

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 2020



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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 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and has complied with "comply or explain" provision in the Listing Rules.

RELEASE CYCLE

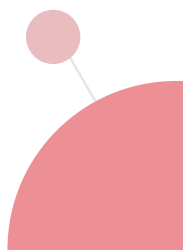
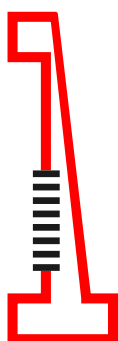
This report is issued on a yearly basis and, unless otherwise stated, covers the reporting period from 1 January 2020 to 31 December 2020.

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").





ABOUT THIS REPORT

ESG REPORTING PRINCIPLES

Materiality: Comply on the materiality principles of Stock Exchange, this report discloses the deliberations of the board and the ESG working group on ESG matters, the communication with stakeholders, the process of identifying materiality issues and the matrix of materiality issues.

Quantitative: The sources of the statistical criteria, calculation methods, assumptions and/or calculation tools and conversion factors for the quantitative KPIs are described in this report.

Balance: This report presents the group's performance during the reporting period without bias, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgments.

Consistency: The statistical methods used to disclose the data in this report remain consistent.

CONTACT INFORMATION

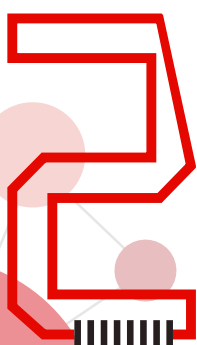
Changhong Jiahua Holdings Limited

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: fengyl@changhongit.com





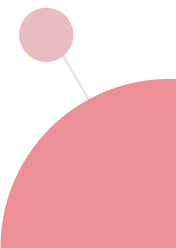
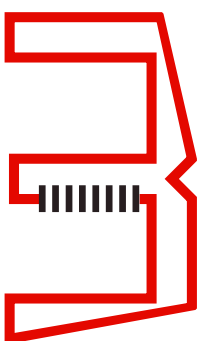
ABOUT US AND APPROACH TO ESG

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, a cloud comprehensive service provider of cloud-data integration 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, committed to providing better big data and cloud computing comprehensive services for partners.

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 China's leading enterprise 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

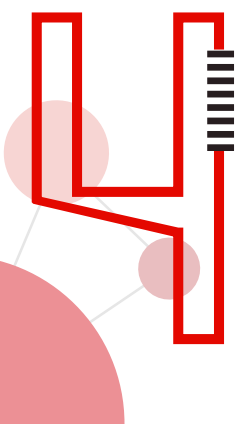
The Group focuses on the sustainable development of coordination among the business, the society and the environment. In pursuit of economic efficiency and business development, we consciously incorporate social responsibility into our business strategy for an honest and compliant operation, and actively 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.

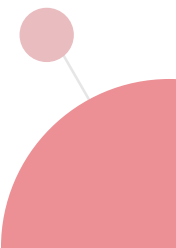
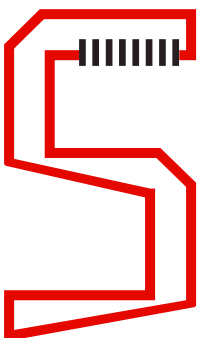
CORE BUSINESS PHILOSOPHY

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.

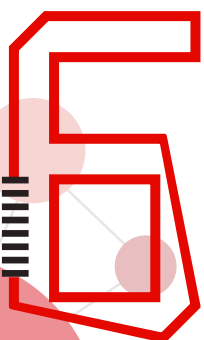


2020 OPERATING PERFORMANCE

The COVID-19 epidemic has ravaged the globe in 2020. The global economy, trade and investment have been severely damaged, causing substantial recession in the world economy, which showed a slow recovery in the second half of 2020. Amidst the challenging domestic and international environment, China has proactively taken effective measures to cope with the pandemic and has leveraged its macro policies to counteract the negative impact, resulting in a sustainable steady recovery of the economy. The digital economy has become the new driving force of the recovery, and the pandemic and the new infrastructures are driving a new wave of digitalization in China. In 2020, despite the challenges of the pandemic, the Group overcame all kinds of uncertainties, worked closely with domestic and overseas manufacturers to respond to the needs and take advantage of the situation, thereby showing a positive development trend in all businesses and achieving significant growth in results.

The Group continued its strategic transformation in 2020, actively developed in areas such as big data, cloud computing, artificial intelligence and the Internet of Things with "Gathering strength on network, cloud and intelligence to serve its partners" as the business strategy, captured the new opportunities, improved the planning of mainstream cloud resources in the market, constructed a comprehensive ecology in the field of leading technologies, and built a customer-oriented cloud intelligent application with scenario and cloud service system. Jiahua Duola, the B2B new distribution e-commerce platform, focused on building regional distribution marketplaces for brand manufacturers, matching regional distributors with terminal distributors in online transactions. With the addition of a large number of merchants, the number of the brands and categories of Jiahua Duola platform increased, and the overall traffic and transaction scale has increased significantly.

In 2020, the Group recorded an income of about HK\$40,381.30 million, up by 34.61% over the same period of the previous fiscal year; gross margin in 2020 was 2.67%, down by about 0.53 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 and intense competition in the market. The profit attributable to shareholders in 2020 was approximately HK\$345.40 million, up by about 19.45% over the same period of the previous fiscal year and the basic earnings per share was HK\$13.44 cents, up by HK\$11.25 cents from HK\$2.19 cents in the same period of the previous fiscal year.



2020 CORPORATE HONOR

- 2020 Annual Business Excellence Award (Sichuan Changhong)
- FY20 Lenovo SMB Business Excellence Cooperation Award (Lenovo)
- FY20 Lenovo Consumer Business Excellence Cooperation Award (Lenovo)
- IFY20 GO BIG-WIN BIG GROWTH AWARD (Dell EMC)
- Best Value-added Distributor Award (AVAYA)
- FY20/21 Outstanding Cooperation Award for R Mode Channel of Lenovo China (Lenovo)
- Top 10 Digital Ecology 500 Value-added Distributors (B.P business partners)
- Digital Ecosystem Distribution Leader Award (B.P business partners)
- Digital Ecology Innovation Leader Award (B.P business partners)
- Digital Ecology Best Partner Award (B.P business partners)
- Digital Ecological Cloud Computing Excellence Award (B.P business partners)
- Best Solution Partner (Dell EMC)
- GO BIG-WIN BIG GROWTH AWARD (Dell EMC)
- Ten-year Outstanding Achievement Award (Dell EMC)
- Mainstay Award (Lenovo)
- Excellent Service Enterprise of Mianyang City (Mianyang Municipal Party Committee and Municipal Government of Sichuan Province)
- Sichuan Excellent Service Enterprise (Sichuan Provincial Party Committee and Sichuan Provincial People's Government)
- POLY APAC "POWER OF MANY" MARKETING AWARD (Poly)
- Fucheng District May Day Labour Certificate (Fucheng District Trade Union of Mianyang, Sichuan Province)
- Service Cooperation Standard Award (Vertiv)
- Excellent Project Award (Vertiv)
- Annual Excellent Partner Award (Vertiv)
- Annual General Agency Outstanding Contribution Award (Schneider)
- Excellent Partner Award (Colasoft)

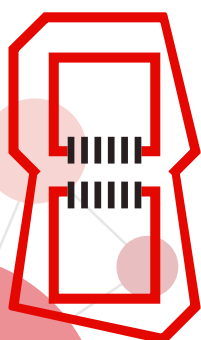


STAKEHOLDERS ENGAGEMENT

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.

COMMUNICATION WITH STAKEHOLDERS

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 /Suppliers	<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"> • Labour 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



MATERIALITY ASSESSMENT

The Group invited internal and external stakeholders to participate in the online questionnaire survey and carry out the materiality assessment of ESG to further determine the disclosure focus of the ESG report and respond to the expectations and requirements of stakeholders. We took into account internal and external views to define sustainability issues that are relevant to our business and stakeholders.

Steps for Assessment of ESG Material Issues:

1. Recognize materiality issues

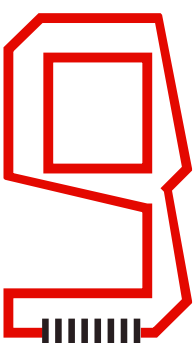
The Group understood the expectations of stakeholders through online questionnaires, and selected 21 sustainable development issues to build a materiality issue bank based on the development of the Group's businesses, the requirement of Environmental, Social and Governance Reporting Guidelines, the materiality issue bank of the Sustainability Accounting Standards Board(SASB)and the trends of our counterparts.

2. Questionnaire survey on stakeholders

The Group invited seven internal and external groups of stakeholders, including directors, management, shareholders/investors, partners/suppliers, customers, employees and stakeholders from the community to participate in the questionnaire survey to sort the issues from the issue database in terms of their materiality. A total of 459 valid questionnaires were received.

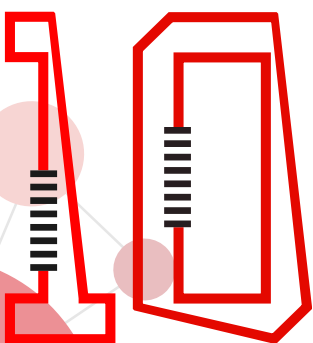
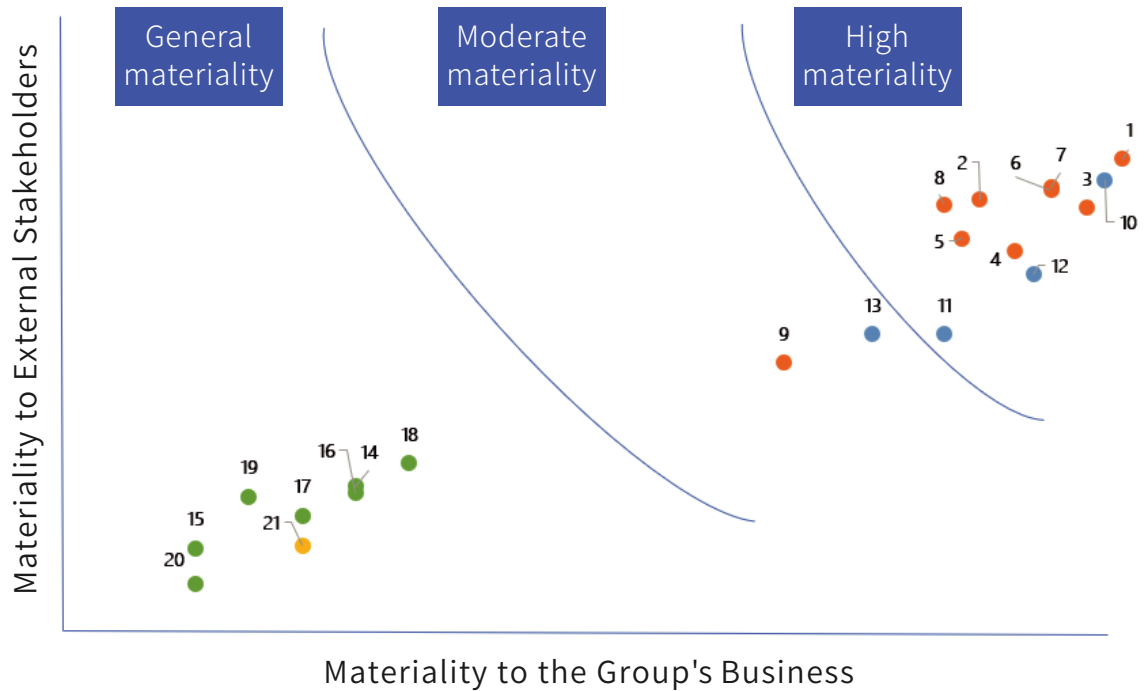
3. Evaluation on materiality

The Group reviewed the materiality of the issues from two aspects namely "the materiality to the Group's business" and "the materiality to external stakeholders", created a materiality matrix and summarized the evaluation results. The results help to unveil the focus of this report and provide the basis for setting the next year's sustainable development management targets.



The 21 business-related issues identified are grouped into four areas: governance and operations, employment and labour practices, environment and the community. According to the materiality assessment, our results generalize the 11 issues of "high materiality," including the compliance operations, anti-corruption, enterprise risk management, procurement and supply chain management, customer service management, customer privacy protection, information security, product/service quality management, compliance with labour legislation, staff training and development and employee health and safety. This report makes key disclosures based on the above results and draws the materiality matrix diagram of the Group as follows:

Changhong Jiahua Holdings Limited - Materiality Matrix





Sorted by Materiality

No.

Issues

High materiality issues

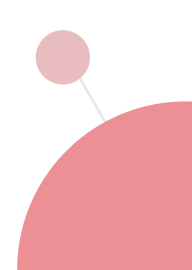
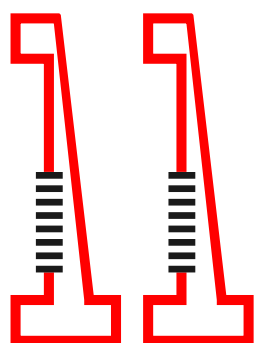
- 1 Compliance Operations
- 2 Anti-corruption
- 3 Enterprise Risk Management
- 4 Procurement and Supply Chain Management
- 5 Customer Service Management
- 6 Customer Privacy Protection
- 7 Information Security
- 8 Product/Service Quality Management
- 10 Compliance to Labour Legislation
- 11 Staff Training and Development
- 12 Staff Health and Safety

Moderate materiality issues

- 9 Responsible Marketing and Publicity
- 13 Employee Participation, Diversity and Inclusion

General materiality issues

- 14 Energy Management
- 15 Greenhouse Gas Emission
- 16 Waste Disposal
- 17 Exhaust Emission Reduction
- 18 Water Resource Management
- 19 Use of Natural Resources
- 20 Addressing Climate Change
- 21 Community Philanthropy





GOVERNANCE

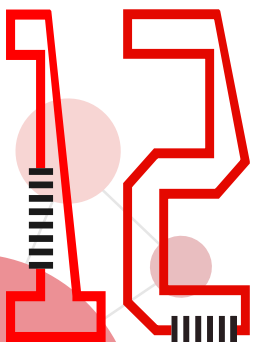
CORPORATE GOVERNANCE

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.

The board of directors is responsible for the overall strategy and reporting of ESG, determines the materiality assessment and supervises the overall management and decision-making of ESG. The ESG working group composed of senior management is responsible for organizing the implementation of the strategies and guidelines established by the board of directors, monitoring and managing the risks associated with ESG and the effectiveness of internal control measures. Each functional department is responsible for the implementation of ESG policies and ESG-related data collection and statistics. The lead department is responsible for supervising and promoting ESG-related work. In 2020, during the preparation of this report, the board of directors reviewed the materiality issues and reporting strategies before approving the release of this report.

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 Labour 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 2020, 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.

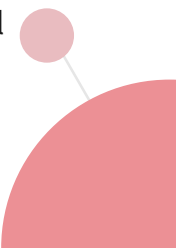
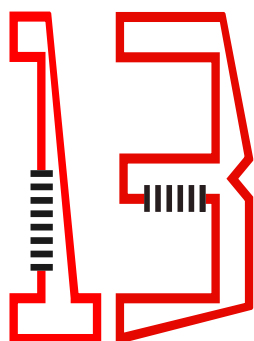
ANTI-CORRUPTION

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.

ENVIRONMENTAL PROTECTION

The Group is committed to supporting environmental sustainability. We strictly abide by national and regional environmental laws and regulations such as Environmental protection law of the people's Republic of China (《中華人民共和國環境保護法》) and Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國污染防治法》), and implement strict environmental protection policies, to ensure the fulfillment of environmental responsibility.

Because the Group mainly operates our business in the office, 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's business operations do not involve hazardous waste, large amounts of waste gas or non-hazardous waste. In 2020, the Group did not have non-compliance issues related to environmental issues.

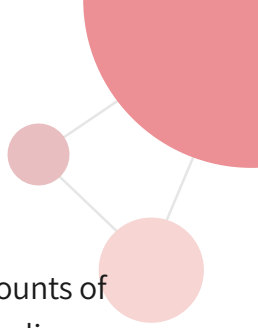
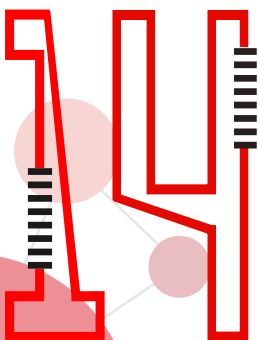
AIR POLLUTION EMISSION

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 2020, the Group's air pollutant emissions included 518 grams of nitrogen oxides, 48 grams of sulfur oxides, and 38 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 25 cities including Mainland China and Hong Kong. In 2020, the electricity consumption involved 907 tons (2019: 1,006 tons) of carbon emissions, which was a decrease of 9.76% compared with that of last year. In 2020, the Group's per capita electricity consumption involved 0.72 tons of carbon emissions. (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

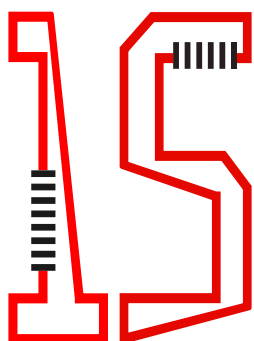
The Group owns a few vehicles for travel and reception of the executives. In 2020, the fuel usage involved carbon emissions of 7.4 tons (2018: 13.9 tons), which was 46.7% lower than that of last year. In 2020, the Group's the per capita fuel consumption involved 0.0059 tons of carbon emissions. (The 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. Strictly implementing garbage classification, for scrapped electronic products, they are recycled by units that have environmental recycling qualifications, while waste batteries and other hazardous wastes are required to be put into hazardous dustbins to avoid causing environmental pollution. In 2020, the Group disposed of 143 discarded electronic products and used 780 alkaline batteries and 57 carbon batteries. Due to the dispersed use of battery personnel and places, battery waste data was hard to figure out.

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

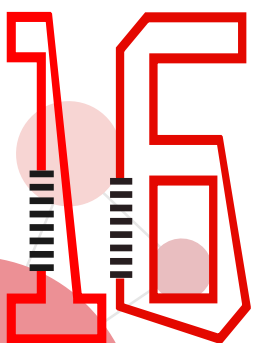
1. Use of fuel

The Group owns a small number of vehicles for executive travel and reception. In 2020, the fuel usage was 3,270 liters, which was 46.7% lower than the 6,131 liters in 2019. In 2020, the Group's per capita fuel consumption of was 2.60 liters.

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 2020, the water consumption in these areas consumed 4,482 tons, and the consumption tended to decrease, which was 1.5% lower than that of 4,550 tons in 2019. In 2020, the Group's per capita water consumption was 3.56 tons.

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 1.04 million (2019: 0.95 million) in 2020, which was an increase of 9.1% compared with that of last year. Mainly due to the increase in business scale in 2020, the number of business contracts, bidding documents and other documents that need to be printed increased. The Group continues to implement e-contracting to reduce paper usage.

4. Use of packaging materials

Issues relevant to the use of packaging materials are not applicable to the Group due to the Group's business nature by 2020.

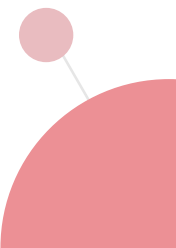
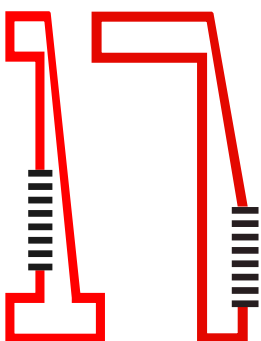
THE ENVIRONMENT AND NATURAL RESOURCES

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 2020, there were no material and significant disputes between the Group and its customers, suppliers, employees and other stakeholders.



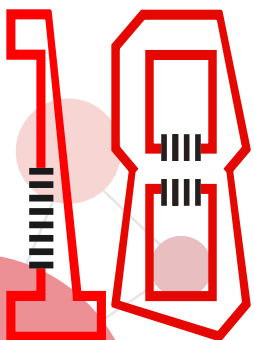
EMPLOYMENT

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 2020, the Group employed a total of 1,259 (2019: 1,043) employees, of which 63% were male employees and 37% were female employees, meanwhile 60% were employees under the age of 35 and 40% 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 are capable and willing to come back, the Group will also re-employ them with an open and enthusiastic attitude.

Applicants who meet the job recruitment requirements and have passed background investigations are formally employed and enter into formal labour 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 labour relationship, the Group terminates the labour contract in accordance with the Labour Contract Law and related regulations, and strictly complies with the requirements of laws and regulations.

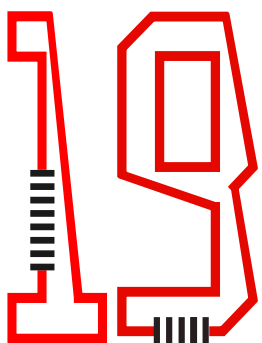


Through systematic training, we enable new employees to quickly and comprehensively understand the company profile. Through the mentor system, we help new employees integrate into the company faster and better. Through the establishment of the staff service platform in the enterprise community network, the policies, regulations and rules closely related to the daily staff are publicized to facilitate the staff to inquire and understand. Through the implementation of EAP (Employee Assistance Program), we interact with employees in a timely manner and answer their questions and doubts.

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. In 2020, due to the pandemic, our Carnival was broadcast online. All the employees watched the annual carnival through the live broadcast in the brightly decorated office areas and interacted with the mobile APP. In order to prevent the spread of the pandemic and reduce attendance at the gathering, we changed the monthly birthday party into the currently popular form of drawing mystery boxes, so that the birthday gifts of employees were full of mystery and surprise. We have carried out Women's Day activities for more than 10 consecutive years to care for female employees. We hold the staff sports meeting every year to call on all staff to keep fit and create a positive, healthy and lively company atmosphere.

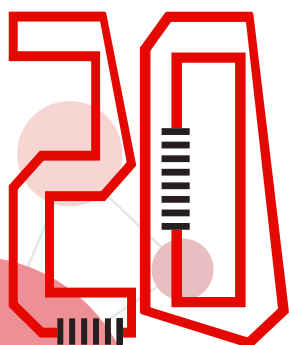


HEALTH AND SAFETY

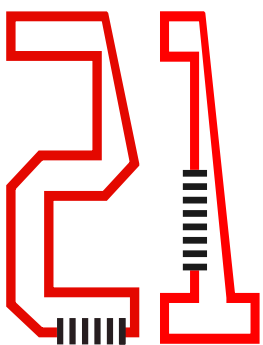
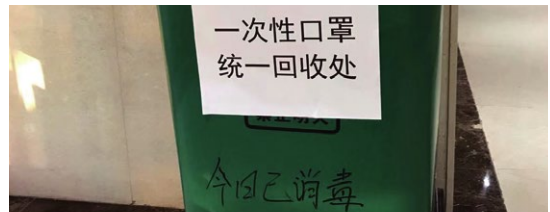
The Group complies with the Occupational Disease Prevention Act (《職業病防治法》) and Working Injury Insurance Regulations (《工傷保險條例》) in China and strives to build a healthy, safe, comfortable and tidy office environment by conducting office environment assessment activities in various branches, so that every 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 solutions 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 with improved standards, 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 2020, 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 "Precise prevention and control, Implement safety responsibility" working guideline and adopts a number of measures including measuring body temperature, swiping card for access and exit, visitor registration, safety patrolling, video surveillance, changing the access card password regularly and other measures to safeguard the Group's 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 outbreak of the COVID-19 epidemic in 2020, the Group actively took response measures and formulated emergency plan and publicity measures. According to national policy requirements, we timely adjusted employee travel restrictions and screened the physical condition of the employees, and required 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. Meanwhile, we purchased a large number of pandemic prevention materials such as masks, alcohol, no-clean hand sanitizer and ultraviolet light disinfection lamps. Specially-assigned personnel distributed masks to employees, measured their temperature and disinfected the office area every day. We provided care services to employees during community confinement periods. The group provided microwave ovens and refrigerators for local branches to facilitate employees for self-catering and reduce eating out.



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 2020, the group strengthened the management of talent training, supervised all departments to carry out talent plans to better realize the construction of talent echelon and systematically carry out talent training work. At the beginning of the year, all departments completed the inventory of talents and make annual training plans according to the core, cadre and general employees. All departments carried out 15 courses on strategy and management, 356 on job performance improvement and 185 on general affairs in total.

In 2020, the business leader preparatory class welcomed the second batch of 50 graduates. Due to the large number of students, technologies and platforms, the lecturers adjusted the course contents, changing the strategy introducing the idea providing and the management training into the method teaching to help everyone better understand and absorb the concepts and grow in personal ability.

In 2020, the group's internal trainer and mentor team developed steadily and all the role personnel had a clear understanding of their responsibilities. There were 36 in-service internal trainers, 6 more than in the same period last year and a total of 41 lectures were held with 2,000 employees participating. There were 114 mentors in total and more than 95% of the new employees got effective help from mentors at the early stage of their employment.

In 2020, the group carried out effective empowering training, emphasizing both quantity and quality. The group has organized 615 training sessions and 14,869 person-times of employees have participated in internal training, including product, technology, marketing, finance, risk prevention and control, compliance and new employee skills.

In 2020, the Group's staff training rate was 100%. The average training time of male and female employees was 6.2 hours respectively, that of senior management and middle management was 5 hours respectively, and that of common employees was 6.2 hours.

In 2021, the group will continue to strengthen staff training and plan to organize 650 training programs of various kinds.

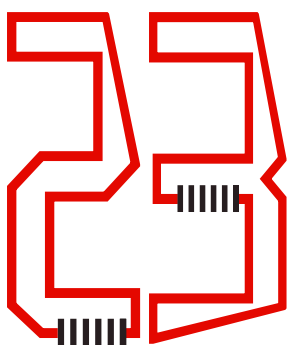
We also organize our staff to actively participate in the "BBC" (Broadcasting, Brand, Culture) program, which vigorously promotes the building of corporate culture, brand communication and knowledge sharing.





LABOUR STANDARD

The Group is in compliance with the Labour 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 complies with the Prohibition of Child Labour Regulations (《禁止使用童工規定》), and prohibits child labour and other forced labour. After recruiting employees, we will collect supporting documents to check the age and prevent false information and misleading during the background check. In addition, the Group will sign labour contracts with employees in compliance with the Labour Contract Law (《勞動合同法》), specifying all details to protect their rights and interests, and so that also avoid forced labour.

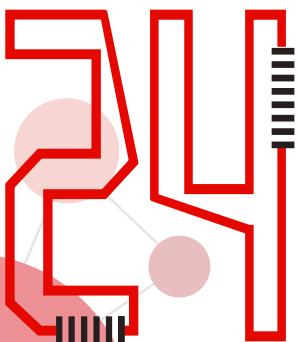




UPSTREAM AND DOWNSTREAM COLLABORATION AND OPERATION MANAGEMENT

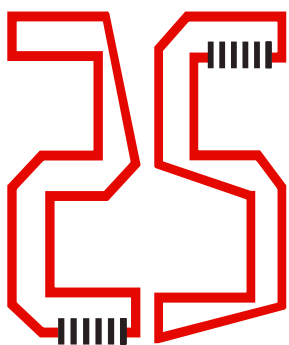
As the PRC agent of numerous international ICT suppliers, the Group conducts extensive cooperation with suppliers to provide professional products and solutions to channel partners. We have formulated a supplier access audit system to evaluate suppliers' qualifications, financial status, product quality, production and supply, service capacity, business licenses, etc. 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 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. The Group allocates dedicated account managers for different projects, who responsible for the communication and feedback of user problems, and provides one-to-one service support, technical consultation, fault analysis and remote diagnosis through the group's call centre hotline.



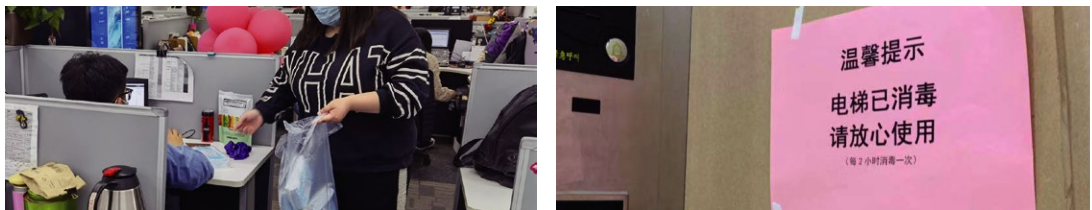
For consumer level segment, by virtue of professional marketing ability, we help manufacturers push their products to the market rapidly. We deeply grasp market and customer demands, build channel systems covering the whole country and possess tens of thousands of core agents. By keeping stable and long-term 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, to match online transactions between regional distributors and terminal distributors and build new regional distribution ecology of openness, cooperation and win-win across the country.

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 13 consecutive years, and is inimitable in the industry. Since it launching, the "Jiahua Good Business Partners" Return Banquet has served manufacturers more than 11,000 person times and agent partners nearly 30,000 person times respectively, while 292 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.



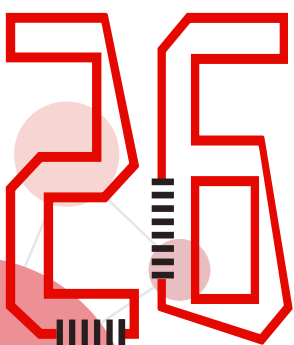
Proper management of supply chain is essential to a socially responsible company. In the future, the Group will gradually enhance the observation and identification of environmental and social risks of suppliers.

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. During the epidemic period, we conducted a series of live-broadcast training with the theme of "New Infrastructure and New Driving Forces" together with manufacturers to explore the development direction of ICT in the face of the evolution of the global pandemic and economic challenges, and to help new infrastructure to fight the pandemic from multiple dimensions and scenarios.



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

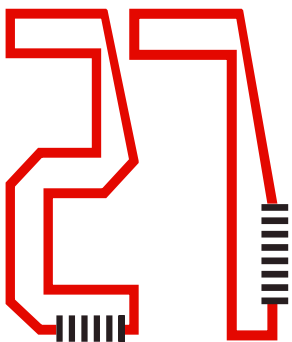
The quality of products and services determines the survival and reputation of the enterprise. To strengthen quality management, the Group has established and continuously improved the quality management system to ensure that the Group's products and services meet customer needs. We have passed ISO9000, ISO20000 (Information Technology Service Management Standard), 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.

INFORMATION SECURITY

Information security is one of the basic guarantees for the sustainable development of enterprises. The Group attaches great importance to information security management and establish the Information Security Management Manual (《信息安全管理手冊》) through adoption of risk assessment and risk management, physical media management, permission compliance management, system development and operations management, data backup and safety management, personnel management and check on duty management standard, to ensure the physical security, operation security, information assets security and personnel security of the information system and to guarantee the integrity, availability, confidentiality and controllability of the Group's information. We have passed ISO27001 (Information Security Management System Standard).

RESPONSIBLE MARKETING AND PROMOTION

The Group has formulated the Regulations on the Administration of Public Media Communication(《公共媒體傳播管理規定》), the Administrative Measures for External Information Release(《對外信息發佈管理辦法》), the Regulations on the Administration of We Media (《自媒體管理規定》), the Regulations on the Administration of Domain Name and Website (《域名及網站管理規定》) and the Executive Manual of Market Activities (《市場活動執行手冊》), ensuring that the content of communication conforms to the relevant national laws and regulations, adhere to the authenticity of the published content and strictly eliminate false publicity, exaggeration and misleading and other undesirable content, to build a high-quality enterprise brand and establish a good corporate image.



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, formulated the Intellectual Property Management System (《知識產權管理制度》). The Group pays attention to the exploration and protection of intellectual property rights in the process of business development and respects the legitimate rights and interests of others, such as intellectual property rights, and does not allow infringement of external intellectual property rights.

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 2020, 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, In 2020, we provided ICT application training for Shanghai Rainbow Mom Family Care Service Centre, provided technical support for teachers and volunteers and helped the centre to improve the level of life-oriented science and technology education. We made public benefit posters and carried out public benefit publicity day, which was held 11 times throughout the year and reached 5,867 readers. We launched a campaign called "Changhong IT Charities in Action - Helping NGOs Design Brochures." As volunteers, the Group staff actively participated in public welfare activities. Using their own strengths, they helped the New-resident Cultural Development Centre to compile a set of handbooks, proofread 80 pages of text, design 4 covers and finally print a set of brochures for public welfare publicity.

Since 2015, we have organized "Yue Bu" for all employees to encourage more walking and less driving. This activity has been held for 6 consecutive years. This year, nearly 1,015 employees have actively participated.



OUTLOOK

Looking ahead to 2021, the global economy is expected to remain depressed in the first half of the year due to the continuous spread of the COVID-19 epidemic outside of China, but the rollout of vaccines and additional stimulus fiscal policies are expected to assist the global economy to recover. The Chinese economy will continue to recover steadily in 2021 and build a new development pattern that domestic and International dual circulating and mutually promoting each other to promote high-quality and sustainable economic development. Following the in-depth development of the new round of technological revolution and industrial restructuring, and the innovation and wide penetration of the new generation of information technology represented by cloud computing, big data, the Internet of Things and artificial intelligence, industries and fields have accelerated their digital transformation. The digital economy continues to be a key driving force for China's economic growth, and the ICT industries are expecting a period of major change, major adjustment, and major development. In 2021, the Group will respond to the rapid development of the Internet of Things, cloud applications and trend of digital transformation, and will further develop our business and explore customer demands in the cloud era of the Internet of Things with the business strategy of "Deeply ploughing demands, empowering with intelligence and jointing good partners". The Group will be application-driven based on advanced technologies and products including the Internet of Things, artificial intelligence, big data and virtual reality, and be customer-oriented to create cloud intelligent application scenarios, systematically connect with our partners and be each other's nodes, work together to achieve transformation and upgrade of cloud-data integration in order to contribute greater value to our partners and shareholders.

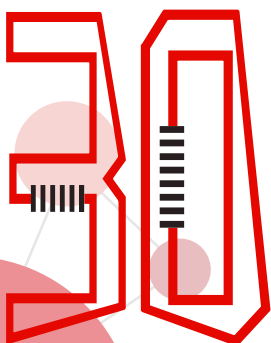


深耕需求 智慧赋能 联接好伙伴



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A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental protection 13
KPI A1.1	The types of emissions and respective emissions data.	Air pollution emissions 14
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse gases emissions 14
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous waste and non-hazardous waste 15
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous waste and non-hazardous waste 15
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions 14
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Hazardous waste and non-hazardous waste 15



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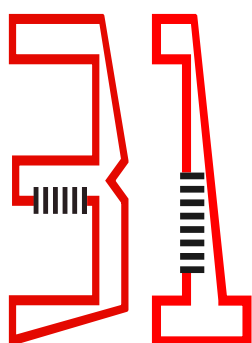
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Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials.	Use of resources	16
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in' 000s) and intensity (e.g. per unit of production volume, per facility).	Emission from the use of electricity, Use of fuel	15,16
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of water	16
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of resources	16
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of water	16
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Use of packaging materials	17

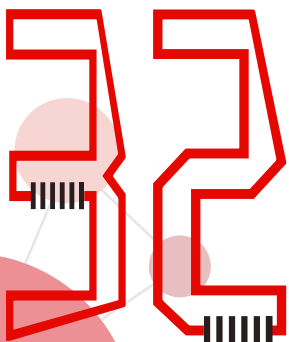
Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The environment and natural resources	17
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The environment and natural resources	17



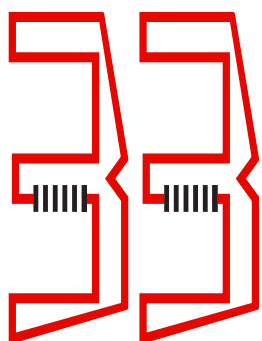
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Aspect B1: Employment			
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KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment	18
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed for FY2020	Not applicable
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety	20
KPI B2.1	Number and rate of work-related fatalities.	Not disclosed for FY2020	Not applicable



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KPI B2.2	Lost days due to work injury.	Not disclosed for FY2020	Not applicable
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KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour standard	23
KPI B4.2	Description of steps taken to eliminate such non-compliance practices when discovered.	Not disclosed for FY2020	Not applicable



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Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Upstream and downstream collaboration and operation management	24
KPI B5.1	Number of suppliers by geographical region.	Not disclosed for FY2020	Not applicable
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Upstream and downstream collaboration and operation management	24
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KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed for FY2020	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not disclosed for FY2020	Not applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respect intellectual property	28
KPI B6.4	Description of quality assurance process and recall procedures of products.	Not disclosed for FY2020	Not applicable

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KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored. Information security 27

Aspect B7: Anti-corruption

General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. Anti-corruption 13

KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. Not disclosed for FY2020 Not applicable

KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. Anti-corruption 13

Community

Aspect B8: Community Investment

General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. Community 28

KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). Community 28

KPI B8.2 Resources contributed (e.g. money or time) to the focus area. Community 28

