



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

2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

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ABOUT THIS REPORT

Overview

This report is the fifth Environmental, Social and Governance (“ESG”) Report released by Grand Baoxin Auto Group Limited (the “Company”). It focuses on the disclosure of relevant information on the economic, social and environmental aspects of the Company and its subsidiaries (“Grand Baoxin” or 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 2020 to 31 December 2020 (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 procedures which 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 23 July 2021. 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

2020 is an unprecedented year in history. With the novel coronavirus pneumonia ("COVID-19") pandemic continues to spread across the world, the automobile industry is inevitably impacted by COVID-19 and causing our car productions and sales volume continue to drop. The Group operated on the basis of three areas: the state development policies, industry general trend and leveraging the corporate resources, we place great emphasis on our own comprehensive and coordinate development, constantly improving our service quality, enhancing user stickiness, and seek for new business opportunities to attract potential customers. During the Reporting Period, the Group realised gross profit was RMB1,750.1 million.

We are committed to incorporating the corporate social responsibility into our economic responsibility. Over the past year, Grand Baoxin stuck to its duties, actively integrated the belief of social responsibility with operational strategic, optimizing its governance structure, promoted high-quality and sustainable development with stakeholders. In terms of dedicated services, we adhered to the operating philosophy of "people-oriented, customer foremost", dedicated to creating a comprehensive integrated services system with customer as the core. In terms of talent cultivation, we upheld the principle of being "Respect Talents, Care For Talents, Cherish Talents", by continuous enhancement to the talent-nurturing system to smooth their path to growth, strengthen staff trainings and enhance their quality. In terms of green operation, we dedicated to realising the goal to achieve higher economic value while shouldering social responsibility and paying continuous attention to significant issues on ecological environment. We set up and continued to improve the environmental protection measures, and we endeavoured to reduce the impact of business operations on the environment through mechanism establishment, supervision system and results evaluation. Further, we strive to be responsible to the suppliers and industry resources with the principle of mutual success. In addition, while safeguarding smooth operation of the Company, we have taken greater social responsibilities as evidenced by us actively participated in charitable events in the community to spread love and positive energy, and meanwhile quickly responding in the prevention of COVID-19 pandemic.

Looking forward, the Group will adhere to its corporate philosophy of customer first, actively adapt to the market trends, timely adjust our development strategies, and continue optimizing our business structure, build upon its business achievements, thus ultimately enhance the brand value of the Group. We have always been adhering to our social responsibility strategy, carry out our commitments to the stakeholders such as customers, employees, investors, partnerships and communities. We endeavour to become an enterprise responsible to the industry and the society.

1. TAKING SOLID ACTIONS TOWARDS AN EXCELLENT DEVELOPMENT

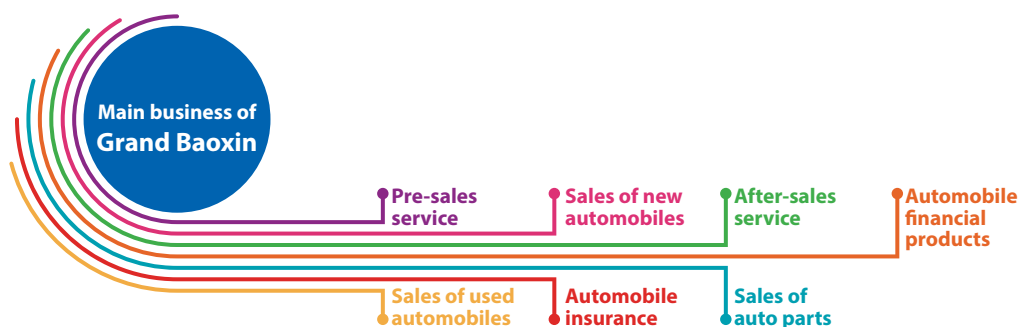
While developing its own business, Grand Baoxin strictly abides to the business ethics and operates in compliance with laws and regulations. We are constantly improving our environmental, social and governance management capability, continue to create more values for stakeholders, and be a responsible corporate citizen.

1.1 About Us

Group Profile

Founded in 1999, the Group was listed on the main board of the Hong Kong Stock Exchange on 14 December 2011 with the stock code of 01293.HK after years of effort. Grand Baoxin is a leading auto sales service group in China, specializing in the sale of luxury and ultra-luxury brands. We are dedicated to the provision of comprehensive integrated services, with its main business covering pre-sales service, sales of new automobiles, after-sales service, sales of used automobiles, automobile insurance, and sales of auto parts and sales of other automobile-related products. Moreover, the customers' demand will be the starting point and principle of our service to achieve the highest customer satisfaction. We implement our service policies to meet all demands of customers as our first priority with the provision of tailor-made services to customers, while leveraging the Group's advantage of integration to maximize our overall competitiveness.

The Group has been ranked one of the "Top Ten Chinese Auto Sales and Service Groups", the "Most Influential Auto Dealer Groups", an "Outstanding Contributor to Shanghai Auto Sales and Service Industry", a "Five-star Company of Trustworthy Services" as well as the "Reputable Auto Sales Companies" and "Shanghai Established Brands" for consecutive years.



- **Corporate Culture**

In an ever changing market, Baoxin Group insists in our vision and endeavours to create values for our customers, partners and the industry, as well as establishing the standards for our management and service with forming the core corporate culture of "excellent, unique and professional". Our service mission is "being customer-oriented, achieving excellence in management and providing quality service" and with a corporate philosophy of being "trustworthy, prudent and superior". On maintaining corporate trustworthy, quality and advanced service, we continuously improve our management level, and continue to fulfil our responsibilities to the environment and society, so as to establish a good corporate profile and further improve our social credibility.

Corporate Spirit		Efficient, Persistent Loyal, Cooperative
Corporate Mission		Customer-oriented Excellence in Management Quality Service
Corporate Philosophy		Trustworthy Prudent Superior

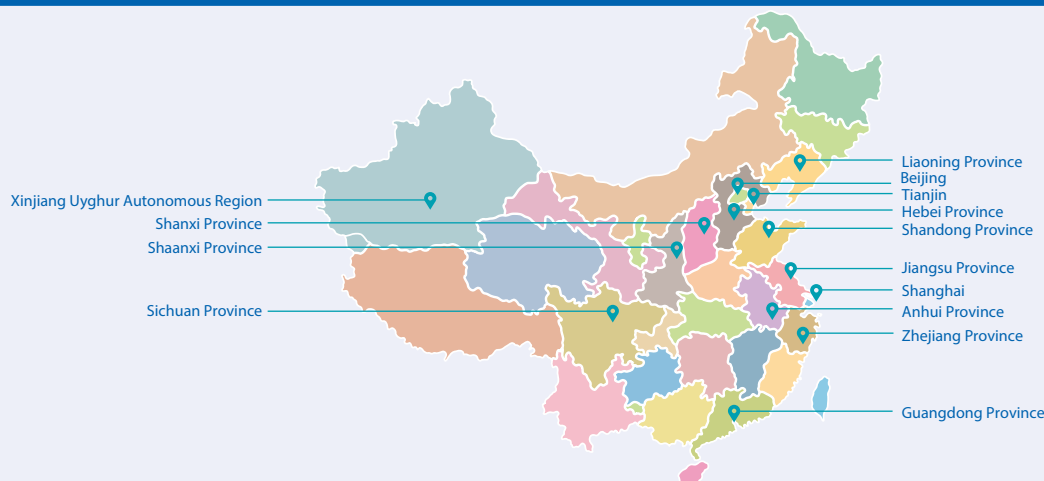
• Network Layout

As the leading authorised dealer of high-end and luxury automobiles, we are deeply committed to the East China market, and expand into regions with developed economy, dense population and market potential, such as North China, Central China, South China, Northeast China and Northwest China and other regions of China. During the Reporting Period, the Group implemented a strategic policy focusing on internal adjustments according to the change of circumstance outside, 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.

During the Reporting Period, the Group has sold or adjusted five stores with weak profitability. Meanwhile, we remodelled and optimized existing stores to further improve capital efficiency while reducing the capital expenditures.

We have a wide-range of automobile brands in China. As at 31 December 2020, the Group operated a total of 111 stores, with a diversified portfolio comprising 10 luxury and ultra-luxury automobile brands, which covered most of the luxury and ultra-luxury automobile brands market in China.

Distribution Network of Grand Baoxin





Ultra-luxury and luxury automobile brands of Grand Baoxin

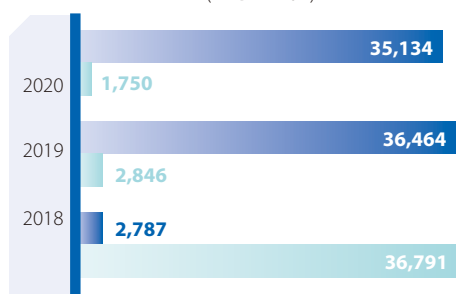
- Business Performance**

During the Reporting Period, we adhere to the mission of combining automobile sales and service quality, which has not only resulted in stable sale of new automobiles, but also attached great importance to business transformation and upgrading, endeavoured to collaborative development of being "sales-oriented" and "service-oriented". Grand Baoxin has greatly improved the service quality of after-sales business and expanded the scope of derivative business services, in order to better fulfil customer needs and reduce the impact of industry fluctuation on the Group, to ensure a long-term, healthy and sustainable development of the Group.

As at 31 December 2020, the Group recorded revenue of approximately RMB35,134 million and gross profit of RMB1,750 million. During the Reporting Period, the Group sold a total of 101,511 new automobiles. Revenue from after-sales service amounted to RMB4,270 million. Gross profit from after-sales services amounted to RMB1,364.5 million, with the gross profit margin of after-sales services was 32.0%. Revenue from automobile derivative business amounted to RMB1,048.5 million, representing a year-on-year increase of 40.7%.

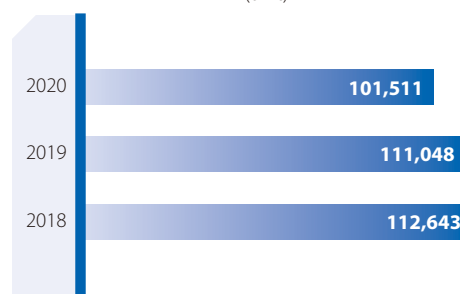
Operating revenue and gross profit of the Group in the past three years

(RMB million)



Sales volume of new automobiles of the Group in the past three years

(unit)



■ Revenue ■ Gross Profit ■ Sales Volume

(For disclosure of more information on business performance, please refer to the 2020 Annual Report of Grand Baoxin)

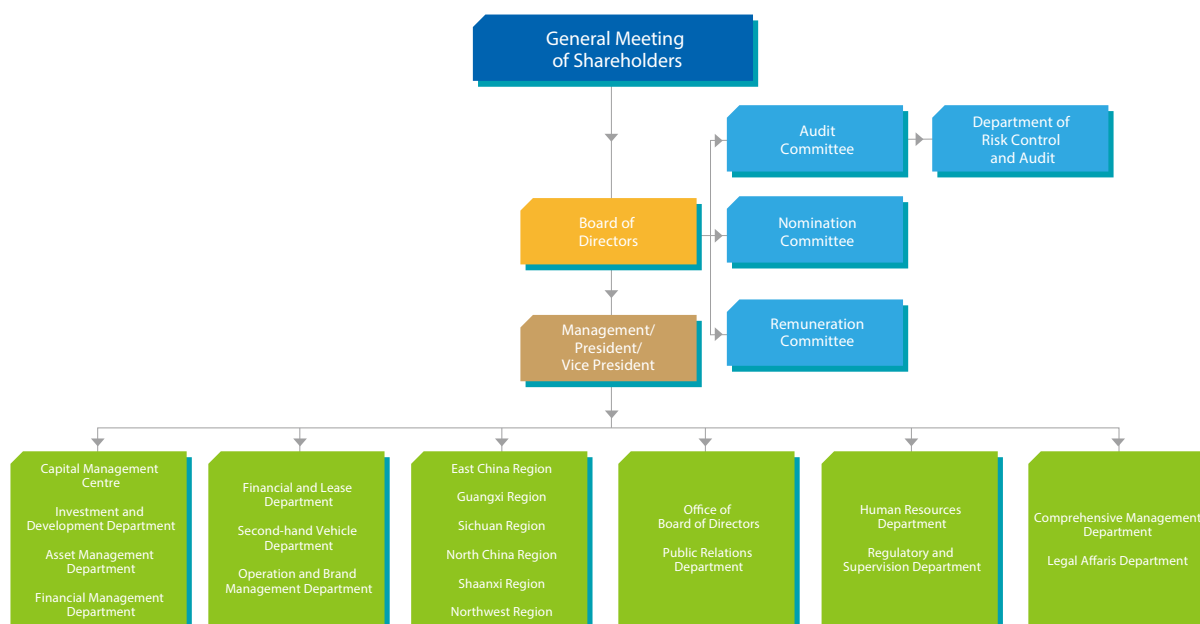
1.2 CORPORATE GOVERNANCE

Through a sound corporate management mechanism of the Group, the rights and interests of shareholders and other stakeholders are protected, and stable corporate development is ensured. We continue to improve the general governance level and the capacity of social responsibility. 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*, 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, continues to improve its corporate governance structure and enhance corporate efficiency.

- **Compliance Governance**

The Board of Directors of the Group is currently composed of seven members, including four executive directors and three independent non-executive directors. The Group's Board of Directors is primarily responsible for supervision on the Group's business, strategic decision and performance, and 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, of whom female directors account for about 43%. Each member has a different professional background and rich experience to assist the Group in its sustainable development.

In order to ensure the rigorous and high efficiency of corporate decision-making, 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 assisting the Board of Directors in reviewing financial information, 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, making recommendations to the Board of Directors on the appointment or re-appointment of Directors, and assessing the independence of independent non-executive Directors. 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.



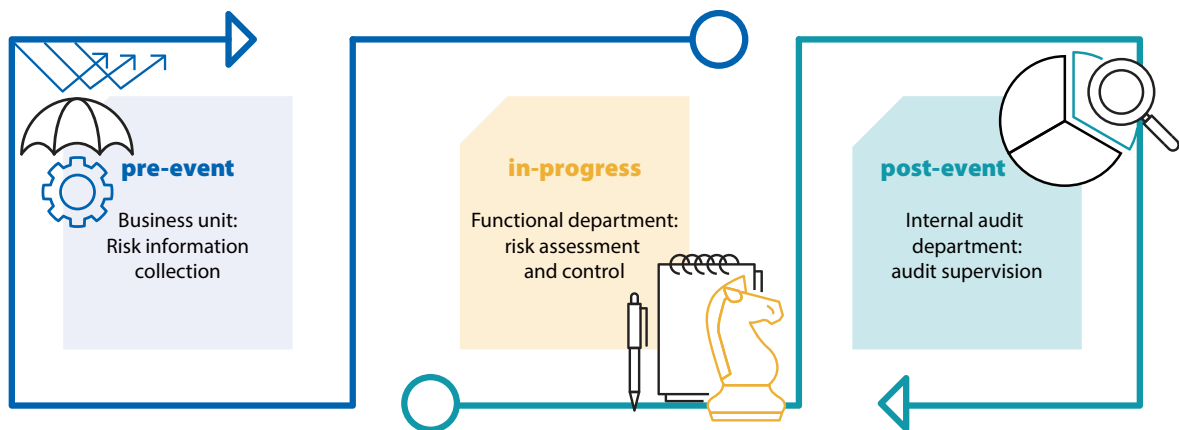
Governance Structure of Grand Baixin

(For more information, please refer to the section "Corporate Governance Report" in the Group's 2020 Annual Report)

• Risk Management

For efficient risk control, we strictly abide by the *Audit Law of the People's Republic of China* and other laws and regulations. We firmly believe the healthy and stable development of Grand Baoxin is attributed to the sense of risk management from the management of the Group to the basic staff. We have developed an internal risk control system and corresponding management codes according to our own conditions and the *Basic Rules of Corporate Internal Control* and the *Guidelines for Evaluation of Corporate Internal Control*, a three-tier risk management mechanism covering pre-event prevention, in-progress control and post-event governance.

During the Reporting Period, we continue to improve the risk management system in four dimensions: assigning responsibilities to departments, strengthening internal audit, establishing communication mechanisms and forming a competitive team of talents. Our risk management system and internal control and self-evaluation have been conducted in all sales stores. Through self-evaluation and sound risk management system to promptly identify internal control deficiencies in strategy, finance, technology, human resources and public relations, and carry out targeted rectification to solidify the Group's risk management foundation.



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

- **Credit Business**

We uphold the business values of probity, integrity, fairness, openness and mutual respect, adhere to the highest ethical and professional standards in our interaction with the Board members, employees, shareholders and investors, government, suppliers, customers, partnership, communities and the public.

We strictly abide 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 enhanced its internal governance and control by guiding employees to work with honesty, dedication and trustworthy while creating and maintaining an incorruptible workplace. We have formed 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 to ensure a healthy, stable and continued development of the Group.

In order to perform the social responsibility to operate the corporate with integrity, the Company sets up both internal and external mechanisms to oversee its compliance standards and operation efficiency. We established strong report-handling system and accountability mechanism to ensure full investigation on suspected corruption cases as reported and give zero tolerance to corruption. In addition, we encourage employees to report or make an accusation of any solicit bribes, take bribes and other violation actions through various reporting channels such as mails, hotlines and emails.

The Group strictly keeps the whistleblower's information confidential and will give the whistleblower a reply within five (5) working days after receiving reports by discipline inspection staff. 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 all problems will be solved in a legal and reasonable manner. If the whistleblower fails to get a response in time through the above reporting channels, he or she can choose to report to the management of a higher level. During the Reporting Period, the Group was not involved in any litigation of corruption.



Reporting Channels



In order to ensure the integrity and incorruptible professionalism imprinted in the heart of every Grand Baixin staff, we have enhanced the promotion and education of anti-corruption to raise ethical standards and compliance awareness among staff at all levels.

1.3 ESG GOVERNANCE

The Group takes corporate governance, quality of our products and services, human resources development and environment and community as the key focuses and the foundations of fulfilling our social responsibility. During the Reporting Period, we continue to improve our ESG governance structure and clarify responsibilities at all levels. Through in-depth and effective communication with our stakeholders, we identify substantive issues of the Group and fully implement ESG-related governance.

- **Philosophy and Structure**

In order to better implement the philosophies of sustainable development on the Group's strategy level, improve our ESG governance and ensure the Group has made decisions on ESG issues in a scientific and efficient manner, 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 to achieve sustainable development. 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 adhere to our mission of "creating win-win situation through cooperation" with stakeholders and believe the cooperation with them is an inevitable trend for the long-term development of a corporate. In order to meet the demands of each of the stakeholders, we carry out systemic investigation to recruit talents, and listen to every single piece of suggestions, in a view to creating a two-way and transparent communication mode with stakeholders and satisfying every party's demand proactively. Based on our scope and nature of our business, we identified seven major stakeholders who have decision-making right or influence over us or are in a close relationship with the Group. Through communication, we understand their concerns, integrate relevant issues into the operation and decision-making process, and regularly review the effectiveness of relevant actions to achieve mutual benefit and sustainable development.

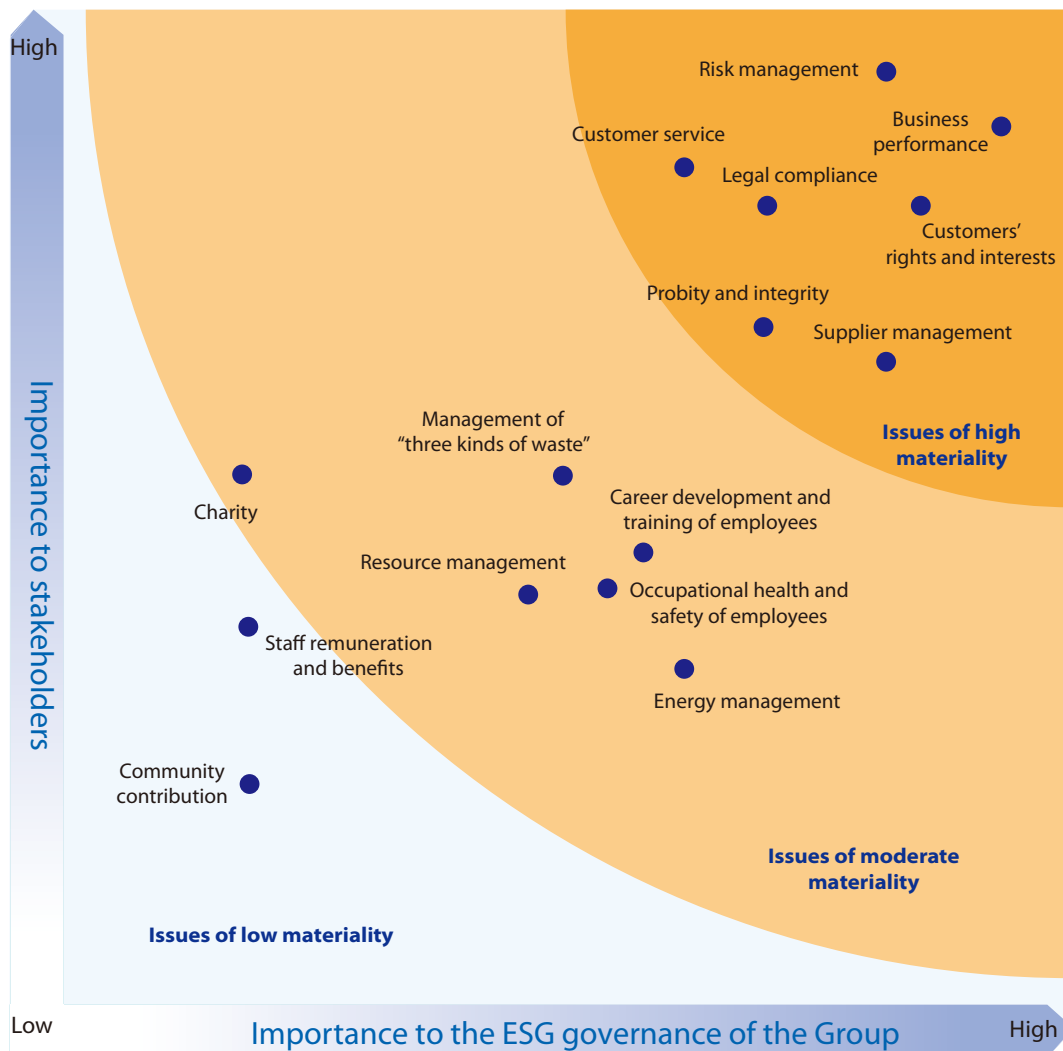
Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Investors/ Shareholders	<ul style="list-style-type: none"> Annual reports and announcements Thematic reports Regular disclosure 	<ul style="list-style-type: none"> Regular/Irregular Regular/Irregular Regular 	<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
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

Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
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"> • Group website • Group 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

• Analysis of Substantive Issues

Identifying and analyzing substantive issues is the basis of good sustainable development management. During the Reporting Period, we have combined the ESG substantive issues matrix of the last year, to rank the importance of each issue and will rearrange our time for the prioritisation of the issues during the actual implementation stage, to provide a solid basis for the Group's long-term ESG strategy based on the Group's social macro background, industry trends, strategic planning and development status of the Group.

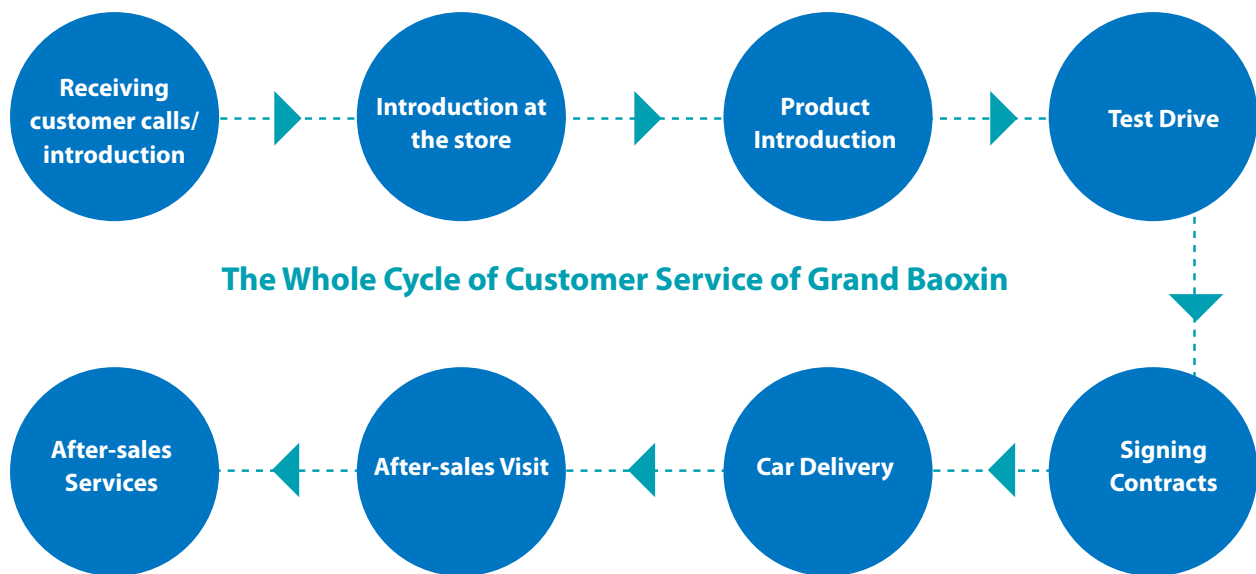
We identified 15 ESG issues in terms of their impact on the Group's strategic operations and their impact on stakeholders. Specifically, there were seven issues of high materiality, six issues of moderate materiality and two issues of low materiality. The results are as follows:



Substantive Matrix of Grand Baoxin

2. PUTTING QUALITY FIRST AND PROVIDING UNIQUE SERVICES

It is the firm belief of Grand Baoxin that quality services and trust of customers are the foundation of corporate development, therefore we adhere to the business idea of “people-oriented, customer foremost”. We constantly explore methods to improve our service quality during operation. We are committed to establish a comprehensive, integrated and quality service system with customers as its core, to formulate customised service plans based on customers information and according to the needs of customers in each service part. We serve every customer with dedication.



We will improve our services in two directions: online and offline. During the Reporting Period, we leverage the development trend of “digitalization” and “digitalized intelligent” to further improve the efficiency and capacity of managing, processing and interpreting information and data, aiming to enable us to gain deeper understanding on customers’ demands and to interpret and analyse customers’ information with more precision. Further, through the continuous improvement of the after-sales operation analysis system, we have strengthened the follow-up efforts of each store on key indicators, identified potential operational risks in time and implemented continuous control over them.

2.1 Dedicated Pre-sales

Pre-sales service is the “first impression” of the Group to the customers. We believe a good start lays an important foundation for the stable development of subsequent service. In order to create a transparent promotion environment, the Group strictly comply with 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, false promotions and any illegal sales promotions are prohibited. To ensure the professionals of our sales service, the Group has compiled the *Sales Operation Manual* to specify the service standards of pre-sales services such as customer reception and product introduction.

After understanding the product information by customers, we will invite them for a test drive to enable that they could experience the product, so that we could gradually optimise our services tailor-made for them and thus help customers choose their favourite products. After the confirmation of products with customers, we will have communication about the terms of the contracts then signing it. The whole process of pre-sale services will end up with car delivery service.

Introduction at Stores	<ul style="list-style-type: none"> Receptionists have been trained on the work process and reception etiquette to provide standardized and high quality reception services to ensure a good impression on customers.
Product Introduction	<ul style="list-style-type: none"> Every sales staff has a rich industry background and professional product introduction ability to help customers understand the key performance of automobile in a short time with plain words Discover the customer needs accurately, combined with the historical customer information to formulate customized purchase plan for customers
Test Drive	<ul style="list-style-type: none"> Define details the responsibilities and accountabilities of sales managers, test drive coordinators and sales consultants in this session to achieve efficient teamwork Prepare <i>Registration Form for Test Drives</i> to trace and manage the test driving information of all models Sign a <i>Test Drive Agreement</i> with customers to help them understand the service in this session Invite customers to fill a <i>Test Drive Feedback Form</i> to collect feedback and enhance the quality of service effectively
Signing Contracts	<ul style="list-style-type: none"> Sales prices and relevant terms in the contracts must be approved level-by-level in accordance with the 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, Any involvement of the sales consultants during the process of approval is prohibited
Car Delivery	<ul style="list-style-type: none"> The verification of the brand and model vehicles alongside our introduction of vehicle functions and instruction of usage together with our delivery of vehicle information Elaborate the after-sales services and insurance services to our customers to meet the after-sales needs of customers 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

Transparent and Heart-warming Pre-sales Service

We are committed to the hassle-free car purchase of pre-sales service experience for customers. Therefore, we have to provide solutions to understand customer's worries in-depth.

Hassle-free Car Purchase – Financial Risk Control Platform

- We deeply understand customers' concerns and difficulties regarding capital turnover when buying a car. Therefore, we rely 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".

2.2 Responsible Post-sales

According to the characteristics of the industry in which the Group is in, we divide the after-sales service into four sections, namely, repair and modification service, insurance service, listening to customer opinions and customer satisfaction survey.

Repair and modification service reflects the Group's extension of the automotive industry value chain and diversified business model, which is also a key factor to help us maintain stable long-term customer relationships. For car maintenance, we have purchased and stored quality auto parts, purchased great maintenance equipment and tools, and set up a professional team of technicians to ensure the quality and quantity of customers to solve all kinds of problems. For car modification, we will combine the needs of customers and product characteristics for providing safe and personalised modification opinions. Meanwhile, we will display various car-related products for customers' purchasing and selection.

For insurance, we have launched a variety of insurances including "Hassle-free Card Services" and "Hassle-free Double Insurances" according to the needs of customers and promote it to other customers. While preparing insurances, we also actively adapt to the development of "technology", relying on the industry-leading "Insurance Cloud" platform, we implemented the platformised management and control on full interface for business operations. Thus, we improved the hassle-free quality insurance services, thereby increasing the ratio of first-time insurance, insurance renewal rate, total penetration rate of extended insurance and penetration rate of non-auto insurance.

Hassle-free Card Services

- The hassle-free card provides seven after-sales services that are in high demand, 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 after-sales services to our customers at concessionary prices through this service.

Hassle-free Double Insurances

- The hassle-free double insurances is an innovative product of automobile services launched in recent years with a service period of six years and mainly providing customers free basic maintenance services. Moreover, an additional 3-year mileage-free warranty extension service after a 3-year warranty period from the original manufacturer. Customers who participated in this project 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.
- This flexible service can be transferred with vehicles so that residual values of second-hand vehicles can be increased.

• Listening to Customer Opinions

Listening to customer opinions is one of the main ways to help us improve our services. Our customer complaint channels such as hotline, email, suggestion box, after-sales service interview and complaint at the spot. Besides these traditional communication channels, we also open online complaint channels such as the official website of the Group, Hui Yang Che APP, Weixin social media groups and all platforms related to automobile promotion and sales, which are wet up online service channels.

In order to safeguard the service quality in response to customer complaints, we have compiled a series of internal policies that safeguard the after-sales service of products including *Customer Complaint Management*. Moreover, we have also built a customer management system with the principle of "First-tier management and control, second-tier handling and processing" with customer service departments of all operating companies as the hosts with complementary support from other relevant functional departments to form a complete management and control system.

General managers of operating companies

Head of Customer Complaints



- Responsible for setting up organisations or bodies of high efficiency specific to handling complaint and setting out procedures in order to quickly handling daily customer complaints.

Customer Complaint Handling Department

Relevant Functional Departments



- Relevant functional departments including sales departments, after-sale services departments and value-added business departments;
- The persons-in-charge from each department will act as the first responsible unit and first handling party for customer complaints;
- Responsible for handling complaints based on the prescribed process, time limit and requirements, responding to customer demands, and timely submit the feedback of handling results to customer service department.

Customer Complaint Management Department

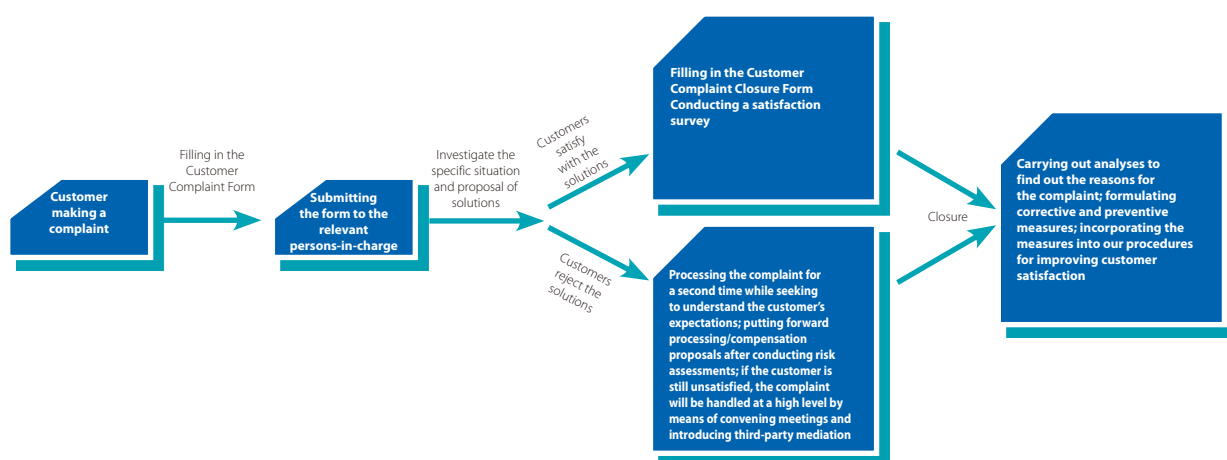
Customer service departments of operating companies



- Customer service managers will act as the second responsible unit;
- Making projected estimation about any potential complaint situation and providing appeasement to customers in advance;
- Taking effective measures of tackling customer grudges at an early stage, and preventing customer grudges upgrading
- Establishing early warning mechanism for unresolved issues after repeated maintenance for the same defect of the same automobile. Actively communicate with and showing concern for customers, and will report to relevant department of the store in question.

Customer Complaint Management System of Grand Baoxin

Moreover, we have established a set of standardized procedures for handling customer complaints and have clarified the department-in-charge and content of each procedure. With these in place, we strive to follow up on and handle 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

- Customer Satisfaction Management**

Customer satisfaction reflects our superior service quality. We require all stores set goals in satisfaction regularly, and satisfaction will be included in the performance appraisal to strengthen the relations between the staff and customers, enhance customer satisfaction and customer loyalty. The manager of each department, who is directly responsible for customer satisfaction management, conducts work-related inspection at stores and offering guidance to them and draws up monthly action plans for customer satisfaction management. 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 goals and plans for overcoming such deficiencies. The managers will follow up and monitor the progress and results of such rectification plans continuously.

We carry out traditional satisfaction surveys and mercantile, unannounced visits by mystery shoppers, and send specialised personnel 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.

2.3 Privacy and Safety

The Group attaches much importance on the protection of customer's security of personal information. We strictly in comply with the laws and regulations including the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and the *Cyber Security Law of the People's Republic of China*, we have formulated customer privacy and confidentiality system such as 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.

Exporting customer data of the Group required strict procedures of approval. The procedures of approval will start after submitting its application. The three-level approval procedures for application will review the purpose for which the data was used and the reasonableness of its acquisition at each level. The data can only be exported after receiving all approvals. Each staff who is exporting data will be monitored by OA (Office Automation) system thoroughly to guarantee the traceability of the action and the system will give early warnings on unusual events.

Every working staff of key positions concerning data application are required to sign *Post Confidentiality Agreement* to standardize their data management and confidentiality work. We will strictly review and verify the status of exporting data upon his/her departure, so as to ensure the normality of all business data.

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

3. PEOPLE-ORIENTED AND BRINGING TALENTS TOGETHER

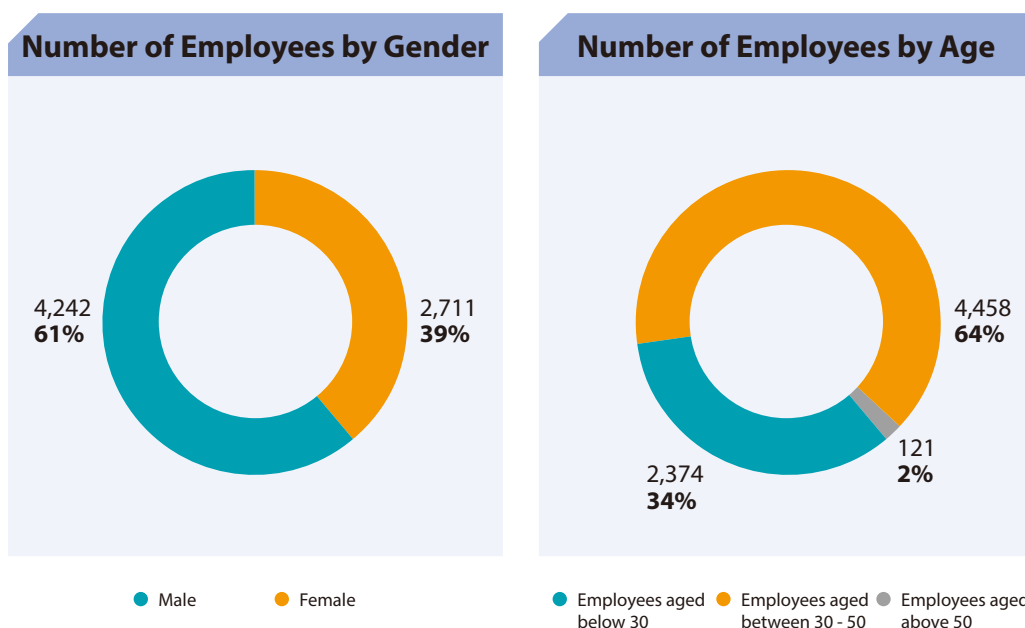
Grand Baoxin adheres to the concept of “respect talents, care for talents and value talents”. The safeguard of all employee’s rights and interests, personal growth, and health and safety are in the important position of the Group’s development. We devoted to providing the peaceful working environment and good development platform for employees.

3.1 Labour Rights

The Group 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 Labour*. We have prepared the Employees’ Handbook as a guiding internal policy to establish a sound human resource management system. It has set up the specific requirements for the processes such as recruitment, promotion, training, performance evaluation, remuneration and welfare, safety management and dismissal. We insist of standardized management and fair and diversified recruitment ideas. We are determined in preventing any behaviour such as child labor, forced labor, restricting the freedom of employees and discrimination of employees. We strive to create a peaceful and friendly workplace.

The fair and equal compensation and welfare system of the Group is a crucial foundation in attracting outstanding talents. We devote to improve the compensation and welfare system to safeguard employees’ rights. Our compensation system with four aspects including wages, bonuses, benefits, and share options incentives. We set clear evaluation indicators for each compensation to ensure all employees can receive fair rewards with the distribution of compensation according to the post differences, achievement sharing and more pay for more work. We have also implemented flexible salary adjustment mechanisms that include two adjustments of positive and negative, and four salary adjustment methods, such as salary adjustment after probation, salary adjustment upon appointment, special salary adjustment and comprehensive salary adjustment. Meanwhile, we are fully guaranteed for five insurance plans and one housing provident fund, annual leave, sick leave and any special leaves, and also provide various kinds of subsidies including subsidies for festive days, transportation allowances and communication allowances. Moreover, we put much attention on the right of female staff, eliminate gender discrimination and gender wage differences to create a diversified and humane welfare system for employees.

As of 31 December 2020, the Group has a total number of 6,953 employees. The breakdown employees by gender and age were as follows:

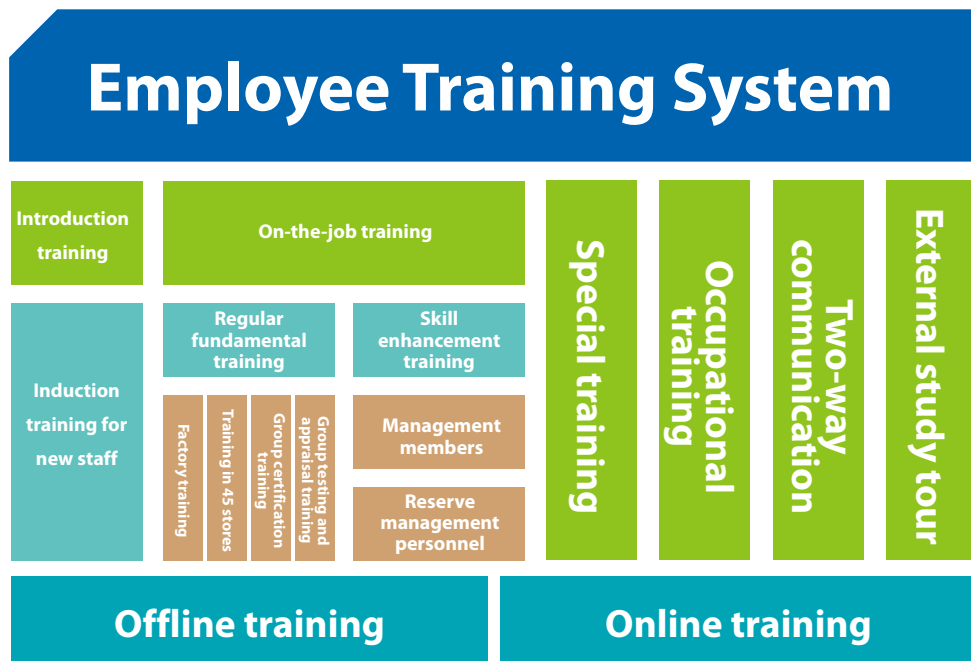


3.2 Talent Cultivation

- **Training and Development**

The high-quality talent team is the key and motivation to the development of the Group. We orient towards the core ideas of “establishing a learning organization”, improve the employee training system, help employees to enhance their professional knowledge, improve key skill levels. In order to enhance the general quality, skill and profession levels, we have implemented a training system and continuous education system for all employees.

We are devoted to create an efficient and complete employee training system to set up a three-stage advanced training with different training programs for different groups of people. An introduction training has been set for new staff for their information and help them adapt to the new environment. For current staff, we organise regular fundamental trainings which help to improve their business skill. Currently, the regular fundamental trainings include factory training, internal training in 4S stores, group certification training and group testing and appraisal training. For management members of the Group and reserve management personnel, we organize skill enhancement trainings with an aim in enhance their profession knowledge and management skills of management members.



Other than it, we have organized “Employee Training Project of General Quality Enhancement” which covers professional knowledge and theory training, professional skills practice training and team spirit training, in order to enhance the core quality and core competitiveness development of staff.



Professional knowledge and theory training

- Profession knowledge training of automobile service
- Technical knowledge and presentation skills training

Professional skills practice training

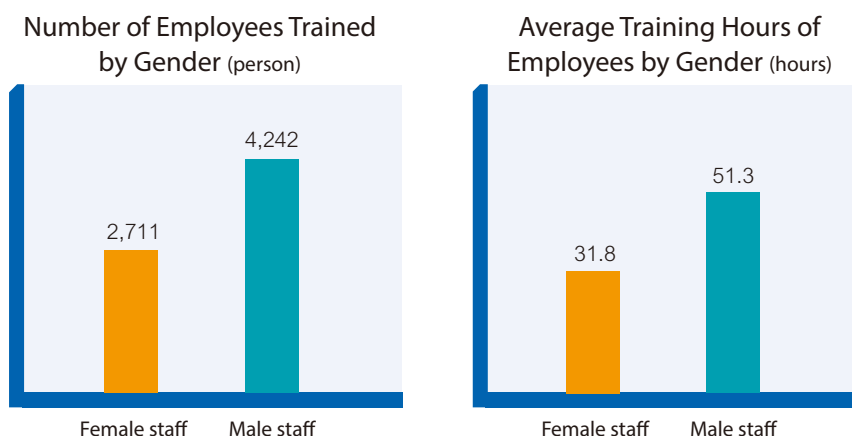
- Carry out the work of one post with multiple abilities
- Improve employees' work efficiency

Team spirit training

- Cultivate the sense of teamwork and discipline of employees
- Strengthen the willpower and anti-pressure ability of employees

Training content of “Employee Training Project of General Quality Enhancement”

During the Reporting Period, our total number of employees trained reached 6,953, the total number of training hours was 303,838 hours, and training hours per capita was 43.7 hours. The number of employees being trained and the average training hours in general were as follows:



• Employee Promotion

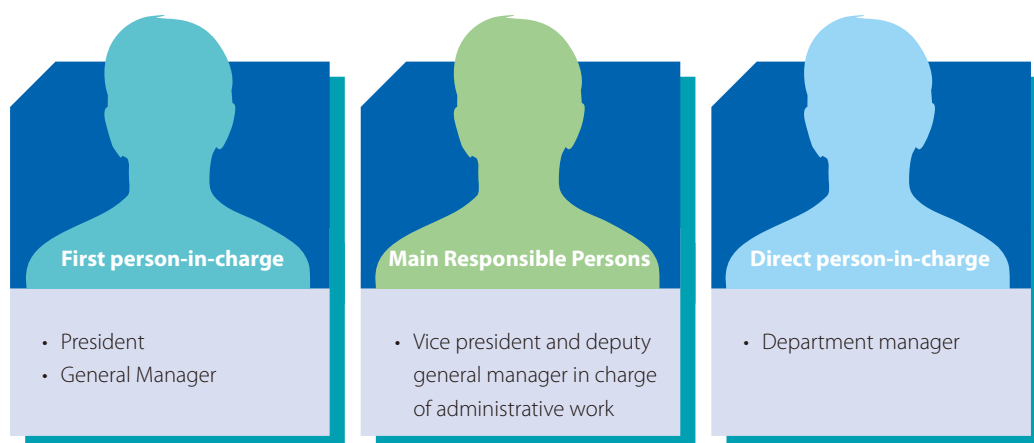
The diversified employee promotion system is an important guarantee to stimulate employees' work enthusiasm and help them grow up. We meet the Group's business strategy and staff development needs as the premise, the internal personnel policies such as promotion, post transfer as basis, and with the staff training records and evaluation results as reference. We encourage reasonable internal transfer of talents according to the needs of the group and the principle of making the best use of talents. From the perspective of the group, we combine the strategy development plans of the Group providing equal promotion opportunities for all staff according to the need of positions and promotion standard proportion; From the perspective of employee, we encourage employee pursue career development and help them to set and analysis personal goals to create a differentiated and systematic development path. Moreover, in order to ensure the fairness and equalness of the assessment results, we formulated *Performance Evaluation and Competency Assessment Management System* which clearly stated the detailed rules of performance evaluation and promotion development of employee.

3.3 Health and Safety

The health and safety of employee is the first mission to the corporate existence and development. We adhere to the principle of "Safety first and prevention foremost", optimize the safe operation measures of the Group to ensure the occupational health of employees.

- **Safety Management**

We have complied the Safety Management System according to the laws and regulations such as the *Law of the People's Republic of China on Work Safety*. It defines the definition of safety management matters and work safety management responsibilities. According to the Safety Management System, the president and general managers of brand companies of the Group are the first person-in-charge of safety management. The vice president and deputy general manager in charge of administrative work are the main responsible persons of safety management. The department managers are direct person-in-charge of safety management. Meanwhile, the Safety Management System defines the requirements of important measures such as safety education and training, safety supervision and inspection, safety troubleshooting, management of hazardous operations, safety incident reporting, emergency rescue and first-aid.



Person-in-charge of Work Safety Management Responsibilities

We are highly valued the cultivation of employee's safety awareness, so we carry out the education and training of safety to employee who are required to take the training of safe production and fire knowledge and pass the test. The training content include theoretical knowledge such as system of safety management and contingency plans, and practical method such as using of fire-fighting devices, preventing of potential risks and safe operation methods of different positions. We regularly organize safety training and promotion activities such as safety month and fire month to ensure proper use of safety and fire protection equipment by employee. Further, we include the employee safety education and training into the factors of selection and appointment of management persons and promotion in the future in order to strictly implement the staff safety management system.

Current Employee	<ul style="list-style-type: none"> • System of safety management, potential risks of different positions • The process of safety operation • Occupational health
New Employee	<ul style="list-style-type: none"> • Work safety laws and regulations • Process of safety operation • Contingency plans • Fire safety knowledge and the use of fire-fighting devices
Special operators	<ul style="list-style-type: none"> • Specialists of special equipment operator, electrician, electric welding, painting, motor vehicle driving • Receive and pass training before employment

Employee Safety Training System

We have set the plans of safety troubleshooting and safety supervision and inspection and adopted both regular and irregular checking modes under audit method to conduct comprehensive check quarterly and safety troubleshooting irregularly before holidays. Our safety check including cleaning, production safety, fire safety, property safety, electrical equipment, vehicle safety, security on duty and conference management and so on. Moreover, we arrange for checks on key areas based on seasonal characteristics, including establish lightning protection in rainy season; heat and flood protection in summer; fire and freeze protection in winter. Our inspection results and the follow-up rectification results will be reported to senior manager/general office. We have established a remediation fund for safety troubleshooting for its financial supporting. According to the safety supervision and inspection system, we conduct routine work safety checks weekly at stores, monthly work safety checks each month. The inspection results and rectification progress shall be submitted to the work safety committee office at the headquarter.

Moreover, we have stipulated those dangerous operations should be conducted under special control. For the projects involve dangerous operation, it needs to be supervised by a special supervision arranged by site safety personnel and complete safety protection measures. According to the safety accident reporting system, after an accident occurs, all on-site employees shall take measures according to the contingency plans and report to the general manager of the Group in time, and the safety team shall go to the site as soon as possible for rescue. The emergency rescue and rescue measures state that all departments of the Group must carry out hazard identification, risk assessment and risk control, and classify and designate emergency rescue and treatment plans for accidents and disasters. We devote to preventing dangerous accidents from happening at the source.

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

- **Occupational Health**

We care about employee's health and ensure workplace safety and physical and mental health of employee. We strictly complied with laws 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 internal policies such as the *Administrative Measures on Preventive Measures of Occupational Diseases* and the *Administrative Measures on Labor Protection Appliances*. It continuously optimizes employee health management measures and improve employee working environment.

We are strongly avoiding occupational hazards. We pay attention to and optimize issues like dust, noise, labor protection equipment, labor hours, labor intensity based on the characteristics of each position. We organized regular medical checks for employees and set up occupational health records to relieve work pressure and protect the occupational health and safety of employees.

During the epidemic period, we carried out strict epidemic prevention and control work, set up special groups and adopted a system of responsibility at each level. Under the leadership of the group headquarters, we implement the epidemic prevention work to every region, every store and every employee. We have adopted "Staff Information Daily Reporting System" which record the physical conditions of all staff and reporting it before 6:00 p.m. every day. We pay attention to the physical condition and mobility of all employees to ensure their safety and health. Moreover, we actively promote the online and offline resumption of work and production, establish online working groups, cancel business trips and offline meetings, and reduce unnecessary contact between personnel.

3.4 Care and Love for Employees

- **Employee Communication**

We attach great importance to our talents, we will respond promptly to the opinions and complains of employees with establish a developed employee communication system. We encourage employee reflecting their work problems and needs in time through opening up bilateral communication channels and ways of communication such as face-to-face communication and emails. Also, we have set up complaint channel and a response platform with an aim to building a friendly and harmonious workplace through sincere and timely communication.

- **Care and Love for Employees**

Care for employees is an important way to unite the corporate's employees. We care about the problems of life and work from employees and founded the Grand Mutual Aid Association with our controlling shareholder CGA to provide financial support to employees who face financial difficulties in supporting their family or paying their children's school fees due to critical illness or emergencies.

We are not only providing the financial and material supporting for employees, but also caring about their mental condition through opening diversified employee activities to improve team cooperation and built a relax workplace. During the Reporting Period, we actively carry out enterprise festival activities, post training, skills competition and other staff activities. At the same time, we have carried out enterprise publicity activities in order to promote the enterprise culture and enrich the life of employees.

4. ENVIRONMENTAL PROTECTION AND PROMOTING GREEN OPERATION

Grand Baoxin is guided by the ideas of “clean production, high efficiency and emissions reduction” to realized green operation. We actively raise environmental awareness to staff, set up mechanism of saving energy and emission reduction, and apply environmental protection measures. Through ways of establishing system control and performance appraisal to supervise the implementation and effectiveness of environmental protection measures.

4.1 Environmental Management

The Group strictly comply with relevant 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*. We combined with the features of the industry and ourselves in formulating the environmental management policy and supervision method with the characteristics of Grand Baoxin.

We have established a two-pronged management system. The system combines two dimensions of environmental protection requirements and related policies, with dimension one requires operating stores to implement environment-related policies and systems of the regions and headquarters; dimension two requires stores to comply with the environmental protection requirements imposed by our key manufacturers on our operating stores. Under the strict requirements of the system, the operating stores try to achieve the environmental goals of reducing the consumption of water and energy and reducing noise through optimizing their workflow. Currently, many of our stores obtained certifications for the ISO 14001 environmental management system, with the concepts of green development, low carbon and environmental sustainability integrated in the whole process of our operational management.

Apart from the corresponding performance appraisal carried on stores, we would intentionally nurture environmental awareness of the staff. We have organized different environmental protection activities to encourage staff to practice green and environmentally friendly lifestyle. For example, we have launched a campaign with a theme of green office for staff call for reducing the consumption of office suppliers and taking public transportation for low-carbon through these actions to contribute our own efforts to environmental protection. Further, the Group organizes employee training for environmental-related staff regularly, for example, providing training for staff in charge of collecting and disposing of hazardous waste, to ensure they understand the whole standard workflow.

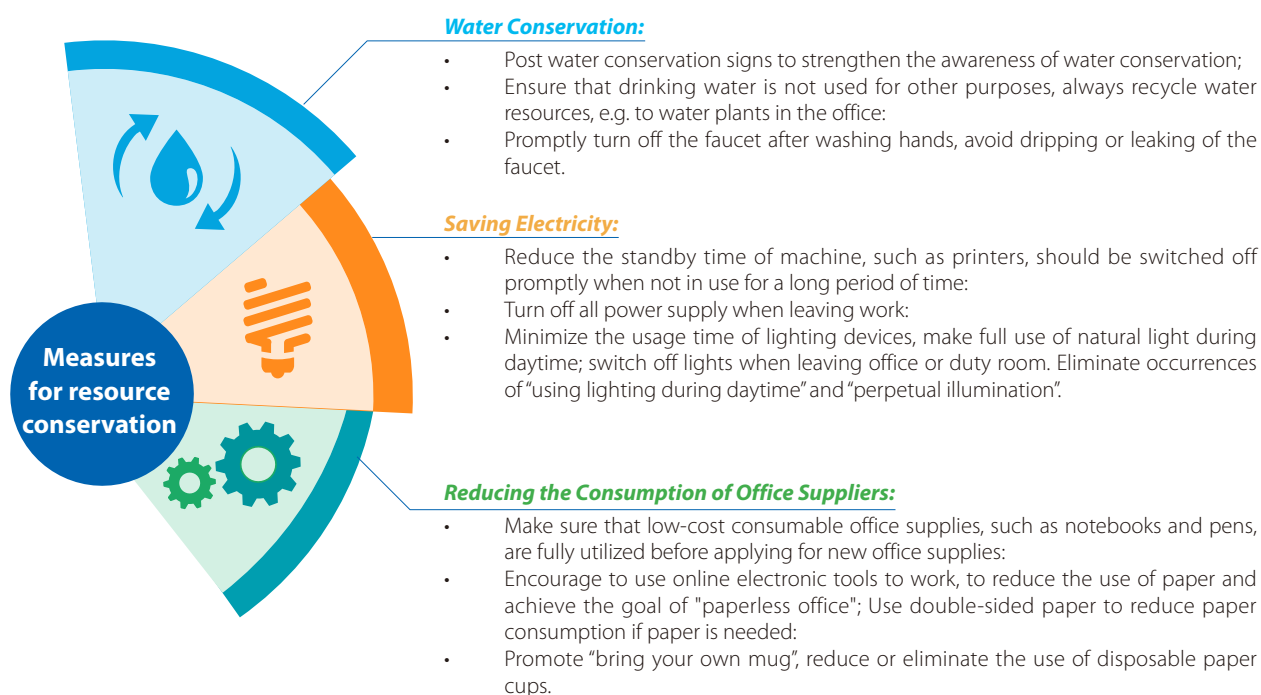
4.2 Energy Saving and Consumption Reduction

The Group treasures the natural resources and the resources efficiency. With strictly comply with *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, we have set up a management system of energy saving and consumption reduction on group level. We require all stores strictly control the resource and energy consumption generated from operation in compliance with the principle of saving and efficiency.

The Group especially established the leading group for energy saving and emissions reduction in order to enhance the management level on consumption reduction of all stores. The functions and responsibilities of the group including inspect abnormal usage and follow up regular usage trend by collecting and analysing of data from the use of resources and energy consumption, which include but no limit to the usage and consumption of electricity, water, other resources and energy. If there are breaches of laws and regulations or internal policies on environmental management, the Group will call to account for relevant person who will also be criticized severely and imposed of financial penalties. Staff who lead in saving energy, actively carry out the awareness of environmental protection and strictly follow the saving practices will be commended in openly and be awarded materials accordingly.

Moreover, the group also set up an objective-based appraisal mechanism about saving energy and consumption reduction 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 based on it.

In order to help maximise in saving resources in the daily operation of our stores, regional offices and headquarters, we adopt the following measures:



During the Reporting Period, the Group's comprehensive energy consumption was 5,607.58 tonnes of standard coal, decrease 20% compared to 2019; The comprehensive energy consumption per RMB1,000,000 of income was 0.16 tonnes of standard coal, decrease 16% compared to 2019. The specific consumption of energy was as follows:

	Unit	2018	2019	2020
Electricity consumption	kWh	41,280,774	40,330,699	36,619,565
Electricity consumption intensity	kWh/RMB10,000 of income	11.24	11.06	10.42
Gasoline consumption	Liter	1,742,439	1,929,904	1,037,750
Gasoline consumption intensity	Liter/RMB10,000 of income	0.47	0.53	0.30
Domestic water consumption	tonne	526,618	589,454	468,751
Water consumption intensity	tonne/RMB10,000 of income	0.14	0.16	0.13

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

Greenhouse gas emissions	Unit	2018	2019	2020
Greenhouse gas emissions scope I	tonne of carbon dioxide equivalence	3,843.6	4,256.5	2,289.1
Greenhouse gas emissions scope II	tonne of carbon dioxide equivalence	29,919.3	29,389.9	27,136.9
Total greenhouse gas emissions	tonne of carbon dioxide equivalence	33,762.9	33,646.4	29,426.0
Density of greenhouse gas emissions	kg of carbon dioxide equivalence/RMB10,000 of income	9.2	9.2	8.4

Note: During the year of 2020, due to the impact of COVID-19 pandemic and the adjustment of internal structure, store operations were affected to a certain extent, resulting in the fluctuation of resource and energy consumption.

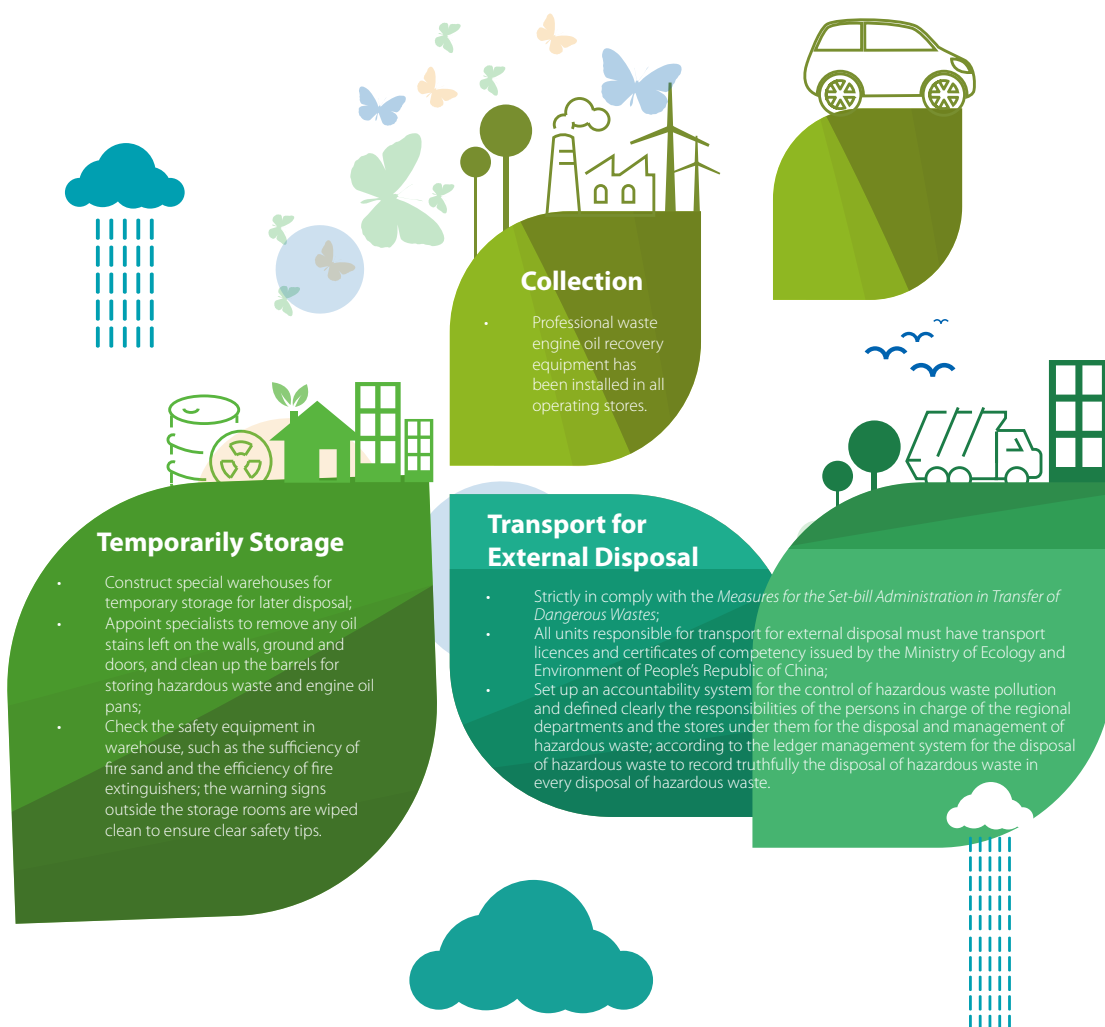
4.3 Pollution and Emissions Reduction

We strictly comply with the 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 Environmental Pollution Prevention and Control of Solid Wastes*, 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 Water Pollution* and the *Integrated Wastewater Discharge Standard of the People's Republic of China*. Regarding the emissions produced from our operation, we have designed a scientific and reasonable waste disposal system in order to minimize the impact of emissions on environment.

• Waste Disposal Management

Major waste of the Group is the waste such as discarded parts and waste engine oil produced in the process of automobile maintenance, and domestic waste water and waste produces in the process of living and office. Regarding the solid waste like discarded auto parts, we have standardized procedures in sorting, dumping and disposal. We adhere to the 3R (i.e. reduce, reuse and recycle) principle. Waste is classified into items to be reused, items to be recycled and items to be recovered; Items to be reused and recycled from each of the stores will be delivered to the relevant partners for processing to ensure the maximum utilization value of such parts, while items to be recovered will be used as resources.

For hazardous waste such as waste engine oil, we have strict processing requirements in collection, storage and transport for external disposal due to its potential hazard on environment.



Moreover, in order to reduce safety risk, 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.

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

	Unit	2018	2019	2020
Domestic waste	tonne	3,926	2,838	2,745
Density of domestic waste disposal	kg/RMB10,000 of income	1.1	0.8	0.8
Hazardous waste	tonne	1,234	1,538	2,197
Density of hazardous waste disposal	kg/RMB10,000 of income	0.3	0.4	0.6

Note: During the year of 2020, the Company enhanced the refined management of its 45 stores as well as adjusted the statistical methods and statistical scope for waste.

- ### Waste Gas Emission Management

The waste gases mainly are the 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. Regarding the waste gas emission, we have adopted a variety of targeted treatment and management methods to reduce the impact of waste gas emissions on the environment. First, regarding the volatile organic waste gases emitted during the paint-spraying process, we have switch to electricity as the source of energy in our pain room, waste gases in the paint room are diverted to a UV photolysis waste gas treatment device; Second, regarding the exhaust from motor vehicles, we have conducted the regular repair and maintenance for motor vehicles to ensure that their exhaust meets the emissions standards; Lastly, regarding the waste gas emissions from range hoods in canteens, we have regularly checked and cleaned the range hood to ensure compliance with the emission.

- ### Waste Water Discharge Management

The waste water is mainly from domestic waste water and car wash waste water. Through various procedures, including conducting rainwater diversion on these two types of waste water sorted collection and separate treatment, different types of waste water are separated according to their water quality. For domestic waste water, we monitor its discharging and 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, so that we can monitor the abnormal circumstance in time and take remedial measures; 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. Moreover, we appoint qualified partners to drain, clear and sanitize our cesspools.

5. TOGETHER AND BUILDING WARMING SOCIETY

As a responsible cooperate citizen, Grand Baoxin is seeking for the enterprise development while supporting the suppliers' development to promote the enhancement of the industry. At the same time, we actively pay back the society through extensively participating in community construction, charitable donation and fighting against pandemic and other voluntary works to spread more love.

5.1 Responsible Procurement

We believe in a business partnership relationship with mutual benefit and mutual trust. It allows to build the industry layout of winning cooperation. We regard the suppliers as key strategic partnership to improve the supply chain management and create the industry value chain.

We have compiled internal procurement documents such as the *Handbook for Procurement Procedures* and the *Business Management Handbook for Component Procurement*, which provides the specific requirements of procurement process with an aim in establishing a centralized, sizeable and systematic procurement. And, to ensure the continuous optimization of the supply chain and suppliers through integrating and supervising the procurement resources. We have built a procurement system combines three models of centralised procurement, procurement from original factories and self-procurement by sales stores.

Centralised Procurement	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Currently, we have built a complete process of supplier management system including admission and selection of suppliers, appraisal and assessment of suppliers, training and supporting of suppliers.

- **Admission and Selection of Suppliers**

In the selection of the suppliers, we choose the best suppliers by considering its type and size of the company, credit history of the company, resources of production and technology and ESG performance of the company. In order to establish a fair and equal procurement platform and enhance the standardization of the admission and selection of suppliers. We have set up a trial mechanism in the process of admission of suppliers. The relevant enterprises need to submit the relevant qualifications and pass the trial assessment of suppliers when they applying to be the supplier. The suppliers need to get the approval of the procurement management committee of the Group in the trial, so they pass the procurement trial and become the supplier of the Group officially.

- **Appraisal and Assessment of Suppliers**

In the process of appraisal of suppliers, we consider the criteria of service quality, product quality, business quality, after-sales service, legal compliance, certification to quality management system and environment management system to assess and rate them. The ratings including Strategic Partnership (grade A), Excellent Supplier (grade B), Qualified Supplier (grade C), Precarious Supplier (grade D) and Unqualified Supplier (grade E). We adopt different management solutions for different grades of suppliers. For Grade A and Grade B suppliers, we attach a high priority to long term cooperation; For Grade C suppliers, we support them for rectification to reach excellent level; For Grade D and Grade E suppliers, we require them to complete rectification within three months.



• Training and Supporting of Suppliers

We actively develop and maintain the business partnership while improve the supplier management system. On the one hand, we conduct irregular business and ordinary communication. In the business communication with suppliers, and strengthens the relations with them, we release the relevant information through official channels and commerce cooperation and communication to ensure the standard and high efficiency of business communication and the smoothness and transparency of information channels. In the ordinary communication, we broaden communication channels, expand the depth of communication and improve the frequency of communication. The brand managers have regular communication with suppliers for inviting them to provide advice on product positioning and sales strategy. We actively establish partnerships with suppliers through formal and informal communication to assist the development of the industry.

At the same time, we strengthen the training of suppliers through diversified plans that help increase suppliers' understanding of the industry and the Company's development and further strengthen our corporation, so as to promote the growth of the enterprise itself and the whole industry.

5.2 Serving our Community

The Group actively fulfil the corporate social responsibility. When creating the economic value for the society, we also take up the social mission entrusted by the new era, to create a beautiful and harmonious society.

During the Reporting Period, we mobilized to carry out targeted poverty alleviation work, assisted the construction of beautiful countryside with practical actions.

Education is the hope and future of a nation. We provide a good learning environment and education resources in remote areas by participating public education service with donation. Through a variety of educational activities, it help to develop and cultivate personality of children.

Meanwhile, we organize and mobilize staff to participate in voluntary works. We encourage staff to join the community and promote the construction of community together with neighbours. During the Reporting Period, a total number of 385 persons participated in voluntary service work, and a total service hours is 435 hours.



5.3 Hanging Together in Tough Times

In 2020, the epidemic spread through China. All the Chinese unite and fight the virus together. Grand Baoxin has also taken actions in fighting against the epidemic and safeguarding the health of people. During the Reporting Period, staff of the Group in all regions actively donate money and materials, with accumulated donations of epidemic prevention funds and materials amounting over RMB10,000. At the same time, staff of the Group participated in voluntary services to the frontline in fighting against the epidemic.



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

Laws and Regulations:

Law of the People's Republic of China on Prevention and Control of Water Pollution

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. Environmental Protection and Promoting Green Operation
KPI A1.1	The types of emissions and respective emissions data.	4.3 Pollution and 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)	4.2 Energy Saving and Consumption 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 Pollution and 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 Pollution and Emissions Reduction
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.3 Pollution and Emissions Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.3 Pollution and 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 Energy Saving and Consumption Reduction
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Energy Saving and Consumption Reduction
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Energy Saving and Consumption Reduction
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2 Energy Saving and Consumption Reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Energy Saving and Consumption Reduction
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 Labour Rights
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.	3.3 Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	3.3 Health and Safety
KPI B2.2	Lost days due to work injury.	3.3 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Health and Safety

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.	3.2 Talent Cultivation
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2 Talent Cultivation
KPI B3.2	The average training hours completed per employee by gender and employee category.	3.2 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 Labour Rights
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Labour Rights
KPI B4.2	Description of steps taken to eliminate such violations when discovered.	Plans to be disclosed in the future
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Responsible Procurement
KPI B5.1	Number of suppliers by geographical region.	Plans to be disclosed 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.	5.1 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.	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.2 Responsible Post-sale
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not Applicable
KPI B6.4	Description of quality assurance process and product recall procedures.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	2.3 Privacy and Safety
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

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



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