



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

2019



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ABOUT THIS REPORT

Overview

This report is the fourth Environmental, Social and Governance (“ESG”) Report released by Grand Baoxin Auto Group Limited (“Grand Baoxin” or the “Company”). 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”). Some of the content relates to China Grand Automotive Services Group Co., Ltd. (“China Grand Automotive”, “CGA”), the controlling shareholder of the Group. This report is issued on an annual basis, covering the period from 1 January 2019 to 31 December 2019 (the “Reporting Period”).

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 procedures. 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 information, 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 information contained in this report basically cover the Company’s headquarter, the subsidiaries under its effective control and holding company, unless otherwise specified. The information from previous years quoted in this report are final statistics. The financial information 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 2020. 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 Hong Kong Stock Exchange in the headline category “Financial Statements/ESG Information” on the page of Grand Baoxin and at the official website of the Company 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:

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REMARKS FROM THE MANAGEMENT

In the year of 2019, although China promoted high-quality development based on its macro-countercyclical policies with prime focus on the supply-side structural reform and thus demonstrated strong resilience of the macro economy, under the impact of various internal and external factors, with the addition of the outbreak of novel coronavirus pneumonia ("COVID-19") pandemic in early 2020, subsequent quarantine measures implemented by the Chinese government, and travel restrictions imposed by other countries, production and sales volume of automobiles were affected to a certain extent. Fortunately, based on the analysis on the overall trend and development potential of the industry, the Group made adjustment to follow the industrial development trend. Leveraging the Company's existing resources and operating conditions, and the implementation of more prudent measures such as slow down of procurement pace, reduction of inventory, continuing refinement of brand portfolio and management optimization, the Group further improved its business structure and increased profitability. During the Reporting Period, the Group's gross profit was RMB2,845.9 million, representing an increase of 2.1%.

Over the past year, the Group considered responsibility as the foundation for company development, and it incorporated sustainable development in its core corporate operations. Through continuous improvement of the corporate governance structure and adherence to business ethics, the Group actively fulfilled its corporate social responsibilities. In terms of customer services, we upheld our brand principle of being "excellent, unique and professional", understood customer needs, protected customer interests and attentively improved service quality. In terms of jointly working with suppliers, we developed fair, open, effective and trustworthy cooperation through establishing win-win relationship with them. In terms of staff management, by adhering to the philosophy of "Respect Talents, Care For Talents, Cherish Talents", we protected the lawful interests of each and every employee and also strived to create a fair, just and open working and developing environment for them. In terms of environmental protection, we set up and continued improving the environmental protection measures, and we endeavoured to reduce the negative impact of business operations on the environment through mechanism establishment, system supervision and result evaluation. In addition, while safeguarding smooth operation of the company, we actively participated in community charitable events spreading love and positive energy, and we insisted on sharing care and love with more people by our own efforts, thus taking greater social responsibilities.

Looking forward, the Group will adhere to its corporate philosophy of "Service First", adapt to the market trends, timely adjust the development strategies according to its own operating conditions, and continue optimizing the business structure through refined management, thus ultimately enhance and improve its core competitiveness. Promised by the vast market space in China, we are confident that we will continue to progress under the concerted support of all our shareholders, customers and business partners, and we will work hand in hand with all stakeholders to practise sustainable development in a discreet manner.

1. TAKING SOLID ACTIONS TO CREATE A RESPONSIBLE FUTURE

Grand Baoxin regards responsibility as the foundation of its development, and puts sustainable development into its core of business operation. We constantly improve our corporate governance structure, abide by business ethics, actively fulfill our corporate social responsibility, and seek to create more value for our stakeholders.

1.1 About Us

Founded in 1999, Grand Baoxin Auto Group Limited was listed on the Hong Kong Stock Exchange in 2011 with the stock code of 01293.HK. Grand Baoxin is a leading auto sales service group in China, specializing in the sale of mid- to high-end brands, luxury and ultra-luxury brands, with its main business covering pre-sales service, sales of new automobiles, after-sales service, automobile financial products, sales of used automobiles, automobile insurance, and sales of auto parts and sales of other automobile-related products.



Main business of Grand Baoxin

- **Corporate Culture**

Since the founding of the company, we have stood by our original intention of being “excellent, unique and professional”, our corporate philosophy of being “trustworthy, prudent and superior” and our corporate mission of “being customer-oriented, achieving excellence in management and providing quality service” to demonstrate our positive corporate spirit, continuously improve our management level and service quality, and continue to fulfill our responsibilities to the environment, society and investors.



Corporate Spirit

Efficient, Persistent
Loyal, Cooperative



Corporate Mission

Customer-oriented
Excellence in Management
Quality Service



Corporate Philosophy

Trustworthy
Prudent
Superior

• Network Layout

We are deeply committed to the East China market and, using the East China region as our home base, expand into North China, Central China, South China, Northeast China and Northwest China and other regions of China. During the Reporting Period, we continued to consolidate the Group's strategic advantages and the layout of our brands in core regions, acquiring 2 BMW 4S stores of our controlling shareholder CGA, as well as 4S stores of its other brands, which we have since upgraded and renovated into BMW 4S stores.

During the Reporting Period, the Group implemented a strategic policy focusing on internal adjustments, exercised more caution in the expansion of our network, and focused on the execution of management optimization and improvement in operational efficiency for existing stores to increase the concentration of high-quality brands and eliminate vulnerable brands, with the aim of achieving cost reduction and optimization. Meanwhile, we remodeled and optimized existing stores, which further improved capital efficiency while reducing the company's capital expenditures to help us tide over the current period of industry adjustments.

As at 31 December 2019, the Group operated a total of 116 stores located in 13 provinces, cities and autonomous regions across China, with a diversified portfolio comprising 10 ultra-luxury and luxury automobile brands. Specifically, such stores included 94 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.

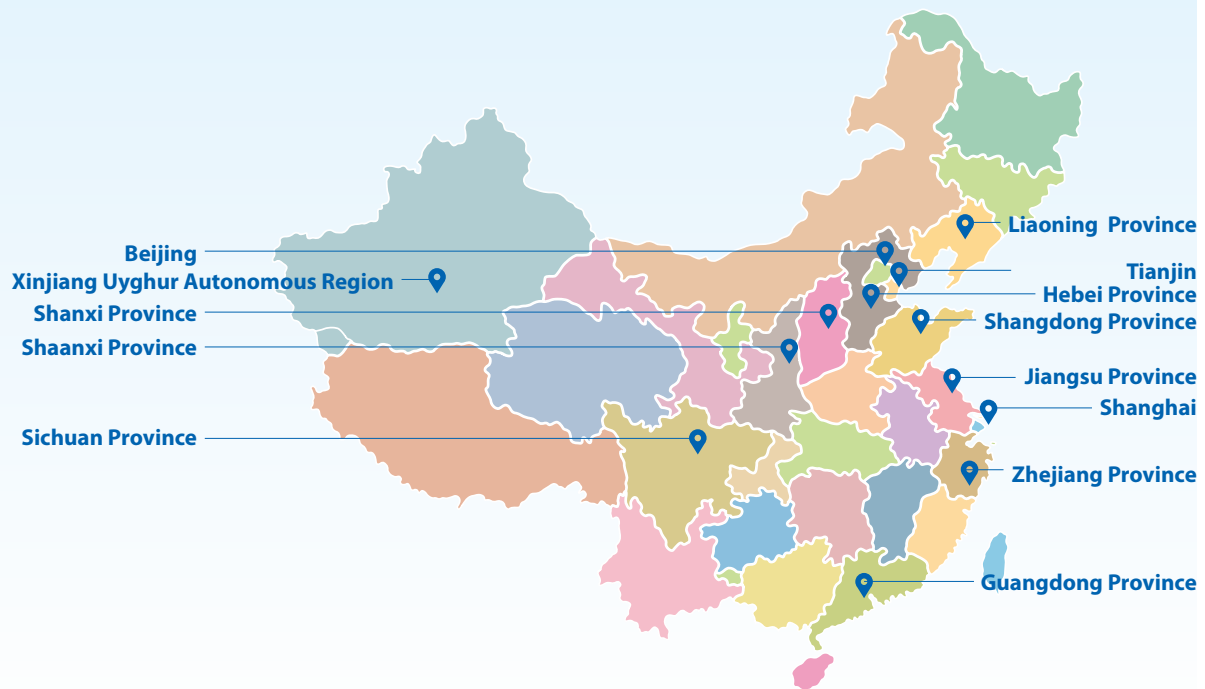
Ultra-luxury automobile brands



Luxury automobile brands



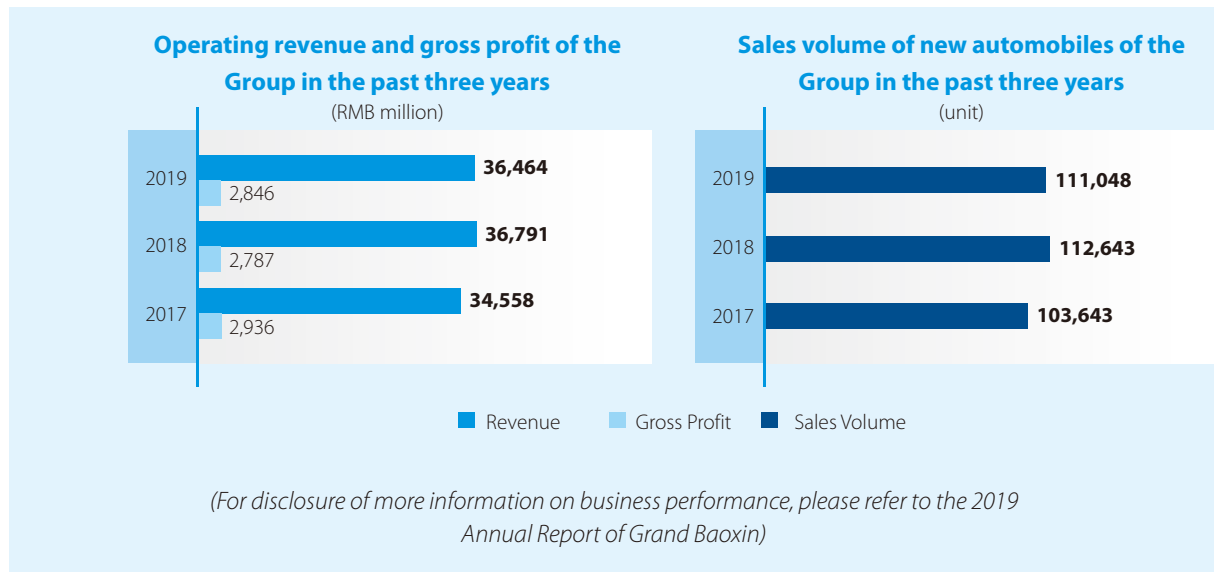
Distribution Network of Grand Baoxin



• Business Performance

The automobile industry was under pressure in 2019 as a result of the global economic slowdown. During the Reporting Period, based on an analysis of and a judgment on the overall trend and development potential of the industry and according to the company's existing resources and operation, Grand Baoxin, while maintaining the overall stability of the sales of new automobiles, attached great importance to business transformation and upgrading, endeavored to transform from being "sales-oriented" to being "service-oriented", and greatly improved the service quality of after-sales business while enhancing the optimization of the Company's profit structure. The Group's operating performance in FY2019 was stable despite the pressure the industry was under.

As at 31 December 2019, the Group recorded revenue of approximately RMB36,463.9 million and gross profit of RMB2,845.9 million, representing a year-on-year increase of 2.1%. During the Reporting Period, the Group sold a total of 111,048 new automobiles, with sales revenue from new automobiles of RMB31,687.7 million. Revenue from after-sales service amounted to RMB4,732.8 million, representing a year-on-year increase of 5.1% and accounting for 13.0% of the Group's total revenue. Gross profit from after-sales services amounted to RMB2,078.4 million, representing a year-on-year increase of 2.0%.



• Honors & Awards

As a qualified corporate citizen, we have been awarded a series of honors and awards such as “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” and a series of honorary titles such as “Famous Automobile Sales Enterprise” and “Famous Brand in Shanghai”, all of which show that we are held in regard by all walks of society.

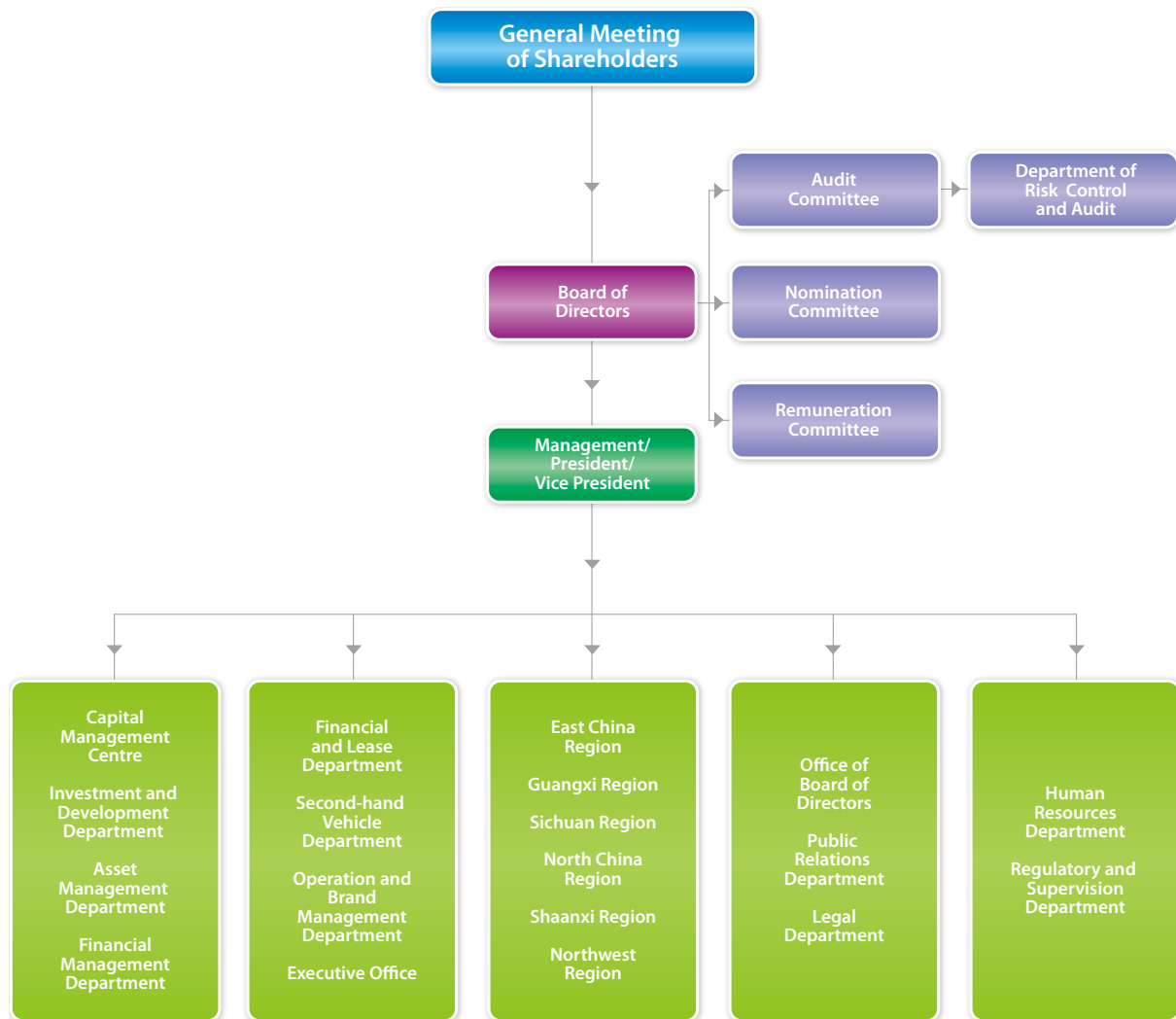
1.2 CORPORATE GOVERNANCE

The Group is in strict compliance with the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China* and the requirements under laws and regulations and regulatory documents for corporate governance of listed companies. The Group continues to improve its corporate governance structure, protect the rights and interests of shareholders and other stakeholders, and enhance the Group's operations and business development effectively.

• Governance System

We believe that an efficient and stable corporate governance structure with clear lines of authority and accountability is an important foundation for effective accountability and operational compliance. The Group's Board of Directors is primarily responsible for the overall leadership and supervision, constantly seeking corporate governance with higher standards through the development of business strategies and control measures. We attach great importance to the diversity of board members. Our Board of Directors is currently composed of seven members, including four executive directors and three independent non-executive directors, of whom female directors account for about 29%. Each member has different business experience to assist the Group in its sustainable development.

In order to further enhance corporate efficiency and management capability, an audit committee, a nomination committee and a remuneration committee have been established under the Group's Board of Directors. The audit committee is primarily responsible for implementing the internal control and risk management systems, as well as formulating audit plans and checking financial reporting. The nomination committee is primarily responsible for reviewing the structure, size and composition of the Board of Directors and providing advice to the directors on the appointment or re-appointment of directors and succession planning. The remuneration committee is primarily responsible for human resources decisions, including the development of the remuneration structure for directors and senior management, and for making recommendations to the Board of Directors on the adjustment of remuneration packages.

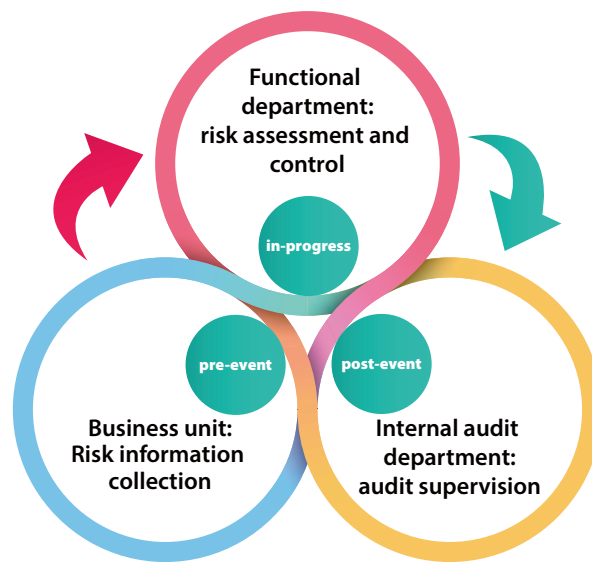


Governance Structure of Grand Baoxin

(For more information, please refer to the section "Corporate Governance Report" in the Group's 2019 Annual Report)

• Risk Management

We strictly abide by the *Audit Law of the People's Republic of China* and other laws and regulations, and have developed an internal risk control system and corresponding management codes according to the *Basic Rules of Corporate Internal Control* and the *Guidelines for Evaluation of Corporate Internal Control* as well as our own conditions. Based on our long risk management experience, we have developed a pre-event, in-progress and post-event three-tier risk management mechanism, and have further improved our corporate risk management system in four aspects: assigning responsibilities to departments, strengthening internal audit, establishing communication mechanisms, and forming a competitive team of talents.



Three-tier risk management mechanism

Assigning responsibilities to departments	Regulating the corporate governance structure and rules of procedure, establishing a sound corporate responsibility system for each management department, and clearly defining the duties and powers of posts regarding areas such as decision-making, execution and supervision
Strengthening internal audit	Strengthening internal audit functions, ensuring the establishment of an internal audit institution, staff allocation and the independence of audit functions
Establishing communication mechanisms	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 Grand Baoxin's 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

Improved risk management system

In addition, we also conduct internal control and self-evaluation in all sales stores to promptly identify internal control deficiencies in strategy, finance, technology, human resources and public relations, and carry out comprehensive rectification to solidify the Group's risk management foundation.

- **Probity and Integrity**

The Group attaches great importance to corruption-free management and strictly abides by relevant laws and regulations which include the *Contract Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Anti-unfair Competition Law of the People's Republic of China*, the *Anti-monopoly Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery*. The Group has established and continuously improves its internal anti-corruption and probity system, forming a disciplinary mechanism, a prevention mechanism and a security mechanism under which one wouldn't, couldn't and can't easily commit corruption across the Group.

Grand Baoxin believes that employees' awareness of integrity is an important condition for building a clean and self-disciplined corporate culture. We continue to promote integrity education and raise the ethical standards of our employees at all levels.

In order to effectively implement the Group's integrity management mechanism, we have established a sound reporting management system and strictly enforce the accountability mechanism. We encourage employees to report, inform against or make an accusation of any suspicious behavior through various reporting channels such as mails, hotlines and emails. The Group strictly keeps the whistleblower's information confidential and promises to give the whistleblower a reply within five (5) working days. If the whistleblower fails to get a response within this period, he or she can choose to report to the management of a higher level. Once a charge has been substantiated, we will deal with it in strict accordance with relevant regulations, and those who have committed serious violations will be dismissed and face legal charges.

During the Reporting Period, the Group was not involved in any litigation of corruption.

1.3 ESG GOVERNANCE

Grand Baoxin believes that taking responsibility for society, the environment and all stakeholders is an important prerequisite for the Group's sustainable development. We continue to improve our ESG governance structure and clarify responsibilities at all levels. Through ongoing close communication with our stakeholders, we identify and respond effectively to their issues of concern and gradually improve our ESG governance.

- **ESG Governance Structure**

In order to further improve our ESG governance and fully implement ESG-related governance, we have established a top-down hierarchy consisting of the Board of Directors, the ESG Task Force and the ESG Execution Team, with a clear division of responsibilities at each level and unified coordination. In particular, the Board of Directors is the Group's highest decision-making body for ESG governance and plays the primary leadership and oversight role; the ESG Task Force is the main driver, consisting of functional departments at headquarters, and coordinates and promotes the Board's resolutions on ESG matters; the ESG Execution Team is the main force for implementation, covering the Group's subsidiaries and sales stores to perform specific ESG-related tasks.

• Stakeholder Engagement

We are committed to creating a bidirectional, transparent and conventional communication mechanism with our stakeholders. During the Reporting Period, the Group identified seven major stakeholders who have decision-making right or influence over us or are in a close relationship with the Group, and encouraged the stakeholders to participate in the Group's major decision-making and other strategic adjustment processes. We actively share our views and experiences with our stakeholders through multiple communication channels, while effectively understanding and responding to their expectations and demands. By integrating their issues of concern into our operational and decision-making processes, we seek to improve the Company's level of performance.

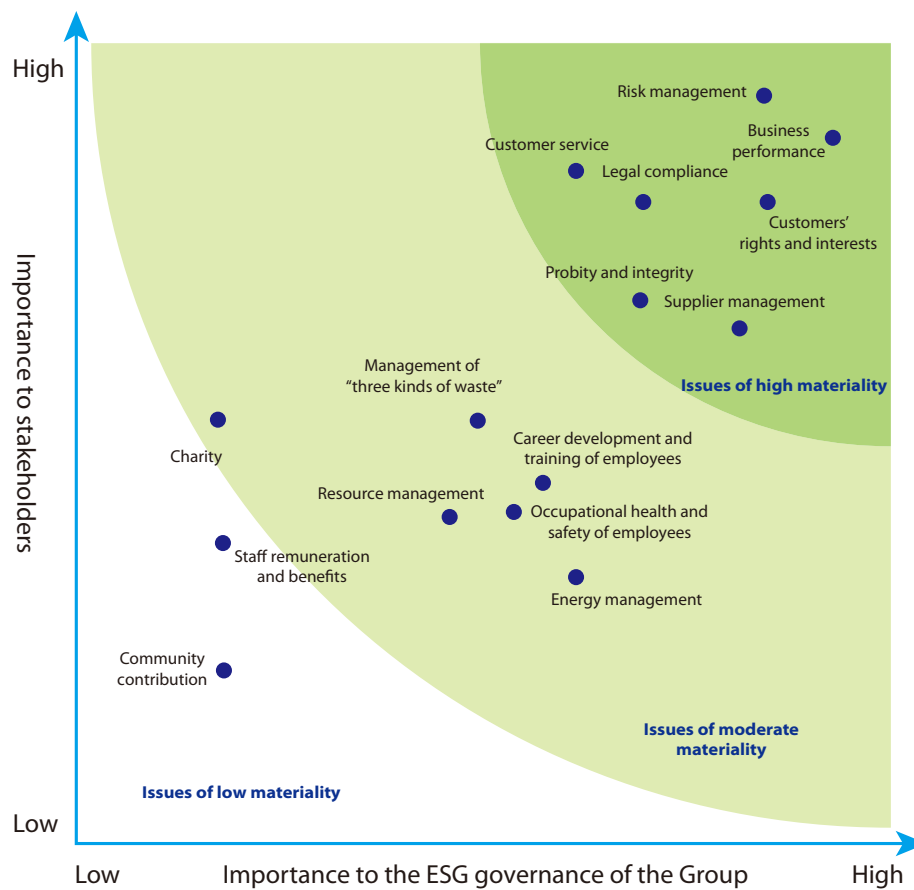
Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Investors/ Shareholders	<ul style="list-style-type: none"> Annual reports and announcements of the Company Thematic reports Regular disclosure 	<ul style="list-style-type: none"> Regular/Irregular Regular/Irregular Regular 	<ul style="list-style-type: none"> Business performance Risk management Probity and integrity
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"> Legal compliance Management of "three kinds of waste" Energy management
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"> Customer service Customers' rights and interests Customer communication

Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Employees	<ul style="list-style-type: none"> General meetings of employees Collective bargaining Communication platforms for employees 	<ul style="list-style-type: none"> Regular Irregular Irregular 	<ul style="list-style-type: none"> Staff remuneration and benefits Occupational safety and health of employees Career development and training of employees
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 Charity
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"> Information disclosure Charity Legal compliance
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"> Supplier management Business development Probity and integrity

• Materiality Assessment

During the Reporting Period, we identified potential material issues that could reflect the economic, environmental and social impacts of the Group's business, or influence stakeholders' assessment of and decisions on the Group through media opinion analysis, peer benchmarking analysis and analysis of regulatory requirements. In addition, we listened to the views of internal and external stakeholders to understand their concerns in and expectations of the Group's ESG practices. We ranked the importance of each issue to provide a solid basis for the Group's long-term ESG strategy based on the Group's strategic planning, current development and management's recommendations.

We identified 15 ESG issues in terms of their impact on the Group's strategic operations and their impact on stakeholders. Specifically, there were seven issues of high materiality, six issues of moderate materiality and two issues of low materiality. Issues of high materiality constitute the key disclosures in this report, and we will disclose them in detail in this report.



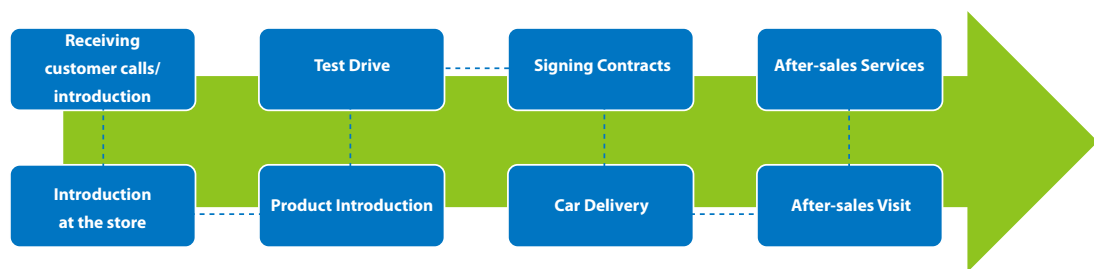
Materiality Matrix

2. PUTTING QUALITY FIRST AND PROVIDING UNIQUE SERVICES

It is the firm belief of Grand Baoxin that trust of customers is the foundation for the Company's survival and development. We have insight into the needs of customers whose interests are protected by our devoted effort in enhancing service quality, and we adhere to our brand principle of being "excellent, unique and professional" and are committed to the establishment of a comprehensive, integrated and quality service system with customers as its core.

2.1 Dedicated Services with Sincerity

As a leading automobile sales service group in China, we have been invariably incorporating the improvement of our service awareness and optimisation of customers' experiences into the core of the Group's operation management with our adherence to our service philosophy of being "professional, efficient, transparent and caring". We are committed to the provision of quality services throughout the whole life cycle whilst continuing to improve our customer service standard system, creating a file for each customer and rendering comprehensive service solutions specific to customers' needs at different stages.



The Whole Cycle of Customer Service of Grand Baoxin

During the Reporting Period, we keep abreast of the trend of informatization and smart intelligence based on our management experiences over years, and we aim to provide customers with service experiences in a more efficient and smart intelligent manner by means of distribution layout of information management systems, utilisation of mobile internet, enhancement of after-sales operation systems for stores as well as establishment of smart stores, thus achieving corporate sustainability development amidst gaining trust of our customers.



Information Management System

- Management of customers' whole life cycle
- Enhancement of digital management and control of customer services



Application of Mobile Internet

- Hui Shi Che APP
- Hui Yang Che APP
- CGA flagship store at Tmall.com



After-sales Operation System of Stores

The establishment of an after-sales operation analysis system with integration of base-level orders and financial business, and the realisation of daily tracking for fundamental business and key indicators as well as ensuring continuous identification, management and control of any potential management risks in key business operations



Smart Stores

Digital operations will be promoted through enhancing capabilities in areas such as information management, operation optimisation, data decision strategy and after-sales services as well as increasing the development level of industry informatization

Enhancement measures for customer services of CGA

- **Pre-sales Services**

To ensure the excellence of our service quality, we have drawn up the *Sales Operation Manual* which clearly defines the standard service procedures for all pre-sales services. In terms of customer hospitality services, we provide trainings specific to service procedures and etiquettes for the frontline receptionists receiving customer calls and salespeople at the stores, requiring them to perform the code of conduct corresponding to their positions. In terms of product introduction, we cultivate a team of professional sales consultants who offer clients accurate demand analysis and precise track records for the purpose of fully satisfying customers' needs. During the sessions of test drives, we have *Registration Form for Test Drives* in place which expressly details the responsibilities and accountabilities of sales managers, test drive coordinators and sales consultants. Meanwhile, our customers are required to sign a *Test Drive Agreement* at our request so as to ensure a safe and comfortable experience during test drive and a *Test Drive Feedback Form* is collected from customers at the end of such session in an attempt to improve our service quality.

Subject to our strict compliance of the *Advertising Law of the People's Republic of China*, we require our sales staff to deliver product information to our consumers in a truthful, comprehensive and accurate manner whereas exaggerated and false promotions are prohibited with our determination of safeguarding the transparency of sales promotion environment. To ensure transparent sales, we require that 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 contract is required to be reviewed separately by financial personnel after the approvals and signatures of sales managements are obtained. When the verification process is completed, a receipt is issued and given to the customer by the financial personnel, and any involvement of the sales consultant during the process is prohibited. In addition, we place much emphasis on the car delivery experiences of our customers who are guided by us in the verification of vehicles alongside our introduction of vehicle functions and instruction of usage together with our delivery of vehicle information; meanwhile, we elaborate the after-sales services and insurance services to our customers and offer specialised services of car delivery including giving souvenirs and extension of well-wishing as well as photo-taking for the purpose of continuous upgrade of customer experiences.

Financial Risk Control Platform

Reliance upon the financial risk control platform of CGA, a controlling shareholder of the Group, we provide our clients with innovative, differentiated and specialized automobile financial products according to customers' capital cycle, with the aim to assist customers in pre-lending risk review, risk management during the lending process and post-lending risk control so as to realize our vision for the service of "hassle-free car purchase".

- **After-sales Services**

We place our emphasis on the after-sales experiences of our customers by tracking and enhancing service quality according to rules on after-sales interviews. During the Reporting Period, relying on the industry-leading “Insurance Cloud” platform, we implemented the platformised management and control on full interface for business operations, offered our clients with hassle-free quality services, thereby increased the ratio of first-time insurance, insurance renewal rate, total penetration rate of extended insurance and penetration rate of non-auto insurance. We have taken a proactive role in the development of innovative non-auto insurance service products such as hassle-free double insurances and hassle-free card services so as to further increase the quality of after-sales services of the Group.

Hassle-free Double Insurances

During the Reporting Period, we launched our innovative service product of automobile services, “Hassle-free Double Insurances”. Such product has provided customers with free basic maintenance services for 6 years together with an additional 3-year mileage-free warranty extension service after 3-year warranty period from the original manufacturer. Our customers are entitled to 15% discount on repair and maintenance for life from the 7th year of free basic maintenance services, so as to help customers in cost saving of car maintenance. Besides, the “Hassle-free Double Insurances” service can be transferred with vehicles so that residual values of second-hand vehicles can be increased. The quality services of vehicle use and car maintenance enable us to achieve a higher sense of customer satisfaction and loyalty, thus further improve the Group’s reputation in the industry.

Hassle-free Card Services

“Hassle-free Card Services” provide customers with seven services, including centralized control theft prevention system for motor vehicles, compensation for car replacement, reimbursement for car spontaneous combustion, tyre replacement, glass replacement, compensation for loaner car fees, reimbursement for lost keys and car plates, which are aimed at the provision of a number of high-end services to our customers at concessionary prices, leading to the realisation of hassle-free use of vehicles.

Meanwhile, we actively expand the auto industry value chains, and we are committed in creating a one-stop comprehensive service platform covering the whole life cycle of automobile services for our customers. We have maintained long-term stable customer relationships with customers who have made a purchase by means of after-sales services including the provision of an extensive range of automobile repair and modification services, sales of quality auto parts, components and other auto-related products, and we also continue to take up new customers.

During the Reporting Period, the Group speeded up the industry layout of after-sales business, leveraged on the internet automobile service platform “Hui Yang Che (匯養車)” jointly created with CGA, the Group’s controlling shareholder, to develop service segments such as “Quick Maintenance (雙人快保)”, “Quick Paint-Spraying (快速噴漆)” and “Information Release(信息發佈)”, increased the external after-sales customer diversion channels through setting up online connection between customers and different stores, so as to further increase customer stickiness. Meanwhile, benefitting from the stability of the Group’s sales of new automobiles, the Group fulfilled the individual needs of customers at all levels for different brands and models by enhancing data analysis and conducting effective online and offline integration, and provided customers with differentiated and customized service products and contents.

2.2 Rights and Interests Protection

We highly value the protection of customers’ rights and interests, actively safeguard customer privacy and the security of their personal information and we are consciously receptive to the feedback of customers on our products and services so as to continuously improve customer satisfaction.

- **Information Security**

Grand Baoxin attaches much importance on the protection of customer privacy in addition to its continuous effort in improving customer service standards. In strict compliance with the relevant laws and regulation including the *Law of the People’s Republic of China on the Protection of Consumer Rights and Interests* and *Cyber Security Law of the People’s Republic of China*, we have continuously improved the Group’s overall data security and privacy protection by implementing a strict confidential system for customer privacy and constantly strengthening our customer information management technology.

We have signed with customers a *Declaration on the Protection of Customer’s Personal Information* setting out specific requirements of customer information collection, use and confidentiality. We have formulated the Notice on Confidentiality and Security Management of Customer Information in the Customer Management System which expressly identifies the right of use and management responsibilities of customer data of our staff in headquarter, regions and all outlets and regulates the three-level approval procedures for application of exporting customer data; the working staff of key positions concerning data application are required to sign *Post Confidentiality Agreement* and to strictly review and verify the status of exporting data upon his/her departure, so as to ensure the normality of all business data.

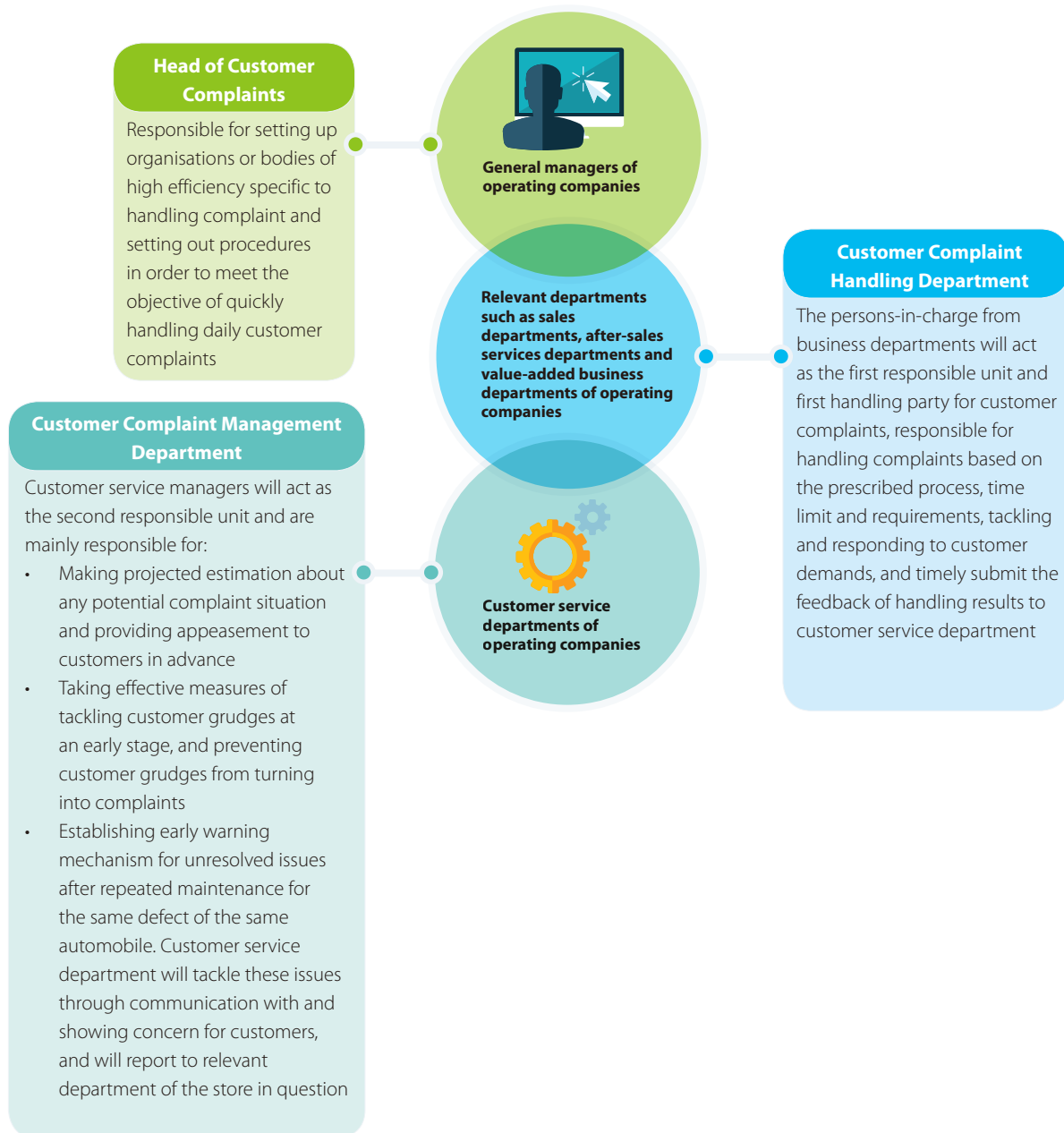
Moreover, we strengthen the information technology application in order to guarantee the traceability of the information access of customers. In our OA (Office Automation) system, each data export of each staff will be recorded, and the system will give early warnings on unusual events.

During the Reporting Period, the Company did not encounter any incidents relating to the leakage of customer information and breach of privacy.

- **Responses to Feedback**

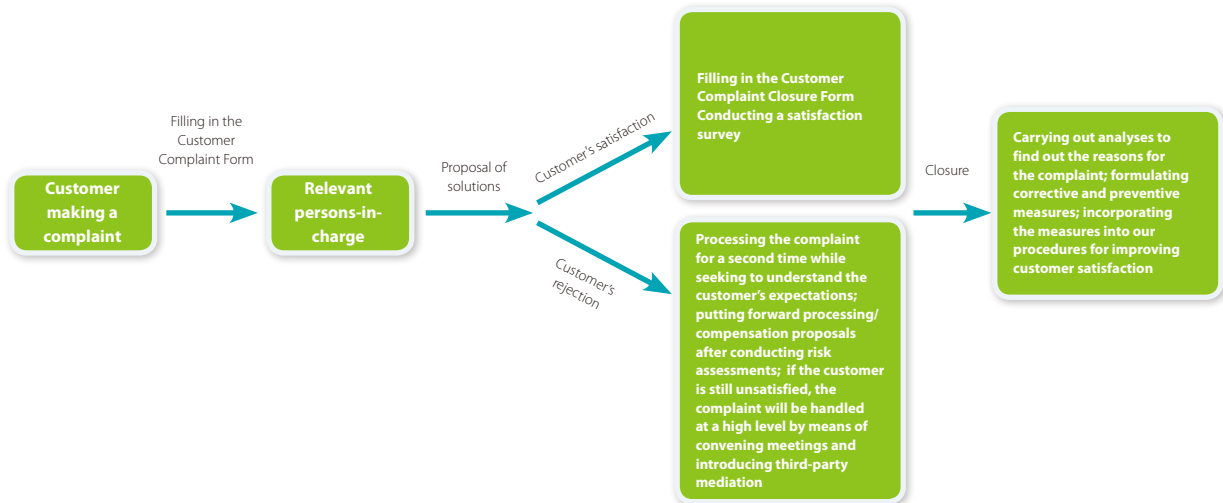
It is the persistent endeavour of Grand Baoxin to be more open and highly receptive to customer opinions from different perspectives with an attempt to continuously optimize customer service quality. We formulate a series of internal policy that safeguard the after-sales service level of our products including *Customer Complaint Management*, *Customer Satisfaction Management*, with additional on-line service channels including the official website of the Group, Hui Yang Che APP, Weixin social media groups and all platforms related to automobile promotion and sales on top of conventional channels such as hotline, email, suggestion box, after-sales service interview and complaint at the spot, by which we are able to maintain proper mutual communication with our clients with our aims to get access to the information of product quality and service improvement.

To actively respond to any customer complaints and timely settle any dispute on product quality, we establish a complaint handling management system with customer service departments of all operating companies as the hosts with complementary support from other relevant departments including sales department, after-sales services department and value-added business department, and we observe the principles of "First-tier management and control, second-tier handling and processing".



Customer Complaint Management System of Grand Baoxin

We have established a set of optimised procedures for handling customer complaints and have clarified the criteria for accepting business-related complaints as well as the duties and responsibilities of each department. With these in place, we strive to follow up on and handle quality-related complaints in a timely manner to the satisfaction of customers. We also carry out analyses to find out the reasons for customer complaints in order to propose corresponding rectification plans.



Grand Baoxin's Procedures for Handling Customer Complaints

- Satisfaction Management**

Customer satisfaction is a key indicator of the quality of Group's products and services. In order to better understand customers' satisfaction with our products and services, we resort to unannounced visits (mystery shoppers), sending staff to different sales venues to carry out spot checks. We also use questionnaires, telephone warm calls and professional satisfaction surveys to thoroughly identify problems that exist in our services.

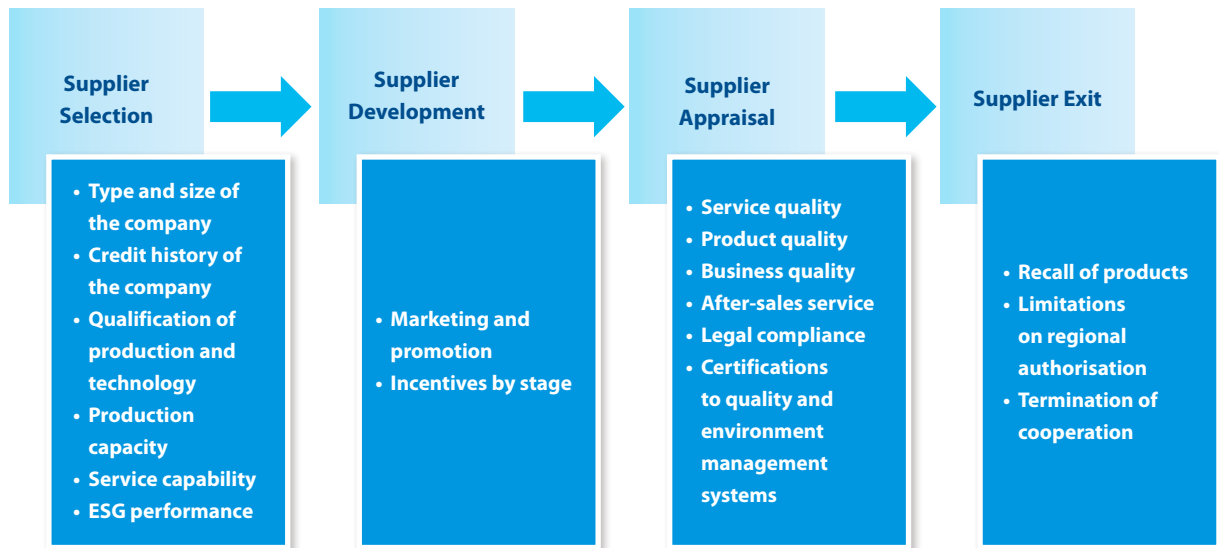
We require all our 4S stores to set annual goals in satisfaction management, which are then linked to the performance appraisal of our staff. The manager of each department, who is directly responsible for customer satisfaction management, draws up monthly action plans for customer satisfaction management, thereby conducting work-related inspection at stores and offering guidance to them. Based on the monthly results of their supervision and inspection, department managers convene meetings for the purpose of analysing customer satisfaction. During the meetings, the managers will identify their own deficiencies in achieving customer satisfaction, determine objectives of subsequent improvement, draw up rectification plans for overcoming such deficiencies and assign staff to carry out the plans. The managers will monitor the progress and results of such rectification plans continuously.

2.3 Responsible Procurement

Grand Baoxin regards its suppliers as its partners, with whom it develops and grows together. Through the establishment of win-win relationships with our suppliers, we are committed to building up equal, open and efficient partnerships that are based on mutual trust. In order to guarantee product and service quality, we have established a supplier assessment and management mechanism for the purpose of assessing the performance of our suppliers regularly.

• Supplier Management

In order to establish an open and orderly platform for healthy competition among suppliers and to standardise supplier management, we have formulated, and continue to improve, supplier management systems including a number of administrative measures in relation to supplier appraisal, supplier admission and supplier assessment. We have set up a procurement management committee, which comprises 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. By virtue of the separated roles and divided responsibilities of qualification audit personnel, procurement business executives and review and approval personnel, and with a set of optimised procedures for reviewing and approving admission, we strive to prevent unfair and fraudulent behaviour in the procurement process.



Procedures for Supplier Management

• Supplier Selection

The products purchased by us are mainly automobile accessories and components. In accordance with such supplier management system documents as the *Handbook for Procurement Procedures* and the *Business Management Handbook for Component Procurement*, relying on the seamless fusion of the Enterprise Resources Plan system (ERP) and the Supplier Relationship Management system (SRM), and under a model that combines centralized procurement, procurement from original factories and self-procurement by sales stores, our procurement is carried out by the centralized procurement centre at the CGA headquarters, regional offices as well as individual stores.

Centralised Procurement

- The centralized procurement centre is responsible for introducing centralized procurement suppliers and products. Such suppliers must sign procurement contracts with CGA headquarters
- Sales stores may place their orders with suppliers through the SRM system. After receiving orders through the system, suppliers will deliver goods to the stores

Procurement from Original Factories

- Sales stores may place procurement orders with original factories directly through the business system designated by original factories of authorized brands (the "Original Factory System"), and may carry out reconciliation with and make payment to original factories directly

Self-procurement by Sales Stores

- Sales stores may procure through provisional external suppliers
- Sales stores may submit procurement applications to regional offices and headquarters through the system. After obtaining approval, they may place orders off-line with suppliers and input the procurement orders and warehouse-in records in the ERP system

Procurement Models

In addition, we proactively explore innovative procurement models. We are committed to introducing a digitalised platform system through background intelligent operation and maintenance, in order to make management more streamlined, accurate and efficient and serve better sales at stores, to standardise our suppliers' code of conduct, and to reduce the hazard of risk control. During the Reporting Period, with the successful launch of our OCP platform (Online Centralised Procurement platform) and the help of this multi-function and integrated digital platform, we achieved the goal of enhancing the use of artificial intelligence in sales, as well as the optimisation of online functions such as the centralised procurement catalogue query, promotional videos, announcements of product information, quality and service evaluation and release of notices and announcements.

• Supplier Evaluation

We have compiled and regularly update the *Supplier Handbook*. We have clarified four major areas in the procurement system, namely business preparation, business operation, the deepening of synergy and instructions to suppliers, in order to create an environment of fair and efficient competition. At the initial stage of our collaboration with new suppliers, we will provide them with the *Supplier Handbook* and with training in the relevant components of our procurement system, in order to continuously enhance our suppliers' management efficiency and capability. The *Supplier Handbook* is also be distributed to our supplier partners, in the hope that our supplier partners would know what rules they should follow, which personnel they should contact, and how they should solve a problem during their partnership with us.

Since 2017, we have incorporated suppliers' ESG performance into our criteria for supplier admission and supplier assessment, to ensure that our supplier selection is carried out in a standardized and scientific approach. During the Reporting Period, we continued to refine our supplier performance evaluation system. Supplier evaluation is carried out at least once a year. Project evaluations are conducted irregularly according to the completion status of each project. In order to ensure that our suppliers are graded fairly, we have established a set of detailed and monitored procedures for supplier appraisal. Based on their appraisal results, our suppliers are graded, specifically, into: Strategic (grade A), Excellent (grade B), Qualified (grade C), Precarious (grade D) and Unqualified (grade E).



Strategic Partnership (score: 90-100)

- Assessment: with relatively great 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 when considering long-term suppliers

Qualified Supplier (score: 70-79)

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

Precarious Supplier (score: 60-69)

- Assessment: with problematic performance, quality and services
- Measures: to recall defective products for those with quality problems, to reduce the scope of supply and increase limitations on regional authorization for those with business and service problems, to carry out rectification

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

Moreover, we require precarious suppliers who are below the qualifying level to adopt rectification measures within a certain period of time, and to complete rectification within three months. We will terminate cooperation with suppliers who fail to reach the qualifying level within the prescribed period of rectification. Suppliers with unstable quality of products, low service capability and poor business performance are eliminated from our supplier list through the supplier exit mechanism.

3. PEOPLE-ORIENTED AND BRINGING TALENTS TOGETHER

Grand Baoxin believes that employees are the foundation of the sustainable development of enterprises. We adhere to the concept of “respect talents, care for talents and value talents”, safeguard the legitimate interests of each and every employee, put great importance on talent trainings, as well as strive to create a fair, just and open environment for work and development.

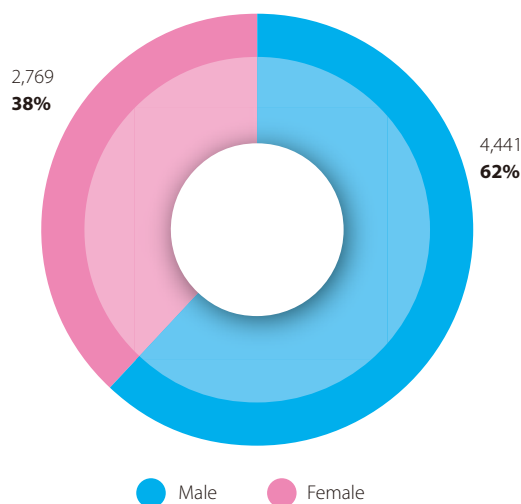
3.1 Employees Overview

Grand Baoxin has strictly complied with the laws and regulations, including the *Labor Law of the People's Republic of China*, the *Employment Contract Law of the People's Republic of China*, the *Law on Protection of Women's Interests of the People's Republic of China* and the *Provisions on the Prohibition of Using Child Labor*. It has upheld the concept of fair and equal employment as well as respected the differences in race, gender, religion, age, social origin and others among employees and job applicants. Through establishing and standardizing the human resources management system, we prepared the Employees' Handbook as a guiding internal policy and safeguarded employees' legitimate interests in several areas including recruitment, promotion, resignation, remuneration and welfare, safety management, training and development as well as diversification and anti-discrimination. Moreover, through standardized management, we are determined in preventing any unlawful behavior in relation to labor use, such as child labor, forced labor and restricting the freedom of employees. During the Reporting Period, there were no incidents of employment of child labor or forced labor.

As of 31 December 2019, the Group has a total number of 7,210 employees. The breakdown employees by gender and age was as follows:

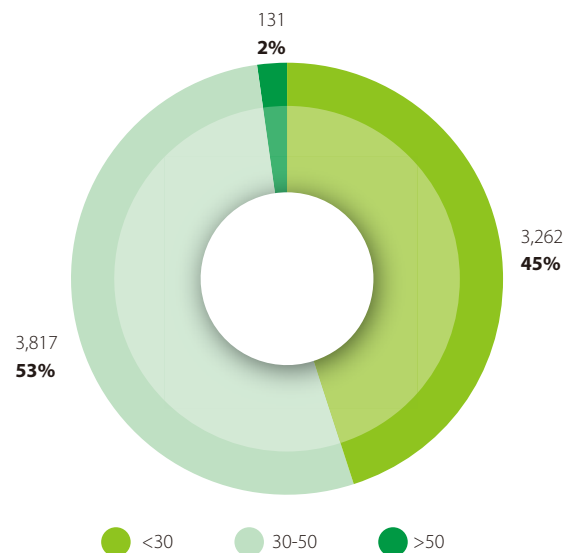
Number of Employees by Gender

(person)



Number of Employees by Age

(person)



3.2 Talent Incentives

Grand Baoxin believes that a comprehensive and competitive incentive mechanism is a crucial factor in attracting and retaining outstanding talents. In respect of this, we have established a scientific and comprehensive compensation and welfare system, created a clear career promotion path for employees' career development, and fully activated their enthusiasm.

- **Compensation and Welfare**

We have established and optimized a scientific and reasonable compensation and welfare system, from which we have sought benefits for employees in four aspects including wages, bonuses, benefits, and share options incentives in a practical manner. To ensure that each employee receive compensation equivalent to his/her value, we set clear evaluation indicators for each compensation. By linking salary and performance, all employees can receive equal and fair rewards through performance-linked salary. In addition, in order to further activate employees' enthusiasm and increase their efficiency at work, we have set up compensation adjustment mechanisms that include positive and negative adjustments, and also have implemented salary adjustment methods, such as salary adjustment after probation, salary adjustment upon appointment, special salary adjustment and comprehensive salary adjustment, based on work performances of employees.

In terms of welfares, on top of the provision of leave, such as paid annual leave and marriage leave, and full contribution for five insurance plans and one housing provident fund, we also provide various kinds of subsidies including subsidies for festive days, transportation allowances and communication allowances. At the same time, we also provide diversified, incentivized and personalized welfare programs based on the age of employees, length of service and their contribution value to the Group.

Moreover, Grand Baoxin put much attention on the care and protection of female staff. We advocate equal pay for equal work, and we encourage female staff to give full play to their talents in their job positions. We are determined to safeguard the legitimate interests, such as maternity leave and lactation leave, of female employees. By continuously improving the working environment and work conditions of employees, we continue to enhance their sense of belonging and identity to the company as well as their sense of well-being.

- **Talent Promotion**

Grand Baoxin places importance on motivating talents and strives to provide a wider development platform for employees. We have established and continued improving the career development system for employees, and we have also set up relevant internal policies to standardize matters concerning promotions and transfer of positions. We adhere to the principle of combining the development of the Group with the personal development of employees, create different job positions and grades according to the nature of duties of different positions, set up promotion standards and proportion according to the Group's business strategy and staff development needs on the basis of the employees' training records and evaluation results, as well as promote reasonable internal transfer of talents to stimulate their vitality.

During the Reporting Period, we formulated the "2019 Performance Evaluation and Competency Assessment Scheme" based on the *Performance Evaluation and Competency Assessment Management System* to promote employees' enthusiasm. We identify employees' personal goals with them and facilitate the achievement of their personal goals through systematic performance evaluation solutions, thereby helps attaining the Group's annual performance.

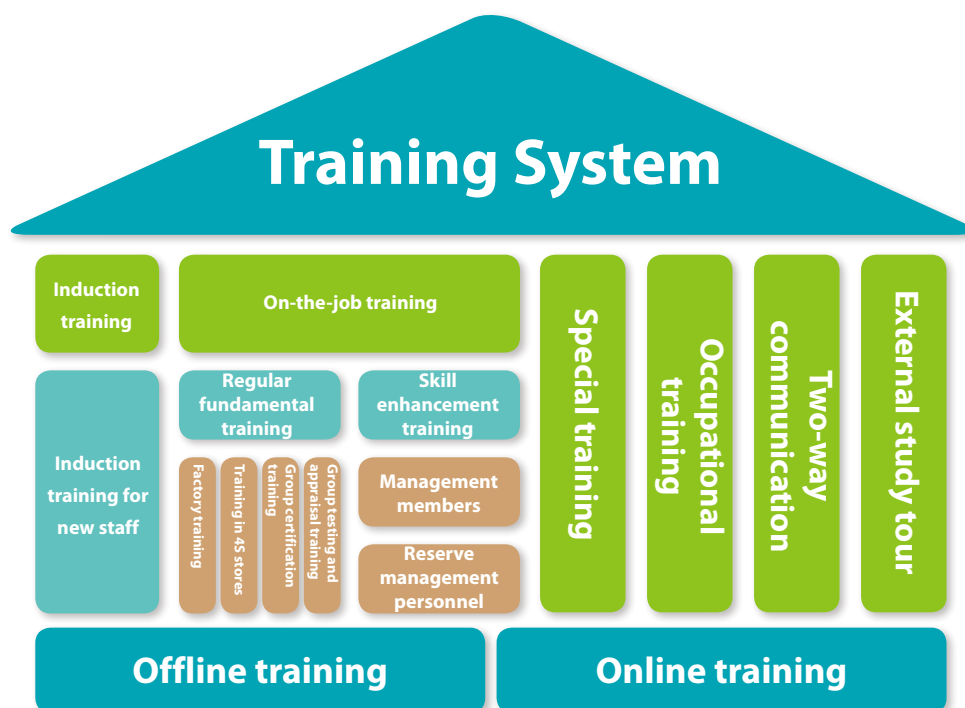
3.3 Talent Cultivation

Grand Baoxin strongly believes that an efficient and professional talent team is the key to the sustainable development of enterprises. We orient towards the goal of “establishing a learning organization”, provide relevant trainings for employees of respective job functions, help employees to enhance their professional knowledge, improve skill levels and general quality, thus steadily facilitate the formation of a team of talents.

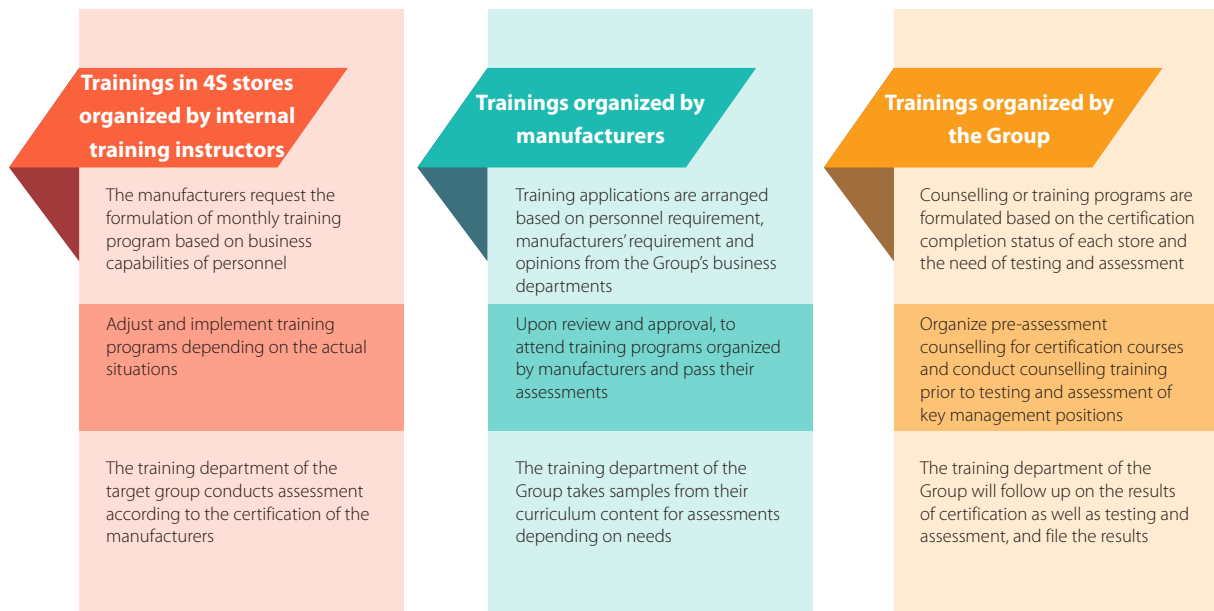
We have established and constantly improved the training system which is based on employee responsibilities and development prospects, and we also set up three-stage advanced training targeted for key employees. We conduct induction training for new staff, aiming to help them more quickly adapt to the Company's environment and job positions. For frontline sale staff, frontline after-sale staff and key management positions, we organize regular fundamental trainings which include factory training, internal training in 4S stores, group certification training and group testing and appraisal training, and we help employees continue refining their business skills. For management members and reserve management personnel, we organize respective skill enhancement trainings under different training systems, thereby training management talents for the enterprise. Moreover, we provide on-the-job counselling which is led by the Group or by senior staff through ways such as drawing work plans, job allocation, performance evaluation, work improvement and problem solving in order to provide training and guidance at daily work.

We focus on helping staff grow through interaction and practice. To increase the practical work experience of employees, we assign them to other 4S stores to learn or participate in real work, enhance their understanding on specific operations of each brand store, achieve exchange of ideas and resource-sharing within each brand company. At the same time, management members and outstanding personnel within the business will have the opportunity to have field visits to other companies or abroad.

In order to improve staff training efficiency, the Group applies the credit-based management method during trainings, in which the training and assessment results of employees will be converted into corresponding credits which serve as the important basis for performance evaluation, salary adjustment and promotion of employees. We combined on- and off-line trainings to further expand staff learning channels and establish learning organization.



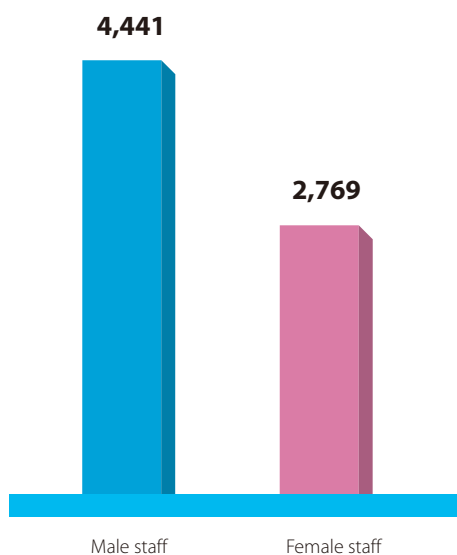
Talent Training System of Grand Baoxin



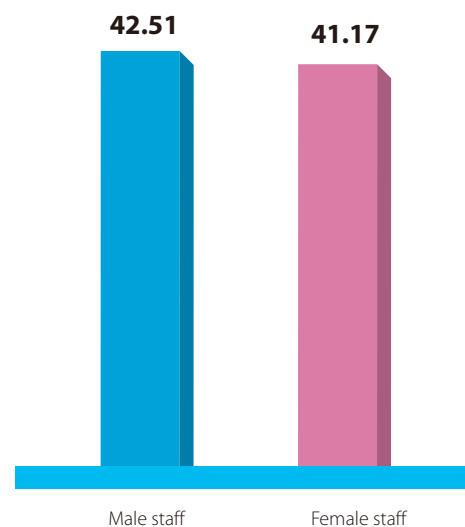
Arrangement for Regular Fundamental Training Program Process

During the Reporting Period, our total number of employees trained reached 7,210, the total number of training hours was 302,810 hours, and training hours per capita was 42 hours. The number of employees being trained and the average training hours in general were as follows:

Number of Employees Trained by Gender
(person)



Average Training Hours of Employees by Gender
(hours)



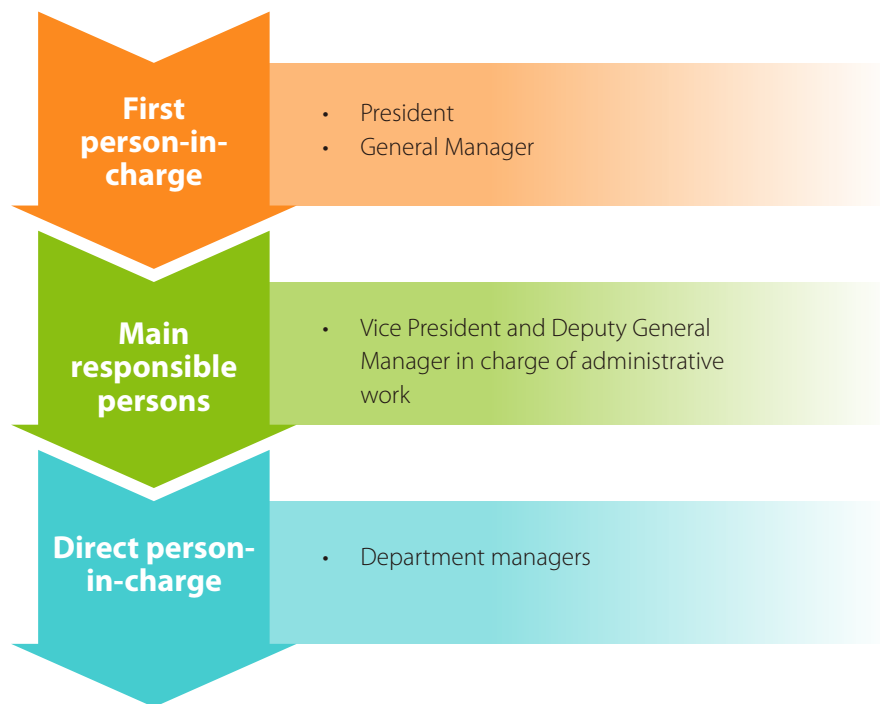
3.4 Safety and Health

Safety operation is vital to corporate development. We adhere to the principle of “Safety first and prevention foremost”, and we safeguard the life safety and occupational health of employees to a maximum extent through aspects such as sound safety management system, strengthening the supervision of safety operation and promote safety education.

- **Safety Management**

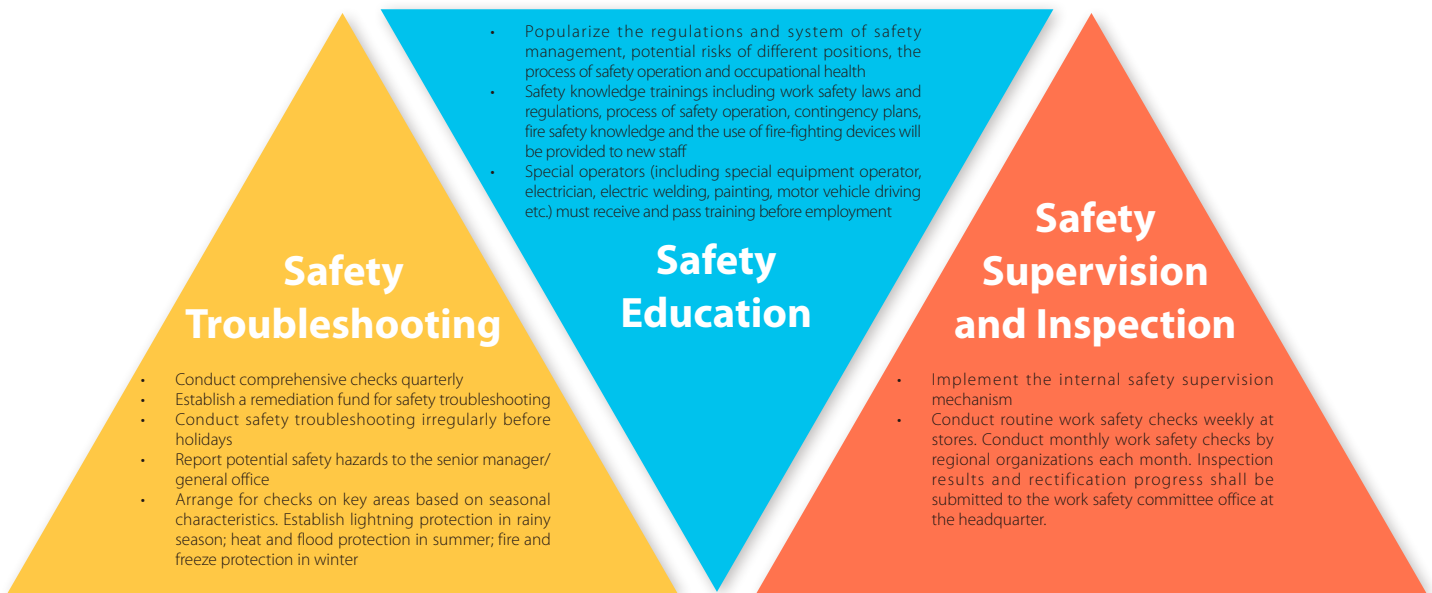
The Group strictly complies with the *Law of the People's Republic of China on Work Safety*. By combining the respective operational conditions, the regional companies and every sales stores thereunder set up corresponding work safety management committee (hereunder refers to as the “work safety committee”) at regional and store level respectively. Regional general managers and store managers serve as director of the respective work safety committees, while regional management and store function managers serve as deputy director of those work safety committees. In addition, work safety committee offices were also set up at regional offices and at stores as executive bodies.

In addition, we have compiled and published the *Safety Management System* which clearly defines the work safety management responsibilities of and at every level. Such system entails accountability and facilitates the setting up of a work safety long-term mechanism.



Work Safety Management Responsibilities of Grand Baoxin

In order to provide maximum safety protection to the lives of employees and the company's properties, we ensure the achievement of the annual goal of work safety with zero accidents through a series of safety management measures, such as work safety education and training, implementing safety supervision and inspection system, arranging regular safety troubleshooting, setting up emergency measures and means, promptly conducting safety incident reporting and handling as well as strengthening the management of hazardous operations.



Work Safety Management Measures of Grand Baoxin

Meanwhile, we require regional branches to prepare and distribute safety manual that fit in with their own specific features. We also require 4S stores to conduct safety self-checks on areas including cleaning, production safety, fire safety, property safety, electrical equipment, vehicle safety, security on duty and conference management, and regional branches will then conduct reviews, suggest relevant rectifications and continue to follow up with subsequent rectified results.

In addition, to build a strong defense for work safety, the Group actively organized work safety publicity and education activities such as "Safe Production Month (安全生產月)" and "11.9 Fire Publicity Month (11.9 消防宣傳月)". Through a series of publicity means such as hanging work safety banners, producing work safety posters and holding "119 Emergency Call (119 對你說)" Day, the Group propagate work safety knowledge to all employees, increase safety awareness and ability to respond to sudden production safety accidents among all levels of employees.

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

• Occupational Health

The Group strictly complies with policies and regulations such as the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites* and the *Measures for the Administration of Occupational Health Examination*, formulates and actively implements internal policies such as the *Administrative Measures on Preventive Measures of Occupational Diseases* and the *Administrative Measures on Labor Protection Appliances*. The Group also establishes and constantly improves the management system of occupational health to continue strengthen and standardize its occupational health management work.

During the Reporting Period, we focused on sufficient allocation of labor protection supplies and the scientific setting of labor hours and intensity so as to avoid occupational hazards. We organized regular medical checks for employees and set up occupational health records to fully protect the occupational health and safety of employees.

3.5 Care and Love for Employees

We encourage our employees to take part in the Group's democratic management and attach great importance to what our employees think. We have opened up bilateral communication channels between our employees and the management through face-to-face interviews, work meetings and emails, to allow the management to respond to our employees' major concerns timely and effectively and gain an in-depth understanding of what our employees want in their work or daily life. Meanwhile, we have set up a specific complaint channel and a response platform to collect our employees' opinions and follow their suggestions. We carry out prompt rectification and make timely disclosure based on our employees' feedback and engage our employees in participating in making democratic decisions, democratic management and democratic supervision, with the aim of enhancing their trust in and support for the Group.

At the same time, we emphasize the balance between work and leisure, encouraging our employees to actively take part in all kinds of staff activities. During the Reporting Period, we held a wide range of staff activities, including the second edition of our Grand Culture and Art Exhibition, the ninth edition of our Charm Cultural Festival, the third edition of our Flying Tiger Cup – Fun Sports Day, and the first edition of our TikTok Competition. Through these cultural and sports activities, we enhance the communication between and the unity among our employees, as well as their appreciation of and their sense of belonging to our corporate culture.

Moreover, Grand Baoxin regards its employees as its family members, and actively provide aid to employees with financial difficulties. In 2017, we founded the Grand Mutual Aid Association with our controlling shareholder CGA, and since then different branches of the association have been set up in 10 regions throughout the country. Through the Grand Mutual Aid Association, we endeavour to provide timely support to employees who face financial difficulties in supporting their family or paying their children's school fees due to critical illness or emergencies, thereby forging a close bond between the company and its employees and letting them feel something akin to family love.

4. SAFEGUARDING THE ENVIRONMENT AND TREASURING GREEN RESOURCES

The development of Grand Baoxin is guided by the ideas of “clean production, high efficiency and emissions reduction”. We actively raise environmental awareness, striving to become a resource conserving and environmentally friendly company. We have formulated measures for environmental protection and keep improving them. Through the setting up of mechanisms, system control and performance appraisal, we endeavour to reduce pollution to the environment caused by our operation.

4.1 Environmental Management

We strictly comply with national and local laws and regulations on environmental protection, such as the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on Environmental Impact Assessment*, and keep optimizing our policies on and administrative measures for environmental management.

We require our stores to strictly comply with the waste disposal requirements as well as the administrative measures for waste management of the regions in which they operate, in order to guarantee green disposal. While ensuring normal operation, we try to reduce the consumption of water and energy and to reduce noise to the greatest extent through optimizing our workflow. To achieve this, we have strictly implemented a two-pronged management system: our stores not only need to implement environmental policies and systems of the regions and the headquarters, but also need to comply with the environmental protection requirements imposed by our key manufacturers on our stores. During the Reporting Period, many of our stores obtained certifications for the ISO 9001 quality management system and the ISO 14001 environmental management system, with the concepts of green development, low carbon and sustainability integrated in the whole process of our operational management.

In order to further enhance our staff's awareness of resource conservation, energy saving and consumption reduction, we provide regular environmental management training to our employees to ensure that the responsible staff members comply with the relevant laws and regulations and operate properly during the processes of collecting and temporarily storing waste. We regularly monitor our levels of waste water, waste gas and noise to ensure that they meet the requirements of environmental management. In addition, we actively promote and adopt the use of new technologies and facilities that help to save energy. We have also enhanced the promotion and education about creating a green office, inviting all our staff members to take an active part in energy saving and consumption reduction activities. We also actively monitor any act of waste of resources.

4.2 Resource Conservation

We value natural resources and attach great importance to the efficiency in the use of resources. Strictly complying with the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, we keep optimizing the relevant systems and strongly promote energy saving and consumption reduction. We strictly implement the principle of striking a balance between saving and efficiency, carrying out budget management for our stores regarding energy saving and consumption reduction while requiring our stores to keep their consumption of resources and energy during operation within a reasonable scope.

Regarding the daily operation of our stores, regional offices and headquarters, we urge our employees to conserve resources and reduce energy consumption through promotion and education, resource conservation measures and a system of rewards and punishments.

Promotion and education



Raise the awareness of energy saving and emissions reduction through wide-range promotion and education:

Through holding a wide range of promotional and educational activities, we promote the importance of energy saving and emissions reduction, further raising our staff's awareness of resource conservation and promoting a civilised and frugal lifestyle.

Measures for resource conservation



Strive to reduce energy consumption and costs through refining resource conserving measures:

(1) 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 higher than 20°C in winter. Switch off air conditioners 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.

(2) 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 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.

(3) 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 goal of creating a paperless office.
- Promote "bring your own mug", reduce or eliminate the use of disposable paper cups.
- Improve the procurement and distribution systems 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.

Rewards and punishments



Encourage energy conservation through the establishment of relevant rewards and punishments:

- Form a leading group for energy saving and emissions reduction to monitor and inspect behaviour relating to resource consumption, and to condemn responsible persons and hold them accountable for serious waste of resources. Those who strictly follow the above saving practices will be commended in front of the whole company and be awarded accordingly. All staff members should not only take part in energy saving and consumption reduction activities voluntarily, but also actively monitor any act of resource waste, with every staff member striving to be a leading role model of energy saving and emissions reduction.

In addition, we have also established a leading group for energy saving and emissions reduction in order to irregularly monitor and inspect behaviour relating to electricity saving, the use of resources and energy consumption. Assigned staff are responsible for collecting and analysing data in relation to the use of resources and energy, which are used to set up an objective-based appraisal mechanism to regularly assess the difference between the actual efficiency in our use of resources and the targeted efficiency, and formulate and implement a series of measures to enhance the efficiency in our use of resources and energy. If there are breaches of laws and regulations or internal policies on environmental management, we will circulate a notice to criticize the responsible persons or mete out monetary punishment. Those who strictly follow the above saving practices will be commended in front of the whole company and be awarded accordingly. During the Reporting Period, the energy saving and emissions reduction working group was not aware of any behaviour in relation to serious waste of resources or energy. The Group's comprehensive energy consumption was 7,015.40 tonnes of standard coal, and the comprehensive energy consumption per RMB1,000,000 of income was 0.19 tonnes of standard coal.

During the Reporting Period, the consumption of energy of the Group was as follows:

	Unit	2017	2018	2019
Gasoline consumption	Liter	1,305,453	1,742,439	1,929,904
Gasoline consumption intensity	Liter/RMB10,000 of income	0.38	0.47	0.53
Electricity consumption	kWh	38,648,391	41,280,774	40,330,699
Electricity consumption intensity	kWh/RMB10,000 of income	11.32	11.24	11.06
Domestic water consumption	tonne	453,935	526,618	589,454
Water consumption intensity	tonne/RMB10,000 of income	0.13	0.14	0.16

4.3 Emissions Reduction

We strictly comply with the requirements of national and local laws and regulations such as the *Law of the People's Republic of China on Environmental Impact Assessment*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the *Law of the People's Republic of China 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》). With scientific and reasonable plans for waste disposal in place, we follow strict procedures to dispose the "three wastes" (waste gases, waste water and waste) in order to minimize our impact on the environment.

The emissions generated during our operations are mainly from the following categories:

Waste gases:

- Particles generated during auto maintenance processes, such as the polishing of vehicle body or parts, and volatile organic waste gases emitted during the paint-spraying process

Waste:

- Waste parts and waste engine oil generated during auto maintenance processes
- domestic waste water and wastes generated in daily life and office work

Waste water:

- Waste water generated during auto washing and maintenance processes

Noise:

- Noise generated during auto maintenance processes

In order to control emissions and reduce pollution to the environment, we have implemented administrative measures for waste disposal management, waste gas and greenhouse gas emissions management as well as waste water discharge management, minimizing the negative impact of our operation on the environment.

• Waste Gas and Greenhouse Gas Emissions Management

With the completion of our switch to electricity from gasoline as the source of energy in our paint room, waste gases in the paint room are diverted to a UV photolysis waste gas treatment device in compliance with emissions standards of volatile organic compound and for the sake of reducing pollution caused by waste gases. Regular repair and maintenance are conducted for motor vehicles to ensure that their exhaust meets the emissions standards. Range hoods are installed and regularly cleaned, and waste gas emissions from range hoods in canteens are monitored. Moreover, we urge our staff to embrace low carbon commutes and other forms of green living, and to start with little things in their daily life to contribute to environmental protection.

During the Reporting Period, the greenhouse gas emissions of the Group were as follows:

Greenhouse gas emissions	Unit	2017	2018	2019
Greenhouse gas emissions scope I ¹	tonne of carbon dioxide equivalence	2,899.5	3,843.6	4,256.5
Greenhouse gas emissions scope II ²	tonne of carbon dioxide equivalence	26,783.3	29,919.3	29,389.9
Total greenhouse gas emissions	tonne of carbon dioxide equivalence	29,682.8	33,762.9	33,646.4
Density of greenhouse gas emissions	kg of carbon dioxide equivalence/ RMB10,000 of income	8.7	9.2	9.2

• Waste Disposal Management

Most of the solid wastes generated in our 4S and repair stores are discarded auto parts. We actively comply with China's environmental protection requirements and adhere to the 3R (i.e. reduce, reuse and recycle) principle of waste management, with specific requirements regarding the dumping, sorting and disposal of waste. Waste is classified into items to be reused, items to be recycled and items to be recovered. Items to be reused and recycled from our stores will be delivered to our partners for processing to ensure the maximum utilization value of such parts, while items to be recovered will be used 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 units for external disposal, in order to guarantee the safe storage of oil and avoid impact on the environment. We appoint qualified partners to drain, clear and sanitize our cesspools. We have set up an accountability system for the control of hazardous waste pollution and defined clearly the responsibilities of the persons in charge of the regional departments and the stores under them for the management of hazardous waste. We have also established a ledger management system for the disposal of hazardous waste, recording truthfully the disposal of hazardous waste. All units responsible for collecting and disposing hazardous waste must have transport licences and certificates of competency issued by the Ministry of Ecology and Environment of People's Republic of China.

¹ Greenhouse gas emissions scope I: Covering greenhouse gas emissions directly generated by the direct energy (namely, unleaded gasoline) consumed by businesses owned or controlled by the Group

² Greenhouse gas emissions scope II: Covering greenhouse gas emissions generated by the indirect energy (namely, electricity, purchased or acquired) consumed internally by the Group

Moreover, in order to ensure that hazardous waste is treated scientifically, all containers, vehicles and sites we use to collect, temporarily store, transport and dispose hazardous waste are labelled with hazardous waste identification marks according to those shown in Appendix A to the *Standard for Pollution Control on Hazardous Waste Storage* (GB18597-2001) and *Environmental Protection Signs – Solid Waste Storage (Disposal) Sites* (GB15562.2) – 1995. We clean up thoroughly hazardous waste sites on a regular basis. Our administrative and after-sales staff will appoint specialists to inspect the storage rooms of hazardous waste, and remove any oil stains left on the walls, ground and doors, and clean up the barrels for storing hazardous waste. We see to it that oil stains on the ground and engine oil pans are cleaned up, that there is sufficient fire sand and the fire extinguishers function properly, and that the warning signs outside the storage rooms of hazardous waste are wiped clean. We endeavour to ensure that the storage of hazardous waste is done properly, and proactively fix any problems.

During the Reporting Period, the waste disposal of the Group was as follows:

Waste category	Unit	2017	2018	2019
Domestic waste	tonne	5,068	3,926	2,838
Density of domestic waste disposal	kg/RMB10,000 of income	1.5	1.1	0.8
Hazardous waste	tonne	996	1,234	1,538
Density of hazardous waste disposal	kg/RMB10,000 of income	0.29	0.33	0.42

- Waste Water Discharge Management**

We have devised specific measures for the treatment of domestic waste water and car wash waste water. Through conducting rainwater diversion, sorted collection and separate treatment, different types of waste water are separated according to their water quality. Different treatments are used for different types of water quality, and corresponding pollution control measures are set up in order to realize efficient and economical wastewater management. For domestic waste water, we see to it that the persons in charge of the relevant departments and plumbers/electricians check regularly whether our domestic waste water level surpasses the standard, and eliminate hazards timely. For car wash waste water, we have installed filters and settling basins to ensure that the waste water meets the relevant standard through filtration before discharging to municipal sewage networks.

5. LIGHTING UP HOPE AND SPREADING LOVE

Volunteering has long become part of our corporate culture, with everyone here in Grand Baoxin eager to give back to society. Guided by a charitable and philanthropic spirit, we work hard to spread love and positive energy to as many people as possible, and do not shy from taking a bigger social responsibility. During the report period, 285 of our employees participated in voluntary activities for a total of 1,029 hours.

5.1 Serving our Community

We are grateful to our community and strive to help its residents during our daily operation. During the Reporting Period, we organized and took part in community activities aimed at children and the elderly, with the goals of promoting the traditional Chinese value of “respecting the elderly and caring for the young” and let them feel love and care.

Respect the Elderly, Walk with Love – Community Activity at a Care Home

Respecting the elderly is one of the traditional Chinese virtues. To pass down this legacy and promote the culture of caring and loving the elderly, Shanghai Baoxin in Eastern China under CGA partnered with Shanghai BMW New Energy Car Owner’s Club to visit a care home in Hongqiao town, Minhang district in Shanghai to hold a community activity entitled “Love Knows No Boundary – Golden Years Warmed by Love”. After making the elderly’s acquaintance, the staff of Shanghai Baoxin and the members of BMW New Energy Car Owners’ Club helped to clean up and tidy up the elderly’s rooms, and then handed out specially prepared gifts to them. Our volunteers shared their own stories with the elderly and kept them company on a joyful day in late autumn.



Caring for “Children of the Stars”

Grand Baoxin cares about the development of autistic children and do it best to provide help to them in their daily life. As BMW’s first authorised dealer in Northern China, Beijing Yanbao takes an active part in the community activities held by BMW and itself organises many car owners’ activities. In June 2019, Beijing Yanbao organised an activity entitled “Children of the Stars” to show their love and care towards autistic children.



5.2 Hanging Together in Tough Times

In late 2019, the sudden outbreak of COVID-19 threw the country into chaos, into a war without smoke. Closely monitoring the development of the pandemic, we implemented precautions within the Company to safeguard the health and safety of our employees. Meanwhile, we responded quickly to the needs of those who fought on the front line of this battle against the virus.

Shanghai Xuhui Baoxin Pays Homage to Doctors and Nurses during the Battle against the Pandemic

As CGA's only dealer of BMW MINI in Shanghai, Shanghai Xuhui Baoxin actively lent its support to the prevention and control of the pandemic. The store of Xuhui Baoxin only has a small number of employees, but their will and determination to fight the disease was huge. Through the collective effort of everyone in Xuhui Baoxin, difficulties were overcome and charitable money was raised. All the money was donated to Huashan Hospital in Shanghai to support their prevention and control efforts against COVID-19.



APPENDIX 1: LISTS OF LAWS AND REGULATIONS AND INTERNAL POLICIES

Laws and Regulations:

Company Law of the People's Republic of China
the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Securities Law of the People's Republic of China
Code of Corporate Governance for Listed Companies
Audit Law of the People's Republic of China
Basic Norms of Enterprise Internal Controls
Guidelines for Evaluation of Enterprise Internal Controls
Contract Law of the People's Republic of China
Anti-unfair Competition Law of the People's Republic of China
Anti-monopoly Law of the People's Republic of China
Interim Provisions on Banning Commercial Bribery
Advertising Law of the People's Republic of China
Law of the People's Republic of China on the Protection of Consumer Rights and Interests
Cybersecurity Law of the People's Republic of China
Labor Law of the People's Republic of China
Employment Contract Law of the People's Republic of China
Law on Protection of Women's Interests of the People's Republic of China
Provisions on the Prohibition of Using Child Labor
Law of the People's Republic of China on Work Safety
Law of the People's Republic of China on Prevention and Control of Occupational Diseases
Provisions on the Supervision and Administration of Occupational Health at Work Sites
Measures for the Administration of Occupational Health Examination
Environmental Protection Law of the People's Republic of China
Law of the People's Republic of China on Environmental Impact Assessment
Energy Conservation Law of the People's Republic of China
Law of the People's Republic of China on Prevention and Control of Water Pollution

Laws and Regulations:*National Standard of the People's Republic of China Integrated Wastewater Discharge Standard**Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution**Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise**Law of the People's Republic of China on Environmental Pollution Prevention and Control of Solid Wastes**Measures for the Set-bill Administration in Transfer of Dangerous Wastes**Standard for Pollution Control on Hazardous Waste Storage**Environmental Protection Signs – Solid Waste Storage (Disposal) Sites***Internal Policies:***Sales Operation Manual**Customer Personal Data Protection Declaration**Customer Management System and Customer Data Security Management Notice**Post Confidentiality Agreement**Customer Complaint Management**Customer Satisfaction Management**Centralized Procurement Process Handbook**Component Parts Procurement Business Management Handbook**Supplier Handbook**Employees' Handbook**Performance Evaluation and Competency Assessment Management System**Safety Management System**Administrative Measures on Preventive Measures of Occupational Diseases**Administrative Measures on Labour Protection Appliances*

APPENDIX 2: HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
A. Environmental		
Aspect A1: Emissions		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	4. Safeguarding the Environment and Treasuring Green Resources
KPI A1.1	The types of emissions and respective emissions data.	4.3 Emissions Reduction
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Emissions Reduction
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Emissions Reduction
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Emissions Reduction
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.3 Emissions Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.3 Emissions Reduction

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	4.2 Resource Conservation
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).	4.2 Resource Conservation
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Resource Conservation
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2 Resource Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Resource Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of product package is not involved in the Group's operation
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.1 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

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
B. Social		
Employment and Labour Practices		
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. People-oriented and Bringing Talents Together
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1 Employees 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 Safety and Health
KPI B2.1	Number and rate of work-related fatalities.	3.4 Safety and Health
KPI B2.2	Lost days due to work injury.	3.4 Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.4 Safety and Health

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills of discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	3.3 Talent Cultivation
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.3 Talent Cultivation
KPI B3.2	The average training hours completed per employee by gender and employee category.	3.3 Talent Cultivation
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 Employees Overview
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employees Overview
KPI B4.2	Description of steps taken to eliminate such violations when discovered.	The Group plans to develop refined management in the future
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.3 Responsible Procurement
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.	2.3 Responsible Procurement

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
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. Putting Quality First and Providing Unique 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
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.	N/A
KPI B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	2.2 Rights and Interests Protection

Subject Areas, Aspects, General Disclosure and Key Performance Indicators		Index
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
Community		
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.	5. Lighting Up Hope and Spreading Love
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5. Lighting Up Hope and Spreading Love
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	5. Lighting Up Hope and Spreading Love



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廣匯寶信汽車集團有限公司