

# Changhong IT ESG Report 2016



## ABOUT CHANGHONG IT

Changhong IT is a state-owned enterprise holding company listed in Hong Kong (stock code: 08016.HK). Changhong IT possesses its own industrial advantages and unique team culture in the IT field. Changhong IT is an IT professional solution service provider and product distributor that can integrate and optimize global resources as well as a professional location and information service terminal product manufacturer and service provider.

To be a good partner to help improvement and support success as its business philosophy, Changhong IT oriented in a new-type IT comprehensive service enterprise, provides highly efficient comprehensive and Professional services for partners in domestic, foreign IT and other industries and customers by virtue of excellent marketing services, professional solutions, independent intellectual property proprietary equipment and diversified products to help partners and customers grow and succeed.

In the professional IT product distribution and solution service field, Changhong IT is a well-known domestic distribution service provider with the most innovative concept and the fastest growth speed in the industry, ranking at the forefront among domestic distributors. Changhong IT integrates international technologies and product resources. It provides partners with professional solutions and IT products with leading applied technologies and high cost performance relying on its technologies, resource integration capacity and service ability. It is gradually promoting its marketing experience to products in other fields. It is committed to becoming the leading big data comprehensive service provider and the distributor with the biggest market shares among partners.

Changhong IT is a famous product, solution and service provider in LBS and Beidou navigation application business, of which, the LBS business focuses on TSP and family internet of things products and applications and promoting the innovation of car networking and family internet of things application product innovation. It is devoted to the civil-use industrialization application of Beidou and to providing enterprise-level users with location-based service products and related application solutions.

## ■ Corporate mission

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

## ■ Corporate vision

- To become a remarkable IT integrated 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, 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 distribution 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 the transformation model of "platform + value added" and become an integrated service provider in the professional sectors of professional IT enterprise distribution, big data and cloud computing, forging our core competitive edge and achieving the strategic transformation of our business.

## ■ Corporate governance

In order to achieve corporate mission of Changhong IT, we have established good corporate governance practices based on the principles of integrity, transparency, openness and efficiency, and has implemented and improved various policies, internal controls procedures and other management framework. The Company 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. Changhong IT 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 Changhong IT.

## ■ Compliance management

Changhong IT 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. Changhong IT 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.

## ■ ESG ideology

Changhong IT focuses on the sustainable development of coordination among the business, the society and the environment. In pursuit of economic efficiency and business development, Changhong IT consciously incorporates 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 Company and our staff, the Company and the society and the Company and the environment, and continue to create value for the Shareholders.

## ENVIRONMENTAL PROTECTION

Changhong IT is committed to supporting the environmental sustainability. We actively implements the concept and policy of environmental protection and conservation and endeavours to adopt low-carbon methods such as trucks, railways and shipping for transportation of products. The Group regularly detects and improves the air quality of the office area, guarantees water quality of drinking water, and replaces green plants regularly, with an objective to build a healthy and clean office environment. It also enhances the awareness of energy saving and consumption conservation of its staff through posters and promotional videos, promotes paperless office software and secondary use of printing papers, produces portable notebooks and sends holiday e-cards to reduce paper consumption. While increasing the use of the renewable energy, solar hot water, it actively responds to the call of national green environmental protection, and purchases new energy electric vehicles to save energy and reduce carbon dioxide emission. The offices are all equipped with more energy-saving lighting equipment and intelligent electricity-saving system for air conditioners, which can automatically adjust the turning on and off time and the temperature settings of air-conditioners according to weather conditions.



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## EMPLOYMENT AND LABOUR PRACTICE

### ■ Employment

By focusing on the implementation of value creation and targeting at transparent performance and systemic management, Changhong IT 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. We determine staff remuneration with reference to the salary standard of industry peers in the market to enable staff to receive market-competitive remuneration according to their years of service, job functions and performance.

In order to motivate staff to achieve the strategic business objectives efficiently, stimulate their working passion and create positive working atmosphere, Changhong IT conducts 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, Changhong IT convenes large annual carnival show, which will be 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, these activities include 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.

The Group has been awarded the 2016 best employer nomination award appraised by zhaopin.com.



### ■ Health and safety

Changhong IT is people-oriented, and strives 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, public first-aid kits, condolence funds for marriage and childbirth of staff.

Changhong IT puts 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 and network monitoring to safeguard its corporate normal operation order. The Group regularly conducts fire knowledge publicity and fire drills and posts security warning tips, in order to enhance the safety and environmental awareness of employees.

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## ■ Development and training

Changhong IT strives to provide a good growing environment, equitable appraisal mechanism and open position transfer opportunities for employees, to achieve the win-win situation for employees' development and the development of Changhong IT. In 2016, according to the H-PTCP (High-Potential Talent Cultivation Program) Project, Changhong IT conducted candidate appraisal through scientific management capability evaluation means and issued professional evaluation report, whereby providing an effective reference for cultivating and developing of our internal talents with high potential.

In 2016, We designed and conducted an innovative form of training activity – “Bingo Grid Game” , whereby achieving the working objectives of resources integration and knowledge sharing from the organization' s perspective, and improving personal learning willingness significantly from passive to active from the employees' perspective, allowing staff to have extensive recognition for the benefits from learning.

In 2016, we increased its recruited internal trainers to 48, with internal training programs covering various aspects like general, sales, finance, human resources, legal, product, technology, management, procurement, logistics and operation. During the year ended 31 December 2016, there were altogether 241 internal training sessions with 3,500 employee participants. In 2016, a total of 166 new employees had participated in the on-the-job special training with 100% satisfaction rate and examination passing rate of 100%. In addition to in-class teaching, the Group also added other learning communication methods including distant video, “book-sharing club” , “ “Jia talk” work highlights sharing” , helping employees to escalate learning interests and improve professional capabilities. At the same time, the education and training fund established by Changhong IT since the beginning of 2008 has been running fine, providing stable and more personalized and targeted training solutions for our employees in the long term.

## ■ Labour standard

Changhong IT 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, Changhong IT insists on equality employment, prohibits child labor and other forced labor as well as discrimination due to factors like religion and gender and implements same pay for same work stringently.



## ▮ OPERATION PRACTICE

### ■ Upstream and downstream collaboration and operation management

As the PRC agent of numerous international renowned IT suppliers, Changhong IT conducts extensive cooperation with suppliers to provide international leading 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.

For enterprise level segment, based on the distribution of its products and relying on its own technology, resources integration and service capabilities, Changhong IT has built a platform of applications. The Group organically integrates its products into a variety of technology and industry solutions, while providing technical support, consulting, training, qualification certification, and other value-added services, striving to become a domestic leading big data integrated service provider. Changhong IT owns a domestic leading cloud computing experience and training center and allies with numerous renowned manufacturers to mutually provide the channel partners with solutions including data, virtualization and disaster recovery respectively, as well as the one-stop service including market consultancy and technical support, thereby facilitating closer cooperation between manufacturers and integrators.



For consumer level segment, Changhong IT profoundly grasps the market and customer demand and owns nearly 10,000 core agents to build a channel system covering nationwide. Through maintaining a stable and long-term cooperation with manufacturers and core agents and fully ensuring the interests of all parties in the supply chain, the Group has formed a good distribution system. Meanwhile, the Group provides a good service guarantee by relying on the efficient operating platform and logistics system. The Group helps manufacturers to launch their products to the market rapidly by leveraging on its professional marketing capabilities. With unique marketing mix model, the Group integrates the products organically under its agency, with an aim to help partners to satisfy the demand of users at different levels, provide all-round solutions to cooperating partners, grow together with partners and achieve the win-win situation among many parties.

For its brand LBS segment, Changhong IT owns the design, development and production capabilities of hardware terminal and possesses various integrated solutions based on location-based service platform and has established strategic cooperation with mobile operators and domestically well-known automotive and value-added service corporations to provide business-to-business customized services to enterprises and corporate clients. At present, the Company has established a comprehensive system from research and development, production to marketing and after-sales service and passed the TS16949 and ISO9001 quality certification system. It is committed to Big Dipper civil industrial application to provide high quality, stable and user-friendly location-based service products and the related application solutions for users at enterprise level while promoting the innovation of vehicle networking and home Internet of Things application product segment.



## ■ Anti-corruption

Changhong IT 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 Company's business activities, avoid business operation risks and prevent all kinds of conflicts of interest, secure the Company's reputation as well as interests of the Company and customers, and build a sound ordered market.

## COMMUNITY

Responding to the pledge of the government to employ disabled persons, Changhong IT 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 2017, We will set up disabled special positions in the administration, personnel, finance and sales management departments and accept disabled persons who are eligible to join us, thus achieving recruitment of disabled persons. Changhong IT has been approved as Beijing College Graduates Employment Internship Base since 2015.

