



Changhong Jiahua Holdings Limited

長虹佳華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

ESG Report 2019

Contents

ABOUT THIS REPORT	01
ABOUT US AND APPROACH TO ESG	02
APPROACH TO ESG	03
CORPORATE MISSION	03
CORPORATE VISION	03
CORPORATE CULTURE	04
CORE BUSINESS PHILOSOPHY	04
DEVELOPMENT STRATEGY	04
2019 OPERATING PERFORMANCE	05
2019 CORPORATE HONOR	06
STAKEHOLDERS ENGAGEMENT	07
GOVERNANCE	08
CORPORATE GOVERNANCE	08
COMPLIANCE MANAGEMENT	08
INTERNAL RISK CONTROL	09
ENVIRONMENTAL PROTECTION	09
EMISSIONS	10
USE OF RESOURCES	12
THE ENVIRONMENT AND NATURAL RESOURCES	13
SOCIAL	13
RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHER STAKEHOLDERS	13
EMPLOYMENT	14
HEALTH AND SAFETY	16
DEVELOPMENT AND TRAINING	18
LABOUR STANDARD	19
UPSTREAM AND DOWNSTREAM COLLABORATION AND OPERATION MANAGEMENT	19
QUALITY ASSURANCE	22
CUSTOMER PRIVACY	22
RESPECT INTELLECTUAL PROPERTY	22
ANTI-CORRUPTION	23
COMMUNITY	23
OUTLOOK	24



ABOUT THIS REPORT

BASIS OF PREPARATION

This Environmental, Social and Governance ("ESG") report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on (Main Board of) the Stock Exchange * and has complied with "comply or explain" provision in the GEM Listing Rules or the Listing Rules.

RELEASE CYCLE

This report is issued on a yearly basis and, unless otherwise stated, covers the reporting period from 1 January 2019 to 31 December 2019. This report is published on the websites of the Stock Exchange and the Company.

PUBLICATION

This report is published on the Stock Exchange's website and the Company's website.

REPORTING SCOPE

This report covers Changhong Jiahua Holdings Limited (the "Company") and its subsidiaries (the "Group").

CONTACT INFORMATION

Changhong Jiahua Holdings Limited

Address: Unit 1412, 14/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

Tel: (852) 3152 2178

Fax: (852) 2815 1119

Email: kysten@changhongit.com.hk

* *The GEM Listing Rules was applicable to the Company prior to the transfer of listing of the Company from GEM to the Main Board of the Stock Exchange on 18 March 2020 ("Transfer of Listing"). Immediately after the Transfer of Listing, the Listing Rules shall be applicable to the Company.*

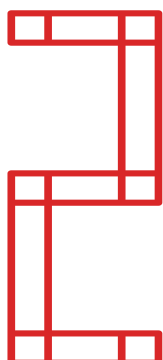
ABOUT US AND APPROACH TO ESG

The Company is a company listed in Hong Kong (stock code: 3991) and its controlling shareholder is a state-owned enterprise, oriented in a new-type ICT comprehensive service provider. The Group is an ICT professional solution service provider and ICT product distributor that can integrate and optimize domestic and foreign resources as well as a professional intelligent terminal product manufacturer and service provider.

To be a good partner to help improvement and support success as its business philosophy, the Group provides highly efficient, comprehensive and professional services for partners in domestic and foreign ICT enterprises and local channel partners and customers by virtue of professional marketing services and solutions, independent intellectual property proprietary equipment and diversified products to help partners and customers grow and succeed, and continue to create value for shareholders.

In the professional ICT solution service and product distribution field, we are ICT comprehensive service provider with innovative concept and fast growth speed in the industry, ranking at the forefront among ICT comprehensive service providers. We provide partners with professional solutions and ICT products with applied technologies and high cost-performance, integrating international technologies and product resources while relying on our technologies, resource integration capacity and service ability. We are gradually promoting our marketing experience to products in other fields. We are committed to becoming professional big data, cloud computing comprehensive service provider and the general agent with a ranking at the forefront among the manufacturers' partners.

In the field of intelligent manufacturing, we are professional provider of integrated terminal solutions for product development, manufacturing, and operation and maintenance delivery, focusing on technologies, products and applications in the field of Internet of Things and artificial intelligence, and providing a variety of one-stop IoT access intelligent terminal products and services for partners and customers.



APPROACH TO ESG

The Group focuses on the sustainable development of coordination among the business, the society and the environment. In pursuit of economic efficiency and business development, we consciously incorporate social responsibility into our business strategy for an honest and compliant operation, and actively fulfills our social responsibilities and obligations, to achieve the healthy and harmonious developments between the Group and our staff, the Group and the society and the Company and the environment, and continue to create value for the Shareholders.

CORPORATE MISSION

In view of the new layout that emerged in the PRC ICT industry under the new era, the Group will become a listed company with sound profitability focusing on ICT business as its core and the most remarkable ICT comprehensive service provider with an objective of establishing a new benchmark for the PRC ICT industry, hence maintaining its sustainable long-term development and creating maximum returns for the Shareholders.

CORPORATE VISION

- To become a remarkable ICT comprehensive service provider under the new era
- To become a remarkable listed company bringing satisfactory returns to the Shareholders
- To become a paradise for the career development of professional managers



CORPORATE CULTURE

- Targets and results oriented: with clearly defined strategic targets, use the targets to be achieved to plan, figure out the strategies, measures and road maps in accomplishing them and then move forward step by step. Achieve targets through scientific and systemic ways of thinking and focus on results accountability.
- Simple and direct communication: Efficiency is the principle to follow and achieve targets through focused and efficient communications. Be straight to the point, have clear subjects during communication, be targets and results oriented and focus on facts but not individuals.
- Seek for truth, seek for diversity, and explore other kinds of possibility: apply rules that are discovered during exploration process, seek for and apply diversity in rules. Establish new thinking model for Chinese ICT comprehensive service enterprises, boldly explore new directions and endeavor to achieve corporate improvement and industry perfection.

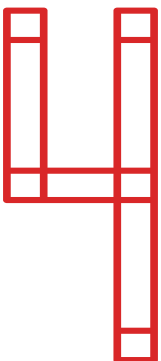
CORE BUSINESS PHILOSOPHY

Be a good partner to help improvement and support success: Making efforts to provide long-term and sustained support for manufacturers, helping them explore new markets with professional marketing services; coordinating various resources to help our agents develop; achieving success with our partners.



DEVELOPMENT STRATEGY

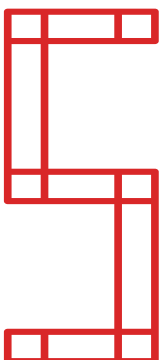
Based on our existing business, we achieve business upgrade and value promotion through system restructuring and service value added and become a comprehensive service provider for professional ICT enterprise distribution and specialized field based on technologies of big data, cloud computing, and artificial intelligence, etc., forging our core competitive edge and achieving the strategic upgrade of our business.



2019 OPERATING PERFORMANCE

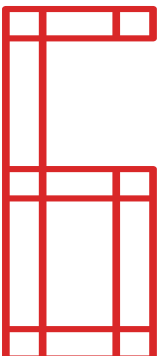
In 2019, the global economic and trade growth slowed down significantly, the trade situation became tenser, foreign direct investment plummeted, the growth rate of major advanced economies continued to decline, and the downward pressure on emerging economies intensified. In the face of the complex situation where domestic and overseas risks and challenges have obviously risen and the downward pressure on the global economy, China's economy in 2019 generally underwent steadily progress, with economic structure continuously optimized and development quality steadily improved. The innovation and wide penetration of the new generation of information technology represented by cloud computing, big data, Internet of Things and artificial intelligence have constantly stimulated the development vitality of traditional industries while continuously breeding emerging industries. The digital economy presented a sustained and rapid growth trend. In 2019, the Group strengthened its cooperation with key manufacturers to maintain the growth trend of its traditional distribution business; following the business policy of "professional in-depth development and value growth," and the industrial development trend the Group made investment and in-depth engagement in the leading technologies such as big data mining, cloud computing and Internet of Things on the basis of stable development of traditional business and core competence; it strived to build a B2B new distribution e-commerce platform, Jiahua Duola, explore the Internet distribution business model, and build a new distribution ecosystem. The Group achieved good growth in its principal business scale and profitability in 2019.

In 2019, the Group recorded a revenue of about HK\$29,999.67 million, up by 35.76% over the same period of the previous fiscal year; gross margin in 2019 was 3.20%, down by about 0.56 percentage point from the same period of the previous fiscal year, mainly due to the increase in sales contribution of the product line with low gross margin. The profit attributable to shareholders in 2019 was approximately HK\$289.17 million, up by about 7.04% over the same period of the previous fiscal year and the basic earnings per share was HK\$11.25 cents, up by HK\$10.51 cents from HK\$0.74 cents in the same period of the previous fiscal year.



2019 CORPORATE HONOR

- 2019 Annual Business Excellence Award (Sichuan Changhong)
- Advanced Taxpaying Enterprise (Science and Technology Business Park in Mianyang City, Sichuan Province)
- Certificate of May Day Labor in Fucheng District (Federation of trade unions of Fucheng District , Mianyang City, Sichuan Province)
- 2018 Advanced Taxpayer (Fucheng District Government, Mianyang City, Sichuan Province)
- 2018 E-commerce Demonstration Unit (Fucheng District Government, Mianyang City, Sichuan Province)
- Top 10 Value-added Distributors of 2019 Digital Ecology Top 500 (B.P business partners)
- Outstanding Industry Solution Award of 2019 Digital Ecology top 500 (B.P business partner)
- 2019 Top 100 Brands of system integrators in Sichuan Province (Qianjia Brand Lab)
- 2019 Sichuan E-commerce Outstanding Enterprise (Sichuan E-Commerce Association)
- Best Industry Distributor (Fortinet)
- Distributor Partner of the Year - APAC (Avaya)
- 2018 General Agent Outstanding Contribution Award (Schneider)
- Partner of the Year (Vertiv Technology)
- 2018 Distributor Outstanding Contribution Award (Corning)
- 2018 Outstanding Technical Support Award (Corning)
- Exceptional Partner of the Year (Dell EMC)
- Annual Outstanding Contribution Award (Inspur)
- Best Service Award (Sugon)
- Channel Service Delivery Excellence (Dell EMC)
- Great China Distributor Partner of the Year (Quantum)
- 2019 Oracle APAC Value Added Distributor Revenue Growth (Oracle)
- Excellent Partners (Colasoft)
- 2019 China's Best General Agent (Radware)
- 2019 Hitachi Vantara Best Contribution Award (Hitachi Vantara)
- Best Contribution Award for Opening of Ggeneral Agent (Lenovo NetApp)
- Art of Experience Award - International (Avaya)
- Partner of the Year 2018 (Supply and Marketing E-Commerce)
- FY18/19 Lenovo Business Star Award (Lenovo)
- 2018 Lenovo Silver Consumer Channel Award (Lenovo)
- 2018 Royal Bronze Medal (Philips)
- FY19Q1 Lenovo Think-T business Excellence Cooperation Award (Lenovo)
- FY19Q1 Lenovo Consumer Business Excellence Cooperation Award (Lenovo)
- Lenovo R Model Channel Excellent Cooperation Award (Lenovo)



STAKEHOLDERS ENGAGEMENT

The interest and opinions of stakeholders on our business activities are of great significance to the Group's sustainable development. The Group attaches great importance to communication with various stakeholders and establishes effective communication with stakeholders through various platforms and communication methods.

Stakeholders	Expectations	Communication methods	Measures
Investors /Shareholders	<ul style="list-style-type: none"> • Return on investment • Information disclosure 	<ul style="list-style-type: none"> • Shareholders' Meeting • Periodic reports, announcement • Company website 	<ul style="list-style-type: none"> • Continued to enhance the Group's profitability • Released regular reports and announcements as required
Partners	<ul style="list-style-type: none"> • Candid cooperation • Fair and just 	<ul style="list-style-type: none"> • Regular meetings • Agreements 	<ul style="list-style-type: none"> • Fulfilled cooperation agreements • Established long-term stable relationship with core partners
Customer	<ul style="list-style-type: none"> • Relationship stability • Service support 	<ul style="list-style-type: none"> • Product supply • Agreements • Customer services • Company website 	<ul style="list-style-type: none"> • Signed annual cooperation agreements with the customers • Provided a wealth of products • Provided technical, training and other services
Employee	<ul style="list-style-type: none"> • Compensation and benefits • Working environment • Career development 	<ul style="list-style-type: none"> • Labor Contract • Employee training • Employee internal communication • Employee performance evaluation 	<ul style="list-style-type: none"> • Improved compensation benefits and performance system • Provided a clean and comfortable working environment • Planned staff promotion path • Provided rich training courses
Community	<ul style="list-style-type: none"> • Harmonious community • Public welfare activities 	<ul style="list-style-type: none"> • Company website • WeChat account 	<ul style="list-style-type: none"> • Built a harmonious community • Conducted public welfare activities



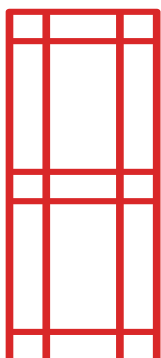
GOVERNANCE

CORPORATE GOVERNANCE

In order to achieve corporate mission of the Group, we have established good corporate governance practices based on the principles of integrity, transparency, openness and efficiency, and implemented and improved various policies, internal controls procedures and other management framework. We will continue to learn and understand the development of corporate governance practices with reference to the world's leading institutions, relevant regulations by the regulatory bodies and the expectation of the investors. We will also review and enhance the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Group.

COMPLIANCE MANAGEMENT

The Group is subject to various laws and regulations set by the PRC national, provincial and municipal governments relevant to our business operation, including The Company Law of the Peoples Republic of China (《中華人民共和國公司法》), Contract Law of the People's Republic of China (《中華人民共和國合同法》) and Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). Compliance procedures are in place to ensure adherence to the applicable laws, rules and regulations. The Group has complied with the relevant laws and regulations that have significant impact on the operations of ours. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.



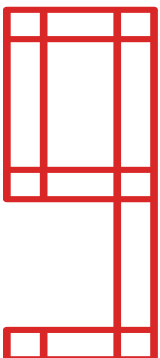
INTERNAL RISK CONTROL

The Group established the Internal Control Specification and Operational Risk Management Manual in accordance with the relevant regulatory requirements and the internal control framework required by the Ministry of Finance to clarify the management rules, systems, critical control points, and corresponding controls of the key control links. The process ensures that the Group's business management is legally compliant, corporate assets are secure, financial information and related information are accurate and reliable, aiming to improve operation efficiency and promote company's strategic planning. In 2019, the Group carried out risk identification and assessment, identified major risk identification standards, established risk identification lists, and prevented and effectively identified and controlled various risks arising from the operation process through routine and special internal control inspections.

ENVIRONMENTAL PROTECTION

The Group is committed to supporting environmental sustainability. We strictly abide by national and regional environmental laws and regulations, and implement strict environmental protection policies, to ensure the fulfillment of environmental responsibility.

We affected the environment primarily through the use of water, electricity, car fuel for office and minority of packaging materials, as well as carbon emissions from the business trips of our staff, and had no significant impact on the environment and natural resources.



EMISSIONS

The Group strictly abides by the environmental laws and regulations of the national and operation areas, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). The Group's business operations do not involve hazardous waste, large amounts of waste gas or non-hazardous waste. In 2019, the Group did not have non-compliance issues related to environmental issues.

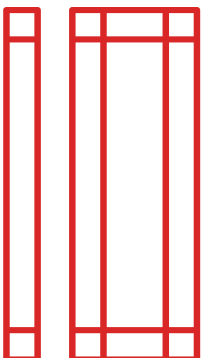
AIR POLLUTION EMISSION

The Group's air pollutants mainly originate from automobiles. The Group controls the number of cars and mileage and tries to use the online video conference system or teleconference to reduce business trips, energy consumption and emission of carbon dioxide.

In 2019, the Group's air pollutant emissions included 1,229 grams of nitrogen oxides, 90 grams of sulfur oxides, and 90 grams of particulate matter.

GREENHOUSE GASES EMISSION

The Group's emissions of greenhouse gases are mainly derived from the use of electricity and vehicles for office. The Group manages its carbon emissions by reducing energy consumption.



1.Emission from the use of electricity

The Group leased offices in 24 cities including Mainland China and Hong Kong. In 2019, the electricity consumption involved 1,006 tons (2018: 978 tons) of carbon emissions, which was an increase of 2.86% compared with that of last year. (Sources of carbon emission conversion factors involved in electricity use are the "China's Regional Grid Infrastructure Emission Factors for 2015" promulgated by the Department of Climate Change, National Development and Reform Commission).

2.Emission from the use of fuel

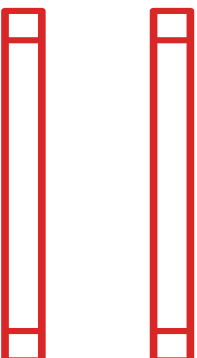
The Group owns a few vehicles for travel and reception of the executives. In 2019, the fuel usage involved carbon emissions of 13.9 tons (2018: 12.3 tons), which was 13.0% higher than that of last year. (The source of carbon emission conversion factors involved in fuel use is the "2006 IPCC (Intergovernmental Panel on Climate Change) National Greenhouse Gas List Guidelines Catalogue", Vehicle Emission Capabilities: 2.2631Kg/L).

HAZARDOUS WASTE AND NON-HAZARDOUS WASTE

The Group's business operations do not involve hazardous waste or large amounts of non-hazardous waste as defined by the national laws and regulations. The non-hazardous waste generated by the Group mainly includes paper and a small amount of electronic products. The Group promotes paperless office software and secondary use of printing papers, produces portable notebooks, sends holiday e-cards and prints by swiping cards to reduce paper consumption. For scrapped electronic products, they are recycled by units that have environmental recycling qualifications to avoid causing environmental pollution.

WASTEWATER

The Group's business operations do not involve wastewater discharge.



USE OF RESOURCES

The Group actively implements the concept of environmental protection and conservation, and formulates policies and measures for the management of environmental protection, including: 1) the Group enhances the awareness of energy saving and consumption conservation of its staff through posters and promotional videos; 2) increases the use of the renewable energy, solar hot water; and 3) installs more energy-saving lighting equipment and intelligent electricity-saving system for air conditioners in offices, which can automatically adjust the turning on and off time and the temperature settings of air-conditioners according to weather conditions

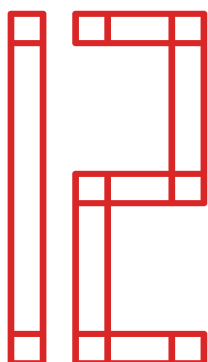
1. Use of fuel

The Group owns a small number of vehicles for executive travel and reception. In 2019, the fuel usage was 6,131 liters, which was 12.5% higher than the 5,450 liters in 2018.

2. Use of water

The Group uses water originated from office usage. In some of regions, the water supply service in the office is provided by the building management. In this case, water consumption data is not available. The water supply to the offices in Beijing, Nanjing, Fuzhou, Xi'an and Shenyang was managed by the Group itself. In 2019, the water consumption in these areas consumed 4,550 tons, and the consumption tended to decrease, which was 0.3% lower than that of 4,563 tons in 2018.

There was no issue in sourcing water that is fit for purpose in the Group's operations.



3. Use of paper

The use of paper by the Group mainly originates from office consumption. The Group's paper usage was 0.95 million (2018: 0.89 million) in 2019, which was an increase of 7.5% compared with that of last year.

4. Use of packaging materials

In 2019, the Group used 0.12 tons of carton packaging materials for LBS products and used 0.34 tons per 10,000 products.

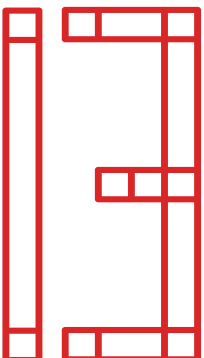
THE ENVIRONMENT AND NATURAL RESOURCES

The Group's business operations have no significant impact on the natural environment and natural resources. We always adhere to strictly implement monitoring and control measures related to water saving, power saving, energy saving and emission reduction, and minimize the impact on the natural environment and natural resources.

SOCIAL

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHER STAKEHOLDERS

We believe that maintaining a good relationship with its business partners, customers, suppliers, employees and other stakeholders is important to the Group's business performance and development. Accordingly, the management of the Group has kept good communication, exchanged ideas and shared business updates with the stakeholders when appropriate. The Group also creates a framework for motivating staff and maintaining close relationship with staff. During the year ended 31 December 2019, there were no material and significant disputes between the Group and its customers, suppliers, employees and other stakeholders.



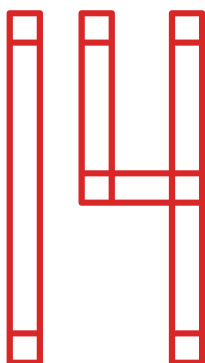
EMPLOYMENT

By focusing on the implementation of value creation and targeting at transparent performance and systematic management, the Group implements the scientific and fair performance management approach to secure the separation and implementation of its overall strategic goals at every segment, while maximizing the innovation and development of personal potential and talents to guide the constant growth of its staff.

Based on the annual business plan, we formulate the corresponding human resource planning plan. Depending on business progress and employment needs, it recruits talents through various internal and external channels to form diversified businesses team with different genders, ages, education backgrounds, knowledge and skills, and work experience. As at 31 December 2019, the Group employed a total of 1,043 (2018: 1,038) employees, of which 61% were male employees and 39% were female employees, meanwhile 53% were employees under the age of 35 and 47% were employees over the age of 35.

The Group adheres to the principle of equal opportunity in recruitment and promotion, opposes discrimination based on factors such as religion, nationality, gender and age, and strictly implements same pay for same work. For those resigned employees who have the ability and willingness to come back, they will also be rehired with an open and welcoming attitude of the Group.

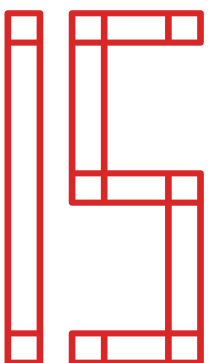
Applicants who meet the job recruitment requirements and have passed background investigations are formally employed and enter into formal labor contracts. The Group's working hours are in accordance with the working hours system that the national law stipulates that the daily working hours do not exceed 8 hours, and the average working time per week does not exceed 40 hours. At the same time, the employees enjoy statutory paid vacations and annual vacations. When there is a situation in which it is necessary to release the employee's labor relationship, the Group terminates the labor contract in accordance with the Labor Contract Law and related regulations, and strictly complies with the requirements of laws and regulations.



We determine employee compensation based on the employee's length of service, job function and performance with reference to the salary level of the same industry in the market, so that employees can obtain market-competitive salary while embodying the value of the job. The Group has developed a complete performance management approach, and conducts staff position adjustment and promotion based on the results of employee performance assessment.

In order to motivate staff to achieve the strategic business objectives efficiently, stimulate their working passion and create positive working atmosphere, we conduct the selection and appraisal activities of "excellent staff" and "collaboration star" every year, with an aim of giving public recognition to those outstanding staff in the sales, technology, sales support, platform service and cross-functional collaboration.

At the beginning of every year, we hold large annual carnival show, which undertaken by employees from show planning to its performance, providing a platform for staff to exhibit their capabilities and talents. We organize monthly birthday parties to enable new staff of different departments to integrate into our big family more quickly. Furthermore, we also organize a variety of employee-care activities irregularly, including Chinese medicine treatments within the office, weekend leisure activities, wealth management knowledge seminars, match-making parties, agency services for park annual tickets, bringing different welfare experience to our employees from different aspects of work and life.

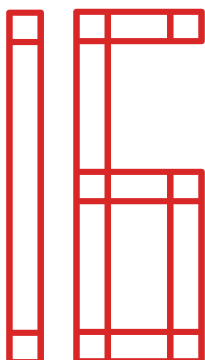


HEALTH AND SAFETY

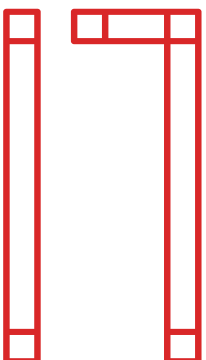
The Group complies with the Occupational Disease Prevention Act (《職業病防治法》) and Working Injury Insurance Regulations (《工傷保險條例》) in China and strives to build a healthy, safe, comfortable and tidy office environment by conducting office environment assessment activities in various branches, so that every employee feels as pleasant as possible. We installed air purification fresh air equipment and regularly detect and manage air quality in the office area. Professional drinking water treatment programs are adopted to ensure the quality of drinking water, green plants are regularly replaced.

We are people-oriented, and strive to provide caring welfare and care for employees. In addition to statutory benefits, we set up a number of special benefits, including free annual physical examination, meal, transportation and communication subsidies, special subsidy funds for severe illness, travel accident insurance for staff, safety insurance for staff in the infected area, public first-aid kits, condolence funds for marriage and childbirth of staff. In 2019, we paid more attention to the practicality and cost-effectiveness of employees' welfare products fitting for life. The team building activities of branches are also rich and colorful, enhancing the team cohesion among the regional departments.

We put great emphasis on safety and environmental management, follows the "prevention first" working guideline and adopts a number of measures including swiping card for access and exit, visitor registration, safety patrolling, video surveillance, changing the access card password regularly and other measures to safeguard its corporate normal operation order. We regularly conduct fire knowledge publicity and fire drills and posts security warning tips, in order to enhance the safety and environmental awareness of employees. During the coronavirus disease.



During the outbreak of the Coronavirus Disease 2019 epidemic (the "COVID-19 epidemic") in early 2020, the Group actively takes response measures and formulated emergency plan. We strictly screen the travel and physical condition of employees, and require the employees who came back from travel or may have contact with the confirmed patients to conduct 14 or 7 days of medical monitoring and isolation depending on different situations, so as to ensure the life safety and physical health of employees. In the case of shortage of disinfection materials, every effort has been made to equip the staff with masks, disinfection supplies and other anti-epidemic materials. Disinfect the office area and public areas every 2 hours every day, and set up special garbage bins for waste masks. Measure the temperature twice a day for the on-site office workers, and distributes anti-epidemic products such as masks, medical hand sanitizers, etc. At the same time of caring for the health of employees, we also purchase microwave ovens and refrigerators for employees over the country to facilitate their meals.



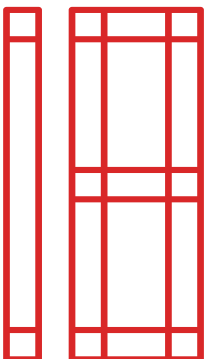
DEVELOPMENT AND TRAINING

We strive to provide employees with a good environment for growth, a fair assessment mechanism and an open transfer opportunity to achieve a win-win situation for employee development and company development. In 2019, we continued to use the scenario simulation evaluation to evaluate the management capabilities of mid-level and backbone candidates who selected for high-potential talent.

In 2019, the first phase of the business leader preparatory class project named "dream with future" was successfully completed. As a long-term talent training plan, the project is taught by the Group's senior management team every week in person, aiming to cultivate business successors and partners with a common vision with the Group. After 12 months and 30 sessions, the first 12 students completed all the courses, and their business intelligence, strategic thinking, professional knowledge and other aspects were improved after feedback.

In 2019, Mentors Support Program was continued and more effective by improving the evaluation system. The selected senior employees served as mentors to help new employees adapt to the work environment and teams as soon as possible, became familiar with the company policies, and perceived and recognized the corporate culture of the Group, obtained effective help when they need, so that they could quickly enter the work role, fulfill the job requirements.

In 2019, the number of in-house trainings reached 545 times throughout the year, and more than 7,631 participants participated in the training, which including product, technology, marketing, finance, risk prevention, compliance and new employee technology, etc.. We have 45 internal trainers. Through several years of continuous training, overall training skills and proficiency of the internal trainer team are steadily improving, with the individual courses having been accumulated. The newly opened special trainings such as Data Mining and Application, Tax Knowledge and Risk Safeguards have made the Group's curriculum system increasingly enriched. At the same time, since the education and training fund established in early 2008, we have provided employees with personalized and targeted training solutions in a long-term and stable manner through information technology.



In 2019, the Group's staff training rate was 100%. The average training time of male and female employees was 6.1 hours respectively, that of senior management and middle management was 6 hours respectively, and that of common employees was 6.1 hours.

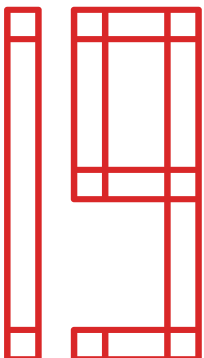
LABOUR STANDARD

The Group is in compliance with the Labor Contract Law (《勞動合同法》) of China, Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the relevant laws and regulations, pursuant to which employees are entitled to social insurance, housing provident fund, paid annual leave and other statutory benefits, and female employees are entitled to prenatal examination, maternity and nursing leave. Respecting human rights, the Group prohibits child labor and other forced labor.

UPSTREAM AND DOWNSTREAM COLLABORATION AND OPERATION MANAGEMENT

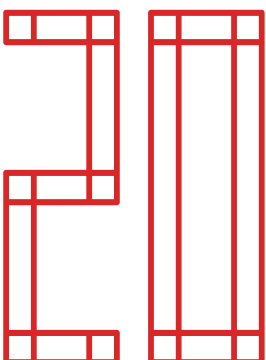
As the PRC agent of numerous international ICT suppliers, the Group conducts extensive cooperation with suppliers to provide professional products and solutions to channel partners. Through formulating a series of procurement policies including procurement principles, procurement methods and procurement monitoring mechanism, we achieve a centralized and unified comprehensive planning of procurement. We expect suppliers to consider the environmental, social, health and safety, advertising, labelling and governance in their operations.

For enterprise level segment, based on agent products, we set up application-level platforms relying on our own technologies, resource integration and service capability. we organically integrate products into multiple technologies and industry solutions, and provide multiple value-added services including technical support, consulting, training and qualification certification. We are committed to becoming a well-known big data, cloud computing comprehensive service provider in China. We possess a cloud computing experience and training center, collaborate with many internationally well-know manufacturers to provide one-stop services including solutions containing data solutions, virtualization solutions and disaster backup solutions, market consultation and technical support for cooperative channel partners to promote closer cooperation between manufacturers and integrators.



For consumer level segment, by virtue of professional marketing ability, we help manufacturers push their products to the market rapidly. We deeply grasp market and customer demands, build channel systems covering the whole country and possess tens of thousands of core agents. By keeping stable and long-term cooperation with product suppliers and core agents, we fully ensure benefits for all parties in the supply chain, form a sound distribution system and provide good service assurances by relying on perfect after-sales service and advanced and speedy logistics operations. We organically combine agent products through portfolio marketing modes, meet users' demands at different levels. We build and optimize the B2B new distribution e-commerce platform, Jiahua Duola, explore the establishment of Internet distribution business model, and grow together with our partners to achieve a win-win situation.

Since 2008, we have been holding "Jiahua Good Business Partners" Return Banquet annually. At the Return Banquet, we sum up last year's operation, release the strategy for the next year, and provide a communication platform for the upstream and downstream partners. The Return Banquet also aims to make plans for future development with partners. So far, the Return Banquet has been held for 12 consecutive years, and is inimitable in the industry. Since it launching, the "Jiahua Good Business Partners" Return Banquet has served manufacturers more than 8,699 person times and agent partners nearly 24,000 person times respectively, while 256 manufacturers' leaders sending blessings through videos to the Group and on-site partners, becoming one of the famous brand activities of the Group and well received by partners. The Group endeavors to play a role of ICT ecosystem connector, to create a good industrial ecology with partners and continuously achieve common growth.



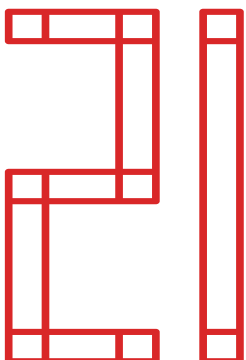
Proper management of supply chain is essential to a socially responsible company. In the future, the Group will gradually enhance the observation and identification of environmental and social risks of suppliers.

To combat the outbreak of COVID-19, the Group actively exerted its role as a connector, combining the strengths of manufacturers and agents, and based on our strong platform operation and management advantages, to ensure our business normally running and provide timely services. Facing urgent needs, all parties inside and outside the Group cooperated with each other to quickly communicate and respond, and concentrated their efforts to assist partners to meet the customers' needs from anti-Epidemic frontline.



The Group always adheres to the concept of being a good partner to help grow and support success, and always pays attention to the actual situation of channel partners. The Group urgently introduced support policies for adjusting the penalty interest receivables that were overdue during the outbreak of COVID-19 for channel partners across the country, and provided assistance and support for conditional penalty relief for partners in the infected areas.

As a corporate citizen with a high sense of responsibility, the Group will continue to fulfill its own responsibilities, help its partners, and provide warmth to the infected area.



QUALITY ASSURANCE

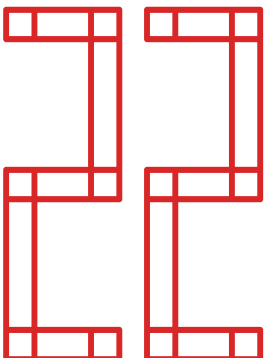
The quality of products and services determines the survival and reputation of the enterprise. To strengthen quality management, the Group has established and continuously improved the quality management system to ensure that the Group's products and services meet customer needs. We have passed ISO9000, ISO20000 (Information Technology Service Management Standard), ISO27001 (Information Security Management System Standard), Level 2 of ITSS (Information Technology Service Operation and Maintenance Service Capability Maturity Level), ITSS cloud computing service capability standard compliance certificate (Level 2) and our own brand products have passed CCC (China National Compulsory Product Certification Certificate) and China Energy Saving Product Certification, etc.

CUSTOMER PRIVACY

The Group has formulated the Confidentiality Management Regulations (《保密管理規定》). The designated information personnel are responsible for receiving, transmitting, using, copying, excerpting, storing, and destroying customer data, and necessary safety measures are taken. Each employee signed a confidentiality agreement with the Group to ensure that employees strictly abide by confidentiality requirements.

RESPECT INTELLECTUAL PROPERTY

The Group attaches great importance to the protection and management of intellectual property rights and respects the legitimate rights and interests of others, such as intellectual property rights, and does not allow infringement of external intellectual property rights.



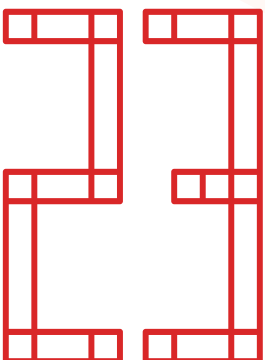
ANTI-CORRUPTION

The Group formulated a number of rules and systems including Honest Management System (《廉潔管理制度》) and Code of Supervision on Staff Independence (《員工獨立性監管守則》) to regulate our employees' behavior in economic activities, maintain the objectivity, impartiality and synergy of the Group's business activities, avoid business operation risks and prevent all kinds of conflicts of interest, prevent misconduct such as bribery, extortion, fraud and money laundering, secure the Group's reputation as well as interests of the Group and customers, and build a sound ordered market.

COMMUNITY

Responding to the pledge of the government to employ disabled persons, the Group kick-started the disabled recruitment project officially in 2016 and gave preference to offering employment opportunities to disabled persons nearby the community and one disabled person was successfully recruited. In 2019, we set up disabled special positions in the multiple departments and accept disabled persons who are eligible to join us, thus achieving recruitment of disabled persons, a total of 11 disabled people were employed.

We have always remembered our social mission and responsibility in our development, planning and launching a series of public welfare activities, and actively participating in public welfare undertakings to make positive contributions, aiming to promote building of a harmonious society. In 2019, under the Group's initiative and organization, some employees planted trees online through Ant Forest of Alibaba's Alipay, and obtained the cooperative planting certificate. Since 2015, we have organized "Yue Bu" for all employees to encourage more walking and less driving. This activity has been held for 5 consecutive years. This year, nearly 945 employees have actively participated.



OUTLOOK

Looking into the year 2020, the outbreak and rapid spread of COVID-19 epidemic will exert influences to varying degree on the economy of a multiple of countries, and the global economy will face greater risk of slowdown. China has made overall plans to promote the prevention and control of COVID-19 epidemic and the social and economic development. The outbreak of COVID-19 epidemic has created a short-term impact on China's economy, but remains controllable in general; the basic trend of long-term economic growth remains positive. With big data, cloud computing, Internet of Things, artificial intelligence and other new generation of information technology as the core, the new round of global scientific and technological revolution and industrial transformation is accelerating its evolution. The outbreak of COVID-19 epidemic will trigger a new round of digital upsurge in China and accelerate the commercialization of the new generation of information technology. Meanwhile, the Group will closely monitor the impact of COVID-19 epidemic situation on its business and take active actions to cope with the challenge of COVID-19 epidemic. In 2020, the Group will continue to promote the strategic upgrading of itself to become an IT integrated service providers, and push forward the business strategy of "full-channel, professionalism, new distribution and development of good partners". Following the operating policy of "Gathering strength on network, cloud and intelligence to serve its partners", the Group will make new contributions to partners and shareholders by focusing on four ecologies and one field, continuing to improve the layout in the ecosystem of such areas as cloud computing, big data, virtual technology and interconnection of all things, grasping the new opportunities in the field of intelligent terminals for edge computing and committing itself to a connector between manufacturers and channel partners.

聚力云智 贡献好伙伴

