



2017

Guangzhou Automobile Group Co., Ltd.

Environmental, Social and Governance Report

Message from Leaders



A stylized handwritten signature in black ink, consisting of several vertical and diagonal strokes.

ZENG Qinghong
Chairman of GAC Group

Dear friends:

Thank you for your care and support. In 2017, GAC Group continued a rapid growth and presented a good situation of stable development, reinforced innovations, optimized structure, deepened reform and enhanced quality. Here, I would like to express heartfelt thanks to you on behalf of GAC Group and all its employees.

In 2017, faced with the complex macro environment and sluggish automobile market, the Group adhered to the focus on quality and returns and topped 2 million in automobile output and sales for the first time, registering a year-on-year increase of over 21%, 18% higher than the industry average. It was the fastest growing auto group among the 6 largest auto groups of China and raised its market share to 7%. Specifically, the output and sales of GAC Trumpchi, an self-owned brand, topped 500,000, chalking up a year-on-year increase of over 36% and thereby turning the brand into a new profit growth point of the Group. The Japanese and Euro-American joint ventures flourished in an all-round manner, thus further consolidating the tripod pattern of JVs and self-owned brands. Meanwhile, we produced 989,800 and sold 1,003,400 motorcycles as well. The Group together with its joint ventures and affiliated companies realized total business revenue of about RMB 339.773 billion, up by about 23.21% from a year ago, and hit an all-time high in the major economic indicators. According to the 2017 Fortune Global 500 list released by Fortune magazine, GAC Group stayed on the list for five consecutive years and ranked No. 238 this time, rising dramatically from its place on the 2016 list by 65 places.

In the year, we deepened reform and further unleashed innovation vigor. According to the requirement for “improving governance, intensifying incentives, spotlighting primary business, enhancing efficiency”, we actively promoted the reform of systems and mechanisms, continuously perfected the architecture of corporate governance and fulfilled our responsibility for the stakeholders, including shareholders, customers, employees and the society.

In the year, we persisted in the innovation-driven approach and steadily enhanced the development pattern through strategic guidance. We satisfactorily completed the project of privately issuing RMB 15 billion of A-shares, providing monetary support for the Group in its researches on new energy and forward-looking technologies as well as its investments in such projects as models of self-owned brands. We kicked off the construction of a number of future-oriented projects, such as GAC Industrial Park of Intelligent & Connected NEVs and GAC NEV Factory, which will lay a solid foundation for the Group in strongly promoting electrification, intelligence and connectivity. We actively implemented the overseas development strategy, laid out a global R&D network, intensified open innovations and established extensive relations of strategic cooperation with outstanding enterprises, such as Huawei, Tencent and iFLYTEC, to provide ceaseless power for the future development of the Group.

In the year, we kept on enhancing the brand image to create a public company trusted by the society. We released a new strategic plan for brands and came up with the brand slogan of “Crafted by the driven”. We teamed up with 2017 Guangzhou Fortune Global Forum to become the lead partner of Fortune Brainstorm Tech International Conference and hosted the “Future of Mobility” roundtable conference, exhibiting the new image of rising Chinese brands through the large international stage of Fortune forum.

In the year, we remained true to our original aspirations, deeply involved ourselves in public welfare and charity, promoted targeted poverty alleviation, carried out disaster relief, supported cultural, sports and educational business, and boosted safe driving and green environmental protection projects. In 2017, GAC Group and the invested enterprises jointly contributed over RMB 89.05 million to public



FENG Xingya
President of GAC Group

welfare efforts, including poverty alleviation, charity, disaster relief, culture, sports, education and environmental protection, to perform its corporate social responsibility and promote the harmonious development of community.

By 2017, GAC Group had witnessed a development journey of 20 years. In the past 20 years, we forged ahead under the important task and mission of revitalizing the auto industry of Guangzhou, manufactured and sold over 10 million cars accumulatively, including over 1 million of self-owned brands, realizing leapfrog development; in the past 20 years, by always sticking to the goal of independent innovations, daring to pioneer and playing our cards right, we set up a national-level enterprise technology center based on GAC Automotive Engineering Institute (GAC Engineering) and supported by the R&D centers of the invested enterprises, built world-class vehicle and engine factories, created the compelling self-owned brand of GAC Trumpchi, and formed the “GAC speed” that caught the attention of the industry; in the past 20 years, we always kept to the development road of reform and restructuring, got rid of the stale and took in the fresh, overcame difficulties, blazed a distinctive road of “less input, quick output, and rolling development”, formed a closed loop of the industrial chain of R&D, vehicles, components and parts, trade and finance, realized the overall listing on both Shanghai and Hong Kong stock exchanges, and reached a new stage of moving from asset operations to capital operations and industrial collaboration; in the past 20 years, GAC Group witnessed the changes in mobility with its own growth and carved out the dreams about mobility with its craftsmanship.

Looking ahead, we face daunting tasks and a long way to go. Innovation and breakthrough stem from the corporate culture of the Group and from its dual responsibilities for both economy and society. The Group will continue to uphold the corporate value of “humanity, credibility and creativity”, move forward to fulfill its dreams, adhere to the core branding elements of “detailing and greatness”, create a public company trusted by the society, and perform its social responsibility with a high sense of mission and responsibility. Dear friends, let’s join hands in creating a wonderful future.

In 2018, we will set out again for happiness!

2 million

Automobile production and sales in 2017

500,000

Production and sales of GAC Trumpchi

RMB

339.773 billion

Total business revenue

238th

Ranking in Fortune 500

RMB

89.05 million

Cumulative investment in charity and public welfare undertakings exceeded ...

About Us

Company Profile

Guangzhou Automobile Group Co., Ltd. is a large State-controlled joint stock enterprise group, formerly known as Guangzhou Automobile Group Co., Ltd. set up in June 1997. On June 28, 2005, as co-sponsors, Guangzhou Automobile Industry Group Co., Ltd., Wanxiang Group Company, China Machinery Industry Group Co., Ltd., Guangzhou Steel Enterprise Group Co., Ltd. and Guangzhou Chime Long Hotel Co., Ltd. jointly founded GAC Group by transforming the former Guangzhou Automobile Group Company Limited into a joint-stock company. The Group now has 84,000 employees and is headquartered in the Zhujiang New Town, Tianhe District, Guangzhou. Among the large State-controlled automobile groups of China, it is the first to get listed on both Shanghai and Hong Kong stock exchanges. Starting from 2013, GAC Group made the list of Fortune Global 500 for five years running and ranked No. 238 in 2017. Also in the year, it ranked No. 52 of Top 500 Chinese Enterprises(2017), No. 18 of Top Chinese Manufacturers (2017), No.7 of Top 500 Enterprises of Guangdong and No. 3 of Top 100 Manufacturers of Guangdong.

After years of strategic deployment, GAC Group has formed a complete industrial chain by persisting in the common development of joint venture cooperation and independent innovations, which has the manufacturing of vehicles (cars and motorcycles) at the center and covers automobile R&D and component manufacturing in the upstream and various services in the downstream, including auto trade, finance, insurance, leasing and logistics. As a result, it has become one of the automobile groups with the most complete industrial chain in China and the first enterprise group in the domestic automobile industry that holds multiple licenses such as insurance brokerage, finance and financial leasing.

Currently, the Group has dozens of well-known enterprises and R&D organizations, including GAC Motor, GAC Honda, GAC Toyota, GAC Mitsubishi, GAC FCA and GAC Engineering. It manufactures and sells tens of prestigious models, including GS8, GS4, GM8, GA8, GA6 and GE3 of GAC Trumpchi; Accord, Avancier and Odyssey of GAC Honda; Camry, Highlander and Levin of GAC Toyota; Jeep Cherokee, Jeep Renegade, Jeep Compass and Viaggio of GAC FCA; ASX, New Pajero, Sport and Outlander of GAC Mitsubishi. By promoting Auto Internet Ecosystem projects and building the self-owned brand “Trumpchi” as the new flagship, GAC has initially shaped a tripartite layout of business development with self-owned brands, Japanese series and European-American series.

Bearing in mind the goal “to develop into a trustworthy public enterprise”, GAC Group has been constantly increasing its economic returns and achieved favorable financial results. Meanwhile, GAC has provided favorable returns to its shareholders by making stable and continuous profit distribution plans. The Group strictly complies with tax laws in payment, generating ever increasing tax revenue for the country. GAC boasts a sales network across the country, and an industrial layout centered around Guangzhou, supported by Central China and Eastern China on the two sides, reaching out to the entire country. With 2,719 dealers in 31 provinces and regions throughout China, GAC has helped create nearly 700,000 jobs across the industrial chain from upstream to downstream, driving the development of auto parts supply, sales and logistics, and financial services. In Guangzhou, GAC has built its commercial vehicle industry area in the north, passenger vehicle industry area in the east and south, and auto financial services in the center.





Ranked

NO. **238**

in 2017 Fortune 500



Ranked

NO. **7**

in 2017 Top 500 Enterprises of Guangdong



Ranked

NO. **52**

in 2017 Top 500 Enterprises of China



Ranked

NO. **3**

in 2017 Top 500 Manufacturers of Guangdong



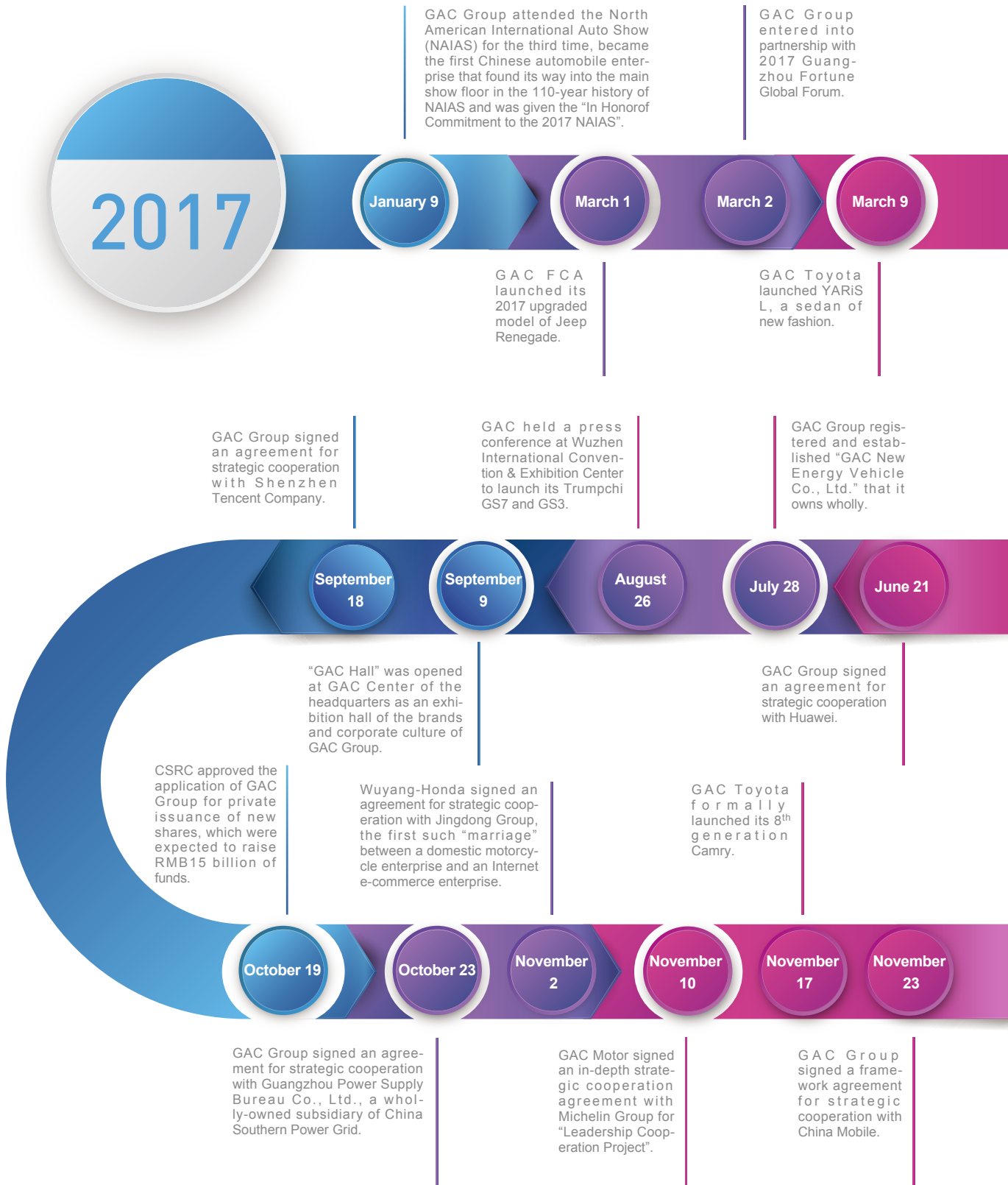
Ranked

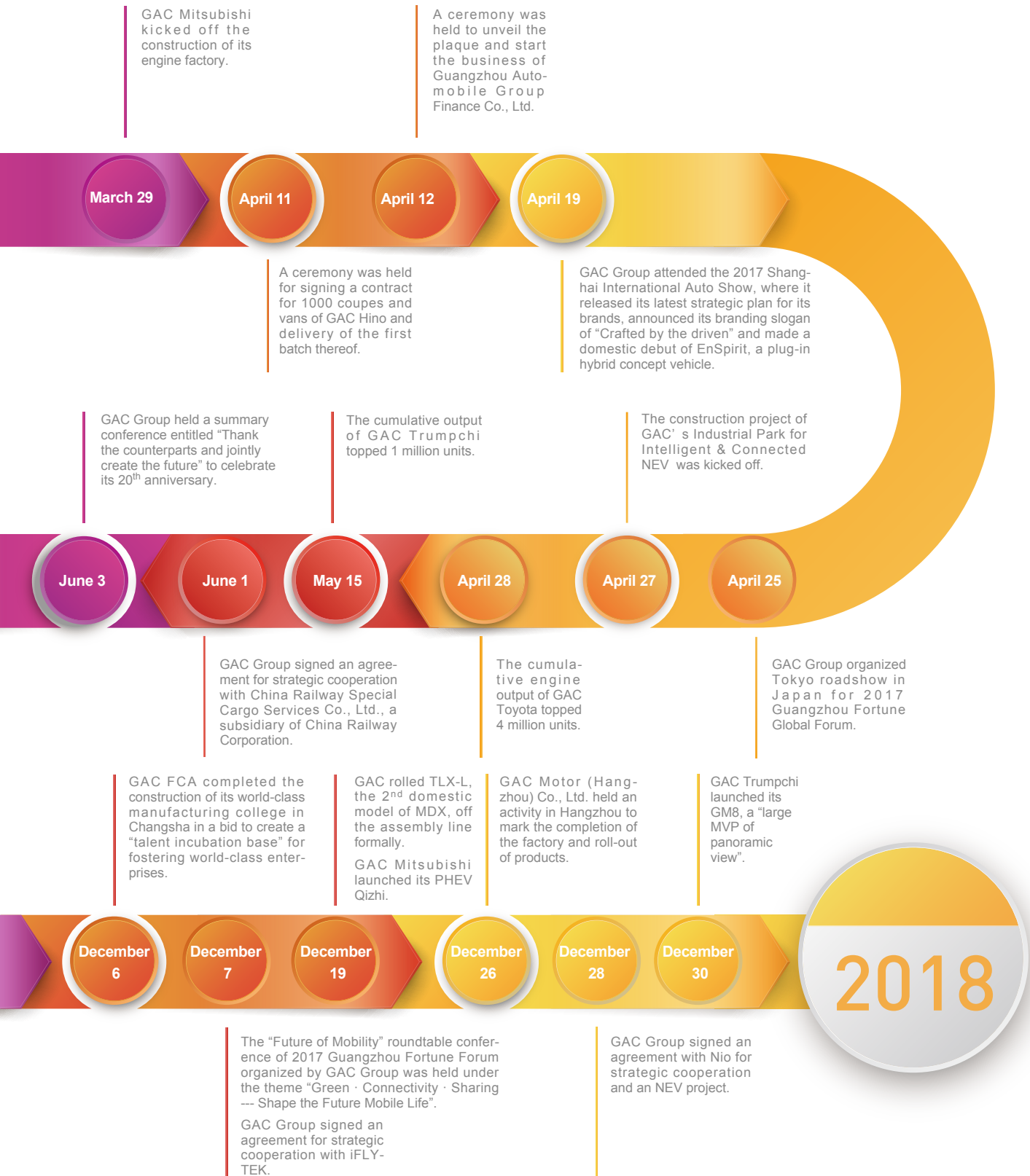
NO. **18**

in 2017 Top 500 Manufacturers of China



Key Milestones of GAC Group in 2017





Investment Structure

R&D			
			
Vehicles			
			
			
 本田汽车(中国)有限公司 Honda Automobile (China) Co., Ltd.			
Parts & Components			
	 广汽丰田发动机有限公司 GAC TOYOTA ENJINE CO., LTD.		
Trade Services			
			
Financial Services			
			
			

Notes:

1. Guangzhou Auto Industry Group Co., Ltd. holds 53.65% of the shares of GAC Group.
2. Only the primary and secondary units and invested enterprises are listed herein due to limited space.

Social Assessment

The parent company of GAC Group made the list of Fortune 500 for five years running and ranked No. 238 in 2017, moving up by 65 places compared with 2016. Also in the year, it ranked No. 52 of Top 500 Chinese Enterprises, No. 18 of Top Chinese Manufacturers, No.7 of Top 500 Enterprises of Guangdong and No. 3 of Top 100 Manufacturers of Guangdong.



Award for Special Contributions to the Social Responsibility of Chinese Enterprises in 2017

TOP15 in 15th Selection of Best Employees of Automobile Industry by Chinese Undergraduates

2016 Golden Award of Kapok Cup for Poverty Alleviation in Guangdong

"Provincial Civilized Unit" in 2016~2017

"Guangzhou Enterprise of Highest Sense of Social Responsibility" in 3rd selection

Most Influential Enterprise on the Charity List of Guangzhou in 2017

Five-Star Philanthropic Unit on the Charity List of Guangzhou in 2017

Advanced Collective of Happiness Project in 2017

Top 100 Chinese Listed Companies selected by China Securities Journal in 2016

100 Most Valuable Listed Companies on the Main Board of China selected by Securities Times

Award for Enterprise Potential on the List of 100 Enterprises with Strongest Comprehensive Strength ---

Top 100 Hong Kong Listed Companies selected by Finet and Tencent

"Award for Enterprises on the Annual Billboard" of PhoenixNet for the Pageantry of Chinese Automobiles in 2016

2017 Award of Sina Vehicles for Automobile Enterprises

In Honor of Commitment to the 2017 NAIAS



WitStar II, a driverless car, won the "Leading Award" and "Best Performance Award" for the Driverless Group of "2017 World Intelligent Driving Challenge"

National IP Demonstration Enterprise of State Intellectual Property Office

First Prize of the Award for Science & Technology of Chinese Automobile Industry issued by China Automotive Industry Association for the Technology of Intelligent Driving Assistance System of Structure Shared Vehicles and Its Industrialized Application

19th Selection of Award for Excellent Chinese Patents issued by State Intellectual Property Office for the Design Patent of "Automobile" (Trumpchi GS4)

Trumpchi GS8, which was independently designed and developed by GAC Engineering, received a silver award of the "Red Star Award", the highest prize for automobile products.

2017 "Benchmark Unit in Building Corporate Culture", an honorary title awarded by China Cultural Management Association

Best Employer Enterprise of Guangdong Province, a title awarded by Guangdong Provincial Federation of Enterprises and Guangdong Provincial Association of Entrepreneurs; Intellectual Property Demonstration Enterprise of Guangdong Province, a title awarded by Guangdong Association of Intellectual Property Association

First Prize for Science and Technology of the Machinery Industry of Guangdong Province issued by Guangdong Provincial Society of Mechanical Engineering for the development of efficient combustion technology and products of gasoline engines

The patent "A Skeleton Structure for Auto Body" won the Award for Excellent Patents issued by the People's Government of Guangzhou in 2016



GAC Honda received a second prize of the Award for Science and Technology of the Chinese automobile industry in 2017 for its project "Research and Application of the Engineering Technology for Manufacturing Intelligent, Efficient and Environment-Friendly Vehicles" (the highest-level prize ever won by an engineering construction project in the nearly 30 years of existence of the award)

Comprehensive Award of the Year (for the 10th time) in the Citizens' Selection of Best Chinese Enterprises in 2017 held by the 21st Century Business Herald

2017 Brand Innovation Award issued by China Youth Daily

2017 Award for Environmental Protection Innovation of Social Responsibility Enterprises presented by Guangzhou Daily

2017 Best Chinese Enterprise award issued by Shanghai Press Group • Interface News

Avancier of GAC Honda received the Netease Award for 2017 Medium-Large SUV



Annual Innovation Benchmark Enterprise for "Intelligently Made in China"

National Good Faith Demonstration Enterprise in Product and Service Quality

Silver Award for Overseas Communications presented by China International Public Relations Association

2017 Award for Responsible Brand and Award for Public Welfare Innovation at the 7th China Charity Festival

No. 1 among indigenous brands in the satisfaction of after-sales service of Chinese automobile industry according to 2017 Chinese Automobile Customer Satisfaction Index (CACSI)

No. 1 among indigenous brands in the satisfaction of after-sales service of Chinese automobile industry according to 2017 China Automobile After-sales Customer Satisfaction (CAACS)

National "Demonstration Base for Building Corporate Culture" in 2016

Silver award of 2016 Kapok Cup for Poverty Alleviation in Guangdong

May 1st Labor Citation of Guangdong Province

Enterprise of Highest Sense of Social Responsibility, a title awarded by Guangdong Provincial Federation of Enterprises and Guangdong Provincial Association of Entrepreneurs

Five-star Philanthropic Unit on the Charity List of Guangzhou in 2017

2017 Philanthropic Unit of Guangzhou

2017 Responsible Enterprise of China Newsweek

2017 Chinese Brand of the Year issued by China Automotive News

2017 Award for Best Public Welfare Project presented by 21st Century Business Herald

GAC Trumpchi GS8 won the Award of Medium-Large SUV of the Year on the Annual Overall List of Chinese Automobiles



2017 Excellence Award for Social Responsibility of Chinese Enterprises presented by Community Times

Responsibility Case Award of the Year presented by Southern Weekend at the 2017 Annual Meeting of Social Responsibility of Chinese Enterprises

2017 "Excellent Enterprise Award" and 2017 "Award of Honor for "10-Year Commitment" presented by First Financial Daily

2017 Top Brand Award issued by Beijing News

2017 Award for Public Welfare Action of Automobile Enterprises presented by Beijing News

Award for Top Automobile Brand of Best Marketing Innovations



Outstanding Unit of Hunan Province in Fighting Flood and Providing Relief

Award for Automobile Brand with Highest Growth Potentials

Award for Best Medium-Sized SUV --- Cherokee



Top 10 Enterprises of Hunan Province in Targeted Poverty Alleviation

2017 Public Welfare Enterprise Award presented by Sina

2017 Breakthrough Brand of the Year presented by Phoenix Net



Model of the Year in Chinese Commercial Vehicles

2017 Award for Gasoline Saving Model



National Product with Trustworthy Quality

National Demonstration Enterprise of Good Faith in Product and Service Quality

Top 100 Brand Enterprises of Guangzhou in 2017

Entrepreneur with Strongest Sense of Social Responsibility in Guangzhou



Top 500 Chinese Machinery Enterprises in 2017 (ranking 29th)

Enterprise with the Strongest Sense of Social Responsibility in Guangdong Province

Certificate and Plaque of Enterprise Research & Development Institution in Guangzhou

Benchmark Unit of Party Building Culture in Enterprises



Certificate of Honor for Donations to Guangdong Provincial Poverty Alleviation in 2017

Award for Contributions to GTE Container Quantity



30th Place on the List of Top 100 Enterprises of China Automobile Distributor Groups

Award for Development Innovations on the List of Top 100 Automobile Dealers in Guangdong Province

Good Faith Role Model Enterprise of Guangdong Province

Enterprise "Observing Contract and Valuing Credit" in Guangzhou



Award of the Year for Contributions to Supporting Innovative Development in the 6th Selection of "Jin Rong Award"





Strategy of Sustainable Development

- (I) Business Objective
- (II) Corporate Value
- (III) Operation Guidelines
- (IV) Brands of the Enterprise

(I) Business Objective

To develop into a pre-eminent international enterprise and a trustworthy public company

- **Being pre-eminent** in management, people, technology, E&H, and ideology, and in persistent pursuit of preeminence
- **Being international** in corporate strategy, management team and brand image
- **Being trustworthy** in the public through its own philosophy and acts, and act as an excellent corporate citizen

(II) Corporate Value

Humanity, Credibility, Creativity

- **Humanity:** People-oriented, shareholder-oriented and consumer-oriented.
- **Credibility:** Credibility among people; credibility between GAC and its shareholders; credibility between GAC and the society
- **Creativity:** GAC encourages its people for innovation; GAC continues to innovate for the interest of its shareholders; GAC is committed to creation in return to the society.

(III) Operation Guidelines

To respect humanity and foster communications; To honor diligence and pragmatism as well as emphasize practice; Pursue efficiency and use resources properly; cooperate with honesty and innovate with passion

- **To respect humanity and foster communications:** Stay people-oriented, respect humanity, and focus on people-to-people communication, and create a flexible and more human environment for people development and growth, and a solid foundation for better cooperation.
- **To honor diligence and pragmatism as well as emphasize practice:** Be pragmatic in style of work by both the organization and its people, and focus on real practices. Learn it from practice, and put it back into practice, and improve self-cultivation knowledge and increase work capabilities through practice.
- **To pursue efficiency and use resources properly:** While emphasizing practice, GAC takes active steps to improve efficiency, promotes business growth and enhances corporate strength by making use of all possible and available resources to the fullest extent, as fast as possible and most efficiently.
- **To cooperate with honesty and innovate with passion:** Honesty is a business principle of GAC, and innovating with passion remains the source of eternal vitality of GAC.

(IV) Brands of the Enterprise

Brand Vision

Stay true to craftsmanship and strive for excellence

Core of Brand

Detailing

Dedication is a positive attitude towards continuous improvement
 Delicacy is the incessant pursuit for perfect quality
 Delightfulness is our commitment to a wonderful life

Greatness

Great harmony to embrace the world
 Great vision to have global insight
 Great benefit to pay back society

Brand Positioning

Value creator for mobile life

Brand Slogan

Crafted by the driven

Brand Proposition

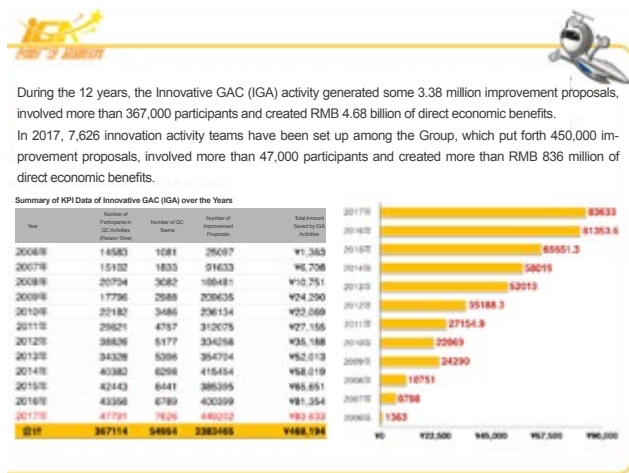
Be devoted to creating value for consumers, employees, partners, investors, the industry and the entire society with craftsmanship.

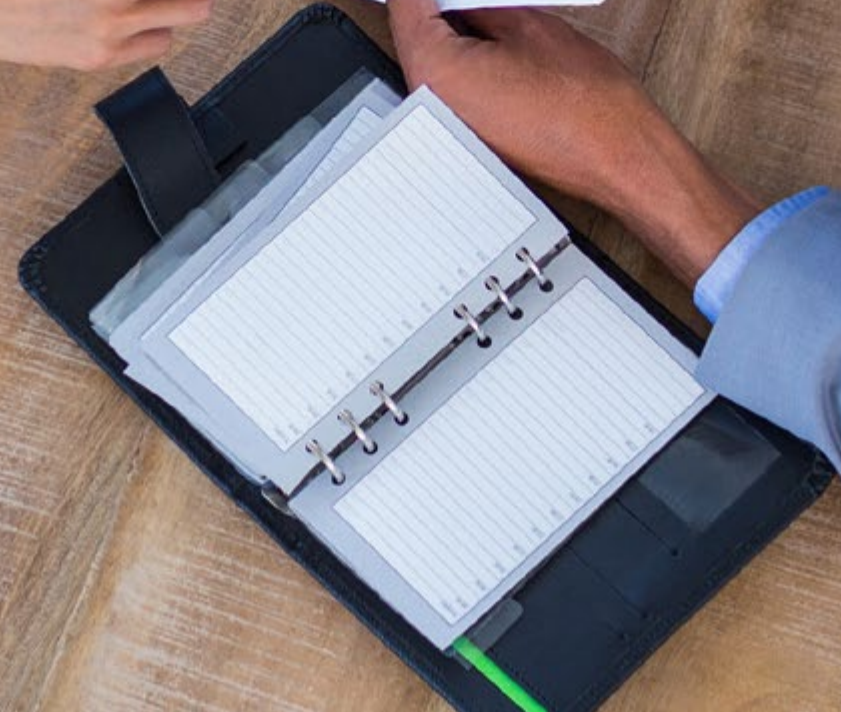
Brand Values

Acute, practical, self-independent, open

Improvement and innovation activity of GAC Group that best represents its corporate culture

The Innovative GAC (IGA) program is a distinctive improvement and innovation activity of GAC Group and its invested enterprises. The program includes QC activities, improvement proposals, labor competitions and technical innovations as 4 primary forms and content to encourage the employees to take part in improvement and innovation. From all the enterprises, outstanding teams are picked out level by level to attend the "Results Presentation Meeting of Innovative GAC (IGA) Program" held by the Group in every November. 2017 was the 12th year since the launch of the program. In the 12 years, the number of participants exceeded 367,000 person-times, who put forth 3.38 million improvement proposals that created RMB 4.68 billion of direct economic benefits and led to compelling achievements.





(I) Strengthening the Building of the Party

Guided by the thought of Xi Jinping about socialism with Chinese characteristics in the new era, GAC Group studies and implements the spirit of the 19th CPC National Congress, governs the Party organization unwaveringly, comprehensively and strictly, persists in Party building and forming cohesion for development, unites with and leads all the employees in working solidly, navigates the reform and development of the enterprises, and provides strong ideological, organizational and spiritual power for achieving a new leap.

GAC Group adheres to the idea that “there are no onlookers in the fight against corruption and an incorrupt GAC needs doers”. In 2017, the CPC Committees and Discipline Inspection Committees of the Group at all levels intensified the awareness for responsibility and boosted the fulfillment of “two responsibilities”: the responsibility of CPC Committees and the supervisory responsibility of Discipline Inspection Committees. The improvement of Party style and probity was incorporated into the overall work arrangements of the Group, which has come up with a list of responsibilities and promoted online examination to solidly boost the assignment of responsibility, perfection of mechanism and implementation of measures.

Ongoing supervision of responsibility and inspection of discipline

Installing the “probes” of supervision. The Group kept its eyes on the “4 undesirable work styles”, continuously carried through the 8-point austerity rule of the CPC Central Committee and spurred the rectification of work style and fight against corruption at grassroots level. It caused the supervisory system to cover all invested enterprises and deepened the electronic supervision of major decisions. It continuously carried out comprehensive supervision and efficiency supervision, deepened the joint supervision of joint ventures together with the foreign shareholders, and joined them in exploring the supervision practice of mutually dispatching observers for the first time.

Sharpening the “sword” of discipline inspection. The Group established the Regulations on Discipline Inspection. The Discipline Inspection Committees of the Group at all levels received 45 complaint letters. Sticking to the principle of “3 differentiations”, they earnestly carried out the centralized investigation into the clues of discipline and law violations by Party members and cadres, jointly implemented the verification of the letters and inspection of discipline to enhance the overall level of discipline supervision. The Group conducted probity culture education and continuously focused on the studies of the theories on Party style and clean governance to consolidate the ideological defense line of Party members and cadres.

Strengthening the improvement of Party style and clean governance

Assignment of responsibility. The Group promoted the building of systems and mechanisms, including 29 systems in the 4 categories of comprehensive work, supervision, discipline enforcement and accountability at the level of its headquarters. It set up the electronic files of clean conduct for 164 leading cadres, focused on probity in the selection and appointment of cadres, and altogether issued 98 opinions on the examination of the clean conduct of cadres.

Intensifying the supervision and prevention of risks. The Group utilized the major decision electronic supervision system to monitor the 125 major matters subject to collective decision at the level of the Group and intensified the prevention and control of corruption risks. It held joint meetings on supervision on a quarterly basis and pooled the resources of the Board of Supervision, discipline inspection, supervision, audit and finance to carry out annual comprehensive monitoring and strengthen collaborative supervision over the operation of electronic decision-making on major affairs, purchase from service providers, enforcement of labor discipline and fund use management.

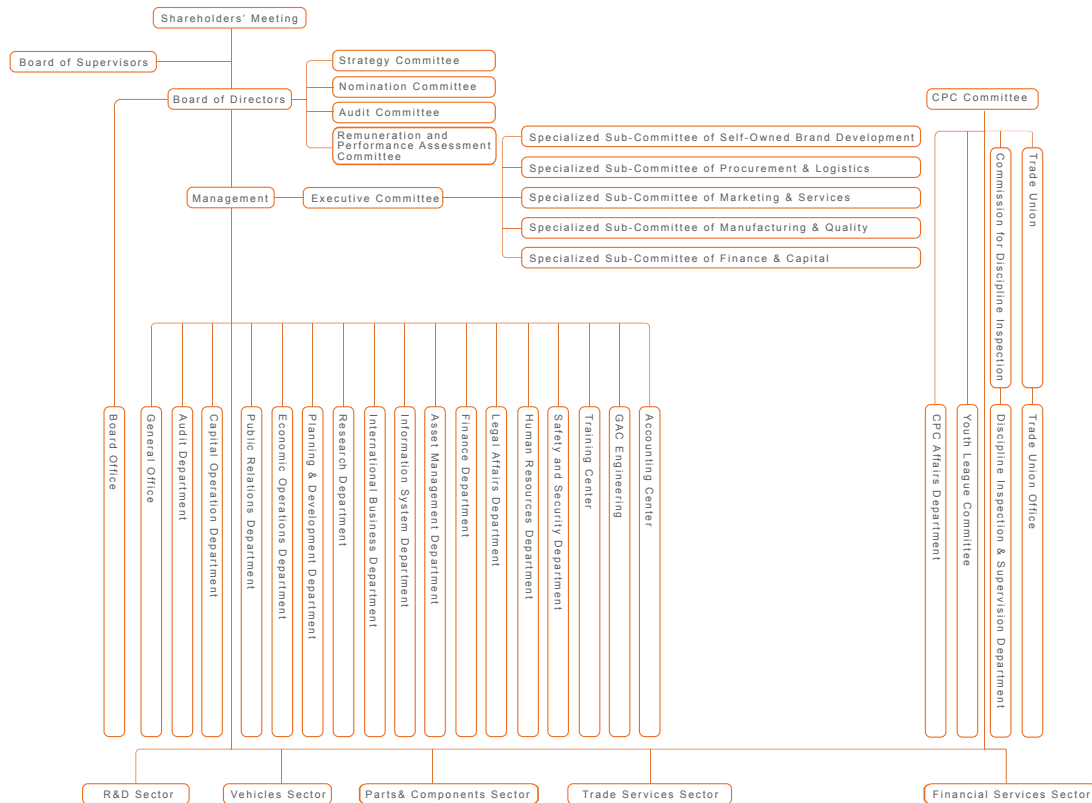
Intensifying probity education. The Group adhered to the probity culture, idea and system that “there are no onlookers in the fight against corruption and an incorrupt GAC needs doers” and set up a probity culture action system composed of “Commitment of Leading Body to Probity and Self-discipline” and “Standard for Incorrupt Practices of Employees”. By leveraging the “3161 Platform”, a total of 4,058 Party members and leading cadres participated in the online probity education and assessment, achieving a completion rate of 100% and reaching the purpose of promoting learning by examination. The Group organized 9,742 incumbent Party members to attend the portable micro-education of Party members, reaching 100% in both coverage rate and standard reaching rate.

(II) Improving Corporate Governance

In line with its reform of systems and mechanisms, the Group has modified its basic procedures, including the Articles of Association and the Rules of Procedure for the Board of Directors, and set up the internal management procedures, including the addition of 9 and modification of 24 procedures within the reporting period. The number of existing management procedures has reached 191. Within the reporting period, GAC Group held 28 board meetings, including 4 onsite meetings and 24 correspondence meetings, and reviewed 98 motions in the year.

The Group implemented information disclosure according to the requirement for “law-based, complete, strict” supervision, under the guide of the latest regulatory rules and in compliance with the principle for “true, accurate, complete, timely, fair, effective” disclosure. In 2017, the number of corporate documents it disclosed to SSE and SEHK reached 242 and 195 respectively. It persisted in the consistency and simultaneity of information disclosure made on the stock markets of the two places and made sure that the information disclosed was “free of error, delay, correction or addition”. At the same time, the Group held investor relation activities through multiple ways, e.g. overseas roadshows, auto shows, exchanges and summit meetings of investors. It cumulatively received 65 groups of investors who came for visit and survey, held 27 teleconferences, organized 4 activities of investors open day and received 800 investors and analysts, getting across its operating ideas and investment value.

Organization Chart of Guangzhou Automobile Group Co., Ltd.



Notes:

- 1.The Group has 1 executive committee (with 5 specialized sub-committees under it), 20 departments (16 administrative departments and 4 for CPC affairs and the general employees) and 2 affiliates (GAC Engineering and Accounting Center).
- 2.Please see the annual report for a list of directors, supervisors and senior executives.

(III) Management of Responsibilities

GAC Group is committed to becoming an international automobile group brand with global influence and a high sense of social responsibility, blends the responsibility and care for people and society into social responsibility management, and takes corporate actions with a high sense of social responsibility and citizen awareness in environmental protection, safety and energy saving to create a wonderful mobile life.

Organizational system of social responsibility

The headquarters of the Group and its invested enterprises set up their teams for coordination of social responsibility, which attend to relevant matters under the guidance of the social responsibility strategy at the level of the Group. The Department of Public Relations is responsible for the specific implementation of social responsibility affairs and carries out the compilation and release of social responsibility report in the form of team promotion.

01.

02.

03.

Practical activities of social responsibility

The invested enterprises actively integrate themselves into communities in their operations and carry out practical activities of social responsibility by leveraging their strengths. They put into practice the concept of social responsibility in issues such as education, personnel training and low-carbon environmental protection.

Communications and exchanges with stakeholders

We value the communications with stakeholders, improve the mechanism of handling customer complaints, carry out the activity of providing services in communities and enhance customer experience. We have built channels of communications that reach all shareholders, whether they are small, medium or large, through international auto shows, factories visit and non-deal road shows. We spread our practices of social responsibility among the public through twitter, WeChat and website, increase the employees' sense of home in various ways, e.g. leader reception day, and intensify the protection of the natural ecological environment through the collaboration with professional institutions.

Stakeholders	Expectations and Demand	Response Measures
 <p>Government</p>	<p>Drive the sustained and healthy development of the economy; Help with public finance and serve governmental development; Operate in compliance with laws and regulations.</p>	<p>Observe national policies and actively respond to the idea of "innovative, coordinated, green, open and shared" development; Pay taxes according to law Strengthen compliance management; Operate in good faith.</p>
 <p>Shareholders</p>	<p>Satisfactory investment returns and good market value; Gain a full picture of the operating conditions of the Company.</p>	<p>Operate steadily to enhance profitability; Strengthen the management of investor relations and disclose information promptly.</p>
 <p>Customers</p>	<p>Rich automobile products; Quality driving and riding experience and services; Good quality; Driving safety.</p>	<p>Intensify technological innovations and establish self-owned brands; Enhance service quality and pay close attention to customers' experience; Upgrade the system to improve the safety performance of the cars.</p>
 <p>Partners</p>	<p>Fair procurement; Good faith and mutual benefit.</p>	<p>Open and transparent procurement mechanism; Persist in the principle of equality, mutual benefit, harmony and win-win outcome.</p>
 <p>Employees</p>	<p>Good career planning and growth opportunity; Protect basic rights and interests.</p>	<p>Implement HR enhancement project and improve the systems of staff training, salary incentive, insurance and welfare.</p>
 <p>Communities</p>	<p>Pay attention to the development of communities; Build harmonious communities.</p>	<p>Take an active part in public welfare undertakings to assist the disadvantaged groups; Carry out volunteer activities; Promote safe driving and advocate harmonious traffic.</p>
 <p>Environment</p>	<p>Pay attention to climatic changes and support low-carbon economy; Advocate energy saving and emission reduction to build a conservation-oriented society.</p>	<p>Develop NEVs; Construct advanced, environment-friendly, energy saving and green factories; Intensify the investment in energy saving and emission reduction; Foster the idea of environmental protection.</p>





Practices of Sustainable Development

(I) Intelligent · New Mobility

(II) Green · New Energy

(III) Sharing · New Value

(I) Intelligent · New Mobility

1. Quality of Intelligent Originality

In 2017, GAC Group came up with a new strategy for brand upgrading and raised the slogan of “Crafted by the driven” to inherit the originality in craftsmanship and turn out automobile products of high quality with the spirit of originality. It always maintains an acute insight into the needs of consumers and relies on innovative R&D and lean production to provide innovative value for the mobile life of users, progress of the industry and development of the society.

Providing Quality Products

GAC Group always keeps to the road of driving quality improvement with innovation, focuses on developing quality and returns, unswervingly persists in JV cooperation and independent innovation, boosts the shift from manufacturing to creation, from speed to quality, and from products to brands. In 2017, its sales topped the threshold of 2 million, up by 20% from 2016.



Latest Progress of the Product Lines of GAC Group in 2017

New models

GAC Trumpchi GM8, GAC Trumpchi GA4, GAC Trumpchi GS3, GAC Trumpchi GS7, GAC Trumpchi GE3, GAC Trumpchi GS4 PHEV, GAC Trumpchi GA3S PHEV, GAC ACURA TLX-L, GAC Toyota YARIS L, GAC Toyota Camry of 8th generation, GAC Mitsubishi Qizhi PHEV, GAC Hino Coupe, GAC BYD GZ6850LZEV, GAC BYD GZ6100LGEV5, GAC BYD GZ6122LGEV, Wuyang Honda Hawk, Wuyang Honda Shark, Wuyang Honda Tapa, Wuyang Honda Ruiying 110.

Models of Modification and New Generation

GAC Trumpchi GA8 MY2017, GAC Honda Vezel MY2018, GAC Honda Fit MY2018, GAC Toyota Levin with dual engines, GAC Mitsubishi Outlander MY2018, GAC Mitsubishi ASX MY2018, GAC Mitsubishi Pajero MY2018, GAC FCA Jeep Cherokee MY2017, GAC FCA Jeep Renegade MY2017, GAC FCA Compass 1.4T+9AT, Wuyang Honda Youyue 110 of National IV Standard, Wuyang Honda Yazhi 110 of National IV Standard

Added Models

GAC Honda Avancier 240 TURBO, GAC Hino light-weight tractor, GAC Hino special tractor for express delivery with 4×2 long wheel base, GAC Hino 450Ps carrier for dangerous chemicals, GAC Hino vans, GAC Hino tractors, Wuyang Honda Xiyue of elite version, Wuyang Honda Hanying of electronic injection version, Wuyang Honda Jingyuan V1, Wuyang Honda Jingyuan Q1 of smart version, Wuyang Honda Jingyuan Q2.

New models



GAC Trumpchi GM8



GAC Trumpchi GA4



GAC Trumpchi GS3



GAC Trumpchi GS7



GAC Trumpchi GE3



GAC Trumpchi GS4 PHEV



GAC Trumpchi GA3S PHEV



GAC Acura TLX-L



GAC Toyota YARIS L



GAC Toyota Camry of 8th generation



GAC Mitsubishi Qizhi PHEV



GAC Hino Coupe



GAC BYD GZ6850LZEV



GAC BYD GZ6100LGEV5



GAC BYD GZ6122LGEV



Wuyang Honda Hawk



Wuyang Honda Shark



Wuyang Honda Tapa



Wuyang Honda Ruiying 110

Models of Modification and New Generation



GAC Trumpchi GA8 MY2017



GAC Honda Vezel MY2018



GAC Honda Fit MY2018



GAC Toyota Levin of Dual Engines



GAC Mitsubishi Outlander MY2018



GAC Mitsubishi ASX MY2018



GAC Mitsubishi Pajero MY2018



GAC FCA Jeep Cherokee MY2017



GAC FCA Jeep Renegade MY2017



GAC FCA Jeep Compass 1.4T+9AT



Wuyang Honda Youyue
110 of National IV Standard



Wuyang Honda Yazhi 110
of National IV Standard

Added Models



GAC Honda Avancier 240 TURBO



GAC Hino Light-weight Tractor



GAC Hino Special Tractor for Express
Delivery with 4x2 Long Wheel Base



GAC Hino 450Ps Carrier of
Dangerous Chemicals



GAC Hino Vans



GAC Hino Tractor



Wuyang Honda Xiyue of Elite Version



Wuyang Honda Hanying of
Electronic Injection Version



Wuyang Honda Jingyuan V1



Wuyang Honda Jingyuan Q1
of Smart Version



Wuyang Honda Jingyuan Q2

Continuously optimizing products to meet the needs of consumers



GAC Motor is always committed to becoming a world-class Chinese brand and an international enterprise with globalized production, sales and R&D. It strengthens management in the aspects of design, development, production and manufacturing, supply chain and market services, builds a distinctive performance management mode, and has formed a strategic layout that "relies on the market as guide, brands as core, products as main line, and system as support" to provide all-round guarantee for its enterprises in realizing brand upgrading. By the end of 2017, the cumulative sales of GAC Trumpchi cars reached 508,600, registering a substantial year-on-year increase of 37% despite the adverse macro environment and slow-down in the growth rate of the nation's overall automobile market, much higher than the average growth rate of the industry.

J.D. Power, a leading third-party survey institution of automobile market, released its 2017 Initial Quality Study (IQS) Report of China, which placed GAC Trumpchi on top of the list of Chinese brands for 5 years in a row. The report shows that Trumpchi GS4 again ranked No. 1 in the market segment of compact SUV of Chinese brands and rose to the 3rd place of the industry.



In 2017, GAC FCA committed itself to the development and manufacturing of world-class products. On the basis of team cooperation, it made full use of world-class manufacturing methods to improve technologies and processes, continuously optimize its products, and meet or even exceed the expectations of customers. Since it realized steady production, the company has continuously focused on quality management and put forth higher objectives. In the IQS of J.D. POWER, Jeep Cherokee won the 3rd place in the quality of new cars in the market segment of large SUVs.

GAC Motor (Hangzhou) Co., Ltd. completes the construction of its factory and rolls the products off the assembly line.

On December 26, 2017, GAC Motor (Hangzhou) Co., Ltd. held an activity in Dajiangdong Industrial Cluster Zone of Hangzhou to mark the completion of its factory and the rollout of products. This is a world-class benchmark factory of intelligent manufacturing built by GAC Motor in practicing the ideas of "Made in China 2025" and "Industry 4.0", which features high efficiency, high quality, energy saving and environmental protection. The factory involved RMB 8 billion of investment in phase I and was planned for a production capacity of 400,000 cars per year. The Phase I project of 200,000 cars/year was completed at one time, which is capable of manufacturing traditional gasoline cars and NEVs on the same production line. The completion and operation of the factory in Hangzhou will assist GAC Motor in upgrading its capacity and getting into a new stage of rapid development.



Scene of the activity marking the completion of construction of the factory and rollout of products.



GAC Honda has always stayed at the forefront of the industry in terms of user satisfaction of its products. In the survey of comprehensive satisfaction by Chinese Automotive Technology & Research Center ("CATARC"), Accord won the award for the best medium-sized cars for the 3rd consecutive year and Vezele won the award for small and medium-sized SUVs of best consumer evaluation; in the IQS of J.D. POWER, Accord took the first place in high-end medium-sized sedans and Odyssey ranked No. 1 in large MPVs.



In 2017, GAC Toyota raised the one-off up-to-standard rate of its two production lines to above 98.8%, 10 percentage points higher than the average level of the industry. Meanwhile, it also raised its production efficiency drastically by 21.7% from what it was before the restructuring in 2015. According to the report on the "100 Index System of Component - Vehicle Ratio", 4 models of GAC Toyota set a record of the lowest maintenance burden index (costs) among cars of the same class in 2017, retaining the championship in the "2017 Research on the Satisfaction of Chinese Automobile Dealers" and marking the third time that it won the title in 4 years.



On September 28, 2017, J.D. Power Asia-Pacific issued its 2017 IQS report on China, which shows that GAC Mitsubishi ranked among the top 3 cars of Japanese brands with 100 points and ASX won the first place among new models of compact SUVs of Japanese brands with an excellent result of 99 points.

Strengthening Quality Management

GAC Group always focuses on improving quality and returns, continuously optimizes its quality management system, breaks down quality duties to various stages and processes, implements all-member and whole-process quality management, and has set up a quality management responsibility system with GAC characteristics to ensure that the best products are supplied to customers.



In April 2017, the company successfully switched over its production lines to the system of 3 shifts with 2 of them on duty without any interval for a day, leading to rapid enhancement of both output and quality. In the field of procurement, the 6 systems of GAC procurement mode were improved to further reinforce the competitiveness of Trumpchi supply chain. It successfully reduced the amount of procurement in the whole year to meet the target set by GAC Group. In the field of quality, a major breakthrough was made to achieve a PPM of 9.5, which leads the Chinese brands and can rival that of many JV brands. In the IQS of J.D. Power, it ranked No. 1 among Chinese brands for 5 years running.

广汽 HONDA

In the aspect of manufacturing quality, GAC Honda continued to improve quality process management and source flow assurance measures. In 2017, it started to implement quality delivery benchmark for the body platform, coating resin platform and assembly platform to promptly detect and address nonconformity between processes and improve the quality of manufacturing process. The 3 factories all over-fulfilled the two key indicators of direct pass rate and number of bad pieces per car.

Through the 4-channel acquisition of information and the early warning of user complaints, it increased the speed in disposing of and judging market quality information. All its models reached the objective for per-car warranty claims and showed improvement compared with 2016.



It continuously improved the quality management system; substantiated the quality management system in reaction to the version replacement of the ISO9001 standard (2015 version) and the localization of the quality management standard (including the addition of 10 management procedures and 34 control procedures at the level of the Company) and passed the external review for ISO9001 in 2017.



In the aspect of quality management system, GAC FCA tamped the foundation and got itself ready for the new architecture and new standard. It integrated the quality management architectures and systems of Changsha, Guangzhou and the engine factories, and sorted out and consolidated the quality management system and architecture of the company. It set up a dynamic quality management system based on risks and opportunities and carried out special management review according to the requirements of ISO9001 standard (2015 Version).



It established a cross-departmental quality stability system to follow up on the effect of improvements made to address the quality problems of new models at all stages and ensure achievement of the quality objectives of these stages. It implemented the standard for market quality examination of suppliers to examine them from the following 3 aspects: the number of market nonconformities that occurred, speed of analysis and countermeasures, and cooperation in settling claims. It created and consolidated the community of shared interests, urged suppliers to actively address the quality problems exposed on the market. Its products have reached all the quality indicators, including one-off pass rate, nonconformity per car and PPM value, showing great improvement compared with 2016.

2. Considerate Services

GAC Group always adheres to the service idea of “customer first” and remains oriented to customer needs to provide them with trustworthy and professional services of high quality. GAC Motor receives relevant information through the 400 hotline, including customers’ comments on product quality. In 2017, GAC Hino started the all-round promotion of TS activity and made concerted efforts with nationwide franchised stores and service stores to provide customers with all-round support before, during and after sales. GAC Business split its Automobile Service BU into Automobile Sales BU and After-market Service BU to provide organizational assurance for the efficiency of business development and focus on after-market services. Taking the attitude of being responsible for consumers, GAC Group promptly recalls the products having hidden defect to protect the safety of the public. The specific information is shown in the recall notice posted on the website of related JV enterprises.

“Plus Services” of GAC Motor

GAC Motor provided “Plus Services” consistent with the brand to relieve Trumpchi owners of any worry about car maintenance by leveraging its unique 4 core ideas of “professional, considerate, innovative and trustworthy” services. In 2017, GAC Motor won the championship awarded by J.D. Power for quality of new cars of Chinese brands for the 5th consecutive time and succeeded in retaining its first place in China Automobile Aftersales Customer Satisfaction Research (CAACS in short) with a high score of 87.74, showing excellent word of mouth for services.

“Worryless use of car” --- exclusive door-to-door car pickup/delivery by GAC Toyota

The convenience of the repair services provided by dealers has always been what customers are concerned about. To provide customers with characteristic services and achieve the upgrading of service brand, the Department of Customer Value Promotion offered door-to-door car pickup/delivery service via 104 dealers in 24 cities in 2017 to make it more convenient for customers to use cars.

GAC Mitsubishi sets up its official car club –GAC Mitsubishi Motors Club

To help promote the exchanges of SUV culture, GAC Mitsubishi set up an exclusive interaction platform for car owners, which uses the WeChat service account of the “GAC Mitsubishi Motors Club” and advocates “loving SUV and creating a happy life” as its aim to provide car owners with convenient and fast services and enhance their satisfaction.

All-round enhancement of satisfaction by GAC Honda

For the franchised stores in the regions of weak services, GAC Honda provided “one store, one policy” in-store coaching for raising the level of satisfaction and held 30 sessions of centralized training and exchanges for the managerial personnel of 285 franchised stores, including general managers and service managers, to fully enhance their awareness for customer satisfaction. In the SSI (sales satisfaction index) survey carried out by J.D. Power this year, the ranking of the company rose to 4th place of the industry, the best ever achieved in its history; in the CSI (customer satisfaction index) survey, it also achieved the good result of 7th place.

GAC FCA improves the feedback system

In 2017, the company was committed to developing and manufacturing world-class products that are defect-free, trustworthy and highly cost-effective to live up to the expectations of customers. By using continuous quality improvement (CQI) survey, a questionnaire consistent with IQS, the company follows the quality state of each new car for three months. In 2017, all the major models saw marked enhancement of CQI indicators.

Humanized services of GAC SOFINCO and Urtrust Insurance

Taking into account customer’s needs, GAC SOFINCO is committed to providing end consumers with life cycle services in their use and replacement of cars so that they can experience convenient one-stop services. To enhance consumers’ experience of services, Urtrust Insurance carries the activity of 3.15 Insurance Service Month to provide consumers with humanized guidance and care in respect of safe use of cars, guide to handle accidents, and life prompts.

Characteristic Activities of GAC Hino

Enhanced the timeliness of services and the level of repair

- Shortened service radius by improving service network and adding 29 service shops;
- Provided 10 sessions of training in service skills, which covered 94 people from 63 shops;
- Launched a national competition of characteristic service skills to promote the skill exchanges among the service shops across the country and enhance the overall service level.

Strengthened the inspection and maintenance of customers' vehicles;

- Provided customers' vehicles with preventive inspection and maintenance through "Spring Service Month Activity" and "11.11 Escort Activity", which covered 4,279 vehicles and ensured the good running conditions and high availability of consumers' vehicles.

Intensified the supply and support of components and parts

- Developed 9 special after-sales parts to improve the cost performance of components and parts;
- Improved the management of goods in short supply, thereby raising the adequacy rate of the supply of components and parts from 82% to 92% in 2017;
- Strengthened the management of warehouses and logistics, thus achieving a supply on-time rate of 97% and an accuracy rate of 98%.

“ Testimonials:

From 2009 to the present, we have been in constant purchase and have so far purchased about 500-600 vehicles. After years of use, these vehicles still maintain strong power just like new vehicles, and have never broken down. 30% of it can be attributed to quality and the rest 70% to services. Activities such as driving training for new drivers and regular free inspection are the kind of support we need very much. This is why we have always trusted GAC Hino.

--- Wu Deyuan, Director of Public Affairs Office of STO & Shenrui Express Delivery Service Co., Ltd.



GAC Toyota takes the lead with new mobility services



Service Interface of Feng Yun Xing App

By blending the "ONLY ONE" service idea into mobile intelligent & connected technology, GAC Toyota developed Feng Yun Xing App to provide customers with rich car use information and experience of quality services in the whole life cycle of their car use. The number of registered users of the platform has exceeded 1 million. The App has integrated a wide range of functions, e.g. appointment for maintenance, inquiry about repair history, door-to-door pickup/delivery of cars, transparent live broadcasting of workshops, shared parking, shared car leasing, rescue, response to accident and AR, to provide prospective users and car owners with all-round services before, during and after sales.

3. Intelligent Creation of Core Technologies

GAC Group upholds the corporate value of “creativity” and adheres to the principle of “internal coordinated innovation and external open cooperation”. It has set up a global R&D network with GAC Engineering as core and the Technical Center of GAC Trumpchi, global dominant suppliers and R&D institutions as support to gain “leading positions in R&D efficiency, technical reserves, processes & systems, management maturity, and process-human integration”. It strives to strengthen the core competitiveness and shorten the development cycle of its products. By the end of 2017, the Group (including its invested enterprises) had cumulatively filed 3,281 patent applications, been granted 2,048 patents, completed registration of 193 copyrights and 1,887 trademarks.

Patent Application and Granting of GAC Engineering in 2017

Increased the number of valid patents by 516		426 granted patents	
Patents for invention	174	Patents for invention	95
Patents for utility models	202	Patents for utility models	187
Design patents	140	Design patents	144

Driverless cars of GAC win “Leading Award” and “Best Performance Award” at the World Intelligent Driving Challenge

June 30 witnessed the successful conclusion of 2017 World Intelligent Driving Challenge in Tianjin. After fierce competition, 19 driverless fleets completed the competition representing the highest level of the intelligent car industry of China. WitStar II, a driverless car developed independently by GAC Engineering won “Leading Award” and “Best Performance Award” of the driverless group. At the 9th Intelligent Vehicle Future Challenge, WitStar II finished second behind “Discovery”, a car developed jointly by GAC Engineering and Xi’an Jiaotong University. The Live News Room of CCTV follow-up reported the performance of GAC’s driverless car in the competition, which was also reported by CCTV News Roundup.



Driverless Car WitStar II of GAC in the Game

Fields of Product Development

GAC intensifies the orientation toward market and users in the continuous reinforcement of its forward engineering capability. It goes all out in boosting product development by centralizing its cutting-edge resources to reach the target of creating more star models; beefs up its R&D ability for key system components with forward engineering as path; continuously optimizes its R&D system by making a series of dedicated efforts to enhance user experience, product planning, dual credits, perfect workmanship and appearance, cost control, knowledge engineering and the performance of intelligent connectivity; and works hard to develop more products favored by users and create more star models in a more efficient way.

Fields of Technical Innovations

GAC sticks to the strategy of innovation-driven development, actively pushes on the implementation of 2510 roadmap for technical innovations in “1+15” fields, builds a technical innovation system that is aligned with advanced domestic level, and increases the input into the “second battlefield” of technical innovation to gradually increase the match between funds and personnel to 15%~20% of product development. It will accelerate the development of key technologies and build a leading edge by making breakthroughs in the field of “electrification, intelligence& connectivity, lighter-weight, and interaction”.

In the continuous promotion of open innovation and strategic cooperation, GAC will continue to follow the development principle of “internal coordinated innovation and external open cooperation”, continue to increase the depth and width of external open cooperation, further integrate the resources that include enterprises, institutions of higher education and the government, explore the possibilities of cooperation with a more positive attitude, through the injection of more resources and in more extensive fields. It will further improve the mechanism of external cooperation, continuously strengthen the capability for external open cooperation, build the ecosphere of technical innovations and integrate innovation resources to achieve the effective integration of global R&D resources.

R&D Internationalization

GAC Group will speed up the construction of a global R&D network by centering around its overseas strategy and the strategy for internationalization of Trumpchi products to ensure the stable operation of GAC (Silicon Valley) R&D Center, enable its full integration into the innovation system of GAC Engineering, and enhance synergistic efficiency. It will recruit high-end international talents, conduct foreign exchange and cooperation, integrate the roles of the 3 platforms for international forward-looking technologies; accelerate the preparations for construction of the GAC (Detroit) R&D Center, GAC Advanced Design Center in Los Angeles and GAC (Shanghai) Styling Design Studio to make sure that they can start formal operation in 2018 and help create an R&D system of 24 hours “without sunset”.

(II) Green • New Energy

1. Developing the New Energy Business

GAC Group has implemented the Work Plan of Guangzhou for Developing New Energy Vehicles (2017-2020) and elevated the development of NEVs to a strategic height for all-round deployment. To ensure the successful achievement of the strategic objective, GAC Group has formulated its new energy development strategy and promoted the development of NEVs and energy-saving cars. So far, it has mastered five key core technologies for batteries, motors, electronic control, electromechanical coupling and system integration to erect a platform for the industrialization of NEVs and realize the scale development of NEVs by establishing GAC New Energy Company, strengthening the R&D of forward-looking technologies and products, and introducing NEV models into the JV enterprises.

NEVs

Prioritize the development of platforms. On the basis of the plug-in hybrid platform that has been created, platform-based transplantation has been realized for the power system to derive models such as GA3S PHEV and GS4 PHEV. The platform is now being optimized. On the basis of the all-electric platform that has been built, the first model GE3 has been launched successfully and the derivative models GS4 EV and GE3 are in the research and development stage. During the 13th Five-Year Plan period, GAC Engineering will roll out special NEV models from the platform dedicated to NEV. Right now, the projects of 3 models have been approved and they are under R&D.

Key Fields of New Energy

While intensifying the development of existing products, GAC Group has accelerated technical innovations and strengthened technical development. In the key fields of system integration, simulated analysis and components of battery, motor and electronic control, it has got into in-depth cooperation with outstanding domestic and foreign enterprises/universities and conducted researches on a series of technical innovation projects, such as integrated electrically-driven system, thermal simulation analysis and new generation electromechanical coupling system.

New Energy Vehicle Park

On April 27, 2017, foundation was laid for GAC's Industrial Park for Intelligent & Connected New Energy Vehicle to build an international industrial innovation ecosphere for intelligent & connected NEV, featured by open, innovative, green, shared and ecological. It is expected that the park will have a total output value of more than RMB 170 billion, contribute more than RMB 42 billion of pre-tax profits, create job opportunities for more than 20,000 people, and reach a planned capacity of 400,000 NEVs/year. Taking GAC's factory of intelligent & connected NEV as the lead, GAC Group has teamed up with its partners to complement each other with their respective advantages in resources, achieve coordinated development and create a shared platform for manufacturing intelligent & connected NEVs. With the R&D, sales and after-sales service of vehicles and key components as support, it will introduce outstanding upstream/downstream enterprises of the industrial chain of intelligent & connected NEVs to ultimately form an open innovation ecological system covering the whole industry chain and integrating intelligent life.



Effect Picture of GAC's Industrial Park Intelligent & Connected NEV

GAC Group Family of Energy Efficient Cars



GAC Trumpchi GE3



GAC Trumpchi GS4 PHEV



GAC Trumpchi GA3S PHEV



GAC Toyota Camry of 8th generation with dual engines



GAC Toyota Levin with dual engines



GAC BYD GZ6850LZEV



GAC BYD GZ6100LGEV5



GAC BYD GZ6122LGEV

2. Advocating Energy Saving & Emission Reduction

In accordance with *Law on Prevention and Treatment of Atmospheric Pollution, Standard for the Quality of Ambient Air, Standard for the Quality of Surface Water Environment, Law on Preventing and Treating the Environmental Pollution by Solid Wastes* and other relevant laws and regulations, GAC Group has continuously improved its environmental management system according to the objectives of saving energy, lowering consumption, reducing pollution and improving efficiency, transformed the production lines in an intensive manner, carried out activities for publicizing energy saving and emission reduction, and comprehensively intensified the efforts made in the regard.

Improving the management system of industrial wastes

According to its Measures for Management of Wastes, GAC Mitsubishi continuously strengthened on-site management and improves the daily management system.

Setting up a scientific CO₂ indicator system

Tongfang Global required its subordinate Tongfang Global Logistics Co., Ltd. Requires its logistic enterprises to measure the fuel consumption of every vehicle so as to reduce emission year by year by targeting the actual values of developed European and American countries as well as Japan.

Characteristic energy saving activities

In light of the technologies and the characteristics of energy use, the departments of GAC Honda launched "Energy Saving Knowledge Competition", "Energy Saving and Emission Reduction Activity Month" and "All-Member Improvement Activity" to enhance the all-member participation in energy saving and emission reduction.

Schedule of the Pollutants Discharged by GAC Group¹

Pollutants	Unit	Total Quantity
PM	Ton	11.31
Benzene	Ton	1.12
Toluene	Ton	14.24
Xylene	Ton	38.36
Non-methane Hydrocarbon	Ton	34.10
Nitrogen Oxide	Ton	125.26
Sulfur Dioxide	Ton	9.55
COD (Chemical Oxygen Demand)	Ton	121.40
BOD (Biochemical Oxygen Demand)	Ton	6.03
Ammonia Nitrogen	Ton	20.47
Petroleum	Ton	5.36
Nickel	Ton	2.40
Total greenhouse gas emission of the whole Group	Ton	719,880.79
Total hazardous wastes	Ton	14,592.58
Total non-hazardous wastes	Ton	102,164.93

The disclosed content covers the vehicle manufacturing enterprises under GAC Group

3. Practicing Green Culture

GAC Group advocates green culture, blends the idea of efficient energy-saving development, creates a green supply chain, implements green office, promotes publicity and education on green culture and environmental protection, and practices sustainable development approach.

Schedule of the Resources Used by GAC Group²

Electricity consumption	10000 kwh	126,654.00
Density of electricity consumption	Kwh/vehicle	780.16
Gasoline consumption	Ton	11996.92
Density of gasoline consumption	Ton/vehicle	0.01
Natural gas consumption	M ³	45008976.00
Density of natural gas consumption	M ³ /vehicle	49.86
Total water consumption	Ton	5,239,629.00
Density of total water consumption	Ton/vehicle	18.68

The disclosed content covers the vehicle manufacturing enterprises under GAC Group

Cultivating the awareness for environmental protection

Wuyang Honda leveraged its Intranet to spread the fundamental knowledge about energy conservation and environmental protection and published *Environmental Monthly* to share the energy use status of the company and the news and updates of the government on energy conservation and environmental protection.

Creating a green supply chain

The Purchasing Department of GAC Mitsubishi carried out environmental investigation among suppliers and made onsite confirmation of some key suppliers. In 2018, it will intensify the monitoring of the environmental protection management system.

Honda Automobile (China) Co., Ltd. (Honda China) continued its management of the CO₂ emission of suppliers and required its component suppliers to reduce the emission of CO₂. In 2017, the tons of CO₂ emitted by the suppliers for every RMB 1000 of sales of Honda China fell by 14.5% on average from a year ago.

Organizing environmental protection activities

Many of GAC's invested enterprises carried out environmental protection activities. GAC Motor, GAC Honda and GAC Toyota carried out diversified volunteer activities for the protection of nature and environment. GAC Toyota Engine advocated environmental protection within the enterprise and designated June as Environmental Intensification Month, when it launched diversified environmental protection activities, e.g. "Clear Your Plate" activity, Environmental Month and Young Volunteer Environmental Protection, to enable all members to know about and take part in energy conservation and environmental protection and enhance the overall "green" level of the company.

Carrying out the inspection of energy conservation

Wuyang Honda conducted inspection of energy conservation on a monthly basis to confirm the progress of the measures taken for energy conservation and environmental protection as well as the daily management implemented by the departments in the regard.

Three-River-Source Wetland Envoy Campaign of GAC Motor

Three-River-Source is one of China's biodiversity reserves. GAC Motor plunged itself into the ecological protection of Three-River-Source and joined the World Wildlife Fund (WWF) and the Administration of Three-River-Source National Park in holding the program of "Protecting Three-River-Source and co-building the national park --- GAC Trumpchi Wetland Envoy Campaign" to provide a safety shield for the protection of national ecology. The first volunteer service team composed of 21 employee volunteers from all fields of GAC Motor set out to Qinghai-Tibet Plateau in late May to take part in the protection and construction of Three-River-Source National Park create a new triumph in disseminating environmental protection concept and boosting the sustained development of the park.



Group photo of the volunteer team in Yellow-River-Source Park, a part of Three-River-Source National Park

GAC Honda takes part in tree-planting activity in Inner Mongolia



Group photo of GAC Honda employees on the site of the tree-planting activity in Inner Mongolia

2017 is the 10th year since GAC Honda started to take part in the tree-planting activity in Inner Mongolia. In the decade, GAC Honda joined the affiliated enterprises of Honda in China in planting 14,500 mu (about 967 hectares) of trees in Xinghe County of Inner Mongolia, which can reduce CO₂ emission by about 2,290 tons a year and have significantly improved local ecological environment. The 10-year persistence of GAC Honda not only reflects its commitment to the improvement of the local ecological environment, but also is intended to call on all social sectors to jointly create a green future through its own deeds so as to reach its environmental protection vision of "providing children with a bluer sky".

GAC Toyota launches "Yunnan Yunlong Nature Conservation Project"

In 2017, GAC Toyota formally kicked off "Yunnan Yunlong Nature Conservation Project", the content of which covers the 4 fields of forest restoration of multiple benefits, scientific research monitoring, community development and nature education. Meanwhile, with "nature education" as focus, it initiated the mode of "Natural Scenario School" and held activities for the public, including reading saloons and sharing sessions on environmental protection, to erect a bridge that links up the public with the nature through reading and idea sharing, enabling more people to know about nature and care for environmental protection and to jointly promote the harmonious coexistence between man and nature.



Group photo at the kick-off ceremony of Yunnan Yunlong Natural Conservation Project

GAC Motor innovates employee benefits

In 2017, GAC Motor modified its employee wage system, optimized the ratio of fixed-floating wages, and made general adjustment to the wages of its employees under the principle of “giving priority to grassroots and operative employees”, resulting in higher competitiveness of its salary system. It also strengthened the employees’ loyalty by issuing special incentives to the employees, raising the standard of holiday subsidies, setting up bonus for celebrating the anniversary of its establishment and issuing auto show tickets.

Protecting Occupational Safety

Sticking to the guideline of “safety first, prevention foremost, and comprehensive governance”, GAC Group earnestly implements the safe production responsibility system and fulfills the duty of supervising and guiding the invested enterprises in safety management efforts. By the end of 2017, GAC Group maintained an overall stable situation of safe production as manifested by no fatal work-related accident or production safety accident. Only 5 accidents causing minor injuries and an accumulative loss of 55 working days were recorded in all.

Initiatives of GAC Motor Protecting Occupational Safety



Personnel: Promoting the “3 systems” and intensifying staff training and education effect

In 2017, the company started to implement the production system of 3 shifts with 2 of them on duty without any interval for a day, introduced some 5,000 new employees and trainees from non-local factories and conducted 420 inspections of the effect of training involving the employees at all levels, thus ensuring the effect of the safety training of its employees; The related departments joined hands in carrying out activities for the formation of safe behaviors and the inspection and re-education of rule-breaking acts, e.g. “standard operations”, “safe walk” and “stop confirmation”, conducted 92 inspections of rule-breaking acts, and found 67 rule-breaking acts person-time in the year, reflecting a considerable decline of violation rate from 2016 (down by about 66%).



Equipment: Intensifying control over safety risks to enhance the essential safety of equipment

- Subjected non-local factories to evaluation of equipment risks and downgrading before mass production;
- Provided the factory in Guangzhou with infrared thermal imaging testing and electric safety testing of the equipment and facilities in use;
- Conducted joint fire and explosion prevention verification of 1st and 2nd line coating workshops;

In 2017, 6,626 machines and 2,563 posts of the factory in Guangzhou received risk evaluation, which exposed no red risk and 57 orange risks that have been downgraded and eliminated.



Management: Promoting standardization and systematization to enhance the level of management

The company organized 5 experts of national safe production standards to inspect the factory in Guangzhou twice for compliance with the safety standards. The experts looked up 357 folders of information on site, inquired employees for 340 person times, selectively checked 1,120 devices/facilities; introduced the OHSAS 18001 system, improved 28 safety management rules and set up 5 new systems and standards.



Environment: Making continuous improvement to create a safe and healthy work environment

GAC Motor provided 100% of the employees with physical examination in each year or when they get employed, transferred to a new position or leave office. Thirty-one employees with occupational contraindications have all been transferred pursuant to the relevant provisions of the Law on Prevention & Treatment of Occupational Diseases. The company carried out the annual detection of occupational hazardous factors as planned and the activity under the theme “Noise Elimination” according to the detection results at 764 improvement points, leading to a maximum drop of 8dB in noise value and further improvement of the operating environment of the employees.

Boosting the Development of Employees

Heartfelt care for needy employees

In 2017, the Group further intensified the care for needy employees by making 4 revisions to the “Measures for Managing the Foundation of the Group for Helping the Needy Employees”. The first measure was to raise the standard for allowance to low-income employees from RMB 1,200 to RMB 1,360; the second measure was to add pancreas transplantation operation to the list of covered serious diseases to align with the coverage of serious diseases specified by the Federation of Trade Unions of the city; the third measure was to expand the coverage of medical fee assistance to include outpatient medical expenses incurred in treating any serious disease; the fourth measure was to offer intensified consolation and include “contracted laborers” into the scope of people enjoying holiday consolation. At the same time, the Trade Union of the Group allocated RMB 2.95 million of trade union funds to the trade unions of various subordinate enterprises for them to set up or improve their foundation and intensify the care for needy employees. In 2017, the Foundation of the Group helped employees for 520 person times and issued RMB 2.468 million of relief funds.

GAC Mitsubishi

Gave RMB 92,000 as consolation money to 53 employees during the Spring Festival, RMB 87,000 as aid to 29 employees hit by a catastrophic flood in July, RMB 259,300 as aid to the employees or the immediate families of employees suffering serious disease, and RMB 65,000 as consolation money in 510 times of visit to people falling into “the 5 kinds of people who must be visited”, together with 353 gifts.

GAC BYD

In 2017, it provided physical examination for 148 employees, purchased commercial medical insurance for 480 employees and visited employees on festivals such as Mid-Autumn Festival and Spring Festival as an expression of appreciation.

Wuyang Honda

Provided about RMB 314,000 of financial aid in 2017 to 17 employees living in hardship due to diseases plaguing either themselves or their immediate family.

GAC Business

In 2017, the helping foundations at all levels issued RMB 449,800 of relief funds to needy employees for 140 times. The company also organized the activity of visiting field employees working under high temperature in all the invested enterprises, aggregating about 17,000 person-times of visits.

Intensifying the Training of Employees

GAC Group values the management of knowledge, the accumulation and reuse of experience, and the enhancement of quality and skills of its employees. By closely revolving around its “1513” strategic plan and annual focus, the Group takes into account the needs of the employees for improvement of personal capability and career development, and provides them with knowledge updating, vision expansion, ability enhancing courses and training/learning opportunities through projects of various forms that combine internal with external training, general with special training, online with offline training and the training designated by the company with training selected independently by the employees. By the end of 2017, the Group trained 468,000 person-times of employees, up 10.8% from the previous year. The total includes 158,100 person-times of managerial personnel and professional technician, accounting for 33.8%, and 309,800 person-times of production workers, accounting for 66.2%. The total training expenses reached RMB 76.7 million, up 34.4% from the previous year.

Staff Training of the Group in 2017 (including JV and affiliated companies)

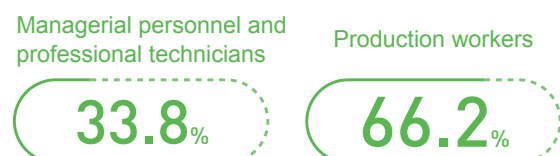
Sex structure of trained employees



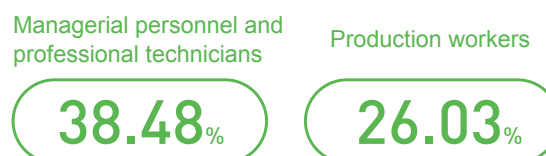
Sex structure in terms of average training hours

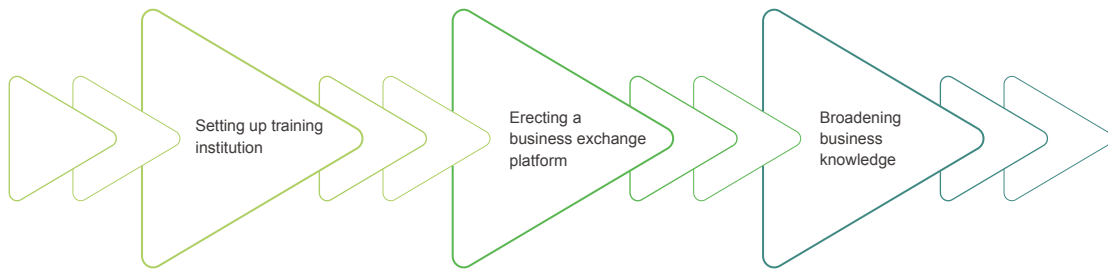


Rank structure of trained employees



Rank structure in terms of average training hours





Setting up training institution

In 2017, GAC Group started the construction of its enterprise university as a carrier for implementing the internal training of employees, coordinating high-quality training resources, summarizing advanced experience, and providing talent and intellectual support for the business development of the Group.

Erecting a business exchange platform

In 2017, GAC Group held 4 “GAC Seminars” for the relevant professional fields, which covered the introduction of new models and the management of supply chain, manufacturing sites and manufacturing quality. The event drew the participation of more than 550 professional technicians and became a desirable platform that pools the experience and wisdom of the professionals.

Broadening business knowledge

In 2017, GAC Group held a training class for middle and senior leading cadres under the theme of “Internationalization Path of GAC Group and Building of International Business System”. The 19 trainees who are middle or high level managers of international business from the headquarters of the Group and related invested enterprises participated in the 14-day study tour of famous American universities and innovative enterprises, achieving a desired result.

Occupational skill competition of automobile coating workers

To carry through the craftsman spirit, promote craftsman culture and foster craftsman-like talents, the final of 2017 occupational skill competition of coating workers of the automobile industry of Guangdong Province was held successfully in Guangzhou Branch of GAC FCA on August 12. The competition was held by GAC Group and its trade union and organized by GAC FCA and its trade union. After a series of selections, Chen Wangquan, Guan Youjian and Liu Jinwei from GAC Honda won the top 3 places, while 48 people who proved qualified in both theory and actual operation won the job qualification certificate of coating technician.



Site of the competition

Caring for the life of employees

GAC Group commits itself to creating a good working atmosphere for the employees, listens to their suggestions, enriches their everyday activities, and shows real respect and care for each and every employee.

Holding competitions for female employees

In 2017, GAC Group held 48 special labor competitions for its female employees at all levels, drawing the participation of 6,711 person-times of female employees, of whom 1,029 won prizes. A total of 26,916 rational suggestions were raised during the competitions.

Responding to the opinions of employees

Wuyang Honda improved the efficiency of responding to the opinions of its employees by launching a labor competition on such response. In the year, it collected 74 opinions from the employees, responded to 100% of them, and acted on 62.

Carrying out programs of caring for the happiness of the employees

In 2017, Wuyang Honda released 52 small stories and phrases of publicity, 4 issues of posters and display racks, and 10 videos. It carried out team building activities themed "Team Moral Up" that involved the participation of 19 teams, with 10 winning the award for outstanding team.

Employee reception day activity

In 2017, GAC Mitsubishi held the activity of Employee Reception Day 4 times involving the attendance of 136 representatives, and received 46 proposals from the employees. Through onsite Q&A and subsequent tracking, the doubts in the mind of the employees were addressed, thus laying a solid foundation for the stability of the workforce and increasing the confidence of the employees in the development of the company.

Thankful to Counterparts • Joint Creation of Future

In June 2017, GAC Group embraced the 20th anniversary of its founding and held an assembly entitled "Thankful to Counterparts • Joint Creation of Future" to sum up these 20 years. The assembly was prepared and presented by the employees themselves, which pooled the resources of 21 invested enterprises and drew the participation of more than 400 employees, fully exhibiting the corporate culture of "Grand GAC". In the first part of the assembly, "Journey • Years" reflected the indefatigable efforts and persistence of generations of GAC people for fulfilling the dream about the takeoff of Guangzhou automobile industry. In the second part, "Honor • Thankful to You" expressed the love and blessing of GAC people for the entire Group. It also displayed the philosophy of GAC Group for joint construction and sharing that is oriented to employees, partners and customers. Through its colorful forms and warm, touching, rich and inspiring content, the entire activity greatly strengthened the sense of belonging and cohesion of GAC people, and fully stimulated the pioneering passion of the enterprises and employees.



Site of the Assembly Celebrating the 20th Anniversary of GAC Group

2. Expanding Partnership

GAC Group implements the development principle of open cooperation, devotes itself to maintaining unblocked channels for internal and external cooperation, and upholds the concept of respect, trust and communication, thus winning the trust of partners. In 2017, the number of cooperative suppliers reached 3,218, including 3,191 inside China and 27 outside China.

3218

Total number of cooperative suppliers in 2017

Promoting Industrial Integration

Adhering to the development principle of “internal coordinated innovation and external open cooperation”, GAC Group follows the tide, embraces changes, and pushes for innovations and development. Through transboundary cooperation, it has made breakthrough in achieving electrification, connectivity, intelligence and sharing, enhanced its core competitiveness in an all-round manner, committed itself to building a mobile service ecosphere for intelligent & connected NEVs, and joined its partners, e.g. Huawei, Tencent and IFLYTEK, in creating value and building a wonderful mobile life for mankind.

Global debut of iSPACE intelligent & connected electric concept car, the fruit of cooperation between GAC and Tencent



Launch of iSPACE intelligent & connected electric concept car

On November 16, 2017, GAC Group joined Tencent in holding the “Press Conference on the Strategic Cooperation between GAC and Tencent” on the eve of the 15th Guangzhou International Auto Show to launch iSPACE intelligent & connected electric concept car as the outcome of such cooperation. Based on the intelligent & connected platform of good scalability and powerful performance, which has been developed by GAC independently and features in-depth fusion with automobiles, the onboard intelligent & connected terminal product has integrated the “AI in Car” system of Tencent in respect of safety, content, big data, cloud and artificial intelligence. Through deep-going researches on typical car-use scenarios and life style of the group born after 1995, iSPACE has redefined the needs of car users to meet the expectations of youngsters.

GAC Group and iFLYTEK strengthen strategic cooperation



GAC Group and iFLYTEK sign the agreement for strategic cooperation

On December 7, 2017, GAC Group and iFLYTEK signed a framework agreement for strategic cooperation in Guangzhou. Under the agreement, the parties will integrate their respective cutting-edge resources to establish the technical framework for a platform of intelligent Internet of vehicles (IOV), system standard and technical route, enhance the capability of software development, voice cloud service, big data analysis and integration of resources, turn out industry leading products with competitiveness, and provide users with extreme use experience.

Cloud Navigation --- GAC + Amap join hands



Expert of GAC Engineering delivering presentation at the meeting

On October 20, 2017, "Cloud Navigation", the first onboard product customized and developed jointly by GAC Group and Amap Group, debuted at the annual meeting of Amap. The product provides such functions as online/local integration, intelligent navigation based on real-time road conditions, and online upgrading, which have effectively addressed the pain spots in various existing onboard navigation products, such as inconvenient upgrading, slow data updating, inaccurate positioning and no real-time road conditions.

Promoting International Cooperation

While developing its domestic business, GAC Group steadily promotes its internationalization process and plans to enter into the North American market by the end of 2019. GAC Silicon Valley R&D Center was put into formal operation in June 2017. The Advanced Design Center in Los Angeles has gone into the stage of trial operation. Preparations are being accelerated for construction of the R&D Center in Detroit, which, after its completion, will further intensify the R&D of the forward-looking technologies for intelligent & connected NEVs and provide technical support for penetration into the North American market. GAC Motor has completed its deployment in 14 countries in 5 regions --- the Middle East, Southeast Asia, East Europe, Africa and Americas, and initially built a global sales network service system. In 2018, GAC Motor will set up its sales company in North America and a trade platform in Hong Kong to further open up the resources and network of distributors, introduce brands, and widen the channels for entry into the North American market.

Adhering to the idea of open cooperation

GAC North American R&D Center located in the Silicon Valley of the United States has been formally established to attract international talents, integrate international forward-looking technologies and strengthen open cooperation with the outside world.

Improving the globalized industrial system

GAC aims to build a team of internationalized talents and establish a globalized industrial system that covers forward-looking technologies as well as R&D and manufacturing of vehicles and key components.

Casting world-class quality

In 2016, the rejection rate of components and parts from the suppliers of GAC Motor was 22 ppm, much lower than the average value of leading domestic indigenous brands and JV brands. In 2017, the rate further dropped to 9.5 ppm, down from 2016 by 50%.

Creating internationalized brands

The independent innovative development of GAC Group has entered the stage of product brand creation from the stage of resources integration. At the next stage, the Group will commit itself to turning GAC Trumpchi into a well-known international brand.

Opening up international market

By dint of the "Belt & Road" initiative, GAC Trumpchi has succeeded in gaining a presence in 14 countries in five regions --- the Middle East, Southeast Asia, East Europe, Africa and Americas. In January this year, GAC Trumpchi attended the North American International Auto Show (NAIAS) for the third time and became the first ever automobile brand of China that's exhibited on the main show floor in the 100-year history of NAIAS.

GAC Group organizes the "Future of Mobility" roundtable of 2017 Guangzhou Fortune Global Forum

The "Future of Mobility" roundtable of 2017 Guangzhou Fortune Global Forum organized by GAC Group was held on December 7. The event was under the theme "Green · Connectivity · Sharing --- Shape the Future Mobile Life". At the roundtable, GAC Group and other enterprises discussed the current state and future prospect of the development of mobility. The Dialogue program of CCTV paid high attention to the event and videotaped its whole process. GAC Trumpchi was the only model designated for official reception purpose of the 2017 Guangzhou Fortune Global Forum. A total of 385 cars of the brand, including GA8, GS8, GM8 and GE3, provided transport service and support for the VIPs and business leaders from various countries.



Participating guests in heated discussions about the future of mobility

Zeng Qinghong attends Bo'ao Asian Forum and speaks on the topic of the 4th industrial revolution.



Chairman Zeng Qinghong (first on the right) speaking at the sub-forum

At the sub-forum about “4th Industrial Revolution” held on the morning of March 24, 2017, Chairman Zeng Qinghong of GAC Group exchanged with the guests about the essence and process of the 4th industrial revolution as well as the opportunities and challenges brought by it. Via the platform of the world famous forum, GAC Group exhibited its initiatives in intelligent manufacturing, intelligent and connected NEVs, autonomous driving, and Internet ecosphere, with the purpose of enhancing its international brand image.

GAC Group attends and supports 2017 Dalian Summer Davos Annual Meeting

From June 27 to 29, 2017 Summer Davos Forum (11th Annual Meeting of the New Champions) was held in Dalian. The theme of the meeting was to “realize inclusive growth in the 4th industrial revolution”. Chairman Zeng Qinghong of GAC Group attended the opening ceremony of the annual meeting held on the morning of 27th and spoke at the teleconference under the theme “Global Impact of Chinese Consumption Strata”. GAC Motor, a subsidiary of GAC Group, sponsored and organized the activity of “Guangzhou Night” of the Summer Davos held on the night of 28th.



“Guangzhou Night” activity at Summer Davos in Dalian

Feng Xingya attends Teda International Forum and delivers a keynote speech

From September 8 to 10, President Feng Xingya of GAC Group attended upon invitation 2017 International Forum on the Development of Chinese Automobile Industry (Teda) held in Tianjin and delivered a keynote speech entitled “Creating World-class Chinese Brands, Building Globalized Industrial System” at the summit seminar entitled “Innovation and Coordination of Enterprises under the New Business Mode”.



President Feng Xingya delivers a keynote speech entitled “Creating world-class Chinese brands, building globalized industrial system”.

3. Maintaining the Harmony of Communities

GAC Group always sticks to its original aspirations by devoting to public welfare and charity undertakings, targeted poverty alleviation, disaster relief, the causes of culture, sports and education, and safe driving and green environmental protection. In 2017, GAC Group together with its invested enterprises injected more than RMB 89.05 million in public welfare activities, including poverty alleviation, charity, disaster relief, culture, sports and education.

RMB
89.05 million
 The cumulative investment in charity and public welfare undertakings in 2017 exceeded ...

Promoting Public Welfare and Charity

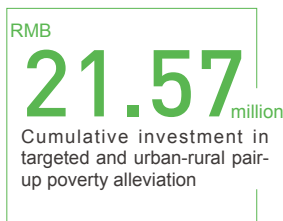
At the ceremony marking the start of 2017 Guangdong Poverty Alleviation Day and the serial actions of “Yangcheng Charity for the People”, GAC Group subscribed to 19 charity projects at a cost of RMB 20.02 million, including targeted poverty alleviation, urban-rural pairing, financial aid to needy students, relief for employees in straitened conditions, and help for the disabled. Among the State-owned enterprises of Guangdong Province, GAC Group donated the most in 2017 and won numerous honors, including “2016 Golden Award of Kapok Cup for Poverty Alleviation in Guangdong”, “Guangzhou Enterprise of Highest Sense of Social Responsibility” in its 3rd selection, 2017 Award for Special Contributions to Social Responsibility of Chinese Enterprises, Most Influential Philanthropic Enterprise on the Charity List of Guangzhou in 2017, and Five-Star Philanthropic Unit on the Charity List of Guangzhou in 2017.



Chairman Zeng Qinghong making charity subscriptions at the ceremony

Carrying Out Targeted Poverty Alleviation

In response to the call of the 19th CPC National Congress, GAC Group implements the strategy of “rural revitalization”, upholds the ideal of “real poverty alleviation and alleviation of real poverty”, strongly promotes industrial support, and advances the construction of socialist new rural areas. In 2017, the Group together with its invested enterprises donated RMB 21.57 million to targeted poverty alleviation and joint building of civilization through urban-rural pairing, including RMB 11.82 million for 3 designated poverty-stricken villages in Lianzhou to ensure steady progress in helping them get rid of poverty.



Specific Measures



Intensified organizational leadership to ensure precise responsibility

Set up a leading office and a working body for 3-year targeted poverty alleviation and elimination for the new period.



Improved working mechanism to ensure precise exit

Established the system for management of poor villages, reinforced their development ability and set up the mechanism of subsequent tracking and management of support to achieve precise poverty alleviation and exit.



Intensified process control to ensure precise management

Blended the lean management methods of enterprises into poverty alleviation, such as standardized management, Kanban management and dynamic tracking management, to realize scientific and steady progress of the support plan.



Exercised target therapy to ensure precise policy implementation

Set up special work groups to carry out investigations, identified poverty precisely and drew up scientific support measures using the approach of one file and one policy for each household; strongly promoted industrial support projects, such as the preparations for construction of Qilian Bean Products Factory, to develop the collective economy of the villages; boosted the construction of new rural areas and livelihood projects to create a long-term mechanism for targeted poverty elimination.



Worked hard to form the pattern of “grand poverty alleviation” through extensive mobilization and participation

Mobilized the supporting enterprises, grassroots Party branches, Party members and cadres and the general employees to get involved in poverty alleviation and participate in the pair-up support.

Effect



Livelihood projects boosting the establishment of a long-term mechanism for targeted poverty elimination

The Group put in RMB 139,300 for issuance of subsidies to 86 students, held 4 sessions of training in planting and feeding technologies and law popularization, which involved the participation of 356 person times.



Supportive funds in place

By the end of 2017, the 3 poor villages designated for help from the Group received a total of RMB 27,656,000 of supportive funds (including RMB 11.82 million of government grants, donations from members of Party organizations and supportive funds of GAC Group), averaging RMB 7,121,300 per village and ensuring the steady progress of the support given them.



Industrial help enabling poor households to increase income

The Group invested RMB 4.5 million to help the 3 villages in constructing a bean products factory, which will support their collective economy and increase the income of the poor households.



Marked results in the construction of new rural areas

By the end of 2017, the 3 poverty-stricken villages helped by the Group hardened the roads from the village committees to the natural villages with more than 200 people and built or improved 13 cultural stations, 14 places for cultural or leisure activities, 3 clinics and 50 garbage collection facilities, and installed 617 road lamps, effectively improving the production and living environment of the villagers.



Obvious results of precise poverty alleviation and elimination

All the 608 registered poor people have successfully eliminated poverty.

GAC Group carries out targeted poverty alleviation in the mountainous regions in northern Guangdong through the creation of a soybean industrial chain in Lianzhou

Qilian Company is a farm product processing enterprise built under the financing of GAC Group in response to the work arrangements of the Central Government, the province and the city. On July 18, Zeng Qinghong, secretary of the CPC Committee and chairman of GAC Group, led a team in attending the ceremony marking the commissioning of Lianzhou Qilian Farm Products Co., Ltd. The company uses modern corporate management mode and processes bean curd sheet rolls to encourage large-scale planting of quality soya beans by the villagers and attract laborers from poor households to work in the factory. It is also making preparations for building an e-commerce platform to ultimately achieve the integrated development of primary, secondary and tertiary industries. GAC Honda Dakang Company, GAC Toyota, GAC Motor, GAC Components and GAC Business signed agreements with Qilian Company for purchase of more than 17 tons of its products. Wuyang Honda donated one electric motorcycle to each of the poor villages helped by the Group to make it easier for the village servant to serve the villagers.



Production Line of Qilian Farm Products Co., Ltd.

Responding to Emergency and Providing Disaster Relief

GAC Group has always been committed to becoming a corporate citizen with a “sense of responsibility” by continuously improving the system of emergency rescue for production accident and providing disaster relief. In 2017, GAC Group donated RMB 12 million of cash to support the reconstruction of the flooded areas in Hunan Province alone, plus the large quantities of materials and rescue supporting vehicles provided by the Group, its invested enterprises and the local dealers immediately after the occurrence of the flood by the Group, its invested enterprises and the local dealers.

GAC Group supports the reconstruction of flooded areas in Hunan Province

From the end of June to the beginning of July, 2017, Hunan was hit by large-area sustained heavy rainfall, which caused serious disaster to multiple regions, including Changsha. Support was needed urgently for post-disaster reconstruction and resumption of normal production and life. To support the fight against the flood and post-disaster reconstruction in Hunan, GAC Motor donated RMB 10 million, while GAC Mitsubishi and GAC FCA each donated RMB 1 million. GAC Mitsubishi and GAC FCA took part in the disaster relief immediately as well. The other invested enterprises under GAC Group were also concerned about the people affected by the disaster in Hunan and Guangxi and took actions to help them tide over the difficulties.



Volunteers of GAC Group taking part in flood disaster relief

GAC Mitsubishi supports Jiuzhaigou earthquake relief

At 21:19 on August 8, 2017, a 7.0 magnitude earthquake hit Jiuzhaigou County, Aba Prefecture, Sichuan Province. Immediately after learning the news, GAC Mitsubishi set up a disaster relief team, which joined the Blue Sky Rescue Team in carrying out the rescue operation. A fleet sped to the scene carrying full loads of relief goods and tens of members of the professional Blue Sky Rescue Team in a bid to seize the “golden 72 hours” of rescue time and try their best to save the lives of the compatriots in the disaster-stricken area. GAC Mitsubishi also provided 24-hour rescue service for car owners, who could contact the nearby service stations for emergency rescue service.



Scene of GAC Mitsubishi offers support to Jiuzhaigou earthquake rescue work

Supporting Cultural and Sports Undertakings

GAC Group has always supported the development of the Chinese cultural and sports undertakings and has incorporated it into its social responsibility system to achieve mutual promotion and common progress. Time after time, it has sponsored high-end sports events, such as international marathon, and cultural activities, such as the International Lighting Festival and Guangzhou Spring Festival Flower Fair, showing its zeal of serving the people. It has actively fulfilled the requirements made by the Party and the government at the Symposium on Literature and Arts for enriching people's spiritual life and revitalizing the cultural industry, and provided all-round support for the activities of science, education, culture, public health and sports.

GAC Group funds Xihu Street Spring Festival Flower Fair

In 2017, GAC Group financed Xihu Street Spring Festival Flower Fair, which was opened on January 27 to witness a swarm of people, a sea of flowers and a scene of extreme jollification. Ren Xuefeng, secretary of the Guangzhou Municipal CPC Committee, and the other leaders of the 4 leading bodies of the city visited the fair to usher in the new spring together with the citizens. Chairman Zeng Qinghong and Vice President Zhang Qingsong of GAC Group were present to accompany the leaders, who praised the exhibition site of GAC Trumpchi GS8. The provincial and municipal media gave substantial positive coverage of the activity.



Lively scenes of Xihu Street Spring Festival Flower Fair in Yuexiu District

GAC Toyota sponsors 2017 Guangzhou International Marathon



Scene of GAC Toyota 2017 Guangzhou International Marathon

On December 10, GAC Toyota 2017 Guangzhou Marathon kicked off at the shot of the starting pistol, with 30,000 runners challenging a new route starting from the sports center. GAC Toyota as title sponsor donated RMB 22.5 million and its Camry of the 8th generation was designated as the car for the event. Central and local media covered the event live, achieving good effect of disseminating the brand and products of the company.

GAC Motor sponsors "Governor Cup" Youth Football League of Guangdong Province

Reflecting its push at the development of youth football in Guangdong Province, GAC Motor donated RMB 500,000 to "Governor Cup" Youth Football League in 2017, which was used to boost the development of the undertaking. It leverages football, a form of all-people sport full of passion and dreams, to bring to everyone limitless positive energy and sports experience full of new vigor. It hopes to do its bit to influence more people in carrying forward the sportsmanship of going all out for success.



GAC Motor sponsors "Governor Cup" Youth Football League

Promoting Safe Driving

To increase the understanding of the public about safe driving knowledge, GAC Group carries out all sorts of safety promotion activities to popularize knowledge about safe driving, spread the idea of safety, and propel the building of a harmonious society of “safe coexistence”.

GAC Honda Project of “Small Hand in Big Hand”

From May to July 2017, GAC Honda joined the Traffic Police Detachment of Guangzhou Public Security Bureau in launching a “small hand in big hand” parent-child activity on traffic safety. They went into a number of primary schools to offer safety education and courses, distributed traffic safety picture books developed by themselves, and increased the knowledge of the kids about traffic safety.

Safety education activities in an innovative form were carried out in GAC Honda Experience Park of Children Traffic Safety, GAC Honda Exhibition Hall of Teenager Traffic Safety and GAC Honda Joyfull Safe Driving Center to enable the idea of safe driving to take root deeply in the mind of more traffic participants. Nearly 30,000 people took part in and experienced this activity for public good. GAC Honda joined Guangzhou Daily, Southern Weekly and the We-media of automobiles in making communications that covered 2 million people to enable road safety protocol and traffic safety knowledge to get into the mind of more teenagers and their family members.



VR experience area of “Small Hand in Big Hand” activity

GAC Toyota launches its “Car Elf” Train

GAC Toyota gets itself involved deeply in the field of traffic safety education and focuses on the education of kids in safety. In 2017, GAC Toyota teamed up with the Tramcar Company in effectively expanding the reach of its “safety activity for public good”. It joined Guangzhou Children’s Palace in developing the “Car Elf” children’s education program of vehicle safety, which guides kids in understanding and learning vehicle safety knowledge from a new perspective and holds safety experience activities so that kids can understand traffic safety knowledge and enhance their safety awareness in interesting game experience. It also joined hands with the traffic police departments in releasing safety knowledge publication “Serial Picture Book of Happy Town”, which enables kids to master the practical knowledge about vehicles and traffic safety through interesting character stories.



“GAC Toyota Car Elf Train”



Scene of “Safe Travel of Children” activity

GAC Mitsubishi “Safe Travel of Children”

In order that children can cultivate the awareness for traffic safety and strengthen their self-protection capability, GAC Mitsubishi contributed RMB 1 million in April 2017 to join Mango V Fund in launching a large-scale public benefit activity on children’s traffic safety in 11 cities under the theme of “Safe Travel of Children --- 2017 safe travel keeps you company in worryless growth”. Education in a fun way was leveraged to share correct knowledge about road safety with children and their driver parents, enhance their awareness for social road safety, and help create a more carefree travel environment.

Future Outlook

2018 is the first year of implementing the spirit of 19th CPC National Congress and a crucial year for the Group in its “13th Five-Year” development. In the context of industrial changes and facing unprecedented challenges and opportunities, we will firmly establish our strategic vision, intensify strategic guidance, stand high to look afar, face up to contradictions and address problems with a positive attitude and active spirit, and never slack off to ensure the implementation of the strategy and achieve the transformation, upgrading and sustained healthy development of the Group.

In the new year, we will focus on steady growth through the enhancement of quality and efficiency. We will solidly cultivate a new development idea, remain oriented to development quality and returns, promote changes in quality, efficiency and driving power, make best efforts to fulfill the annual tasks and objectives, and try to achieve a year-on-year increase of 10% or more in both output and sales of automobiles in 2018. We will, from a high perspective and new positioning, overcome difficulties and strive to become a top-notch company, do all we can to catch up, realize the shift from manufacturing to creation, from speed to quality, and from product to brand. We will make sure that the Group continues to move forward in a correct direction.

In the new year, we will boost reform by stimulating vitality. 2018 is a year when the reform of State-owned assets and enterprises will go deep further. We will implement the spirit of the 19th CPC National Congress and the spirit of the Central Government for deepening the reform of State-owned assets and enterprises, stay market-oriented, deepen the structural reform of the supply side and the reform of system and mechanisms, realize further streamlining and high efficiency, operate according to laws and regulations. We will actively explore the reform for professional managers to draw up detailed measures on the remuneration, performance assessment and motivation of professional managers with considerations given to both the reality of the enterprise and the market conditions, to further break the obstacles that restrain the vigor of the enterprise and the optimized allocation of elements to fully unleash our development potential. We will accelerate the implementation of the strategy for prospering the enterprise through talents, strongly foster and introduce high-grade talents in short supply, such as leading scientific and technological talents, marketing and financial management talents and internationalized high-caliber talents, improve the mechanism of ensuring the services for talents, further improve the assessment and incentive mechanism to pool talents from all quarters for our use.

In the new year, we will boost development by sustaining the momentum and tapping our potentials. In the new round of industrial revolution, electrification, intelligence & connectivity, international-



ization will be the focus of GAC's innovation and transformation. We will persist in developing intelligent & connected NEVs from a high starting point and based on high standard, concentrate the resources of all sides to fully support the construction of GAC's industrial park for intelligent & connected new energy vehicles, make breakthrough in the key components of NEVs, focus on electric vehicles, actively foster the 3 core technologies of power batteries, driving motors and electronic controllers, pay particular attention to battery technology, create multiple exclusive platforms for electric vehicles, gradually realize the complete coverage of new energy product lines, and continuously enhance their competitiveness. We will strengthen mutually-beneficial cooperation with enterprises both inside and outside the industry with an open mind, make innovations in mode, further implement our strategic cooperation with partners such as Huawei, Tencent and iFLYTEK, build an ecosphere of GAC intelligent & connected cars, drive the Group to change from a manufacturer of traditional automobiles to a service provider of mobility. We will make full use of the resources and markets both at home and abroad to increase our business presence in overseas markets, implement the “Belt & Road” initiative of the State, accelerate the analysis and studies of the markets of the countries and regions along the Belt & Road, give scope to the functions of our overseas R&D centers, make further



arrangements for shaping a global R&D network on the basis of GAC (Silicon Valley) R&D Center, and build an international enterprise with world-class Chinese brands and globalized research, production and sales, ultimately realizing the goal of going global. In the new year, we will strengthen the corporate culture by promoting our corporate values and brand building. Under the guidance of the spirit of the 19th CPC National Congress, we will adapt to the time and the trend, consolidate the cultural self-confidence, foster the craftsman spirit, streamline and refine the corporate culture of the Group, work out the strategic plan for corporate culture, firmly establish the development idea of co-construction and sharing, create a new look in the building of our corporate culture through new actions taken in the regard, push the Group toward scientific development, harmony and stability with the upgrading and transformation of the soft strength of corporate culture. We will turn 2018 into a year for expanded dissemination of brand to elevate the brand image of the Group in an all-round manner, set up GAC standards, make a success of GAC brand, and enable GAC to become an international automobile group with global influence and a high sense of social responsibility.

At a new starting point in the new age, GAC Group has come up with its own development vision, tasks and mission for a new

stage in line with the grand blueprint unveiled at the 19th CPC National Congress: "In 2027, the 30th anniversary of its establishment, GAC Group will strive to become top 100 enterprises in the world; in 2037, the 40th anniversary, GAC Group will become a first-class international enterprise with global competitiveness." To turn the vision into reality, we must turn the strategic plan into actions and forge ahead in a down-to-earth manner to make sure it does not just stay on the paper. We will as always adhere to the values of "Humanity, Credibility, Creativity", stry true to our original aspirations, ingest external resources, and look into the future. We will always stay focused on development quality and returns, unswervingly persist in JV cooperation and independent innovations, push forward the change from manufacturing to creation, from speed to quality, and from products to brands, and be devoted to creating value for consumers, employees, partners, investors, the industry and the entire society and building a better mobile life. We will also, encourage co-creation, co-construction and sharing, and strive to achieve our vision on the future of mobility, i.e. "everyone's mobility rights are fully respected, so that they can fully enjoy the limitless fun of a mobile life".

Appendixes

KPI Table of GAC Group

Name of Indicators	Unit	2015	2016	2017
Consolidated total assets	RMB 100 million	671.66	820.92	1196.02
Total business revenue	RMB 100 million	2212.17	2757.72	3397.73
Consolidated business revenue	RMB 100 million	294.18	494.18	715.75
Automobile sales	10,000	129.97	165.01	200.10
Motorcycle sales	10,000	107.02	102.20	100.34
Corporate income tax paid (total)	RMB Million	3782	6416.75	7282.03
Net profits belonging to parent company owners	RMB 100 million	42.32	62.88	107.86
Basic earnings per share	YuanRMB	0.66	0.98	1.65
Cash dividends	RMB 100 million	10.30	12.87	20.80
Rank in Fortune 500	Ranking	362	303	238
Patent applications	Piece	634	490	516
Granted patents	Piece	331	361	426
Total number of employees	Person	67205	75672	84290
Proportion of female employees	%	18.00	18.00	16.70

Schedule of the Anti Fraud, Blackmail and Money Laundering Policies of GAC Group

<p>Fraud prevention policy of the Group</p>	<p>Anti-Fraud Internal Control System of Urtrust Automobile Insurance Co., Ltd.</p>
<p>Money Laundering Prevention Policy of the Group</p>	<p>1. Guangzhou Automobile Group Financial Co., Ltd.: Anti-Money Laundering Management Measures</p> <p>2. GAC-Sofinco Auto Finance Co., Ltd.: "Anti-Money Laundering & Anti-Terrorism Financing Management System", "Management System for Freezing the Assets Involved in Terrorist Activity", "Anti-Money Laundering Workflow for Retail Credit Business", "Detailed Rules for Management of Anti-Money Laundering Efforts in Inventory Financing Business", "Operation Guide to Self-Evaluation of Money Laundering Risks"</p> <p>3. Urtrust Automobile Insurance Co., Ltd.: "Anti-Money Laundering and Anti-Terrorism Internal Control System of Urtrust Automobile Insurance Co., Ltd.", "System of Urtrust Automobile Insurance Co., Ltd. for Management of Money Laundering Risks", "Management Measures of Urtrust Automobile Insurance Co., Ltd. for Customer Identification and Keeping of Customer Identity Information and Transaction Records", "Management Measures of Urtrust Automobile Insurance Co., Ltd. for Reporting Block Trading and Dubious Transactions", "Management System of Urtrust Automobile Insurance Co., Ltd. for Freezing the Assets Involved in Terrorist Activity", "Operation Guide of Urtrust Automobile Insurance Co., Ltd. to Self-Evaluation of Money Laundering Risks", "Management Measures of Urtrust Automobile Insurance Co., Ltd. for Emergency Disposal of Major Money Laundering Cases"</p>
<p>National laws and regulations on fraud prevention that have a major impact on the Group</p>	<p>1. Urtrust Automobile Insurance Co., Ltd.: "Anti-Insurance Fraud Guideline" and "Guiding Opinions on Strengthening the Fight against Insurance Fraud" (Normative Documents) issued by CIRC</p> <p>2. GAC-Sofinco Auto Finance Co., Ltd.: "Anti-Fraud Management System", "Basic System for Management of Case Prevention, Control, Reporting and Disposal", "Detailed Rules for Management of Case Prevention, Control, Reporting and Disposal"</p>
<p>National laws and regulations on prevention of money laundering that have a major impact on the Group</p>	<p>1. Anti-Money Laundering Law of the People's Republic of China</p> <p>2. Regulations on Anti-Money Laundering of Financial Institutions (Order of the People's Bank of China (2006) No. 1)</p> <p>3. Management Measures for Reporting Block Trading and Dubious Transactions of Financial Institutions (Order of the People's Bank of China (2016) No. 3)</p> <p>4. Management Measures for Identification of Customers of Financial Institutions and Keeping of Customer Identity Information and Transaction Records (Order of the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission (2007) No. 2)</p> <p>5. Management Guideline for Evaluation of Risks of Money Laundering and Terrorist Financing and Customer Classification of Insurance Institutions (Bao Jian Fa 2014 No. 110)</p>

Schedule of the Tendering & Bidding Policies of GAC Group

<p>Tendering & Bidding Policies of the Group</p>	<p>Management Measures of Guangzhou Automobile Group Co., Ltd. for Procurement of Goods and Services Management Measures of Guangzhou Automobile Group Co., Ltd. for Engineering Construction Projects</p>
<p>National laws and regulations on procurement that have a major impact on the Group</p>	<p>Tendering and Bidding Law of the People's Republic of China Regulations on Implementation of the Tendering and Bidding Law of the People's Republic of China Contract Law of the People's Republic of China Measures of Guangdong Province for Implementing the Tendering and Bidding Law of the People's Republic of China Tendering and Bidding Management Measures of Guangzhou for Engineering Construction Projects Trial Measures of Guangzhou for Management of Small Amount Transactions of Engineering Projects</p>
<p>National laws and regulations on tendering and bidding that have a major impact on the Group</p>	<p>Tendering & Bidding Law of the People's Republic of China Regulations on Implementation of the Tendering & Bidding Law of the People's Republic of China Measures of Guangdong Province for Implementation of the Tendering & Bidding Law of the People's Republic of China Tendering and Bidding Management Measures of Guangzhou for Engineering Construction Projects</p>

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Feedback Form

To continuously improve our social responsibility efforts and enhance our ability to perform social responsibility, we want very much to hear your opinions and suggestions. We would like you to assist in answering the questions in this feedback form and return it to us as described below:

Tel: 86-20-83151163

E-mail: csr@gagc.com.cn

Mailing address: GAC Center, 23 Xingguo Road, Pearl River New Town, Tianhe District, Guangzhou

Your information

Name

Organization

Title

Tel

Email

Feedback

1. Your overall rating of our social responsibility report:

Excellent Good So-so

2. Do you think the report can reflect the significant influence of the company on the economy, society and environment?

Yes No N/A

3. How do you rate the clarity, accuracy and completeness of the information, data and indicators disclosed herein?

Very high High Average Low Very Low

4. How do you rate the performance of the company in serving customers and protecting their interests?

Excellent Good Averag Below average N/A

5. Which part of the report are you most satisfied with?

6. What information do you hope to know about further?

7. What are your suggestions on our future release of the report?



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