



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

2021

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**



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ABOUT THIS REPORT

Overview

This report is the sixth 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 environmental, social and governance 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 2021 to 31 December 2021 (the “Reporting Period”).

Basis of Preparation

This report was prepared primarily based on the *Environmental, Social and Governance Reporting Guide* in Appendix 27 to the Listing Rules of 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 which includes 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 for the year. 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 30 May 2022. 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

2021 was a year for the automobile industry to gradually recover in the post-pandemic era. The sales of luxury automobiles were particularly exceptional among different models of vehicles, indicating that consumer confidence was gradually recovering. While adhering to its corporate tenet of “being customer-oriented, achieving excellence in management and providing quality service”, Grand Baoxin continued to pay close attention to the market and integrated the national development policies, so that the Company could adjust its own development plan in a timely manner. To enhance the business capability of each store and attract more consumers, Grand Baoxin optimized its internal management level, consolidated the existing businesses and continuously developed new businesses. In 2021, the Group achieved a gross profit of RMB2,285.8 million, representing a year-on-year increase of 30.6%.

Grand Baoxin is aware of the significance of effective ESG management to the sustainable development of the Group. With that in mind, we have integrated ESG elements into all aspects of the Group’s operations and fulfilled our corporate social responsibilities with actions, striving to achieve a balance between business interests and sustainable development. The Group established a legal and standardized management system; on top of that, we further optimized the risk control system, restrained our own business behavior in a stricter manner, and continuously enhanced the Group’s ESG management. In terms of customer service, we listened to our customers’ opinions carefully and recognized their needs, so as to further improve service quality and customer experience. Besides, we adhere to the management policy of “respect talents, care for talents, cherish talents”. While protecting the legitimate rights and interests of employees, we planned a clear career development path for them and provided specific training courses to improve their soft and hard skills. In terms of environmental protection, we were committed to reducing the environmental impact of our corporate operations, to implementing various environmental protection measures, and to facilitating the Group’s green operations. To ensure that the supply quality met the requirements and achieve a win-win situation, we strived to maintain long-term and stable cooperative relations with suppliers and exercised strict management on them. At the same time, we kept abreast of the social needs, actively participated in various charitable events, and strived to promote the development of charity work.

Looking back on the past year, Grand Baoxin has proved its corporate responsibility and commitment with actions. In the future, Grand Baoxin will remain true to its original aspiration, continue to fulfill our social and economic responsibilities, and join hands with all the stakeholders to attain the long-term sustainable development goal!



1. RESPONSIBILITY-BASED AND SUSTAINABLE DEVELOPMENT

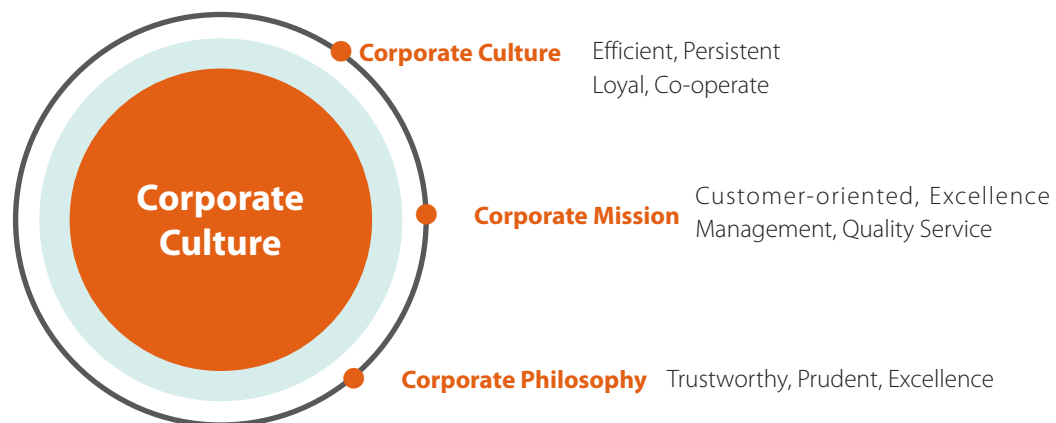
Grand Baoxin regards responsibility as the foundation of its development, and embeds sustainable development in its corporate culture. We create more value for all stakeholders by continuously improving our corporate governance structure, adhering to business ethics, and actively fulfilling our corporate social responsibilities.

1.1 Overview of Grand Baoxin

Grand Baoxin is a leading auto sales service Group in China, specializing in the sales of luxury and ultra-luxury brands. Aiming at satisfying the all-round needs of customers, we provide a series of services for our customers, including 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. On 14 December 2011, the Company was listed successfully on the Main Board of the Hong Kong Stock Exchange with the stock code of 01293.HK.

Corporate Culture

Confronted with the severe and complex domestic and foreign environment and volatile market, we have adhered to our unique operating concept and persisted on our initial objective over the years by upholding the principles of “be excellent, unique and professional” and concentrating on the development of the automobile industry. The Group aims to create and operate one brand whole-heartedly. We adhere to the corporate mission of “customer-oriented, excellence management, quality service”, the corporate philosophy of “trustworthy, prudent, excellence”, and the surviving principles of “offering services others do not provide, offering better services than those others provide, and offering more efficient services than those good ones others provide”. While maintaining the corporate reputation, quality and advanced service, we do not forget the social responsibility we shoulder as an enterprise. In recent years, we have actively carried out and participated in public welfare activities such as poverty alleviation, disaster relief, and helping the elderly and the disabled, taking giving back to the society and benefiting the society as an inseparable important social responsibility of the Company.





Commercial Layout

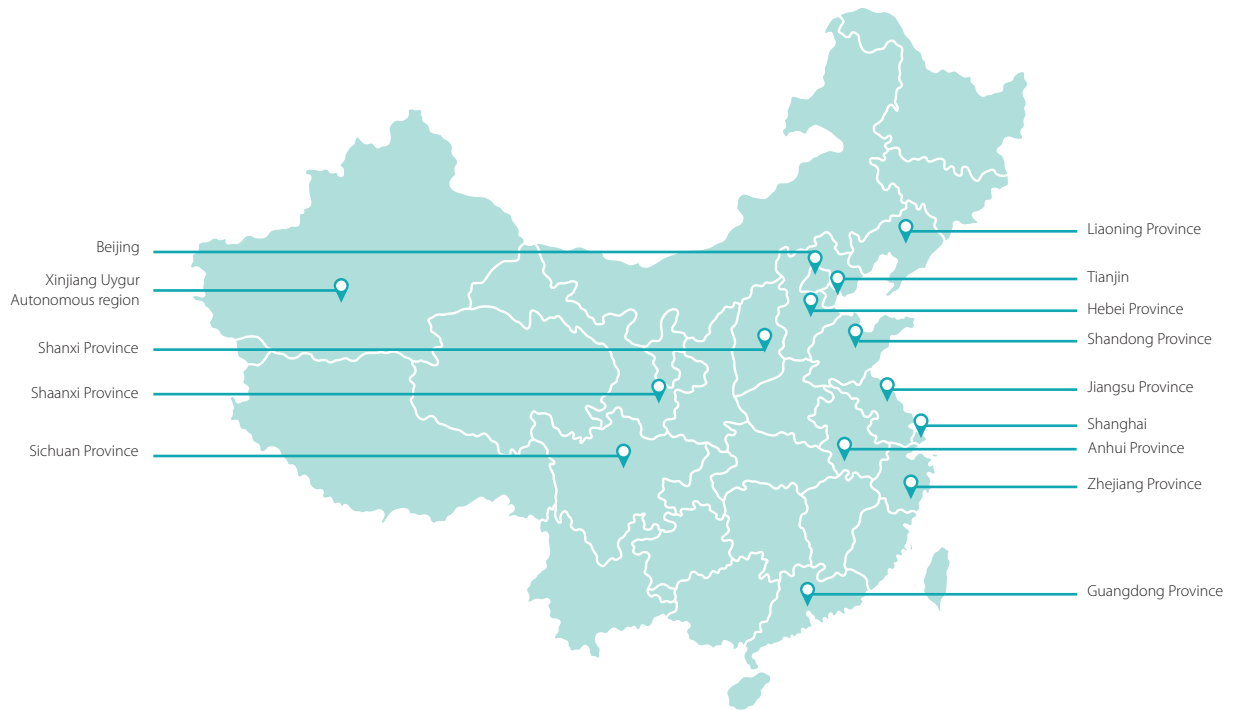
As a leading domestic luxury car brand dealer, we strive to provide a comprehensive range of integrated services, including sales of new automobiles, aftersales maintenance, auto beauty and modification services, sales of used automobiles, automobile insurance business, sales of auto parts and other auto-related products. We take the East China market which has high business concentration as the axis, and expand our business to the economically developed, densely populated regions with market potential such as North China, Central China, South China, Northeast China and Northwest China. Up to now, the Group has covered most of the mainstream markets of luxury and ultra-luxury automobiles in China.



Main Businesses of Grand Baoxin



By 31 December 2021, the Group had 111 auto distributor stores that cover 10 luxury and ultra-luxury brands.



Distribution Network of Grand Baoxin





Ultra-luxury automobile brands



Luxury automobile brands



Ultra-luxury and luxury automobile brands of Grand Baixin



Business Performance

In 2021, China's economy continued its steady recovery, showing strong resilience and vigorous vitality under the influence of the COVID-19 pandemic. Passenger car sales market in China has also gradually returned to normal levels. In particular, with the upgrade of consumption and the release of the automobile demand that was suppressed by the pandemic, the luxury automobile brand consumer market has shown a strong growth momentum, and the sales scale of the Group has also recovered.

During the Reporting Period, the Group has strengthened refined management and brand management reform in response to market changes. While focusing on the steady increase in sales of new cars, it also took into account the service quality by improving the service quality of after-sales business with effort and promoting continuous optimization of profit structure of the Group to better cater for customers' needs, ensuring a healthy, steady and sustainable development of the Group on a long-term basis.

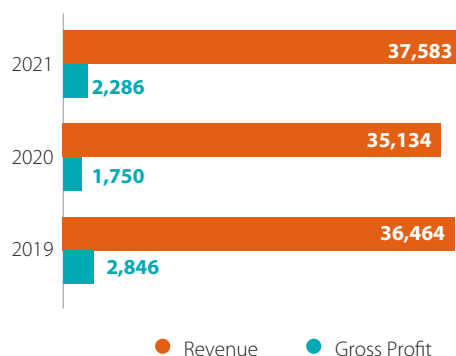
During the year ended 31 December 2021, we recorded revenue of approximately RMB37,582.6 million, representing a year-on-year increase of 7.0%, and achieved gross profit of RMB2,285.8 million, representing a year-on-year increase of 30.6%. Profit attributable to equity holders was RMB552.0 million, representing a year-on-year increase of 161.1%, and earnings per Share were RMB0.19. The sales revenue of new cars was RMB33,024.0 million, representing an increase of 7.1% compared to the corresponding period of 2020, of which the sales revenue of luxury and ultra-luxury cars was RMB30,621.9 million, representing an increase of 9.1% compared to the corresponding period of 2020, which accounted for 92.7% of the sales revenue of new cars.





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

(RMB million)



(For disclosure of more information on business performance, please refer to the 2021 Annual Report of Grand Baoxin)

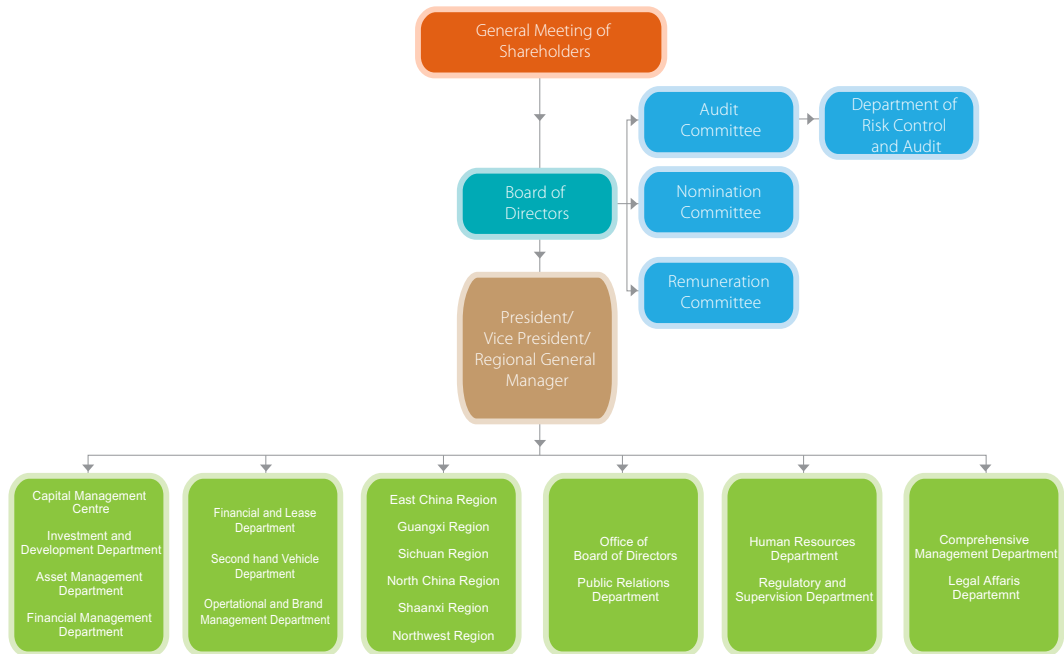
1.2 Corporate Governance

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 Structure

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 directors of the Group are responsible for overseeing the Group's business, strategic decisions and performance and making objective decisions in the best interests of the Company. The Board of Directors consists of four executive directors and three independent non-executive directors, of which about 43% are female directors. Each member has different professional backgrounds and rich experience, helping the Group to develop in a balanced manner in all aspects.

A nomination committee and a remuneration committee have been established under the Group's Board of Directors. The Audit Committee is mainly responsible for implementing internal control and risk management systems, formulating audit plans, and checking financial reporting, etc.; the responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, making proposals for the appointment or re-appointment of directors and succession planning, and assessing the independence of independent non-executive directors; The Remuneration Committee is mainly responsible for major human resources decisions, including setting up the remuneration structure for directors and senior management, and putting forward relevant proposals for the adjustment of their remuneration packages to the Board of Directors.

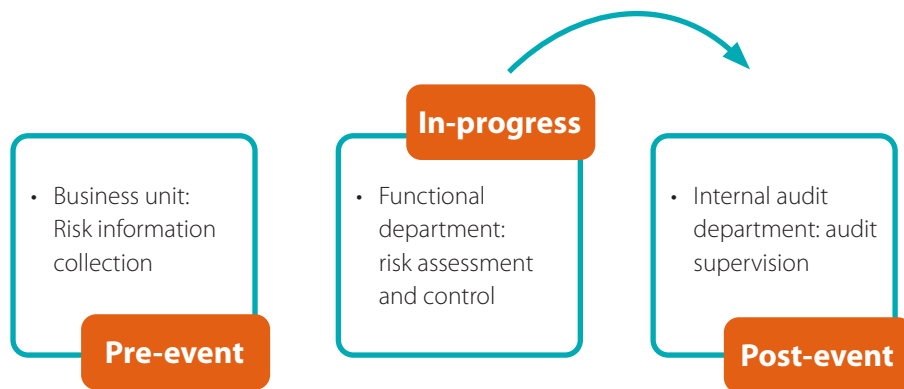


Governance Structure of Grand Baoxin

(For more information, please refer to the section “Corporate Governance Report” in the Group’s 2021 Annual Report)

Internal Control and 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 management code and risk control system, as well as a pre-event, in- progress and post-event three-tier risk management mechanism according to the *Basic Rules of Corporate Internal Control* and the *Guidelines for Evaluation of Corporate Internal Control* as well as our own conditions. We fully integrate the awareness of risk management into the daily operation and management of the enterprise, and conduct risk identification, assessment and response in each process of the operation. Through the cooperation of business departments, functional departments and internal audit departments, we can avoid or mitigate various risks potential negative impacts.



Three-tier risk management mechanism



We continue to optimize the operational efficiency of the risk management system through four dimensions, namely assigning responsibilities to departments, strengthening internal auditing, establishing communication mechanisms and forming a competitive team of talents, to comprehensively improve the risk management level of the Group.

As for internal control, we adopt internal control and self-evaluation as the main management approach in all sales stores to promptly identify internal control deficiencies in strategy, finance, technology, human resources and public relations, and carry out targeted rectification. During the Reporting Period, our risk management system and internal control self-evaluation covered all dealerships.

ASSIGNING RESPONSIBILITIES TO DEPARTMENTS 01

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 02

Strengthening internal audit functions, ensuring the establishment of an internal audit institution, staff allocation and the independence of audit functions

ESTABLISHING COMMUNICATION MECHANISMS 03

Setting up a smooth communication system and enhancing information exchanges between different business segments and stakeholders

FORMING A COMPETITIVE TEAM OF TALENTS 04

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



Probity and Integrity

The Group 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*, and adhere to the business values of integrity, fairness, openness and mutual respect, as well as the highest professional ethics standards in the interaction with stakeholders. The Group has established and continuously improves its internal anti-corruption and probity system to guide employees to be honest and trustworthy, and create and maintain a corporate culture of integrity. Through a disciplinary mechanism, a prevention mechanism and a security mechanism that one wouldn't, couldn't and can't easily commit corruption across the Group is formed to ensure the healthy, stable and sustainable development of the Group.

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.



Reporting channels of Grand Baoxin

Grand Baoxin believes that employees' awareness of integrity is an important condition for building a clean and self-disciplined corporate culture. To this end, we continue to carry out integrity publicity, conduct business ethics training for new employees, and continue to strengthen employees' awareness and understanding of integrity through regular meetings, training and other employee activities. In addition, we will strengthen the anti-corruption awareness at the board level through board meetings and other forms, and cultivate a top-down anti-corruption corporate culture. During the Reporting Period, the Group was not involved in any litigation of corruption.

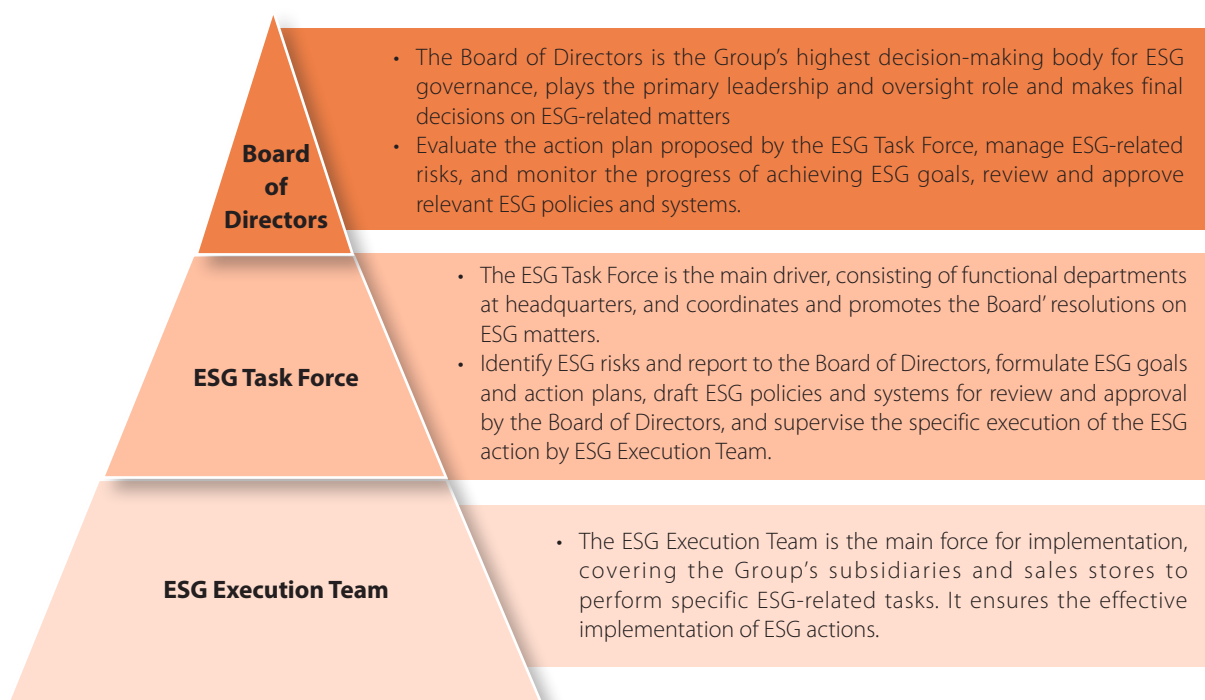




1.3 ESG Governance

The Group adheres to the concept of sustainable development and actively undertakes its responsibilities to the society, the environment and various stakeholders. We constantly improve the ESG governance structure headed by the Board of Directors, clarify the ESG governance concept, and strengthen the ESG management level. Through close communication with stakeholders with consideration of the current state of corporate development, we identify important issues and make effective responses.

We have established a three-level ESG governance structure consisting of the Board of Directors, the ESG Task Force, and the ESG Executive Team. The management structure with clear lines of authority and responsibility improves the ESG management level and facilitates the sustainable development of the enterprise.



ESG Governance Structure of Grand Baoxin



Statement of the Board

As the final decision-making body in the ESG governance structure, the Board of Directors is ultimately responsible for the performance of the ESG work for Grand Baoxin. Based on the task report of the ESG Task Force and the actual situation of the Group, the Board of Directors makes comprehensive consideration and formulates ESG strategies. The Board of Directors conducts regular meetings to review the Group's ESG-related matters, including reviewing the progress of ESG goals, reviewing and approving ESG-related policies and reporting disclosures, to ensure that the ESG governance structure remains orderly, stable and efficient from top to bottom.

Daily Execution

The ESG Execution Team consists of the subsidiaries and sales stores of the Group, and is responsible for implementing ESG risk prevention and control measures, ESG goals and other ESG-related work.

Material ESG Issues

Grand Baoxin actively communicates with internal and external stakeholders, evaluates and identifies major ESG issues, and formulates ESG strategies. We have discussed and approved the ESG issues identified in 2021, and will formulate sustainable development strategies and ESG management guidelines based on relevant issues, timely follow up on international sustainable development trends and peer performance, and regularly review the progress of related work.

ESG Risk Identification and Target Setting

The ESG Task Force is responsible for identifying, determining ESG risks and making preliminary analytical assessments to report to the Board of Directors. In addition, the ESG Task Force will formulate environmental goals based on internal and external factors and submit them to the Board for review and approval. During the Reporting Period, we carried out risk identification, assessment and response work including climate change risks. At the same time, we have set up four environmental goals and determined the direction of target action.





Stakeholder Engagement

We are committed to maintaining positive interactions with our stakeholders and creating a transparent and normalized communication mechanism with them. In order to listen to and respond to the demands of the stakeholders, we have established a two-way communication model with them through various communication channels. During the Reporting Period, the Group identified seven groups of major stakeholders that have decision-making power and influence over the Group and are closely related to the Group based on the nature of operations and business scope. We then organize and integrate their issues of concern into operations and decision-making, and effectively improve the responsibility performance and sustainable development capabilities of the Company.

Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Investors/ Shareholders	<ul style="list-style-type: none">Annual reports and announcementsThematic reportsRegular disclosure	<ul style="list-style-type: none">Regular/IrregularRegular/IrregularRegular	<ul style="list-style-type: none">Business performanceRisk managementProbity and integrity
Government Departments	<ul style="list-style-type: none">Regular reports/interim announcementsCorrespondencesOn-site investigation	<ul style="list-style-type: none">Regular/IrregularIrregularRegular/Irregular	<ul style="list-style-type: none">Legal complianceManagement of “three kinds of waste”Energy ManagementResource ManagementResponse to Climate Change



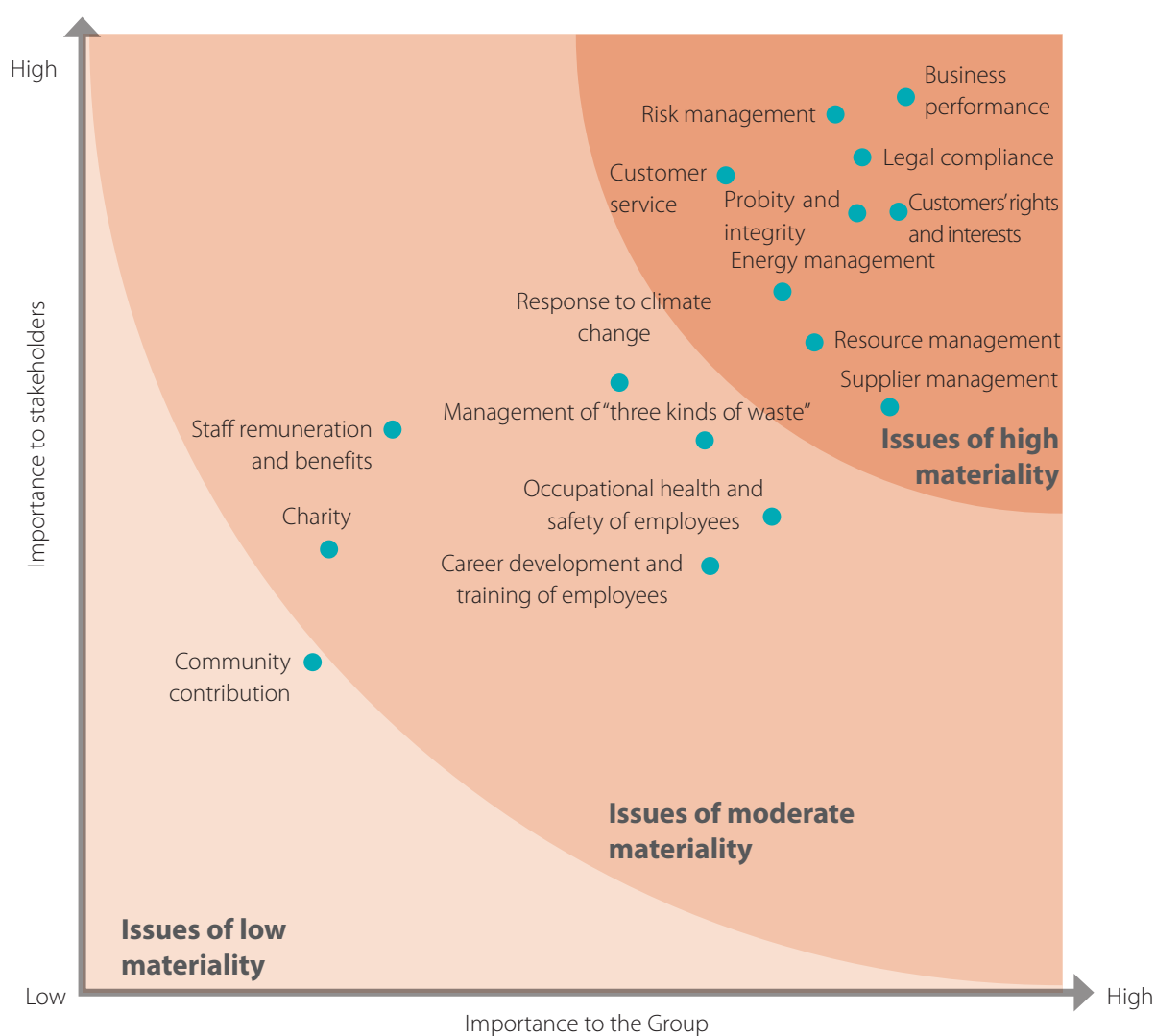
Stakeholder Groups	Main Communication Channels	Frequency	Issues of Concerns for Stakeholders
Customers	<ul style="list-style-type: none"> • Business communication • Feedback from customers • Exchange and discussion 	<ul style="list-style-type: none"> • Irregular • Irregular • Regular/Irregular 	<ul style="list-style-type: none"> • 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
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 • Response to Climate Change
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

During the Reporting Period, we have identified a total of 16 ESG issues through sorting out the requirements of regulatory agencies and analyzing media public opinion, as well as taking necessary considerations including social macro background, industry trends, the Group's strategic planning and development status, etc. with reference to the ESG materiality issue matrix of the previous year. Among them, there are 9 issues of high materiality, 6 issues of moderate materiality, and 1 issues of low materiality. The materiality of ESG issues are as follows:



Substantive Matrix of Grand Baoxin



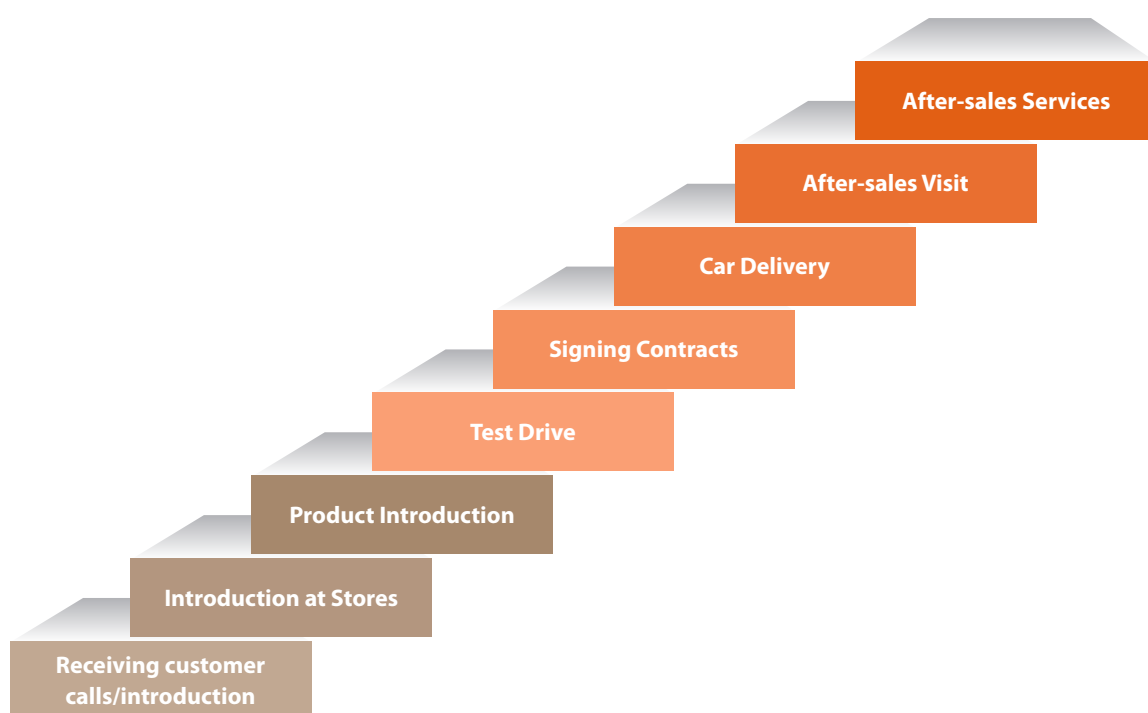
Materiality of issues	Issue
Issues of high materiality	Business Performance
	Legal compliance
	Customers' rights and interests
	Risk management
	Energy management
	Resource management
	Customer service
	Probity and integrity
	Supplier management
Issues of moderate materiality	Response to climate change
	Management of "three kinds of waste"
	Occupational health and safety of employees
	Career development and training of employees
	Staff remuneration and benefits
	Charity
Issues of low materiality	Community contribution





2. ADHERING TO QUALITY AND DELIVERING EXCELLENT SERVICES

It is the firm belief of Grand Baoxin that excellent services are the foundation to support corporate sustainability and development. Adhering to our corporate mission of “being customer-oriented, achieving excellence in management and providing quality services”, we recognize our customers’ needs, safeguard our customers’ rights and improve our service quality so as to build an all-round customer-oriented integrated quality service system with effort. We have always focused on different needs of customers in each service part to formulate customized service plans, striving to provide customers with high-quality services.



The Whole Cycle of Customer Service Process of Grand Baoxin

We pay close attention to market status and industry development trends, and continue to optimize corporate management and improve operational efficiency by leverage emerging technologies, so as to provide customers with high-quality services. We make full use of the development trends of “digitization” and “digital intelligence” to strengthen the Group’s information management efficiency, reinforce the ability to analyze information and data, which is conducive to targeting and matching customer groups as well as locating accurate customer needs. In addition, we continue to improve the after-sales operation analysis system, strengthen the follow-up efforts of each store on key indicators and maintain a high level of service for existing after-sales needs, while identifying and evaluating potential and operational risks on a continuous basis, as well as implementing actions in response to risk and prevention and control measures in a timely manner.



2.1 Heart-warming Pre-sales

Extraordinary pre-sales services are conducive to enhancing corporate influence and building long-term good relationships with customers. We strictly comply with the *Advertising Law of the People's Republic of China* by requiring our sales staff to deliver product information to consumers in a truthful, comprehensive and accurate manner whereas exaggerated, false promotion and any illegal sales promotions are prohibited to maintain a heart-warming and transparent environment for sales promotions.

To ensure the professionalism of its pre-sales services, the Group has formulated and implemented the *Sales Operation Manual* to specify the standardized service process for various pre-sales services such as customer reception and product introduction. After understanding the product information by customers, we will them for a test drive to further experience the Company's products, so that we could gradually optimize our services tailor-made for them and thus help customers choose their favourite products. After the confirmation of products with customers, we will discuss the terms of the contracts with them and sign the contracts afterwards. The whole process of pre-sales services will end up with car deliver service.

Introduction at Stores

- Receptionists have been trained on the work process and reception etiquette to ensure that they are able to provide standardized and high-quality reception services at first in terms of pre-sales services, leaving a positive impression on customers

Product Introduction

- Receptionists with rich industry background and professional product introduction ability can help customers to have a clear understanding of the key performance of automobile in a short time with plain words
- Discover the customer needs accurately by utilizing the existing historical customer information to provide an exclusive purchase plan for customers

Test Drive

- Define the responsibilities and accountabilities of sales managers, test drive coordinators and sales consultants in this session in details to achieve efficient teamwork in an orderly manner
- Prepare *Registration Form for Test Drives* to trace and manage the test driving information of all models
- Sign a *Test Drive Agreement* with customers to help them understand the service in this session
- Invite customers to fill a *Test Drive Feedback Form* to collect feedback and enhance the quality of service



Signing Contracts

- Sales prices and relevant terms in the contracts must be approved level-by-level in accordance with the rules to ensure heart-warming sales
- 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

- 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 extension of well-wishing and giving souvenirs as well as photo-taking for the purpose of continuous upgrade of customer experiences

The Whole Process of Pre-sale Services

We deeply recognize our customers' needs and understand their concerns, so as to provide customers a hassle-free pre-sale service experience with customized solutions.

In order to solve the capital turnover difficulties that customers may face when purchasing a car, we provide customers with professional, innovative and differentiated auto financial products relying upon the financial risk control platform of CGA, the controlling shareholder of the Group, 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 achieve "hassle-free car purchase".

Hassle-free Car Purchase – Financial Risk Control Platform





2.2 Responsible After-sales

An excellent after-sales service is an effective measure to improve customer satisfaction and increase customer stickiness. We attach great importance to after-sales experience by customers so we will improve the quality of after-sales services in terms of value-added services, customer complaint management, customer satisfaction survey and others.

Value-added Services

In order to further improve the customer experience and maintain the relationship with customers, we provide them with value-added services including maintenance, modification and insurance.

Car maintenance

- We strive to purchase quality auto parts, great maintenance equipment and tools so as to solve all kinds of problems for customer in a timely manner equipped with our professional team of technicians.

Car modification

- We will combine the needs of customers and product characteristics for providing safe and personalized modification opinions. Meanwhile, we will display a variety of quality car-related products for customers' purchasing and selection.

Car insurance

- Hassle-free Card Services: seven after-sales services include 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.
- Hassle-free Double Services: customers can enjoy free basic maintenance services. 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. This service can be transferred with vehicles so that residual values of second-hand vehicles of customers can be increased.
- Digital Empowerment: relying on the industry leading "Insurance Cloud" platform, we implemented the platformized management and control on full interface for business operations, thereby increasing the ratio of first-time insurance, insurance renewal rate, total penetration rate of extended insurance and penetration rate of non-auto insurance.





Customer Complaint Management

Effective management of customer complaints is conducive to the store management improvement, work inspection and internal assessment, which is of great significance to improving customer satisfaction. We take “first-tier management and control, second-tier handling and processing” as the working principle of a customer management system and thus built a complaint handling management system with customer service departments of all operating companies as the hosts with complimentary support from other relevant functional departments. Meanwhile, we have formulated and implemented a series of management systems including *Customer Complaint Management* to standardize the customer complaint handling process and improve after-sales service quality.

General Managers of Operating Companies



Head of Customer Complaints

Establishing an effective and efficient complaint handling mechanism and process to ensure the high efficiency and high quality of daily customer complaint handling.

Customer Complaint Handling Department



Relevant Functional Department

The persons in charge of sales departments, after-sales service departments and value-added business departments will act as the first responsible unit and first handling party for customer complaints;

The persons in charge will handle complaints based on the prescribed service 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;

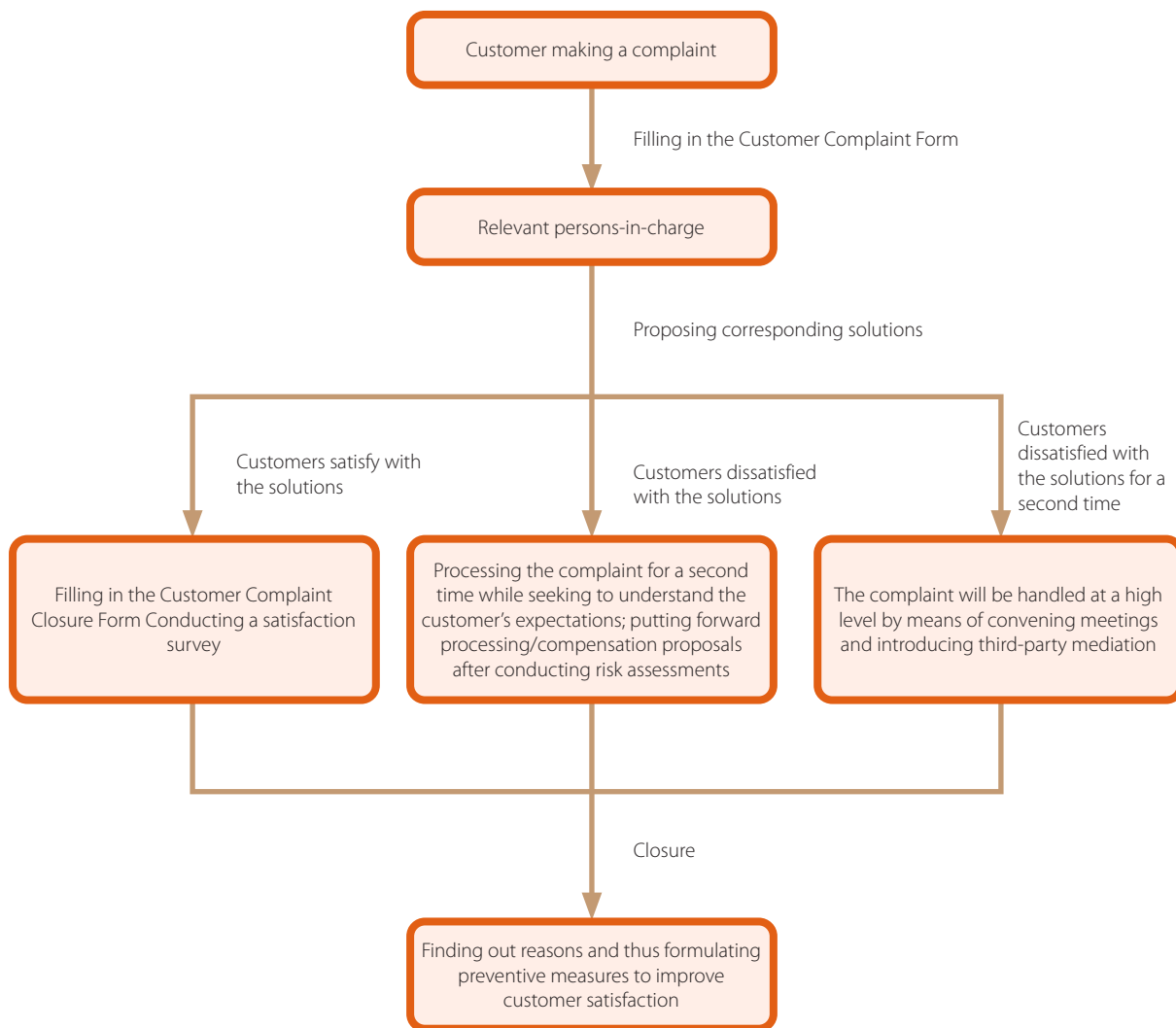
Establishing early warning mechanism for unresolved issues after repeated maintenance for the same defect of the same automobile with active communication with customers, while reporting to relevant department of the store in question.

Customer Complaint Management System of Grand Baoxin



Meanwhile, we have built up comprehensive channels for communication with customers and receiving their feedback. On the basis of traditional customer complaint channels such as hotline, email, suggestion box, after-sales service interview and complaint at the spot, we also open online complaint channels such as the official website of the Group, Hui Yang Che APP, WeChat social media groups and all platforms related to automobile promotion and sales, which can solve problems for customers in a more efficient manner.

Upon receipt of the customers' questions and opinions, they will be used to improve the problem handling process which designates the responsible department and content of each part to ensure the timeliness and effectiveness of customer complaint handling, striving to follow up and handle customer complaints in a timely manner until the customers get satisfied with the results thereof. We will also analyse the reasons for customer complaints and propose corresponding corrective plans. During the Reporting Period, Grand Baoxin was not aware of any complaints from customers in respect of products and services.



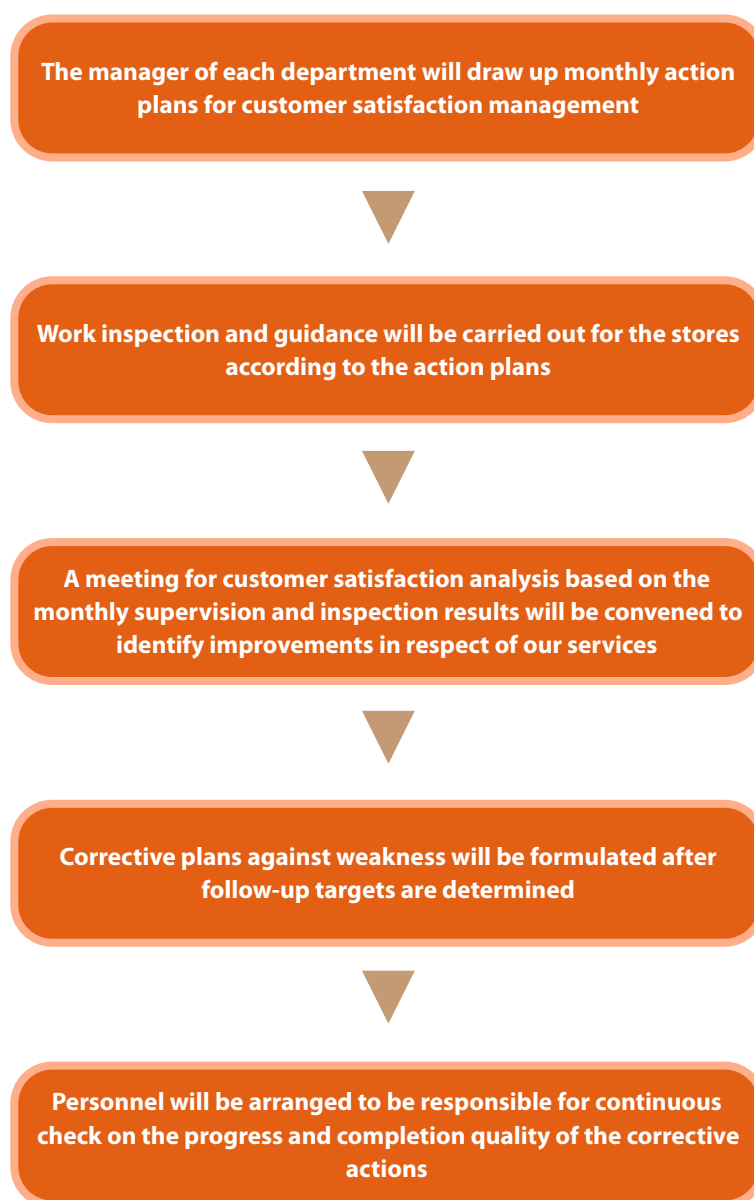
Grand Baoxin's Procedures for Handling Customer Complaints





Customer Satisfaction Survey

Customer satisfaction is an essential indicator for evaluating the quality of the Group's products and services. Each 4S store will be required to formulate annual satisfaction management goals each year which are linked with personnel performance assessment, so as to strengthen employees' attention to customer service quality, continuously improve customer service experience, and further improve customer satisfaction. The manager of each department is directly responsible for customer satisfaction management and its relevant management issues.





In order to comprehend the problems existing in our service our staff will be sent to different sales venues to carry out spot checks. Telephone warm calls, questionnaires and professional satisfaction surveys will also be used to have a comprehensive understanding of the problems existing in our service, and improvement will be carried out by unannounced visits by mystery shoppers and satisfaction survey.

During the Reporting Period, customer satisfaction for Grand Baoxin reached 98 points. In the future, we will continue to serve every customer heartily with an aim of obtaining high satisfaction.

2.3 Privacy Protection

The Group attaches much importance on the protection of customer's privacy and security of personal information while enhancing its standards in respect of customer service. We are in strict compliance 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*. Beside, we have formulated privacy and confidentiality systems 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 headquarters, regions and all outlets.

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

The operation of exporting customers' personal information requires strict procedures of approval. After receiving the application of data export submitted, the approval process will be officially launched to fully ensure that the use of customers' personal information is reasonable and compliant. The three-level approval procedures will focus on the review of the purpose and the reasonableness for which the data was used at each level. The data can only be exported after receiving all approvals. In addition, the operation of exporting all information will be monitored and captured by OA (Office Automation) system thoroughly to guarantee the traceability of the action and the system will give early warnings on unusual events. During the Reporting Period, the Group did not encounter any incidents relating to the leakage of customer information and breach of privacy.

3. NURTURING OURSELVES AND OTHERS; RECRUITING TALENTS

Grand Baoxin has always adhered to the "people-oriented" employment concept, safeguarded the legitimate rights and interests of employees, and improved the training mechanism while protecting the health and safety of employees, so as to promote positive personal career development for employees. In addition, we are grateful for the hard work of our employees, and are constantly committed to practicing corporate humanistic care to improve employees' sense of belonging and happiness.





3.1 Employee Recruitment

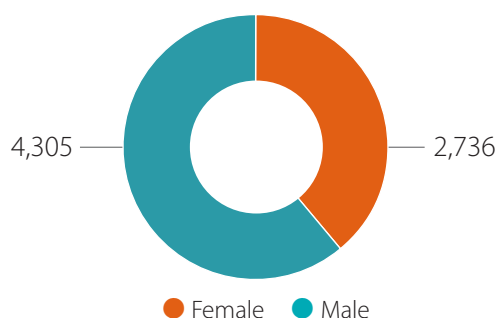
Human resources are an important driving force for the Company to achieve stable development. The Group abides by the laws when it comes to employment, protecting the legitimate rights and interests of employees, and rewarding employees for their hard work with a fair and reasonable compensation and welfare system.

Employee’s Right and Interests

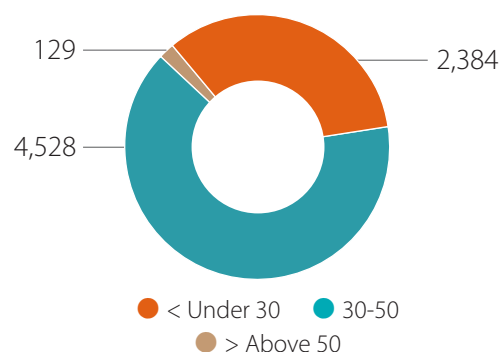
We have strictly complied with the laws and regulations, including the *Labor Law of the People’s Republic of China*, the *Employment Contract Law of the People’s Republic of China*, the *Law on Protection of Women’s Interests of the People’s Republic of China* and the *Provisions on the Prohibition of Using Child Labour*. We have prepared the *Employees’ Handbook* as an internal guidance policy to clearly regulate the human resources management process such as employee recruitment, promotion roadmap, code of conduct, salary and benefits, performance appraisal, training mechanism, and safety management, thereby protecting the rights and interests of employees. The Group strictly prohibits any discriminatory behavior based on factors such as region, gender, ethnicity and religions. To avoid child labor, the designated staff will perform a strict background check on candidates before their onboarding. At the same time, we also maintain a zero-tolerance attitude towards forced labor and other illegal employment practices, and fully guarantee the equality and respect with which employees should be treated at work.

As of 31 December 2021, the Group had a total of 7,041 full-time employees¹. The breakdown of employees by gender, age and region is as follows:

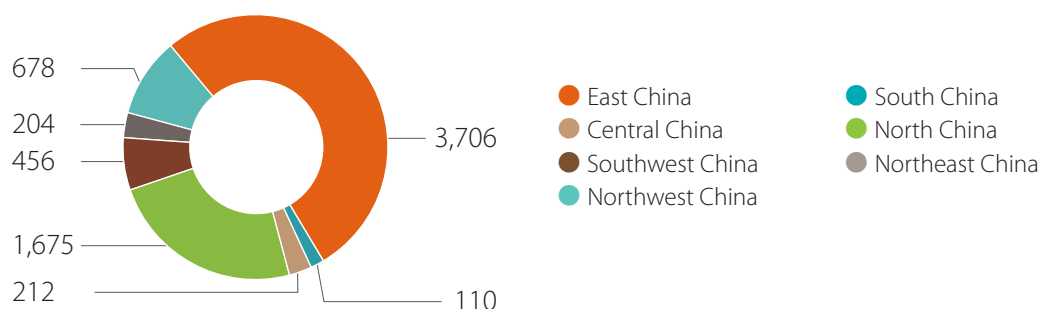
Number of Employees by Gender



Number of Employees by Age



Number of Employees by Region



¹ As at the end of the Reporting Period, all employees of the Group were full-time employees and there were no part-time employees.





Salary and Welfare

We have established a scientific and reasonable compensation and welfare system, ensuring that every employee receives a reasonable salary with great welfare through a sound salary structure. Our compensation and welfare system consists of four aspects: salary, bonus, welfare and equity. In terms of salary management, we have set clear evaluation indicators, and regard performance as a consideration for salary levels to further stimulate employees' potential and mobilize their enthusiasm. On this basis, we have simultaneously established a positive and negative salary adjustment mechanism, including four salary adjustment methods: salary adjustment after probation, salary adjustment upon appointment, special salary adjustment, and comprehensive salary adjustment, which further ensures the science and rationale behind the salary management.

In terms of employee welfare, on top of the statutory welfare such as five insurance plans and one housing provident fund and festive days, we provide various subsidies such as holiday benefits, transportation and communication allowances, and free body check. Besides, we attach great importance to the benefits of female employees. We do not tolerate unfair employment behavior and gender pay gap, and protect the legitimate rights and interests of female employees during pregnancy and lactation period, as well as maintain a diversified and humanized welfare system.

3.2 Talent Development

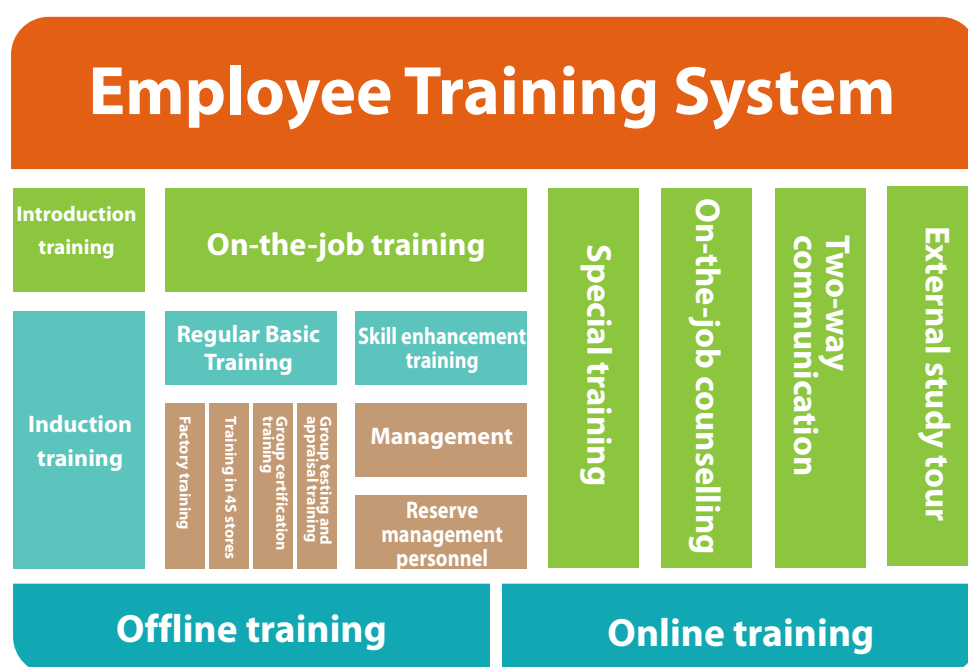
The growth and development of employees is the key for driving the rapid development of companies and keeping the foundation evergreen. The Group continues to improve the talent training system, optimize the employee promotion system, and guide and support employees to improve their professionalism and vocational skills.





Staff Training

We understand that human resources is the core force for corporate development, and building a solid talent echelon is our goal. We implement a training system and continuous education system for all employees, and continuously improve the training system. We incorporate the online and offline training model in the training system to help employees achieve a comprehensive improvement in their soft and hard skills. We present the performance of employees in training in the form of points, as an important factor for performance appraisal, salary adjustment and promotion.



Grand Baoxin's Employee Training System



To ensure the suitability of training programs, we match employees at different stages to specific training.



Grand Baoxin's Classification Training Program

Besides, we launched the "Training Program for Enhancement of Comprehensive Abilities" for all employees, which focuses on professional knowledge and theory training, professional skills practice training, team spirit training and other aspects to improve the professionalism and core competitiveness of employees.



Training Program for Enhancement of Comprehensive Abilities



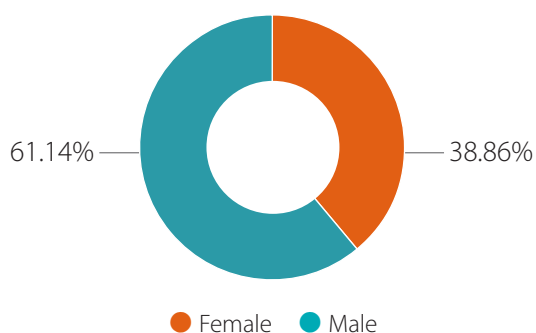


Technical and Academic Competition

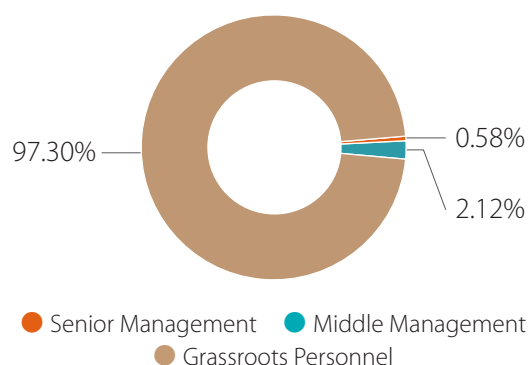
In 2021, we organized the Technical and Academic Competition for front-line employees together with our controlling shareholder, CGA. The competition covers different areas of knowledge and skills, including sales, after-sales, used cars, finance, human resources, and corporate culture. Employees can demonstrate their skills and knowledge by participating in the competition, while promoting the exchange and sharing of experience among employees through competition. Therefore, the business standard was further enhanced and the training was effective on employees.

During the Reporting Period, the total training hours of the Group's employees were 311,387 hours, with a training coverage rate of 100%. The proportion of employees trained and the average training hours are as follows:

Proportion of employees trained by gender



Proportion of employees trained by category



The average training hours of employees by gender (hours)



The average training hours of employees by category (hours)





Career Development

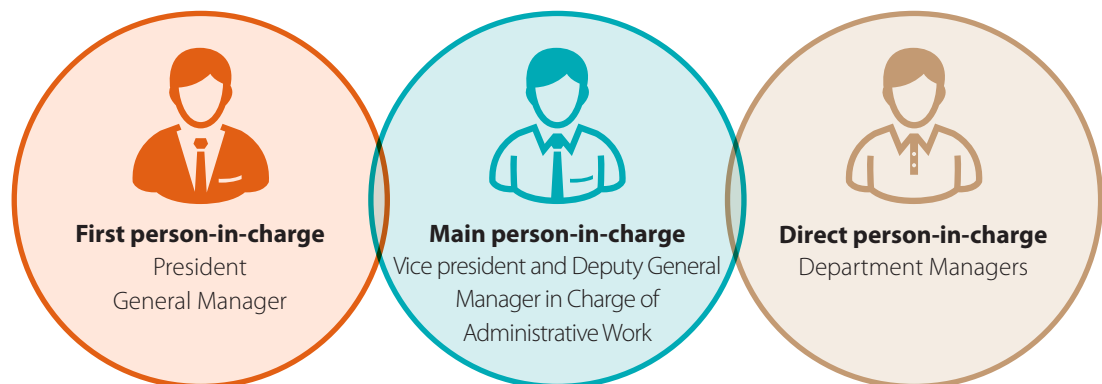
A fair and diverse promotion mechanism is the key to motivating employees, and it is also the key to building a solid talent echelon. By formulating the *Performance Evaluation and Competency Assessment Management System*, we clearly stated the relevant rules of performance appraisal and promotion development for employees, thereby ensuring fair and just appraisal results.

We adhere to the principle of combining group development with personal development, and set up corresponding job ranks according to various job functions and responsibilities. Our consideration contains a multitude of factors; we set up the promotion standards and ratios according to the personnel policies such as promotion and post transfer, together with employee training records, evaluation results and other comprehensive factors. At the same time, we support and encourage employees to set a personal career development path, help employees set their career goals, and meet their personal development needs. In addition, we have an internal mobility mechanism to transfer employees internally, providing employees with diverse career choices, and improving the flexibility of the talent development system.

3.3 Safety and Health

Grand Baoxin attaches great importance to the health and safety of employees, abides by the management policy of “safety first and prevention foremost”, and continuously strengthens the safety management level. We also strictly implement measures to protect employees’ health and safety and enhance the safety-first awareness of employees through safety promotion and training.

We strictly abide by laws and regulations such as the *Law of the People’s Republic of China on Work Safety*, the *Law of the People’s Republic of China on Prevention and Control 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*, and have formulated and implemented the *Administrative Measures on Preventive Measures of Occupational Diseases*, the *Administrative Measures on Labour Protection Appliances*, the *Safety Management System* and other internal systems; important measures such as safety education and training, safety supervision and inspection, safety troubleshooting, management of hazardous operations, safety incident reporting, and emergency rescue and first-aid are clearly stated. At the same time, we have specified in the system that the Group’s president and the general manager of the brand companies are the first person-in-charge of safety management; the vice president and deputy general manager in charge of administrative work are the main person-in-charge of safety management; the department managers are the direct person-in-charge of safety management.



Work Safety Management Responsibility System





On the basis of a sound management system, we strictly implement various protection measures for occupational health and safety, regularly conduct a body check on employees, establish occupational health records, and pay close attention to the health of employees.

Labor protection equipment	<ul style="list-style-type: none">• Distribute labor protection equipment to employees in accordance with relevant regulations on labor protection, and supervise and inspect the correct use of the labor protection gear on a daily basis
Labor intensity	<ul style="list-style-type: none">• Employees are assigned to the appropriate positions according to the job, position and personal ability. Labor intensity is strictly controlled, and necessary safety measures are taken
Labor hours	<ul style="list-style-type: none">• When employees are required to work overtime, the Group will strengthen the inspection of the working environment during overtime and observe the conditions of employees, thereby preventing employees from being overworked. Overtime pay will be paid in a timely manner
Dust/Noise	<ul style="list-style-type: none">• Workers should wear labor protection gear that meet the requirements of dustproof and noise reduction performance
Heatstroke prevention	<ul style="list-style-type: none">• Adjust working hours to avoid high temperature times; distribute heatstroke prevention and cooling medicine to personnel engaged in high temperature operations

Protection Measures for Occupational Health

In addition, in the year where pandemic prevention and control became normalized, we kept abreast of and strictly followed the national and local pandemic prevention policies, and carried out relevant pandemic prevention and control work.



Under the leadership of the Group’s headquarters, the Group established a special task force for pandemic prevention and control, which adopted a system of responsibility at each level to implement pandemic prevention work to every employee in each region and store.

We adopted the “Staff Information Daily Reporting System” which recorded the physical conditions of all staff and reported it every day. We pay attention to and track the physical condition and mobility of all employees.



We actively promoted the online and offline resumption of work and production, established online working groups to facilitate communication, cancelled business trips and offline meetings, and reduced unnecessary contact between personnel.

To further effectively prevent and control potential safety risks, the Group requires all departments to identify safety hazards, and carry out risk assessment and risk control. We also set up the plans of safety troubleshooting and safety supervision and inspection and adopted the safety audit method to carry out regular and irregular safety inspections to ensure timely detection of safety risks and elimination of potential safety hazards. For hazardous operations, we strengthen safety management via special management. The implementation of all hazardous operations should be supervised by the on-site safety personnel and designated personnel; safety protection measures should be in place.

Safety Troubleshooting

- Conduct quarterly comprehensive safety inspections
- Set up a special fund for safety troubleshooting
- Carry out troubleshooting before holidays
- Report the hidden safety hazards to the supervisor/ general office
- Seasonal inspection: precautions of thunderstorms in rainy season, precautions of high temperature and flood in summer, precaution of fire and low temperature in winter, etc.

Safety Supervision and Inspection

- Strictly implement the internal safety supervision system
- Routine safety inspections on stores are carried out every week, and monthly safety production inspections are carried out every month. The inspection results and rectification progress shall be submitted to the work safety committee office at the headquarter.

Grand Baoxin’s Management Measures for Safety Production





In order to effectively handle the unexpected safety situations, we formulated a classification plan and procedure for emergency rescue and handling of accidents and disasters, and a team. The plan clearly states that all on-site employees should act in accordance with the emergency plan as soon as the accident occurs, and report to the Group's general manager immediately; in the meantime, the safety work team should be dispatched promptly for rescue operation.

Moreover, we regularly carry out safety training and promotion activities, such as safety month and fire fighting month, to ensure that employees are equipped with the necessary safety knowledge and self-protection capabilities. We incorporate the employee safety education and training in the selection, appointment and promotion of management in the future, to ensure the effectiveness of the corresponding training and education. During 2019 to 2021, the Group had no work-related fatalities. In 2021, the Group lost 0 days due to work injury.

New staff

The focuses of safety training and education for new staff are as follows:

- Laws and regulations related to work safety
- Process of safety operation
- Contingency plans
- Fire safety knowledge and the use of fire-fighting devices

Current staff

The focuses of safety training and education for current staff are as follows:

- Safety management system and potential risks of different positions
- Process of safety operation
- Occupational health

Special operators

The focuses of safety training and education for special operators are as follows:

- Specialists of special equipment, electrical equipment, electric welding, painting, motor vehicle, etc.
- Receive and pass training before employment

3.4 Care for Employees

Grand Baoxin actively practices corporate humanistic care, listens to the employees' concerns, maintains efficient and smooth communication with them, and understands their demands in a timely manner. At the same time, we carried out a number of activities to enhance employees' sense of belonging and team cohesion and to improve their work experience.

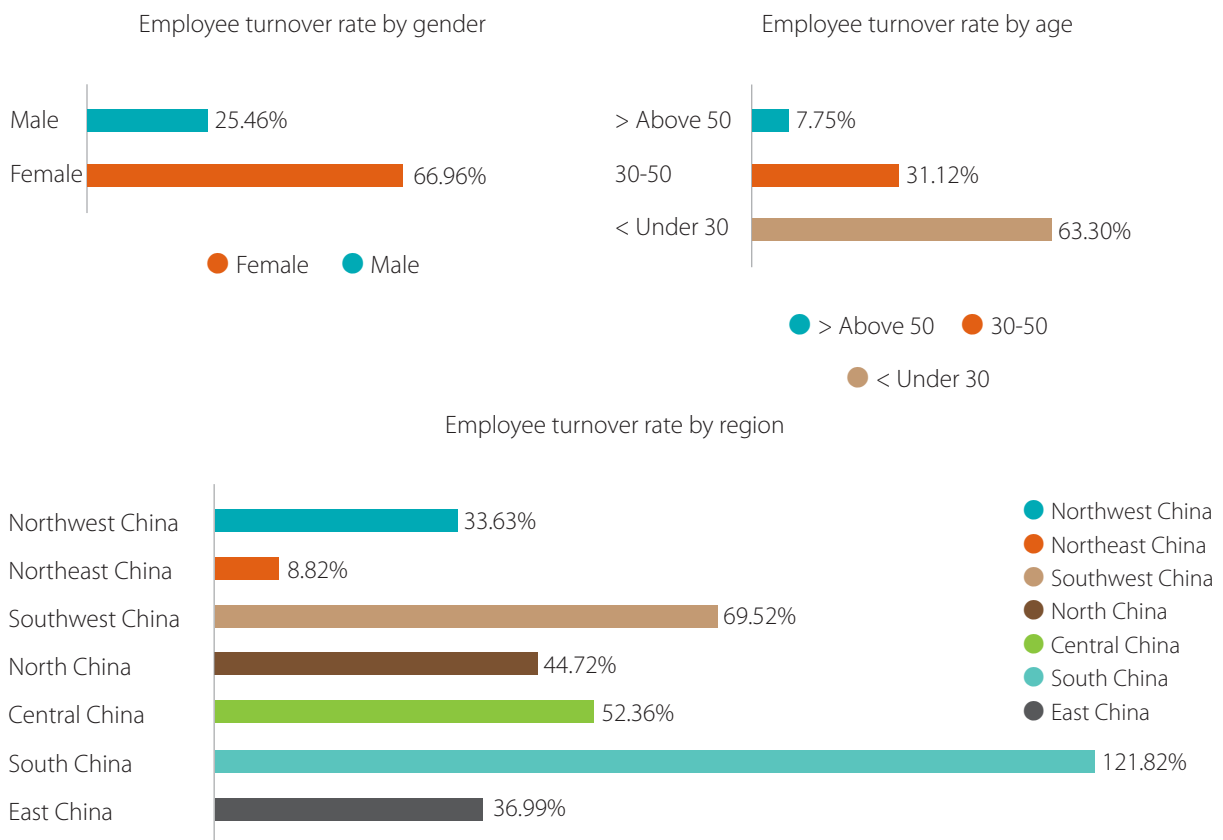
Employee Communication

We built a sound communication system, with multiple two-way communication channels including online emails, offline chats, a complaint channel and a response platform, in a bid to encourage employees to actively give feedback and suggestions. In response to the opinions and suggestions put forward by employees, we will make corresponding responses promptly and act accordingly to ensure the effectiveness and efficiency of the communication system.



Care and Love for Employees

To enhance employees' sense of belonging and team cohesion, we carried out cultural and sports activities including enterprise festival activities, sports day, post training and skill competitions to create a relaxing and pleasant working atmosphere. At the same time, we also established the Grand Mutual Aid Association with CGA to provide financial assistance to employees and their immediate family members who have education issues and financial difficulties due to severe medical conditions or emergencies, helping the employees go through the difficult times. This act of kindness will enhance the employees' sense of belonging to the Company. During the Reporting Period, the employee turnover rate of Grand Baoxin was 41.59%. The employee turnover rates by gender, age and region are as follows²:



² The reasons for the large changes in the employee turnover rate in some regions are as follows: During the Reporting Period, the Company pre-arranged regionalization + brand management, and personnel in various regions were normally mobilized according to operational needs; during the Reporting Period, stores with lower profitability were adjusted to improve the overall profitability of the Company. Therefore, the turnover rate of employees in some regions has changed significantly, which is caused by the normal transfer of personnel.



4. ENVIRONMENTAL OPERATION AND PROMOTION OF GREEN DEVELOPMENT

Adhering to its development goals of “clean production, high efficiency and emission reduction”, Grand Baoxin actively undertakes its corporate responsibility of environmental protection. Through continuous optimization of energy conservation and emission reduction mechanism as well as adoption of a number of environmental protection measures, the Group has carried out various tasks in respect of environmental management and in response to climate change, striving to integrate environmental protection awareness into all aspects of the Company’s operations and facilitating the construction of a resource-saving and environment-friendly corporation.

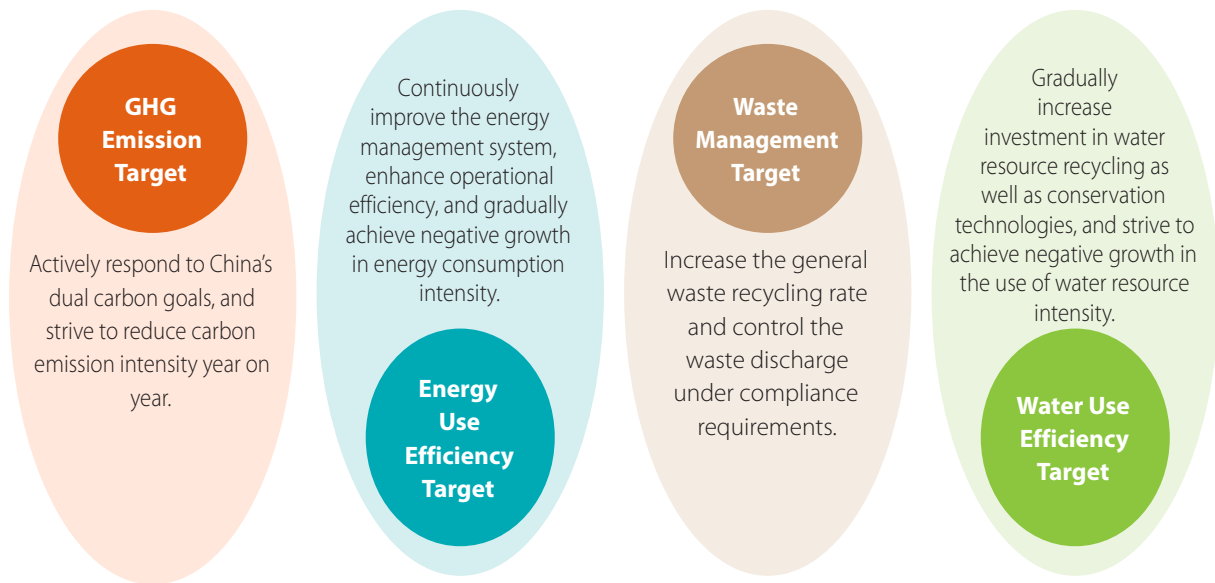
4.1 Environmental Management

Grand Baoxin is in strict compliance with relevant laws and regulations on environmental protection, such as the *Environmental Protection Law of the People’s Republic of China*, the *Energy Conservation Law of the People’s Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People’s Republic of China* and the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* as well as industry standards. On the basis of the above, we have formulated various internal environmental management policies and approaches to supervision that are in line with current situation of the Group to regulate relevant behaviours of all employees, thereby enhancing the Group’s management level in respect of environmental protection.

For the purpose of minimizing the use of resources and reducing the negative impact of operations on the environment on the premise of ensuring quality and safety, Grand Baoxin has established a two-pronged environmental management system covering all stores through strict requirements for environmental management with double standards to standardize the compliant and economical management of resource and energy use in each operating store so the Group’s environmental management level can thus be improved continuously. During the Reporting Period, a number of stores of the Group have obtained certifications for the ISO 14001 environmental management system and the standardized environmental management will be implemented in each part of the operation, making positive contributions to promoting the green development of the industry.

To further improve the Group’s environmental management performance and encourage each operating store to implement closed-loop management of environmental performance, Grand Baoxin has set up environmental goals in four aspects, namely greenhouse gas (GHG) emissions, waste reduction, energy use efficiency and water use efficiency in light of the Group’s current situation and industrial development in response to China’s green development strategy and dual-carbon goals³ to achieve sustainable corporate development.

³ The dual-carbon goals is the abbreviation of the peak carbon goal and the carbon neutrality goal. In September 2020, China clearly proposed the dual carbon goals of “striving to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060”.



Grand Baoxin's Environmental Goals

Grand Baoxin is committed to spreading the concept of green development to every employee, and jointly promotes the construction of environmental protection of the Group with all employees. We organize and carry out training and promotions in respect of environmental protection for employees regularly, the themes of which cover green office, low-carbon travel, resource conservation and others. Meanwhile, we provide professional training for employees in environmental-related positions, such as providing Standard Operating Procedure training to those responsible for the collection and temporary storage of hazardous waste, and carrying our stringent control and regulation on various work processes that may involve environmental risks.

4.2 Responding to Climate Change

Faced with the global risk and challenge of climate change, Grand Baoxin has actively taken actions to identify and assess climate change risks. During the Reporting Period, we identified 11 climate change risks with reference to TCFD (Task Force on Climate-related Financial Disclosures) guidelines based on the Company's current situation, and formulated preventive and control measures to further help the Group create a green and sustainable future.





Types of risk		Impact on business	Measures in response
Physical risks	Acute risk	The operating places are affected by extreme weather such as typhoon or high temperature	<ul style="list-style-type: none"> Contingency plans will be formulated in advance and regular emergency drills will be conducted on a regular basis Be aware of extreme weather warnings and signals to ensure everything prepared at all times
	Chronic risk	The operating stores are affected by changes in temperature and precipitation patterns	<ul style="list-style-type: none"> Proactive risk identification and assessment of chronic climate risks are conducted which will also be taken into account the procurement operations plan
Transition risks	Policy and Legal	Policies related to energy conservation and emission reduction have been introduced, and strict requirements have been imposed on company operations	<ul style="list-style-type: none"> Promptly learn about and comply with relevant regulatory laws and regulations Strengthen the capacity of the Group's environmental governance and improve the internal management system Gradually optimize and improve the maintenance and management mechanism of environmental data, and improve the capacity of data management
		More stringent emission reporting obligations and compliance requirements, which impose strict requirements on company information disclosure	
		Industry regulatory requirements and changes in standards impose strict requirements on company operations	
	Technology	Costs to transition to lower emissions technology	<ul style="list-style-type: none"> Improve the assessment of pre-investment risk, formulate a risk classification assessment system, and control potential investment risks Conduct an analysis of cost-efficiency before investment
		Unsuccessful investment in new technologies, increasing corporate expense	
	Market	Increased customer demand for low-carbon products	<ul style="list-style-type: none"> Pay close attention to market dynamics and keenly capture market demand signals for low-carbon products Encourage suppliers to explore the R&D and production of new energy vehicles and establish a cooperation mechanism to improve the supply chain's ability to prevent risks
		Increased procurement costs	
	Reputation	Poor reputation will take a toll on business as customers continue to focus on image of corporate sustainability	<ul style="list-style-type: none"> Carry out research on customer preference, have in-depth understanding of consumers' needs for environmental products, synchronize market information with suppliers, and adjust operation and sales plans in a timely manner Strengthen stakeholder engagement, enhance the transparency of information disclosure related to sustainable development and climate change, and optimize corporate communication channels with external parties
Stakeholders pay more attention to negative news, and thus the business will be affected by poor reputation			



In order to better cope with the risks that climate change may bring to the Group's business development, we take precautions against such risks and strictly manage the use of energy and resources during the operation. In stringent compliance with the laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, we have formulated and strictly implemented various management systems in respect of energy conservation and consumption reduction within the Group to standardize the energy and resource consumption of each store, achieving reduction in overall operational energy consumption. The Group exercises zero violation of relevant laws and regulations on environmental protection or internal systems. If it is found that relevant situations have occurred, relevant persons who must be held accountable will be criticized severely and imposed of financial penalties.

In order to better practice green development, we have specially established a leading group for energy saving and emission reduction on group level responsible for collecting and analyzing data on resource use and energy consumption, whereby abnormal use and daily use of energy and resources will be supervised and inspected, including but not limited to, the use and consumption of electricity and water. In this regard, the leading group is also responsible for formulating targets related to energy saving and consumption reduction, assessing the gap between resource utilization efficiency and the target on a regular basis so as to formulate and implement a series of targeted measures thereupon. Meanwhile, we have also established a reward-and-punishment mechanism for energy conservation and consumption reduction to proceed an accountability system. People who save resources and being initiated to raise environmental awareness of energy saving and emission reduction will be acknowledged and rewarded in kind. People who generate serious waste and violate relevant regulations will be criticized severely and also be held accountable.





During the Reporting Period, we took various measures to save energy and reduce consumption in all the stores with strict control of the resource and energy consumption during the operation at each store, practicing the concept of green operation.

Environmental awareness promotion

Organize and carry out various environmental protection awareness campaigns and advocate green and economical working mode and lifestyle.

- Post resource-saving signs to strengthen the employees' awareness of energy and water conservation.
- Organize and carry out compliant training in respect of environmental protection as well as energy conservation and consumption reduction to increase the employees' awareness of environmental compliance.

Green office

Save office supplies to promote green office

- Encourage employees to work with online electronic tools and reduce paper consumption as much as possible to promote "paperless office".
- Improve the procurement and distribution system for office supplies and prioritize purchasing energy-saving and environmentally friendly products to practice green procurement.



Energy-saving measures

Advocate the rational use of energy to improve the efficiency of energy use

- Reduce the use of lighting equipment and make full use of natural light in the daytime to eliminate occurrences of "using light during daytime" and "perpetual illumination".
- Rational use of electrical appliances. Printers and other equipment should be turned off if they are not in use for a long time; the air conditioners in the office area should not be lower than 26 degrees Celsius in summer and not higher than 20 degrees Celsius in winter.

Water-saving measures

Encourage recycling of water resources to improve water consumption efficiency

- Promptly turn off the faucet after washing hands to avoid dripping or leaking of the faucet.
- Ensure that drinking water is not used for other purposes and encourage employees to recycle water resources.

Resource-saving measures



	Unit	2019	2020	2021
Gasoline consumption	Liter	1,929,904	1,037,750	1,042,949
Gasoline consumption intensity	Liter/RMB10,000 of income	0.53	0.30	0.28
Electricity consumption	kWh	40,330,699	36,619,565	54,481,747
Electricity consumption intensity	kWh/RMB10,000 of income	11.06	10.42	14.50
Direct energy consumption in total	tonne of standard coal	–	–	1,112.58
Indirect energy consumption in total	tonne of standard coal	–	–	6,695.81
Comprehensive energy consumption in total	tonne of standard coal	7,015.40	5,607.58	7,808.39
Comprehensive energy consumption intensity	tonne of standard coal/RMB10,000 of income	0.19	0.16	0.21
Domestic water consumption	tonne	589,454	468,751	470,524
Water consumption intensity	tonne/RMB10,000 of income	0.16	0.13	0.13

During the Reporting Period, the GHG emissions of the Group were as follows

GHG emissions	Unit	2019	2020	2021
GHG emissions scope I	tonne of carbon dioxide equivalence	4,256.5	2,289.1	2,300.6
GHG emissions scope II	tonne of carbon dioxide equivalence	29,389.9	27,136.9	41,383.0
Total GHG emissions	tonne of carbon dioxide equivalence	33,646.4	29,426.0	43,683.6
Density of GHG emissions	kilogram of carbon dioxide equivalence/RMB10,000 of income	9.2	8.4	11.6





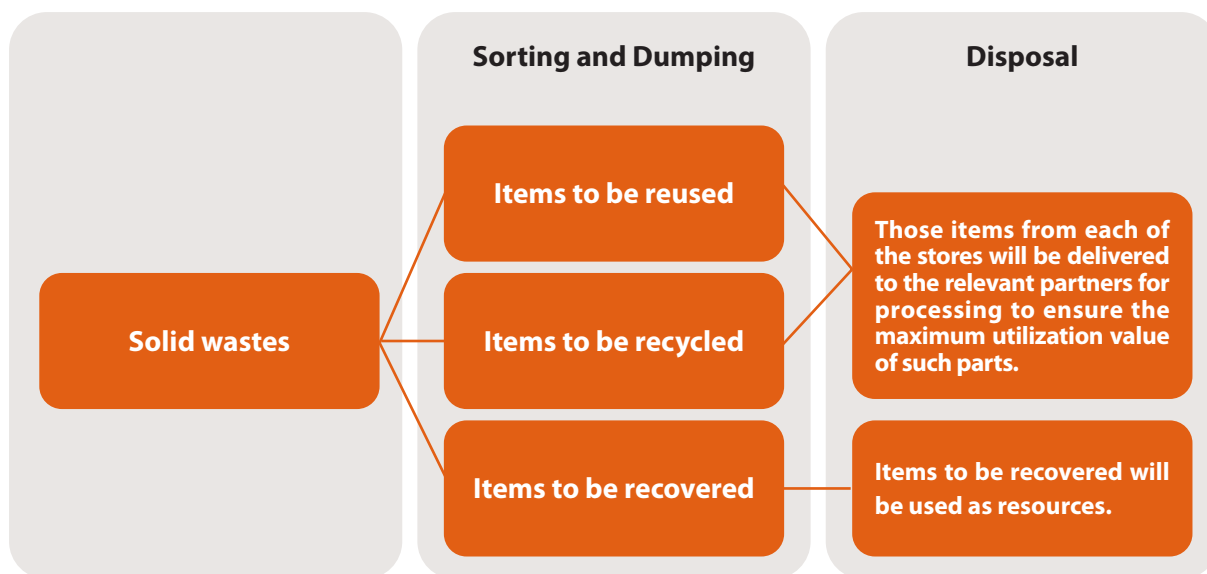
4.3 Emission Management

The Group strictly complies 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*, in a positive response to the requirements of the municipal government where the operations are located to manage emissions in compliance with regulations.

Waste Management

The Group attaches great importance to the classification and disposal of waste. Our waste mainly comes from discarded parts, waste engine oil produced in the process of automobile maintenance, and domestic waste water and waste produced in the process of living and working. Regarding each kind of waste, we carry out strict and clear classification of waste to reduce the negative impact of emissions on the environment.

Regarding solid waste, we have established an internal standardized treatment process to ensure the compliance of waste sorting, dumping and disposal. In the process of solid waste disposal, we have adhered to the 3R (i.e. reduce, recycle, reuse) principle to maximize resource utilization and reduce waste discharge.



Classification and Treatment Process of Solid Wastes

For hazardous wastes, in strict compliance with the requirements of the *Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001)*, and the *Technical Specifications for Collection, Storage and Transportation of Hazardous Waste*, we dispose of hazardous wastes in an orderly and compliant manner in all stages of collection, storage and external disposal. Clear signs of hazardous waste are also posted in each process for identification to reduce safety risks.



Collection

- ✓ Professional waste engine oil recovery equipment has been installed in all operating stores.

Temporary Storage

- ✓ Construct special warehouses for temporary storage for later disposal;
- ✓ Appoint specialists to remove any oil stains left on the walls, ground and doors, ensuring the barrels for storing hazardous waste and engine oil pans are cleaned up;
- ✓ Check the safety equipment in warehouse, such as the sufficiency of fire sand and the efficiency of fire extinguishers on a regular basis;
- ✓ The warning signs outside the storage rooms are wiped clean on a regular basis to ensure clear safety tips.

Transport for External Disposal

- ✓ Strictly comply with *the Measures for the Set-bill Administration in Transfer of Dangerous Wastes*;
- ✓ All units responsible for transport for external disposal must have transport licences and certificates of competency issued by the Ministry of Ecology and Environment of People's Republic of China;
- ✓ Set up an accountability system for the control of hazardous waste pollution and clearly defined the responsibilities of the persons in charge of the regional departments and the stores under them for the disposal and management of hazardous waste; according to the ledger management system for the disposal of hazardous waste to record truthfully the disposal of hazardous waste.

Treatment Process and Standardization of Hazardous Waste

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

	Unit	2019	2020	2021
Domestic waste	tonne	2,838	2,745	2,016
Density of domestic waste of income disposal	kg/RMB10,000 of income	0.8	0.8	0.5
Hazardous waste	tonne	1,538	2,197	1,791
Density of hazardous waste of income disposal	kg/RMB10,000 of income	0.4	0.6	0.5





Waste Gas Management

The waste gases of the Group are mainly 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 treatments to reduce waste gas emission and lower the impact of waste gas emissions on the environment.

Volatile organic waste gases emitted during the paint-spraying process

We have switch to electricity as the source of energy in our pain room, and waste gases in the paint room are diverted to a UV photolysis waste gas treatment device.



Exhaust from motor vehicles

We have conducted the regular repair and maintenance for motor vehicles to ensure that their exhaust meets the emissions standards.



Fumes from range hoods in canteens

We have regularly checked and cleaned the range hoods to ensure compliance with the emission.



Measures for Waste Gas Emission Management

Waste Water Management

The waste water is mainly from domestic waste water and car wash waste water. We are in strict compliance with the laws and regulations where the Company operates such as the *Integrated Wastewater Discharge Standard* as well as industry standards. The waste water generated during the operation is classified and disposed of through procedures such as rainwater diversion, sorted collection and quality treatment.

Domestic waste water

The discharge of waste water will be monitored by the Group with the management accountability in respect of waste water discharge implemented. Persons-in-charge of the relevant departments and the plumbers/electricians will have regular check on whether the discharge of domestic waste water exceeds its standard. If abnormal situations are found, we will take remedial measures in a timely manner.

Car wash waste water

The Group has installed filters and settling basins in all the operating stores to ensure that the waste water meets the relevant standard through filtration before discharging to municipal sewage networks.

Cesspools

We appoint third-party companies with environmental qualifications to drain, clear and sanitize our cesspools regularly.

Management Process of Waste Water Classification





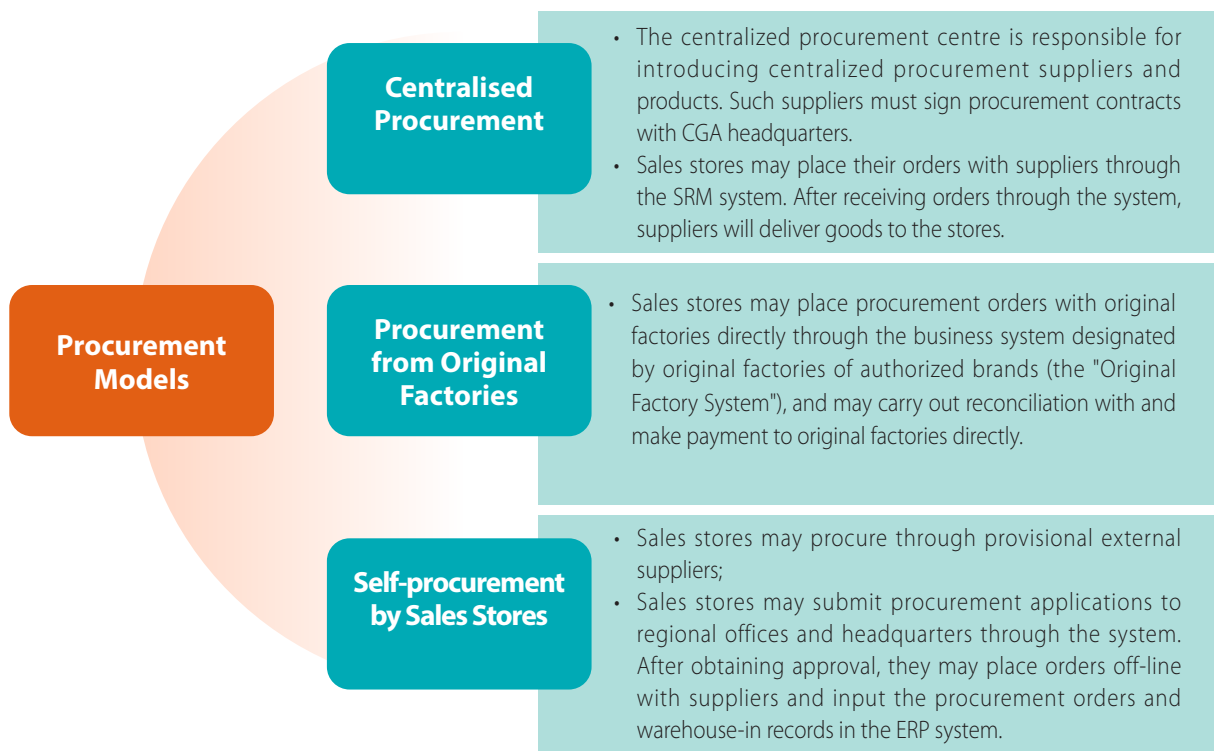
5. CONTRIBUTING TO SOCIETY AND SPREADING LOVE

While paying attention to corporate economic responsibility, Grand Baoxin actively undertakes corporate social responsibility. We not only focus on our own governance, social and environmental requirements, but also drive suppliers to jointly assume social responsibilities, improve governance levels, and work together to promote the healthy development of the industry. At the same time, we attach great importance to actively giving back to society and spreading the love through public welfare and charity activities.

5.1 Supplier Cooperation

Grand Baoxin always regards sound supplier management as the cornerstone of win-win cooperation with business partners. We focus on establishing good cooperative relations with the upstream and downstream, continuously optimize supplier management processes, and strive to create a fair, transparent and sustainable supply chain.

In order to ensure the high quality and high standards of products and services of the Group, we have compiled internal procurement management specification such as the *Handbook for Procurement Procedures* and the *Business Management Handbook for Component Procurement*, pursuant to which we integrate and continuously supervise procurement resources to achieve centralized, sizeable and systematic management of the procurement process. Based on the operation of each store, we have established various procurement models to improve the flexibility and efficiency of the procurement process. During the Reporting Period, Grand Baoxin had 16 suppliers in total, all of which were located in southern China.



Procurement Models of Grand Baoxin



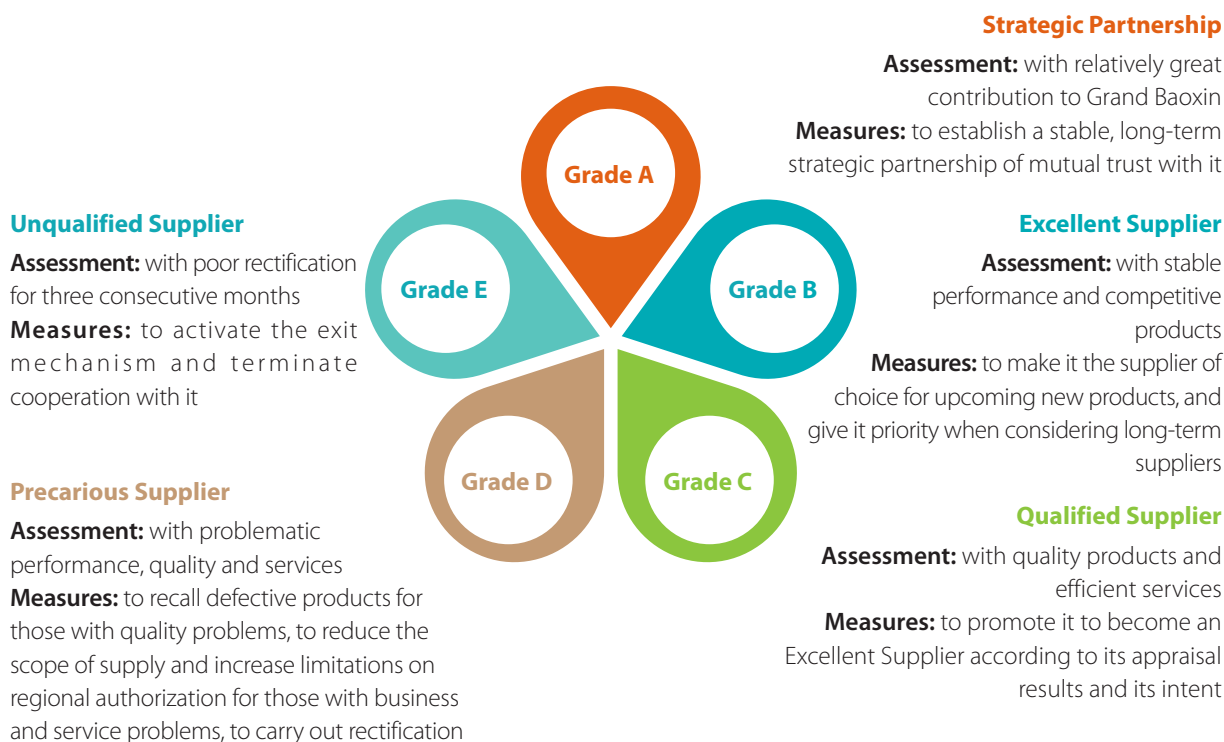


Supplier Management System

In order to ensure the fairness and stability of supplier cooperation, the Group has established a well-rounded supplier management system, and formulated clear standards and management procedures for supplier admission and selection, supplier assessment and evaluation and other management issues.

Grand Baoxin adheres to the principle of fairness and justice, and has established a strict supplier access system and process. We require suppliers to submit relevant qualification certificates. In the process of appraisal of suppliers, we consider its type and size of the company, credit history of the company, resources of production and technology and other aspects to ensure that their qualifications and product quality can meet our standards. In order to reduce supply chain risks, we have set up a trial mechanism in the process of admission of suppliers. Only qualified suppliers approved by the Group's Procurement Management Committee during the trial period can become official suppliers. At the same time, to effectively prevent and control ESG risks in the supply chain, we will evaluate the environmental and social performance of new suppliers, and give priority to those with better ESG governance.

Grand Baoxin has also established a well-rounded supplier assessment mechanism to assess the performance of suppliers. We consider the supplier's service quality, product quality, business quality, after-sales service, legal compliance, certification to quality management system and environment management system and other factors to assess and divide suppliers into five grades. We carry out hierarchical management of suppliers of different grades, give priority to establishing long-term cooperative relations with Grade A and Grade B suppliers, help Grade C suppliers to complete rectification and become Grade B suppliers, and supervise Grade D and Grade E suppliers to complete rectification within three months.



Supplier Hierarchical Management



Supplier Communication and Training

The Group attaches great importance to the exchange and communication with suppliers to smoothen the cooperation with them and timely solve problems therein. We actively broaden the communication channels with suppliers, and communicate with them through regular supplier meetings, regular interviews, and release of relevant information on official channels to help them solve challenges and problems during our cooperation. In addition, we also have regular business communication with suppliers, and conduct cooperation and exchanges with suppliers by releasing official information through official channels to ensure the efficiency and formality of business communication and the transparency of information channels. Through various formal and informal communications, we can promote the positive interaction between parties, and further establish a long-term and stable cooperative relationship to achieve a win-win situation.

In addition, we also continue to strengthen the training of suppliers. By regularly conducting training for suppliers, we help them keep abreast of development trends of and drive the common progress of the industry and the Company.

5.2 Charity

The Group has been engaged in different fields of public welfare for a long time, and has been committed to the mission of “contributing to the society” through actions, to deliver positive energy to the society with sincerity. In 2021, a total of 6 people participated in volunteer services, with the cumulative service hours of 18 hours. Due to volatile situation of the COVID-19 pandemic in 2021, we have reduced the time contributed to public welfare activities to ensure the safety of employees and the community.

We actively respond to the call of the State, to offer assistant in poverty alleviation, and continue to take action for rural revitalization. In 2021, we, together with CGA, our controlling shareholder, participated in various rural public welfare activities, and cooperated with public welfare organizations to support the overall progression of rural revitalization.





“Love and Care • Walking with Love”

In December 2021, we, together with CGA, organized the 6th “Love and Care • Walking with Love” poverty alleviation charity event at Daliangshan in 2021. In this charity event, we, together with CGA, injected a lot of resources in the form of money donations and material donations to Buckwheat Flower Spending Teaching and Aid Association, a non-profit organization, and thereby fulfilled its corporate social responsibility.



Photo of the “Love and Care • Walking with Love” event



We pay close attention to the needs and demands of all walks of life, and offer a helping hand at critical moments. In July 2021, Zhengzhou, Henan suffered a severe flood situation and the whole country rushed to Henan to help the trapped groups. Three consecutive days of heavy rain caused vehicles to be flooded and roads to be washed away. In order to help the affected vehicle owners to overcome the difficulties caused by heavy rain (such as vehicle wading water) as soon as possible, our employees, on the premise that the rescue can be carried out safely and stably at the scene, bravely commenced the rescue procedures at the scene against all difficulties. For minor faults that can be solved on site, we solve them on the spot, and at the same time provide on-site power support to help power-deficient vehicles to restore power as soon as possible. For vehicles with serious water wading, we adopt the method of towing the vehicle into the store for repair, and finally help the vehicle owner to solve the traffic problem and go back home safely.



Photos of the rescue scene

In 2021, given the dynamic and persistent nature of the COVID-19 pandemic in various places, Grant Baoxin pays close attention to the development of the pandemic prevention policies, strictly implements pandemic prevention requirements, and intensifies its efforts in stores regarding epidemic prevention. Meanwhile, we are also paying close attention to the community's pandemic prevention needs and extending a helping hand in a timely manner.



Material donation of pandemic prevention



Tribute to pandemic prevention volunteers



Pandemic prevention and disinfection in office



APPENDIX 1:LISTS OF LAWS AND REGULATIONS AND INTERNAL POLICIES

Laws and Regulations: :
Company Law of the People's Republic of China
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
Law of the People's Republic of China on Conserving Energy
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
Technical code for collection, storage and transportation of hazardous wastes



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 Disclosures and KPIs			Related Chapter
Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. Environmental Operation and Promotion of Green Development
	A1.1	The types of emissions and respective emissions data.	4.2 Responding to Climate Change
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.2 Responding to Climate Change
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Emission Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Emission Management
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	4.1 Environmental Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1 Environmental Management 4.3 Emission Management



Subject Areas, Aspects, General Disclosures and KPIs			Related Chapter
A2 : Use of Resources	General Disclosure	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc</p>	4.2 Responding to Climate Change
	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 Responding to Climate Change
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Responding to Climate Change
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1 Environmental Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2 Responding to Climate Change
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, The Group's operations and business does not involve this related content
A3 : The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	4. Environmental Operation and Promotion of Green Development
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. Environmental Operation and Promotion of Green Development
A4 : Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.2 Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.2 Responding to Climate Change





Subject Areas, Aspects, General Disclosures and KPIs			Related Chapter
Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3. Nurturing Ourselves and Others; Recruiting Talents
	B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	3.1 Employee Recruitment
	B1.2	Employee turnover rate by gender, age group and geographical region.	3.4 Care for Employees
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 Safety and Health
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.3 Safety and Health
	B2.2	Lost days due to work injury.	3.3 Safety and Health
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Safety and Health





Subject Areas, Aspects, General Disclosures and KPIs			Related Chapter
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. De-scription of training activities.	3.2 Talent Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.2 Talent Development
	B3.2	The average training hours completed per employee by gender and employee category.	3.2 Talent Development
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 Employee Recruitment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employee Recruitment
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Employee Recruitment
B5 : Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Supplier cooperation
	B5.1	Number of suppliers by geographical region.	5.1 Supplier cooperation
	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 Supplier cooperation
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.1 Supplier cooperation
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.1 Supplier cooperation





Subject Areas, Aspects, General Disclosures and KPIs			Related Chapter
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. Adhering to Quality and Delivering Excellent Services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, The Group's operations and business does not involve this related content
	B6.2	Number of products and service related complaints received and how they are dealt with.	2.2 Responsible Aftersales
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable, The Group's operations and business does not involve this related content
	B6.4	Description of quality assurance process and recall procedures.	Not applicable, The Group's operations and business does not involve this related content
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.3 Privacy Protection



Subject Areas, Aspects, General Disclosures and KPIs			Related Chapter
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. Responsibility-based and sustainable development
	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
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.2 Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	1.2 Corporate Governance
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.2 Charity
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.2 Charity
	B8.2	Resources contributed (e.g. money or time) to the focus area.	5.2 Charity

