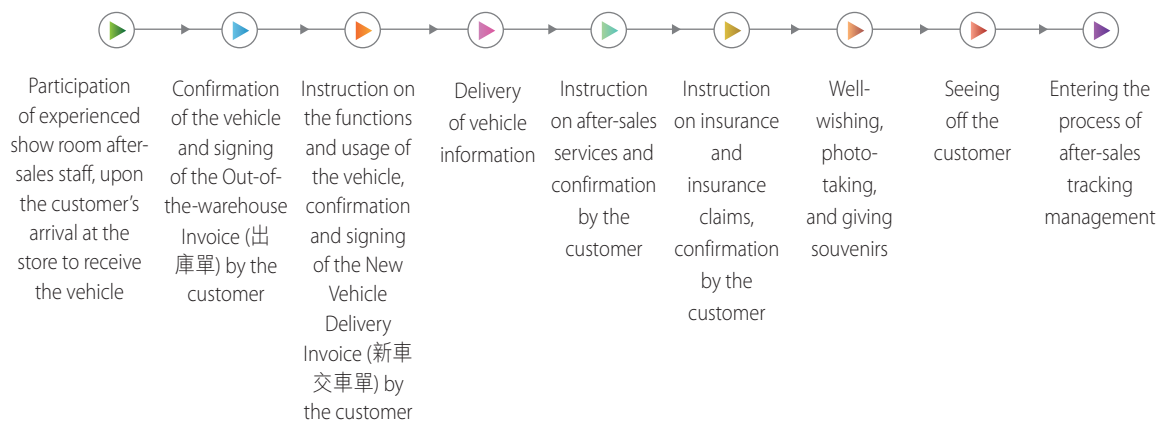
Pre-sales services provide an important opportunity for us to face customers, interact with them and establish mutual trust with them. During the reporting period, based on the *Sales Operation Manual* generally referred to by everyone within the Group, we have provided our employees with detailed instructions on pre-sales services, such as receiving customer calls, introducing oneself and our products, test drive, receiving orders and entering into contracts as well as car delivery. Customer expectations, purpose of service, standard operation process and key matters in relation to each service item are clearly detailed in the manual.



Division of responsibilities during a test drive

Receiving customers calls and visits are “crucial moments” for our stores and salespeople to leave a positive impression on our customers. Therefore, we strictly require our frontline receptionists and salespeople to adhere to our dress codes and reception etiquette. We also seek to develop the customer information management ability of salespeople and require them to manifest their respect and care towards customers in order to create good interaction with customers. On the basis of such good interaction, we require our salespeople to carry out precise analysis of customer demand, provide customers with accurate and reliable historical information, and let customers take part in, experience and feel our products. As an extension of the product introduction, a test drive can effectively strengthen and augment customer experiences. As a result, we have delineated in details the responsibilities each employee should bear during a test drive, created a *Registration Form for Test Drives* that entails accountability, invited customers to sign a *Test Drive Agreement* and a *Test Drive Feedback Form* to ensure a safe, comfortable and enjoyable experience for each customer during a test drive.

As to customers who have made a purchase, we attach great importance to the processes of receiving orders from and delivering cars to customers and take proactive measures to manage, control and prevent potential risks. According to our rules, a purchase order/agreement, after being completed and signed by a sales consultant, must be reviewed and verified level-by-level by the sales manager, sales supervisor and showroom manager. In order to ensure the fairness and transparency of auto sales, the sales prices of all vehicles must be approved level-by-level in accordance with the relevant price control rules. Each item price set out in a purchase agreement is reviewed separately by financial personnel according to the sales management’s approvals and signatures. When the verification process is completed, a receipt is issued and given to the customer by the financial personnel in person, and any involvement of the sales consultant during the process is prohibited. As part of our derivative service support and relying on the financial risk control platform of China Grand Automotive, we have launched various innovative automobile financial products (with a focus on customers’ capital cycle) to conduct more effective pre-lending risk review, risk management during the lending process and post-lending risk control and thus provide further guarantees to potential customers. Car delivery is an important part linked to after-sales services. As such, we have established a car delivery process in which every step must be followed strictly, responsibilities are clearly divided and our care towards customers is manifested. Such a process ensures that customers witness the reliability, trustworthiness and helpfulness of the auto sales services of Grand Baoxin.



The car delivery process of Grand Baoxin

For a long time, we have integrated customers’ characters and potential demands into the entire auto pre-sales service process and have thus built up gradually over time Grand Baoxin’s brand image of reliability.

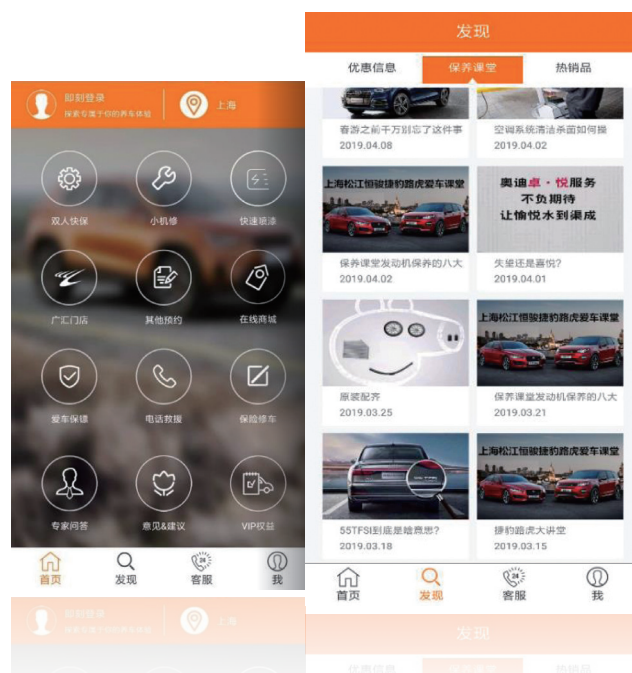
After-sales Services

We undertake wholeheartedly to provide existing customers with quality and professional after-sales services, continue to explore the direction towards which the auto industry's value chain is extending, expand the boundary of our services, further implement and innovate our services, and strive to help customers to maximize their values.

As of 31 December 2018, we have ensured that most of our 4S dealership stores are installed with comprehensive auto repair equipment and are able to provide various on-site repair services including post-accident vehicle body repair. Meanwhile, we have also added to our scope of services customers' demands for auto decoration, providing them with highly bespoke decoration services. Through centralized procurement and allocation of auto products for each region, we have increased the operating efficiency of our supply chain and stores, and ensured that customers can make one-stop purchases of auto spare parts and other auto-related products at each of our 4S dealership store.

During the reporting period, we continued to improve the "Hui Yang Che (匯養車)" mobile app jointly developed by us and China Grand Automotive. Such app has been organically fused with on- and off-line resources to form an after-sales service profile that is diverse, distinctive and customized. Through the "Hui Yang Che" platform, customers can make appointments online for auto maintenance, spray painting, repair and other services, obtain business information and reviews of each of our 4S dealership stores, and call for help or other supportive services (such as auto repair covered by insurance) in an emergency. We regard the platform as an opportunity for fully engaging with our customers. We have introduced additional services into the platform, including expert forums, maintenance lessons, 24-hour customer service and VIP benefits, in order to increase customers' loyalty and forge long-term relationships with them.

Through its dedicated pre- and after-sales service system, Grand Baoxin has created its standard of quality services and won over groups of loyal customers, and continued to attract new customers as well, thereby promoting the healthy and continuous development of its overall business.



The user interface of the "Hui Yang Che" App

2.2 Rights and Interests Protection

Full protection of customer rights and interests has been the foundation of Grand Baoxin's operations to date. We always give top priority to customer rights and interests, widely listen to customer feedback and make improvement, strictly safeguard and continue to enhance customer privacy, and strive to maintain customer satisfaction at an optimal level.

Management of Customer Feedback

We put great emphasis on feedback from customers on our products and services, and regard them as important reference for process inspection and testing as well as internal assessment. We formulate *Customer Complaint Management*, *Customer Satisfaction Management* and other institutional documents, require all staff within the Group to arrange and respond to customer feedback and complaints in a standardized, prompt and accurate manner, and manipulate the key factors affecting customer satisfaction to raise the level of confidence among customers.

With regard to customer complaints, we set classifications for customer complaints, open up diversified customer complaint channels, establish a sound customer complaint handling process, and promptly conduct evaluation, conclusion and analysis on the results of complaint handling. Based on the level of severity of complaints, we classify customer complaints into general complaints, advanced complaints, major complaints and crisis complaints, and adopt relevant handling methods according to the types of complaints. During the complaint handling process, our principle mechanism for complaint handling plays a main guiding role.



After receipt of complaint messages from customers conveyed through incoming calls, suggestion boxes, stores, after-sales interviews, customer service hotlines at all levels (headquarters, regions and manufacturers) and other means, we require the persons-in-charge from business departments to act as the first responsible unit and a handling party to handle complaints in accordance with the prescribed process, time limit and requirements, tackle and respond to customer demands, and submit the feedback of handling results to the customer service department. The customer service department, being the second responsible unit, is responsible for supervising the complaint handling status of each department, reporting and identifying duties for unsolved overdue complaints and problems arising from handling complaints, and identifying room for improvement by the use of key indicators for a closed-loop process. In daily operation, we set up the customer complaint week, monthly meeting mechanism and early warning mechanism, analyze the subject, reasons and targets of complaints, assess the complaint handling status, improve details and level of services so as to enhance relationship with long term customers.

During the reporting period, we enforced comprehensive and integrated management over customer satisfaction. We required each of the 4S dealership stores to set objectives for annual satisfaction management based on the business policy on satisfaction of major manufacturers. The objectives shall be disclosed to functional departments and designated executive personnel, the implementation procedure of which will serve as the basis for reward and punishment in relation to staff performance. Each of the department managers, being the main responsible persons for customer satisfaction management, undertakes the mission of progress control and quality control and keeps surveillance over key activity progress, work coordination, duties and responsibilities, staffing and related trainings.



Procedure for internal control of management work on customer satisfaction

We understood and recorded general customer satisfaction through measures such as telephone interviews, face-to-face interviews in stores and third party unannounced visits, conducted professional questionnaire on customer satisfaction, and identified key issues for improvement of customer satisfaction at all company levels. The customer service department, being a major department that we focus on, is responsible for convening weekly and monthly satisfaction meetings with each store and department to achieve comprehensive communication on results of and feedback from internal investigation.

Protection of Customer Privacy

Customer privacy protection is our top priority regarding the protection of customer rights and interests. In strict compliance with relevant requirements of the *Law of the PRC on the Protection of Consumer Rights and Interests*, we have implemented a strict confidential system for customer privacy. We signed a *Declaration on the Protection of Customer's Personal Information* with customers and affixed with company seal for assurance, and based on legal, proper and necessary information collection principles, we identified the purpose, manner and scope of information collection and obtained consent from customers before collecting and using their information.

We formulated and implemented the Notice on Confidentiality and Security Management of Customer Information in the CRM System, which set rules on the limit of authority in approving application for exporting customer data by all of the 4S stores, related business lines of regions and headquarters.



Procedure for approving application of exporting customer data

Based on the CRM system, we may give early warnings and take records on unusual events each time we export data so as to realize the goal of traceable responsibility. We adopt a human resources system for personnel confidentiality. Key positions concerning data application are required to sign *Post Confidentiality Agreement* to prevent leakage of key data. In the transition process prior to departure, we require the departing staff of such position concerning data application to ensure normal flow of all business data that he/she is responsible for, and his/her senior shall verify and confirm the status of exporting data by such staff. Multiple authority levels provide high level of protection to customer privacy and safeguard the good reputation of Grand Baoxin as an automobile dealership brand.



3. Selecting Staff on a Merit Basis and Guiding Employees' Growth

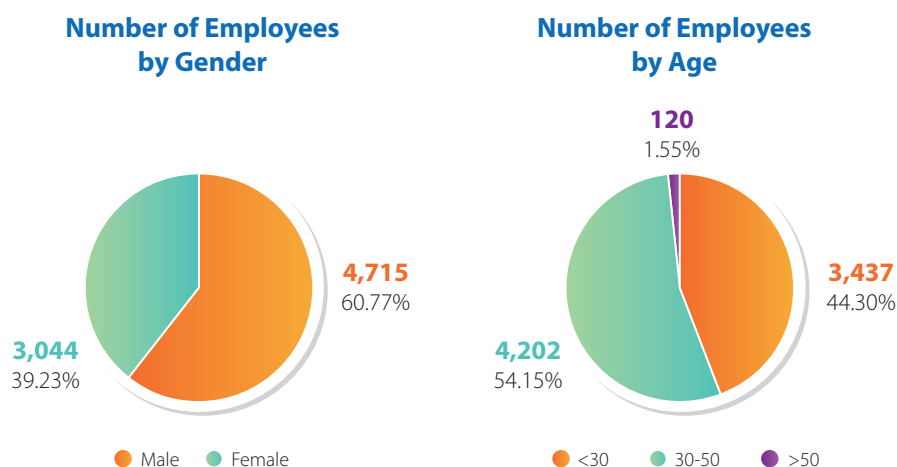
Every step that Grand Baoxin takes forwards cannot be achieved without the solid road paved by talents. As we believe that talents are irreplaceable to the sustainable development of enterprises, at all time we adhere to the concept of "respect talents, care for talents and value talents", fully safeguard the legitimate interests of employees, build a harmonious working atmosphere, offer employees with promotion and development opportunities, optimize the employee incentive mechanism and facilitate employees to pursue and realize their own values, so as to gather talents industry-wide, achieve strong growth and enjoy competitive advantages in the layout of the national automobile sales industry.

3.1 Employment Overview

The Company has strictly complied with national and local laws and regulations, including the *Labor Law of the PRC*, the *Employment Contract Law of the PRC*, the *Law on Protection of Women's Interests of the PRC* and the *Regulations of Labor Insurance and Supervision*, and prepared the Employees' Handbook accordingly as a guiding internal policy, enforcing systematic and standardized management on issues such as staff recruitment, employment and termination, the promotion mechanism, code of conduct, performance appraisal, remuneration and welfare systems, safety management, training and development as well as diversification and anti-discrimination, and highly specifying the obligations and legitimate interests of both the Company and employees.

We insist on stringently preventing child labour, forced labour and any other unlawful behaviour in relation to labour use, and formulate countermeasures accordingly. We advocate recruitment suitability and employment diversification with the aim of seeking the most appropriate talents capable to perform on respective job positions, undertake to treat candidates and employees of different genders, ages, ethnic groups or culture, marital status, family backgrounds or religious beliefs equally, and create an equal, inclusive, friendly, harmonious corporate culture and working atmosphere, so as to facilitate Grand Baoxin to become a trustworthy and attractive workplace for talents.

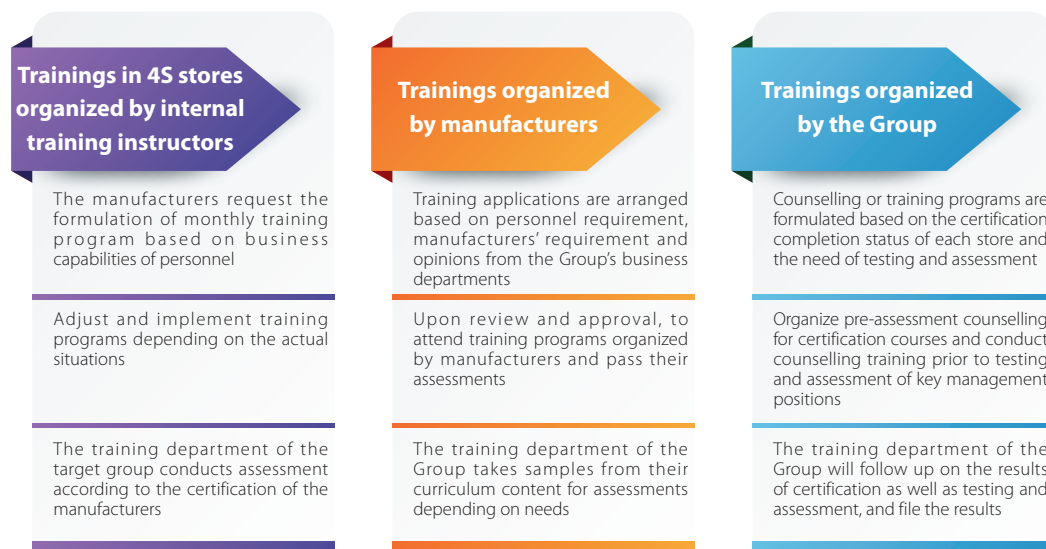
As of 31 December 2018, we had a total number of 7,759 full time employees. The breakdown of staff by gender, by age and by employment type was as follows:



3.2 Talent Cultivation

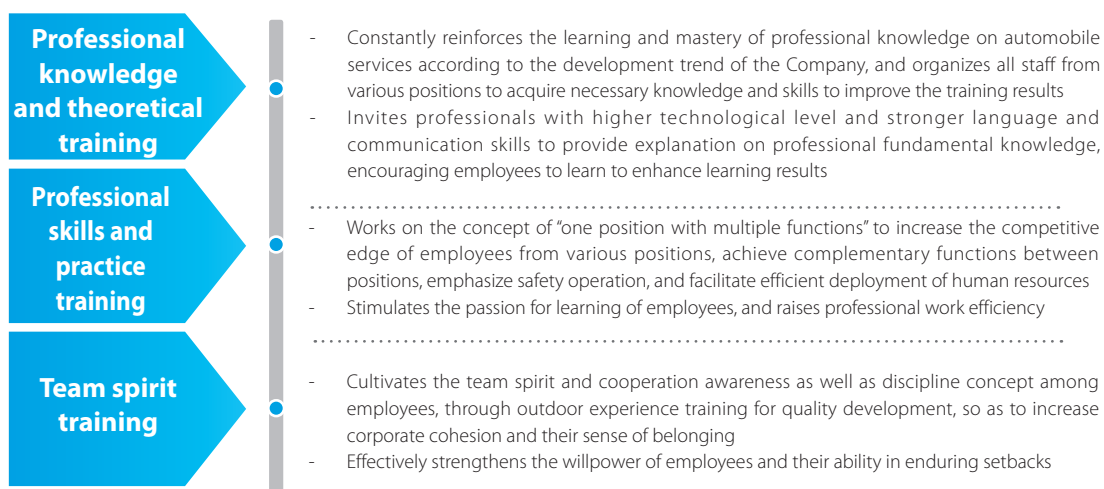
Talent reserve is the core competitiveness of the Group, and an internal driving force that paves way for our long-term development. We cultivate each and every employee with an open and rigorous attitude, so that they can continue to improve their general quality, business skills and professional levels, and become an exceptional talent in the automobile sales service industry. To this end, we practice all-rounded staff training and continuing education, and the forms of training include induction training, occupational training, special training, two-way communication and external study tour. The trainings will, through credit-based method, serve as key bases for talent management tasks such as employee performance appraisal, salary adjustment, promotion opportunities and renewal of labor contracts.

Every year we regularly conduct on-the-job training, regular fundamental training and skill enhancement training, and nurture talents step-by-step through three-stage advanced training. Induction training mainly helps new staff understand company particulars and job responsibilities, so as to allow them to more quickly adapt to the company. Regular fundamental training involves factory training, internal training in 4S stores, group certification training and group testing and appraisal training, targeted at frontline sale staff, frontline after-sale staff and key management positions. Skill enhancement training covers two sets of training systems which target at management members and reserve management personnel, respectively, and teach the required professional knowledge and management skills for different management positions. For each kind of training project, we have established a designated management system clearly specifying the training process and curriculum details in order to ensure smooth completion of training projects.



Arrangement for regular fundamental training program process

During the reporting period, we introduced the “Staff Training Program for Raising General Qualities of Employees”, with a focus on three aspects, namely professional knowledge and theoretical training, professional skills and practice training and team spirit training, in order to comprehensively strengthen the overall quality, sense of mission and sense of belonging of employees, thereby further enhancing the competitiveness of the company.



Details of the “Staff Training Program for Raising General Qualities of Employees”

3.3 Development Incentives

The Group firmly believes in the importance of an incentive mechanism for the growth of employees and continues to work on it. We provide a competitive compensation package and welfare benefits, create a clear career promotion path and flexible job transfer opportunities to enable every single employee to fully tap their potential and realize their career value.

Compensation and Welfare

Salaries and welfare are a direct reflection of work values acquired by employees. We have established a comprehensive compensation and welfare system covering four aspects including wages, bonuses, benefits, and share options incentives, and set clear evaluation indicators for each compensation to ensure equal, fair and transparent compensation payment and to reflect market requirements, differences in positions, interest sharing, more pay for more work and other key principles.

Within the existing frameworks, we apply flexible compensation adjustment mechanisms which are classified as positive adjustments and negative adjustments and involve salary adjustment methods with no conflict of interest, such as salary adjustment after probation, salary adjustment upon appointment, special salary adjustment and comprehensive salary adjustment. On one hand, it can fully activate the enthusiasm of employees, and on the other hand, it can give warning to employees for their work mistakes and other problems. Meanwhile, we advocate equal pay for equal work, and guarantee equal pay and benefits for both female staff and male staff, thus encouraging female employees to give full play to their talent in their own job positions and perform an important pivotal role.

We fully protect employee welfare and have five insurance plans and one housing provident fund in place, as well as annual leaves, sick leaves and various special holidays. At the same time, we offer reasonable welfare benefits including subsidies for festive days, transportation and communication allowances, etc., and provide diversified welfare benefits based on the age of employees, length of service and their value to the Company.

Promotion Mechanism

The corporate operational strategies and the development needs of the employees are interconnected. Only when there is a guarantee of a smooth and promising promotion path for the employees, it will be able to unleash the working potential of every employee and enormously drive the development of Grand Baoxin. Based on the policies of promotion and transfer of positions established internally, we create different job positions and grades according to the nature of duties of positions and set a standard proportion for grade promotions in order to offer fair promotion opportunities for all employees and encourage reasonable internal transfer of talents.

During the reporting period, we formulated the "2018 Performance Evaluation and Competency Assessment Scheme" based on the *Performance Evaluation and Competency Assessment Management System*. With the systematic performance evaluation and the understanding of individual objectives, we adopted a quantified and scientific approach to the positioning and work requirement of the employees to assist them in the analysis of their self-development and condition improvement. We require the managers to conduct irregular face-to-face meetings with the employees to help them identify their strengths and weaknesses and hence stimulate an enhancement of performance and overall qualities. We also focus on providing career development plans to employees with excellent performance in carrying out their duties and enormous potential so as to nurture them to become the future core and cadres of the company. It increases their self-value and also makes a valuable contribution to the development of the company.

3.4 Health and Safety

Ensuring the health and safety of our employees is given top priority by the Group for corporate development. We comply 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*. We devised an occupational health and safety management system at the Group level, improved the standards of safety production and strengthened the health inspection mechanism to minimise the health and safety risk of our employees.

Safety Management

We adhered to the principle of “safety first and prevention foremost”, formulated the *Safety Management System* and introduced detailed regulations on the duties and matters regarding safety management including important measures such as safety education and training, safety supervision and inspection, safety troubleshooting, management of hazardous operations, safety incident reporting, emergency rescue and treatment.



Safety Management Measures of Grand Baoxin

We have required our employees to receive training in safety production techniques and fire safety knowledge. The results of the trainings tests will be archived into the employee folders as a reference for future selection and appointment for the management departments. After completing the whole training, the employees will be equipped with safety production knowledge and operation methods, through which incidents can be largely prevented and their problem-solving ability can be greatly enhanced and hence the probability of the occurrence of work-injuries can be minimized. Meanwhile, special operators must be “certificated before employment” in order to eliminate the risks arising from safety production.

During the reporting period, we established a safety troubleshooting programme, striving to eliminate different potential safety hazards in four aspects including promotion, organizational structure, overcoming difficulties and implementation of works.



Safety Troubleshooting Programme of Grand Baoxin

During the reporting period, the Group did not encounter any incidents of work-related injuries or deaths.

Health Management

Health management for the employees is our fundamental and long-term duty. We have formulated constitutional documents such as the *Administrative Measures on Preventive Measures of Occupational Diseases* and the *Administrative Measures on Labour Protection Appliances* in order to set up a management system of occupational health. Depending on the work nature of the position, we have categorized factors such as labour protection appliances for employees exposed to dust and noise, work hours and labour intensity as important aspects of health management and have implemented mitigating measures correspondingly. In addition, we played an active role in organizing cultural and sport activities to promote the physical and mental wellness of the employees through which the stress of our employees can be relieved and their physical fitness and sense of happiness can be enhanced in order to attain the objective of long-term health management of our employees.

3.5 Care and Support

Communication with Employees

We attach great importance to the demands of our employees and regard the opinions and suggestions of the employees as an indispensable guidance for the development of the company. We have opened up bilateral communication channels internally, through which our employees may have open and effective communications with the management through face-to-face interviews, work meetings and emails. In addition, we have set up a specific complaint channel and a response platform to encourage employees to offer constructive comments and hence actively carry out measures based on the feedback of the employees and make prompt disclosure to create a friendly, fair and harmonious working atmosphere and strengthen the sense of ownership among the employees regarding the management and operation of the company.

Care and Love for Employees

We strongly believe that the sense of belonging to the company can only be earned when the employees experience the warmth of the company. Therefore, we have formed Grand Mutual Aid Association (匯愛互助會) with China Grand Automotive, a controlling shareholder, to muster forces of different parties and build a platform for mutual support to extend the most practical and reliable aid to current employees and their immediate family. Since the formal establishment of the Grand Mutual Aid Association in 2017, different branches have been set up in 10 regions throughout the country successively, striving to provide immediate financial support to employees suffering from major diseases or facing financial difficulties in the family and difficulties in schooling for children due to emergencies and forging a close bond between the employees with a bridge built by love, solidarity and mutual help.

4. Cooperating with Partners and Creating a Value Ecosystem

Grand Baoxin strives to establish a long-term open partnership of mutual trust with the upstream and downstream of the supply chain and jointly construct a promising and “win-win” valued industry development landscape. We regard suppliers as key strategic partners, optimizing the supply chain management thoroughly, creating an ecosystem of the value chain, and continuing to improve the important aspects such as procedures, platform and mode of collaboration.

4.1 Supplier Management

Procurement management is the first step of constructing a value chain, and the quality of the value chain and the overall competitiveness depend on the selection of suppliers. Therefore, we aim at the future, are oriented towards the selection of suppliers and have applied ‘quality first, price first and efficiency first’ as a guiding principle, to formulate a comprehensive procurement management system and procurement process, as well as to guarantee that the procurement management process is carried out in an orderly, healthy, transparent and efficient manner.

During the reporting period, we adopted three forms to purchase decoration materials and components, namely centralized procurement, procurement from original factories and self-procurement by sales stores. Among them, centralized procurement is the major form of purchasing. Relying on documents of the system such as the *Centralized Procurement Process Handbook* (《集採流程手冊》) and the *Component Parts Procurement Business Management Handbook* (《零配件採購業務管理手冊》) with the combination of the ERP system (ERP) and SRM system (SRM), the centralized procurement center carries out centralized, regularized and systemized procurement, and also integrates and monitors the procurement resources. The procurement interior segments have a completed and refined organizational structure to fully support strategic planning, procurement strategies, target procurement tracking, after-sale complaint management of procurement, procurement mission coordination and procurement cost auditing.

During the reporting period, we made further adjustments to our supplier option, according to which the selection of suppliers will be centrally carried out by the department of centralized procurement and the recommendation for selection (including ESG considerations) will be provided by the relevant departments such as the Technical Department so as to guarantee that the supplier selection is carried out using a standardized and scientific approach and promote a procurement platform of fairness, integrity and probity. In the specific execution of the supplier with approval, independent applicants or the invited supplier should fill in the *Investigation Form of Supplier* (《供應商調查表》) and provide the certificate of qualification. Then, the procurement auditor will verify its authenticity and the supplier passing the review will become a potential supplier. The Auto-parts Procurement Manager will sort out the preferred supplier to engage in the trial procurement. We set up a procurement management committee, which is comprised of senior management from the Operation Department, the Centralized Procurement Department and the Legal Department, and is responsible for the review and approval of supplier admission. In the light of the separated roles of qualification auditor, the procurement business executive and auditor, and as the overall approval audit process is well-established, we have sufficient measures to prevent unfair and fraudulent behavior in the procurement process.



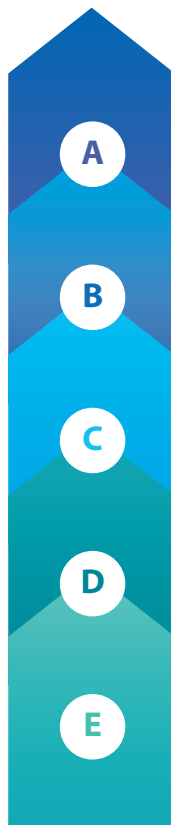
Process of the trial engagement of suppliers

4.2 Value Cooperation

Grand Baoxin always links the value creation of corporates and suppliers together. Besides creating business opportunities for suppliers, we have also established a development platform with suppliers in order to foster industrial synergies and create win-win opportunities.

We compile and regularly update the *Supplier Handbook* at corporate level to provide the suppliers with specifications of key information of cooperation including business preparation, daily business operation, deepening of synergy and standards of business ethics. When cooperation with new suppliers is established, the manager of auto-parts procurement is required to provide them with the Handbook, obtain a signature thereafter, and also offer training in relation to on the contents of the Handbook so as to ensure that the new suppliers have a system basis to rely on during the cooperation and can promptly seek solutions when they encounter cooperation-related problems. We have developed an integrated management approach which has incorporated procurement centers, stores and suppliers through the SRM system. We arrange a SRM system operation training course for the suppliers to join, create a file for each supplier, maintain and update the information of suppliers on a daily basis and continually improve the management efficiency and ability of the suppliers.

During the reporting period, we continued to refine the Supplier Performance Evaluation System. The evaluation results are applied to the supplier grading management and used for supporting, training, improving and enhancing suppliers. We have introduced a precarious and adjustment mechanism in the supplier assessment process. The procurement assessment team will perform a comprehensive evaluation based on a range of indicators including performance, quality and service levels of suppliers, compliance situation and certification of the system of environment. The person in charge of procurement will review disposal opinions and make corresponding adjustments to the limitations of the authority of the suppliers. Currently, we have divided the authority of suppliers into five grades: Strategic (grade A), Excellent (grade B), Qualified (grade C), Precarious (grade D) and Unqualified (grade E). The Precarious suppliers which are below the qualifying level are required to adopt corrective measures within the period given. The Unqualified suppliers with poor rectification after three months will be disqualified from cooperation. We carry out an assessment of the suppliers at least once a year and an irregular project assessment according to the progress of the projects. In order to ensure the grades of the suppliers are fairly given, we have established a set of detailed and supervised supplier assessment control procedures and adopted a multi-level review approach for the assessment results.



Strategic Partnership (score: 90-100)

- Assessment: with relatively greater contribution to Grand Baoxin
- Measures: to establish a stable, long-term strategic partnership of mutual trust with it

Excellent Supplier (score: 80-89)

- Assessment: with stable performance and competitive products
- Measures: to make it the supplier of choice for upcoming new products, and give it priority for considering to develop into a long-term supplier

Qualified Supplier (score: 70-79)

- Assessment: with quality products and efficient service
- Measures: to promote it to become an Excellent Supplier according to its assessment results and its intent

Precarious Supplier (score: 60-69)

- Assessment: with problematic performance, quality and service
- Measures: to recall defective products, reduce the scope of supply and increase limitations on regional authorization of those with operational and service problems

Unqualified Supplier (score: below 60)

- Assessment: with poor rectification for three consecutive months
- Measures: to activate the exit mechanism and terminate cooperation with it

Supplier Grading Management Mechanism

We emphasize the importance of business communications and regular communications with suppliers. In business communications, the procurement center will send push notifications of official information targeting the suppliers via our official email account and SRM information release platform, including supplier management policies, supplier meetings, store announcements, etc. The whole push notifications procedure is a multi-step procedure which has to go through processes including the setting of the releasing scope, application for release, review and written confirmation, and afterwards release by a dedicated personnel in order to regulate the uniformity of contents and timeliness of the release of messages. Moreover, in regular communications, we require the brand managers to carry on conversations with suppliers regularly and invite suppliers to advise on product positioning and sales strategies. Meanwhile, we actively promote the substantiated development of the suppliers and offer them training opportunities and on-site support. Through each and every cooperation and communication, we have created a reciprocal value ecosystem mutually with the key suppliers and hence fostered and facilitated the development of the entire industry.



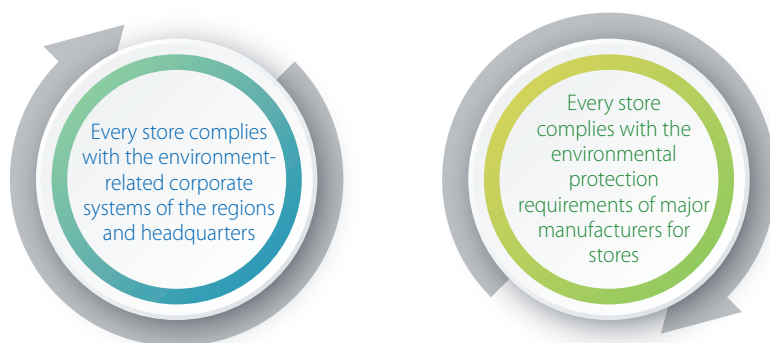
5. Pursuing Perfection and Excellence and Helping to Promote Green Development

Grand Baoxin has been continuously and deeply exploring new models of green and environmental protection management, and integrating the concept of green and environmental protection into the operation and development of the Company through mechanism building, system supervision and result assessment, in order to establish a closed-loop green and environmental protection system for auto sales and after-sales services, and set a model in the industry with higher standards.

5.1 Environmental Management

The Group attaches great importance to the fulfilment of corporate environmental protection responsibilities in the course of operation to implement the sustainable development concept. We strictly comply with the *Environmental Protection Law of the PRC*, and set up relevant policies and management measures for environmental management, actively implement specific measures for improving environmental management, as well as widely promote the energy saving and environmental protection concepts.

We adhere to low carbon development and the reduction of pollutant emissions, and have strictly implemented a binary management system, 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 for stores. Numerous stores of the Group have already obtained certifications for the ISO 9001 quality management system and the ISO 14001 environmental management system. The award of international quality certifications implies that our quality management and environmental management systems are in line with international standards, and that such systems enable the green, low-carbon and sustainable concepts to manifest themselves in the whole process of operational management.



Binary environmental management system

Meanwhile, in order to enhance the awareness of saving resources, energy-saving and consumption reduction and to eliminate wasteful behavior among all staff, we intensified the education on saving resources and energy, actively promoted new technology and new facilities for energy-saving during the reporting period, thus enabling our staff to gradually develop an awareness of risks, energy-saving and environmental protection and a sense of responsibility. We encourage our staff to participate in energy-saving and consumption reduction activities on their own initiatives, to self-monitor wasteful behavior, and to promptly report and prevent such behavior once it is discovered.

5.2 Energy Saving and Emission Reduction

The Group stringently complies with laws and regulations such as the *Environmental Protection Law of the PRC* and the *Energy Conservation Law of the PRC*, strictly implements the principle of balance between saving and efficiency, further enhances the management on the use of resources and energy consumption. During the reporting period, we arranged dedicated personnel to collect and analyze data regarding the use of resources and energy, set up target appraisal mechanism, regularly assessed the gap between the actual efficiency and targeted efficiency on the use of resources, as well as formulated and implemented a series of measures to increase the efficiency of resources and energy.

During the processes of auto maintenance, washing and caring, we continuously explore methods to make the best use of natural resources while guaranteeing the service quality. For instance, we save energy and resources by optimizing services 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 the use of natural resources in all aspects.

Measures for saving electricity

- Use air conditioners reasonably. When it is necessary to turn on air-conditioners, the air-con temperature in office areas should not be lower than 26°C in summer and should not be higher than 20°C in winter. Air conditioners will be switched off half an hour before leaving work
- Make full use of natural light during daytime, minimize the usage time of lighting devices; switch off lights when leaving office or duty room. Eliminate occurrences of “using lighting during daytime” and “perpetual illumination”
- Minimize energy consumption due to the standby mode of machines. Electrical equipment, such as printers, should be switched off promptly when not in use for a long period of time. Turn off all power supply when leaving work

Measures for water conservation

- Create an atmosphere with awareness of water conservation, design promotion signs for water conservation and post them in locations where water is being consumed
- Promptly turn off the faucet after washing hands, avoid “dripping or leaking of the faucet”
- Ensure that drinking water is not used for other purposes, recycle water resources to water plants in the office

Measures for reducing the consumption of office supplies

- Promote the use of both sides of paper, modify drafts on computers in order to reduce paper consumption
- Take full advantage of e-administration, maximize the use of computer network for internal correspondences, reduce the use of paper, work towards the direction of a paperless office
- Promote “bring your own mug”, reduce or eliminate the use of disposable paper cups
- Improve the procurement and distribution system of office supplies. Priority will be given to energy-saving and environmental protection during procurement
- Make sure that low-cost consumable office supplies, such as notebooks and pens, are fully utilized before applying for new office supplies

During the reporting period, we also established a leading group for energy-saving and emission-reduction to monitor and inspect behavior relating to the use of resources and energy consumption, and to condemn responsible persons and hold them accountable for serious waste of resources. Those who strictly follow the above energy-saving practices will be commended in front of the whole Company and be awarded accordingly. During the reporting period, the energy-saving and emission-reduction working group was not aware of any behavior in relation to serious waste of resources or energy. The Group's comprehensive energy consumption was 6,932.18 tonnes of standard coal, and the comprehensive energy consumption per RMB10,000 of income was 0.0019 tonnes of standard coal.

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

	Unit	2017	2018
Gasoline consumption	Liter	1,305,453	1,742,439
Gasoline consumption intensity	Liter/RMB10,000 of income	0.38	0.47
Electricity consumption	kWh	38,648,391	41,280,774
Electricity consumption intensity	kWh/RMB10,000 of income	11.32	11.24

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

	Unit	2017	2018
Domestic water consumption	tonne	453,935	526,618
Water consumption intensity	tonne/RMB10,000 of income	0.13	0.14

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

Greenhouse gas emission	Unit	2017	2018
Greenhouse gas emission scope I ¹	tonne of carbon dioxide equivalence	2,899.5	3,843.6
Greenhouse gas emission scope II ²	tonne of carbon dioxide equivalence	26,783.3	29,919.3
Total emission of greenhouse gas	tonne of carbon dioxide equivalence	29,682.8	33,762.9
Density of greenhouse gas emission	kg of carbon dioxide equivalence/ RMB10,000 of income	8.7	9.2

¹ Greenhouse gas emission scope I: Covering the greenhouse gas emission directly produced by the direct energy consumed by business owned or controlled by the Group, namely, by burning gasoline

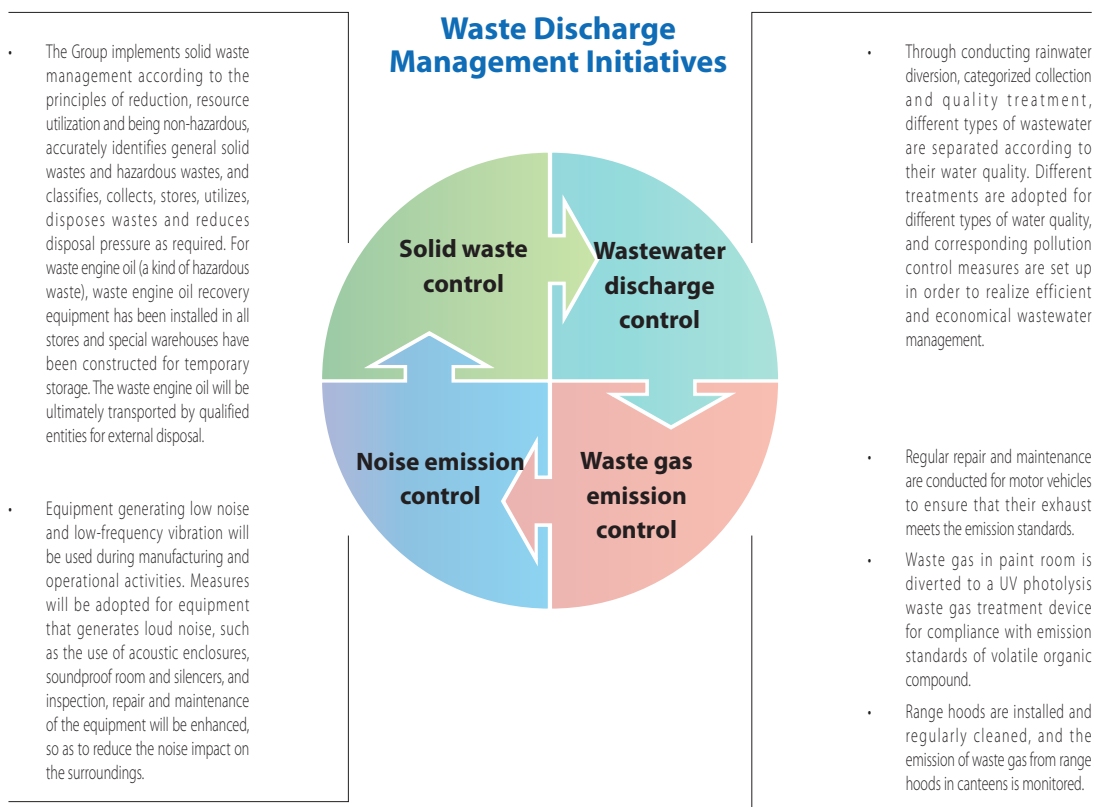
² Greenhouse gas emission scope II: Covering the greenhouse gas emission produced by the indirect energy (namely, purchased electricity) consumed by the Group

5.3 Waste Management

The Group strictly abides by the requirements of national and local relevant laws, regulations and policies, such as the *Law of the PRC on Prevention and Control of Water Pollution*, the *Law of the PRC on Prevention and Control of Atmospheric Pollution*, the *Law of the PRC on Prevention and Control of Pollution from Environmental Noise*, the *Law of the PRC on Environmental Pollution Prevention and Control of Solid Wastes* and the *Administrative Measures for Hazardous Waste Transfer Manifests* (《危險廢物轉移聯單管理辦法》), and continues to strengthen the discharge or emission management for solid wastes, exhaust gas, waste water and noise. During the reporting period, the Group commenced a full-scale review of pollutants and identified the corporate pollutant categories in a comprehensive way according to the environmental assessments documents and approvals as well as the pollutant review report. The emissions generated during our operations are mainly from the following five categories:

- 1 particles generated from auto maintenance processes, such as polishing vehicle body or parts, and volatile organic waste gas emitted from the paint-spraying process;
- 2 wastes such as waste parts and waste engine oil generated during the auto maintenance process;
- 3 wastewater generated during the vehicle washing and maintenance process;
- 4 noise generated during the auto maintenance process;
- 5 domestic wastewater and wastes generated from daily life and office work.

In order to control emissions and reduce our impacts on the environment, we have put forward a series of administrative methods and measures, which include process adjustments, treatment at source, management standard enhancements and conducting assessments, for all kinds of pollutants. During the reporting period, the Group did not have any violations against relevant regulations with regards to waste discharge.



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

Waste category	Unit	2017	2018
Non-hazardous waste	tonne	5,068	3,926
Discharge density of non-hazardous waste	tonne/RMB10,000 of income	0.0015	0.0011
Hazardous waste	tonne	996	1,234
Discharge density of hazardous waste	kg/RMB10,000 of income	0.29	0.33

6. A Harmonious Community Built on Love and Care

Being part of the community, Grand Baoxin is not only committed to creating economic value for its shareholders, employees and society, but is also dedicated to fulfilling its social responsibilities by making donations to charities, encouraging voluntary activities and promoting employment. By continuously endeavouring to assume corporate responsibilities, Grand Baoxin gives back the fruits of its economic prosperity to society. In the future, we will continue to shoulder the social mission entrusted to the Group in the new era and help to create a beautiful and harmonious society.

6.1 Welfare and Charity

The Group has always been a firm believer of eliminating poverty through education. During the reporting period, our main focus is on teaching and caring for underprivileged students and we continued to work on charitable activities such as “Colorful childhood”, a large-scale charitable activity; “Spreading love and care with Grand Baoxin (廣匯愛心·你我傳遞)” in Sichuan province, a charitable trip to Bazhai Town, Daliangshan (大涼山八寨鄉); and “Books for the future (「書」送未來)” and “Love without borders: a trip of giving (悅之行·愛無界)”, charitable education support activities in Eastern China.

“Colorful childhood” Large-scale Charitable Activity

During the reporting period, the Group and Grand Auto held “Colorful childhood”, a large-scale charitable activity, jointly with China Foundation for Poverty Alleviation, to draw the public’s attention to the growth and education of underprivileged students in poor mountainous areas. Donation ceremonies were held in primary schools in the poor mountainous areas in Golog Prefecture, Qinghai and Aweiguan District, Qinghe County, Xinjiang, during which we had sincere communication with children and brought the “loving package” donated by people from all over the country to them, in order to help them realize their dreams. From 2014 to 2018, “Colorful childhood” sent “Little Painter’s Treasure Box (小畫家寶盒)”, a loving package that contains 135 items of 28 kinds and in 3 main categories, to over 10,000 underprivileged students in over 60 schools in Sichuan, Yunnan, Guizhou, Xinjiang and Qinghai. The large-scale charitable activity “Colorful childhood” was awarded “Annual Compassion Award for Poverty Alleviation (年度扶貧愛心獎)” by China Foundation for Poverty Alleviation for two consecutive years and was awarded “2018 Public Welfare Practice Award (公益踐行獎)” in the 2018 China Charity Festival.



“Spreading love and care with Grand Baoxin” — a charitable activity in Bazhai Town, Daliangshan

On 4 December 2018, the Group participated in the “Spreading love and care with Grand Baoxin”, a charitable activity in Bazhai Town, Daliangshan, held by Grand Auto Sichuan Branch. The activity is divided into three parts. The first part was to decorate the “Grand Love (廣匯愛心)” Reading Room and multimedia classroom in the village kindergartens and village primary schools of the Yi people Laba Village (彝族拉巴村). The second part was to pay a visit to the children of the kindergarten in Laba Village and to give away cold-resistant items (such as hats, scarves and gloves) to 110 children and winter clothes for the primary school students. The third part was a special assistance project for the central school of Bazhai Town, Leibo County (雷波縣), Liangshan Prefecture (涼山州), Sichuan Province, aiming to donate bookshelves, desks, books and stationery to the school and to help the school to build the “Grand Love Library”. A total of RMB70,000 cash and teaching supplies worth over RMB20,000 were donated to three schools in this activity.



6.2 Voluntary Services

With more and more charitable activities launched by the Group, we hope that we can call on more people to participate in various social activities, so that charitable actions can cover a wider range of areas, thereby contributing more to society. The Group encourages employees to actively participate in voluntary service activities to demonstrate their volunteer spirit. Meanwhile, we also actively responded to the call of the main manufacturers, and assisted brands such as BMW and Jaguar Land Rover to carry out relevant social activities in various fields and worked together to give back to society. During the reporting period, we launched a number of voluntary service activities including caring for groups with special needs, responding to community needs and enhancing the community environment. A total of 139 people participated in our voluntary service activities, and the service hours accumulated to 602.5 hours.

Caring for groups with special needs

- Celebrating “June 1” and caring for “children with special needs”
- Paying visits to singleton elderly at Mid-Autumn Festival
- Paying visits to the anti-Japanese veterans

Responding to community needs

- Blood donation
- Workplace safety service (安全服務) voluntary activity
- “Sunshine House (陽光之家)” handcraft event
- Entering the Shentang Village of Liuhu Town (六戶鎮神堂村) to carry out charitable event
- Entering the Yizu Town, Zhoushan (舟山畬族鄉) to carry out pairing support activities

Promoting greening and environmental protection

- Garbage cleaning activities in the community green belt
- Following the examples of Comrade Lei Feng; enhancing the community environment

Workplace safety service voluntary activity

During the reporting period, Sichuan Ganghong Enterprise Management Co., Ltd., a subsidiary of the Group, actively participated in the workplace safety service voluntary activity in Wuhou New City (武侯新城), Wuhou District, Chengdu. We cooperated with all the members of the Wuhou New City Work Safety Committee (武侯新城安委會) and the workplace safety production experts of the Industrial Park to explore different high efficiency and practical workplace safety practices, as well as providing relevant safety laws and safety knowledge trainings to representatives and workplace safety personnel of different enterprises, aiming to enhance the troubleshooting of workplace hazards and propose suggestions and recommendations for reasonable rectifications. The overall improvement of the safety production management level of Wuhou New City Industrial Park (武侯新城工業園區) brought by this activity was not only recognized by different enterprises, but was also affirmed by the leaders of the district committee and district government. The example of this activity was acclaimed by the municipal department and the China Work Safety News and selected as the “Excellent Voluntary Service Project in Wuhou District”.

Caring for children with special needs with love

The Group's Shanghai Zhongguo Baohong Automotive Distribution Services Co., Ltd. (“Baohong”) of the Greater China region has been participating in charity works since its incorporation. On 1 June 2018, Baohong paid a visit to Chengjia School (成佳學校) to send love and care to the “special group”, the children with special needs. At the event, we prepared a number of games for children with different special needs, including “origami and paper art”, “toy blocks” and “DIY crafts”. Beside games, we also arranged performances for all the children. The Group appealed to more car owners to join us in sending love and care to people in need.



6.3 Stimulation of Employment

The Group has always promoted 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 orientation, adaptation to needs, complementary strength and mutual development”. During the reporting period, the Group continued to establish partnership with over 40 universities, providing job opportunities for university graduates. In order to enhance specialty and hands-on abilities of talents, the Group initiated the teaching concept integrating learning and practice in the university-enterprise cooperation, which assisted students in fully combining theories with practice, greatly enhanced students’ hands-on abilities, and laid solid foundation for enhancement of service technology and quality. Meanwhile, 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 the Group.

Appendix

1. List of Applicable Laws and Regulations

Major Laws and Regulations with which the Group shall comply
<i>Company Law of the PRC</i>
<i>Securities Law of the PRC</i>
<i>Anti-unfair Competition Law of the PRC</i>
<i>Anti-monopoly Law of the PRC</i>
<i>Interim Provisions on Banning Commercial Bribery</i>
<i>Law of the PRC on the Protection of Consumer Rights and Interests</i>
<i>Labor Law of the PRC</i>
<i>Employment Contract Law of the PRC</i>
<i>Law on Protection of Women's Interests of the PRC</i>
<i>Regulations of Labor Insurance and Supervision</i>
<i>Law of the PRC on Work Safety</i>
<i>Law of the PRC on Prevention and Control of Occupational Diseases</i>
<i>Environmental Protection Law of the PRC</i>
<i>Energy Conservation Law of the PRC</i>
<i>Law of the PRC on Prevention and Control of Water Pollution</i>
<i>Law of the PRC on the Prevention and Control of Atmospheric Pollution</i>
<i>Law of the PRC on Prevention and Control of Pollution from Environmental Noise</i>
<i>Law of the PRC on Environmental Pollution Prevention and Control of Solid Wastes</i>
<i>Measures for the Set-bill Administration in Transfer of Dangerous Wastes</i>



2. Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
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 waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.3 Waste Management
KPI A1.1	The types of emissions and respective emissions data.	5.3 Waste Management
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Energy Saving and Emission Reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Energy Saving and Emission Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.3 Waste Management



General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Energy Saving and Emission Reduction
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.2 Energy Saving and Emission Reduction
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2 Energy Saving and Emission Reduction
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	5.2 Energy Saving and Emission Reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.2 Energy Saving and Emission Reduction
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, 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 Environmental Management
KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	The manufacturing and operational activities of the Group have no significant impact on the environment and natural resources

General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) 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.	3.1 Employment Overview
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1 Employment Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	The Group plans to develop refined management 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.	3.4 Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	3.4 Health and Safety
KPI B2.2	Lost days due to work injury.	During the reporting period, there were no lost days due to work injury, as the Group recorded no cases of work injury
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.4 Health and Safety



General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills of discharging duties at work. Description of training activities.	3.2 Talent Cultivation
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Group plans to develop refined management in the future
KPI B3.2	The average training hours completed per employee by gender and employee category.	The Group plans to develop refined management in the future
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 and forced labour.	3.1 Employment Overview
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employment Overview
KPI B4.2	Description of steps taken to eliminate such violations when discovered.	3.1 Employment Overview
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4. Cooperating with Partners and Creating a Value Ecosystem
KPI B5.1	Number of suppliers by geographical region.	The Group plans to develop refined management in the future
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented and how they are implemented and monitored.	4.1 Supplier Management 4.2 Value Cooperation

General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
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.	2. Professionalism and Quality Services
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.	2.2 Rights and Interests Protection For the number of product- and service-related complaints, the Group plans to develop refined management in the future
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 product recall procedures.	2.1 Dedicated Services
KPI B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	2.2 Rights and Interests Protection



General Disclosure and Key Performance Indicators		2018 Environmental, Social and Governance Report
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.	1.2 Corporate Governance
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.	1.2 Corporate Governance
KPI B7.2	Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored.	1.2 Corporate Governance
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 the communities' interests into consideration.	6. A Harmonious Community Built on Love and Care
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Welfare and Charity 6.2 Voluntary Services 6.3 Stimulation of Employment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.1 Welfare and Charity 6.2 Voluntary Services 6.3 Stimulation of Employment



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