

Huiyin Smart Community Co., Ltd.
汇银智慧社区有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

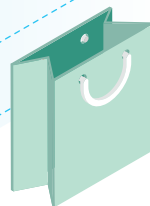


2017

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



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INTRODUCTION OF REPORT



SCOPE OF REPORT

Organization scope of report: This report covers Huiyin Smart Community and its holding subsidiaries.

Reporting period: From 1 January 2017 to 31 December 2017.

Reporting cycle: The issuing time of this report does not exceed three months after the issue of 2017 annual report of the Company.

PREPARATION BASIS OF REPORT

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLICATION OF REPORT

This report is published in electronic format, which is available for inspection at www.hkex.com.hk or www.hyjd.com.

DESCRIPTION OF REFERENCES

For easy reference and reading, "Huiyin Smart Community", the "Company" and its subsidiaries (collectively referred to as the "Group") are referred to as "Huiyin Smart Community Co., Ltd." in this report.

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INTRODUCTION

Huiyin Smart Community

2017 Environmental, Social and Governance Report

INTRODUCTION

Huiyin Smart Community Co., Ltd. (the "Company") has been listed on the Hong Kong Stock Exchange (stock code: 1280) since March 2010 (together with its subsidiaries, hereinafter referred to as "Huiyin Smart Community" or the "Group"). Huiyin Smart Community was founded in China in February 2008 and is engaged in the businesses of sales of household appliances and retail of import merchandise, and is a leading retail chain company in the third- and fourth-tier cities in East China.

With a view to making the world a better place because of us, the Group has taken the initiative to shoulder its social responsibility as a corporate citizen while realizing economic benefits. It sells low-energy and healthy green products and green foods, and rewards and repays the society through public welfare actions.

On the one hand, the Group directs the conduct of the Company by complying with the laws and regulations of the PRC, such as the Labour Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and the Company Law of the People's Republic of China. On the other hand, the Company also sets up environmental, social and governance-related systems, specifications or regulations to guide the employees, so as to form an effective management policy and internal control system to ensure that the Company can proceed smoothly in a competitive environment.

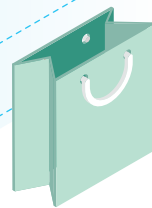
Environmental protection, employee care, product management, integrity culture, and community public welfare are not only the basis on which the Company can achieve sales growth of home appliances and import merchandise, but also a guarantee for the harmonious development of the Company and society. As a public listed company, it has more responsibilities and obligations to protect the environment, care for employees, ensure product quality and safety, form a cultural atmosphere for integrity, and realize community public welfare, to benefit the people and reward the society.

In the future, Huiyin Smart Community will actively respond to the national call to take the lead role of leading home appliance retail chain enterprises, and incorporate the green low-carbon concept into daily operations, product sales and supply chain management, in order to contribute to achieving harmonious development of enterprises and society and meeting the people's need for a better life.

In this report, the Company has complied with the provisions set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited.



ENVIRONMENTAL PROTECTION



ENVIRONMENTAL PROTECTION

As a representative of retail enterprises in third- and fourth-tier cities in East China, Huiyin Smart Community regards energy conservation and environmental protection as its social responsibility. In terms of upstream suppliers, it has reached various strategic cooperation with them to guide green production and green consumption. In terms of operations, Huiyin Smart Community has been committed to low-carbon development to promote green development in the whole process. In terms of consumers, Huiyin Smart Community has introduced users into green living spaces through the transformation of store scenes, and promoted the concept of green consumption through changing users' consumption concepts, consumption methods and consumer products. In the future, Huiyin Smart Community will continue to actively respond to the call of the country, adhere to green and low-carbon development, accelerate the popularization of green living concepts, and become a benchmark for green sustainable development.

A1 EMISSIONS

The main business of Huiyin Smart Community is to operate retail stores of household appliances and import merchandise as well as APP online sales in the People's Republic of China (the "PRC"). Therefore, Huiyin Smart Community does not directly generate emissions or pollutants due to production. In the course of business, Huiyin Smart Community will indirectly generate emissions due to the use of resources such as electricity and gasoline. However, Huiyin Smart Community has been working to reduce resource consumption and carbon emissions through a series of measures, such as smart logistics.

Indirect carbon emission by the Group	2016	2017
Indirect carbon emission (tones)	6337.64	6593.82

A2, A3 USE OF RESOURCES

I. ENERGY CONSERVATION

Electricity Saving

In order to reduce the cost of electricity in the course of business, Huiyin Smart Community has adopted strict control over the use of electricity. The main control measures are as follows:

- (1) Promote green lighting products and replace halogen lamps with LED lights for existing stores and office locations;
- (2) Vigorously promote and use energy-saving lamps in the process of expansion and transformation of stores;

- (3) Strictly forbid the use of main lamps for lighting without prior notice of important matters outside of working hours;
- (4) Strictly forbid the use of non-essential high-power consumption products at work; after work, turn off power-consuming equipment such as water dispensers and printers.

In terms of electricity consumption in stores, the total electricity consumption by the Group was approximately 9,262,852.48 kWh during 2017.

Electricity consumption by the Group	2016	2017	Change (%)
Electricity costs (RMB)	7,296,842.41	7,737,940.13	6.05%
Electricity consumption (kWh)	8,670,785.22	9,262,852.48	6.83%
Average electricity consumption per month per store (kWh)	16,803.85	17,951.26	6.83%

In terms of energy saving in stores, Huiyin Smart Community is promoting LED energy-saving lamps and striving to ensure that all the lamps of all stores are LED energy-saving lamps to save a lot of electricity consumption.

Water Saving

In addition to electricity, Huiyin Smart Community also attaches great importance to the management of water sources. Especially in terms of water saving in stores, it controls energy consumption by controlling water conservation. The main measures to save water are as follows:

- √ Implement quota monitoring according to the size and number of employees of each store;
- √ Strengthen daily inspections and supervision to prevent leakage, dripping and water emitting;
- √ Post "Water Conservation" and other promotional slogans in the washroom to enhance energy conservation awareness.

The total water consumption of the Group was approximately 49,353.92 cubic meters during 2017.

	2016	2017	Change (%)
Water costs (RMB)	149,821.39	180,869.66	20.72%
Water consumption (cubic meters)	41,377.75	49,353.92	19.28%
Average water consumption per month per store (cubic meters)	149.92	152.33	1.61%

Paper Saving

The Group mainly promotes paperless operation and protects the environment through the following measures.

Electronic coupon: For members or consumers of the Company, when the promotion is carried out during the holidays, electronic coupons will be issued through Huiyin Lehu APP, and the coupons can be used when products are purchased through the APP so that the waste of paper can be reduced.

Electronic invoice: The original paper invoice is replaced with an electronic invoice. The electronic invoice can not only be conveniently saved, but also facilitates inquiries and reimbursement, reducing the use of printed invoices.

Implementation of office automation system: The Group is currently implementing the OA (Office Automation) office automation system. All contracts, bill payment, management processes, stamps, etc. will go paperless, minimizing paper waste.

Logistics Management

In 2017, in order to reduce carbon emissions, the Company optimized the logistics management system, developed smart logistics, rationally arranged and planned the transportation route of delivery by installing GPS, improved vehicle loading rate and implemented other measures to reduce invalid driving and improve the delivery process and online shopping experience to the maximum extent. At the same time, the logistics management of existing logistics networks, warehouses and distribution centers was optimized to cope with the growing business operations. In addition to working with qualified third-party logistics providers, the Company has also established its own logistics team. The Company has integrated after-sales and logistics into a centralized platform to improve the efficiency and effectiveness of customer service management and effectively reduce excessive carbon emissions.

In addition, the Company issues a vehicle use specification system, and in the case of non-essential urgent matters, it can use other means of transportation such as buses or subways to handle relevant matters, and minimize the fuel consumption and carbon emissions of the official vehicles.

	2016	2017	Change (%)
Fuel expense (RMB)	2,329,652.24	2,010,222.88	-13.71%
Gasoline usage (L)	370,782.94	321,282.17	-13.35%

Packaging Materials

As the business nature of the Group is mainly the sales of products instead of the manufacturing of products, and does not involve the use of a large number of packaging materials, the Group does not have statistics on the packaging materials of the products sold.

II. SALES OF GREEN PRODUCTS

Sales of Energy-saving Products

As the leading retail enterprise in East China, Huiyin Smart Community has been actively responding to national policies with practical actions to guide consumers to purchase energy-saving appliances such as TV sets, refrigerators, washing machines, air conditioners, water heaters, range hoods, and air purifiers that meet national quality standards in an inclusive manner. Huiyin Smart Community promotes the energy-saving upgrade of the household appliance industry through product generation, and drives the promotion and application of energy-efficient products.

Some energy-saving products sold by the Group:



Energy-saving Refrigerator

Midea

美的 i+ 智能空调
开启无风时代



舒适无风，
在家尽享五星级酒店般舒适

 无风感	 智能降温	 ECO节能	 三大除湿模式	 远程智控
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有凉意「无风感」
Midea air-conditioning
无感柔风技术
重新定义 舒适体验



一晚低至1度电
Midea air-conditioning
一级能效 全直流变频

同样是一级，舒适星高于国标
高于国标的能效比

中国能效标识
CHINA ENERGY LABEL

耗电量
1
2
3
耗电量

生产者名称：广东美的制冷设备有限公司
规格型号：KFR-35GW/BP3DN8Y-TA100(B1)

全年能源消耗效率[(W·h)/(W·h)]	5.05
额定制冷量(W)	3500
额定制热量(W)	5000
制冷季节耗电量(kW·h)	365
制热季节耗电量(kW·h)	296

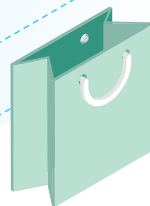
一级能效国家标准：4.5
舒适星：5.05

ECO节能模式
一晚低至1度电

Energy-saving Air Conditioner



Energy-saving Washing Machine



EMPLOYEE CARE

Huiyin Smart Community strictly abides by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China", the Regulations on the Paid Annual Leave of Employees and other laws and regulations to ensure employees' legal holidays and normal working hours, and protect employees' legal rights and interests. The Company establishes a fair and reasonable salary management system, distributes according to work, ensures that employees receive fair and reasonable benefits and treatment, and establishes recruitment, training, performance appraisal and other systems to ensure that all job seekers have equal access to the Company and access to training, and continuously get promoted and grow through performance appraisal.

In addition, the Group has always been committed to creating a good working environment for its employees, while paying attention to the construction of corporate culture, introducing ten rules for colleagues' mutual encouragement to create a harmonious and friendly working atmosphere. The Company pays attention to the career development of employees, and conducts vocational training from time to time to help employees achieve their career goals.

B1 EMPLOYMENT

I. INTRODUCTION OF TALENT

In terms of talent recruitment, the Group resolutely puts an end to racial and gender discrimination, adheres to the principles of fairness, justice and openness, and offers promotions and raises salaries according to the employees' conduct, ability and performance. All employees' remuneration packages, working hours and holidays are strictly in accordance with relevant laws and regulations and the Company's system. Each employee is treated equally, without discrimination.

Basic information about the Group's employees	2016	2017
Number of employees	1,138	910
Male-female ratio	565:573	451:459
Proportion of minority employees	0	0
Proportion of disabled employees	0	0

Categorization by type of employment

Type of employment	2016		2017	
	Total number of employees	Proportion	Total number of employees	Proportion
Long-term employees	1,096	96.31%	867	95.27%
Interns	5	0.44%	5	0.55%
Temporary employees	37	3.25%	38	4.18%
Total	1,138	100%	910	100%

Categorization by gender

Gender	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Male	565	49.65%	3.11%	451	49.56%	4.46%
Female	573	50.35%	3.52%	459	50.44%	4.34%
Total	1,138	100%	3.32%	910	100%	4.40%

Categorization by age

Age	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Below 30	311	27.33%	4.87%	226	24.84%	7.93%
30-40	376	33.00%	4.77%	319	35.05%	4.70%
40-50	329	28.91%	3.80%	263	28.90%	3.93%
Above 50	122	10.72%	2.46%	102	11.20%	5.56%
Total	1,138	100%	4.27%	910	100%	5.38%

Categorization by geographical regions

Geographical regions (Note 2)	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Jiangsu	941	82.69%	4.52%	691	75.93%	7.86%
Anhui	193	16.96%	5.50%	215	23.63%	4.02%
Shanghai	4	0.35%	0	4	0.44%	0
Total	1,138	100%	4.67%	910	100%	6.92%

Note 1: Average monthly turnover rate = number of resigned staff/(number of resigned staff + total number of employees)/12

Note 2: The Group's head office is located in Yangzhou City, Jiangsu Province

In addition to normal campus and social recruitment, the Group also introduces top talent through professional competitions.

On 10 March 2017, the "Dajin Cup" 3rd Jiangsu Household Appliances Home Improvement Innovation Professional Competition Yangzhou Division Selection Competition was held in Huiyin E-Commerce Park.

In order to successfully hold this competition, Yangzhou Huiyin Lehu, the organizer of the Yangzhou Division, conducted extensive publicity in the Yangzhou area and received positive response from enterprises and technicians in the industry of this area. A total of 83 technicians participated in the competition, and nearly 20 related units participated in the event.

Before the competition, Ms. Yuan Qingling, Vice President of Yangzhou Huiyin Group, preached the purpose and background of this competition, and Zou Zhenglong, Director of Yangzhou Huiyin Group Customer Service Management Center read the rules and discipline requirements of this competition.

In 2017, Yangzhou Huiyin would cooperate with Jiangsu Provincial Household Appliances Association to find the industry's cutting-edge talents, improve the level of household appliance repair services, optimize the household appliance consumer service environment, and enhance the skills and specialization of the household appliance service industry through the holding of this competition.

At the same time, Yangzhou Huiyin took advantage of this opportunity to seek the talents for the installation of commercial machine and heating equipment, to achieve Huiyin's plan to vigorously develop the installation of commercial air conditioner and sales of heating equipment for this year.



Launching ceremony of the "Dajin Cup" 3rd Jiangsu Household Appliances Home Improvement Innovation Professional Competition (Ms. Yuan Qingling (1st from right), Vice President of Yangzhou Huiyin Group)



Participants taking the written test



Photo of the winners

II. EMPLOYEE WELFARE

Legal welfare

The Group pays social insurance and housing provident fund for employees such as pension, unemployment, work injury, medical care, and childbirth according to the Social Insurance Law of the People's Republic of China.

General welfare

The Group provides employees with work meal subsidies, communication fee subsidies, transportation subsidies and other benefits; provides training for new recruits and on-the-job employees to enhance their knowledge, skills and abilities, and lay the foundation for employees to achieve goals in career planning. In order to enrich the employees' amateur cultural life, the Group also organizes various festival activities during the holidays to enhance the cohesiveness of the employees.

Special welfare

In addition to providing annual leave, marriage leave, sick leave, bereavement leave, maternity leave, work-related injury leave and breastfeeding leave in accordance with the Regulations on the Paid Annual Leave of Employees and the Holiday Measures on National New Year Festival and Memorial Days, the Company also provides special benefits such as travel for excellent employees with outstanding performance, as well as special vehicles and laptop equipment for some executives.

III. PROMOTION OF EMPLOYEES

In terms of promotions of employees, the Group is in strict accordance with the principle of making the best use of employees' talents, fully explores their personal potential, and offers promotions according to their goals in career planning and their work performance evaluation, rather than relying on kinship or gender discrimination.

Through the promotion system established by the Company, each employee is given the same promotion opportunity, and each employee is scientifically evaluated and promoted to ensure that the employees on the Company's platform can make the best use of their personal value.

Promotion of reserve talents

For employees who are suitable to grow into management cadres in a certain business field, the Company will list them as reserve cadres, train them according to the standards of higher-level posts, and promote them as management cadres at the right time when they pass the assessment and meet the post standards.

Exceptional promotion

In the rapid growth stage of the Company, a large number of middle- and high-level leading cadres with professional ethics and independent work skills are required. For particularly active and outstanding employees, the Company will conduct regular evaluations. If the evaluation is passed, the outstanding employees will get exceptional promotion.

B2 HEALTH AND SAFETY

I. OCCUPATIONAL SAFETY

The Group is very concerned about the physical and mental health of its employees. On the one hand, the Group provides and maintains a safe and healthy working environment for its employees, providing employees with a good and comfortable working space to avoid work accidents or injuries. On the other hand, the Group's internal system and employee handbook set clear guidelines for occupational health and safety and the Group passes on the guidelines to all new employees through appropriate training. In addition, the Company will hold activities at the festival to encourage employees to actively participate in order to release work pressure and balance employees' work and life.

II. OCCUPATIONAL SAFETY

The Group conducts unified guidance and supervision of workplace health and safety in accordance with China's laws and regulations on occupational health and safety and industry standards, and regulates occupational health and safety by developing daily work manuals for employees. In case of inclement weather (high temperature, heavy rain, typhoon, etc.), the Group will be sympathetic to employees, provide relevant subsidies or related welfare products, and flexibly adjust work arrangements or requirements to help employees cope with emergencies. During the reporting period, the Group did not have any incident of death due to work relationship, nor did it have any work-related injuries.

B3 DEVELOPMENT AND TRAINING

I. EMPLOYEE DEVELOPMENT

As a leading enterprise in the retail industry in East China, the Group always attaches great importance to the training and development of talents. The Group has established a relatively complete training system and curriculum system, and has established long-term cooperative relationships with a number of high-quality enterprises. Course types cover marketing, operation, finance, management and more.

Employee induction training

Each new employee of Huiyin is required to receive pre-employment training, and new recruits from all localities need to go to the headquarters to participate in unified closed training. First, the Personnel Training Department will help employees to understand the Company's rules and regulations, as well as requirements and specifications on grooming and courtesy etiquette to enhance service awareness. Second, every new employee must be familiar with the employee handbook. Third, the old employees of the department will help new employees to understand the various work processes and standards, and help each employee to master the necessary work skills.

Performance improvement training

For each employee of Huiyin in their respective positions, in relation to business skills of the department and the Company's development needs, each department has to organize a study at least once every two weeks, and then check the learning achievements. The employees gain new knowledge by reviewing old, consolidate the original knowledge structure while constantly absorbing new knowledge, and form a good way of thinking and behavior habit while improving business skills.

Corporate cooperation training

In line with the business philosophy of "integration of social resources, cooperation and win-win", Huiyin also pays more and more attention to cooperation training with external manufacturers. Huiyin has successively conducted in-depth cooperation and exchanges with Siemens, AO Smith, LG, Sharp and other world-renowned enterprises on training. Such forms can not only enable Huiyin's employees to better understand the products they operate and improve their business quality and skills, but also strengthen the strategic partnership with such manufacturers. The experience of joint training from the high level to the grassroots level will make the future cooperation between Huiyin and the manufacturers more smooth and stable.

Further education and training at higher education institutions

In order to enhance the theoretical knowledge system of executives and expand the circle of industry contacts, the Group will give important executives the opportunity to study and obtain further education at higher education institutions such as Tsinghua University, Peking University or well-known business schools. Through the research and learning of MBA and EMBA courses in the institutions of higher education, the management and decision-making abilities will be improved, and internal control system and external strategic expansion capabilities of the organization will be enhanced.

II. TALENT DEVELOPMENT CHANNELS

The Group is concerned about the training and development of key employees at each level a lot, and has built a hierarchical talent echelon training system. Through the matching of the Company's human resources strategic planning and employee career planning, a promotion channel for management routes and technical routes is formed. Every employee of the Company has a clear career development goal to maximize the value of their life.

Categorization by type of employees

Percentage of employees trained	2016	2017
Senior management	70%	80%
Middle management	21%	40%
Entry level employee	60%	70%

Categorization by gender

Percentage of employees trained	2016	2017
Male management	67%	61.70%
Female management	33%	38.30%

Categorization by type of employees

Average training hours per employee	2016	2017
Senior management	110	117
Middle management	95	120
Entry level employee	200	245

Categorization by gender

Average training hours per employee	2016	2017
Male management	105	118
Female management	105	118

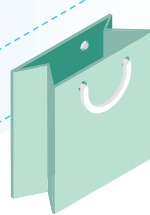
B4 LABOUR STANDARDS

I. PREVENTING CHILD LABOUR AND FORCED LABOUR

The Group strictly abides by the State Council Decree No. 364 Prohibition of the Use of Child Labour. It is necessary to check the identity card of the recruited person when recruiting personnel, and it is forbidden to recruit minors under the age of 16 and introduce employment for minors under 16. At the same time, the Group conducts training on relevant laws and regulations on human resources from time to time, strengthens legal awareness, and removes the possibility of recruiting child labour from the source of recruitment.

At the same time, the Group strictly implements the Regulations on the Paid Annual Leave of Employee, advocates efficient work, and encourages employees to complete tasks during working hours. If there is a special need to work overtime, employees need to go through the overtime process, and after the approval of the superiors, employees can work overtime. After overtime, employees can take working days off based on the overtime hours. The Group is dedicated to putting an end to the unreasonable overtime work phenomenon.

During the reporting period, the Group did not have any cases of child labour and forced labour.



PRODUCT MANAGEMENT

Huiyin Smart Community has always been committed to the construction of supply chain capabilities and continuous innovation. In the process of operation, Huiyin Smart Community strictly selects suppliers to ensure the quality of products and services sold on the one hand, and encourages suppliers to provide low-energy green products or green foods to contribute to energy conservation, emission reduction and environmental protection on the other hand.

B5 SUPPLY CHAIN MANAGEMENT

I. SCREENING OF SUPPLIERS

The Group follows the principles of openness, fairness and transparency in selecting suppliers and service providers, develops and implements material procurement management system and supplier management system, and details procurement and bidding procedures and regulations, and supplier assessment and selection criteria to assess suppliers' performance in terms of price, quality, cost, freight and after-sales service. According to the material demand plan and the types of materials required of each department, the procurement of materials is generally carried out by means of price inquiry and comparison and sentinel procurement; the suppliers are selected through quality and price screening and evaluation of suppliers. The Group's procurement guideline is shopping around to maintain fair competition.

Summary of suppliers of the Group	2016		2017	
	Total number of suppliers	Proportion	Total number of suppliers	Proportion
Geographical regions (Note 3)				
The Northeast Region	0	0	0	0
The Northern China Region	0	0	0	0
The Eastern China Region	217	100%	205	100%
The Southern China Region	0	0	0	0
The Western China Region	0	0	0	0
Others	0	0	0	0
Total	217	100%	205	100%

Note 3:

The Northeast Region mainly includes Jilin, Shenyang, Inner Mongolia, Dalian and other regions

The Northern China Region mainly includes Beijing, Hebei, Henan, Shandong and other regions

The Eastern China Region mainly includes Shanghai, Zhejiang, Jiangxi, Wuhan and other regions

The Southern China Region mainly includes Shenzhen, Guangzhou, Fuzhou, Nanning and other regions

The Western China Region mainly includes Shaanxi, Gansu, Qinghai, Xinjiang and other regions

In addition, in order to ensure the suppliers' ability in quality assurance, safety and other environmental management, the Group conducts on-site investigations of suppliers as needed, and conducts field surveys of their production capacity, technical level, quality assurance, supply capacity, and safety environment management qualification to ensure supply chain security.

The proportion of total procurement of top 5 suppliers of the Group

Supplier name	2016	2017
Nanjing Midea Air Conditioning Sales Co., Ltd. (南京美的製冷產品銷售有限公司)	10.21%	11.63%
Yangzhou Suohai Electronics Co., Ltd. (揚州索海電子有限公司)	9.85%	9.47%
Daikin (CHINA) Investment Co., Ltd. Nanjing Branch (大金(中國)投資有限公司南京分公司)	6.45%	6.91%
Jiangsu Zhipu Electric Co., Ltd. (江蘇致普電器有限公司)	5.55%	6.72%
Chongqing New Goodaymart Electronics Sales Co., Ltd. Nanjing Branch (重慶新日日順家電銷售有限公司南京分公司)	5.97%	6.54%

In order to create a harmonious supply chain environment and select high-quality suppliers for cooperation, on 12 January 2017, the First Cross-border E-commerce High-end Summit and Huiyin Lehu Supplier Annual Meeting was successfully held.

Mr. Luo Qun, Member of the Standing Committee of Nanjing Municipal Committee and Full-time Deputy Secretary of the Party Working Committee of Jiangbei New District, Mr. Pedro Abreu, Economic and Commercial Consul of the Portuguese Consulate General in Shanghai and Director of the Shanghai Representative Office of the Portuguese Trade and Investment Promotion Agency, Zhang Yanning, Deputy Director of Nanjing Municipal Bureau of Commerce, and representatives of more than 200 outstanding supplier enterprises on-site from home and abroad gathered together to conduct in-depth discussions and exchange views on the future development and cooperation strategies of cross-border e-commerce.

Zhang Yanning, Deputy Director of the Foreign Trade Department of the Ministry of Commerce, said at the summit that the "foreign trade 2.0 era" has arrived, the people's living standards have improved, and the demand for import merchandise has also increased. The implementation of the "New Policy on 8 April" has made overseas shopping end "savage growth", providing a favorable environment for the healthy and orderly development of the cross-border e-commerce industry in the future. Huiyin Lehu was born in a good national policy environment and has broad prospects for development.



Mr. Zhang Yanning, Deputy Director of Nanjing Municipal Bureau of Commerce, delivered a speech

Mr. Pedro Abreu made a special trip from Shanghai to attend the summit. He pointed out in his speech that he was very grateful to Huiyin Lehu for selecting Portuguese goods. As Economic and Commercial Consul of the Portuguese Consulate General in Shanghai and Director of the Shanghai Representative Office of the Portuguese Trade and Investment Promotion Agency, he would also actively support trade between the two countries and try his best to do more work to guide the trade development of both sides.



Speech by Mr. Pedro Abreu

At the conference, the Group awarded four supplier awards, namely, the In-depth Cooperation Award, the New Partnership Award, the Quality Brand Award and the Terminal Contribution Award.



Suppliers that won the In-depth Cooperation Award



Suppliers that won the New Partnership Award



B6 PRODUCT RESPONSIBILITY

I. QUALITY CONTROL

In accordance with the provisions of the Product Quality Law of the People's Republic of China, the Group establishes a check-for-acceptance system while replenishing stock and strictly enforces it, and verifies the product qualification certificate and other marks to ensure the quality of the products sold; it is strictly forbidden to sell products for which the country has ordered to phase out and stop selling and invalid or deteriorated products. The marks of the products sold shall be in compliance with the provisions of Article 27 of the Product Quality Law of the People's Republic of China. It is strictly forbidden to forge the place of origin, forge or fraudulently use the name and address of another person. It is strictly forbidden to forge or fraudulently use quality marks such as certification marks. The products sold shall not be doped, adulterated, fake, shoddy and unqualified products. If found, the Group will punish with due severity.

In order to comply with national regulations and strictly control the quality of suppliers' products, the Group first requires suppliers to provide third-party quality inspection reports to observe, measure and test the quality characteristics of products, and compares the results with the prescribed quality standards to determine if they meet the requirements. Secondly, before accepting stock, the Group adheres to a strict sampling test and acceptance regulation, where the name, type, quantity and other information of the products are examined. In addition, if there's any damage or obvious stain, deformation, moisture, mildew or wet stain on the packaging, the product will be treated as an unqualified product. Next, the same strict quality control measures are also applied to the accessories and attachments of the in-stock products. Finally, the Group stipulates that if the defective rate of the initial sampling test is higher than a designated percentage, the Group will double the number of items it tests to expand the scope of sampling test. If the defective rate is still higher than the designated percentage, products of the same type of this batch will be treated as unqualified products, and the supplier is required to replace or withdraw such products. The Group ensures that the products sold do not have safety incidents caused by product quality.

During the reporting period, the Group did not have any product recalls.

The Group leads by example and always demands itself with the "quality first" standard to contribute to the high quality development of the local economy.

In recognition of the Group's commitment to the implementation of high-quality development concept and contribution to the acceleration of the construction of the "strong, rich, beautiful and high" new Yangzhou, Yangzhou Municipal People's Government awarded the "2017 Mayor Quality Award" to the Group.



II. ADVERTISING AND PUBLICITY

The Group strictly abides by the provisions of the Advertising Law of the People's Republic of China and acts in good faith and competes fairly in the process of engaging in advertising activities in compliance with laws and regulations.

The statement in relation to the performance, function, origin, use, quality, composition, price, producer, validity period, promise, etc. of the product or the content, provider, form, quality, price, promise, etc. of the service shall be accurate, clear and understandable. If the advertisement indicates that the products or services promoted are attached gifts, the variety, specification, quantity, duration and method of the attached products or services shall be clearly indicated. The content that should be clearly stated in the advertisement as required by the laws and administrative regulations shall be expressed significantly and clearly. Through the above measures, the Group effectively safeguards the legitimate rights and interests of consumers.

III. PRODUCT IDENTIFICATION

The Group strictly abides by the provisions of Articles 27, 28, 30 and 31 of the Product Quality Law of the People's Republic of China, such as Article 27, which provides that all labeling on products or packages must be authentic and must meet the following requirements: (1) come with certification to show the product has passed quality inspection; (2) name of the product, name and address of the factory that produced the product, all being marked in Chinese; (3) corresponding Chinese indications regarding the specifications, grade of the product, the main ingredients and their quantities contained in the product, are to be indicated according to the special nature and instructions for use of the product; relevant information to be indicated on the outer packaging or provided in advance if such information needs to be acknowledged by the consumers; (4) production date, safe-use period or date of invalidity to be indicated in a prominent position if the product is to be used within a time limit; (5) warning marks or warning statements to be indicated in Chinese for products which, if improperly used, may cause damage to the products or may endanger the safety of human life or property. Bare-packed foods and other bare-packed products that are difficult to attach the labeling according to the characteristics of the product may not be attached with the product labeling.

The household appliances sold by the Group shall comply with the safety standards for household and similar electrical appliances, and shall be labeled according to the provisions of the product standard GB 4706 series. The Group strictly abides by the relevant product labeling regulations, checks the products supplied by the suppliers through the inspection and acceptance system for incoming products, and verifies the product qualification certificate to ensure the quality and safety of the products sold.

IV. PRIVACY PROTECTION

The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. When collecting and using consumers' personal information, it follows the principles of lawfulness, righteousness and necessity, and clearly states the purpose, manner and scope of collecting and using information, and obtains consent from consumers. The information shall not be collected or used in violation of the provisions of laws and regulations and the agreement of both parties. Consumers' personal information collected by the Company and its staff must be kept strictly confidential and must not be disclosed, sold or illegally provided to others. The Company will take technical measures and other necessary measures to ensure information security and prevent consumers' personal information from leaking or losing. Remedial actions will be taken immediately in the event of occurrence or possible occurrence of information leakage or loss. Commercial information may not be sent to consumers without the consent or request of the consumer, or if the consumers expressly refuses.

V. AFTER-SALES GUARANTEE

After-sales service

The Group has a professional after-sales service center and a after-sales personnel training center, and is also a fixed-point maintenance organization for more than 30 manufacturers. Through years of service accumulation, the Group provides professional service guarantee for consumers. In addition, the Group has established a logistics computer management network and a township logistics transfer station and a after-sales service station. The delivery cycle is shorter and the on-site service is faster, ensuring that customers can get a full and convenient after-sales service experience.

Complaint service

On the one hand, the Group will conduct a telephone return visit to customers who purchase products, understand customers' experience after purchasing products, and solve the problems encountered by customers. On the other hand, the Group has a 24-hour service hotline to resolve complaints at any time. In case of complaints, the Group will take the initiative to keep in touch with customers, inform the customer of the processing progress and properly pacify them. The Group has built an efficient, convenient and reliable service platform for consumers to solve various problems encountered by customers in a timely and efficient manner.



INTEGRITY CULTURE

INTEGRITY CULTURE

B7 FIGHT AGAINST CORRUPTION

Integrity culture is an important part of the Company's corporate culture, and the culture of honesty and altruism that is symbiotic with integrity is an important guarantee for the Company's sustained and healthy development. Integrity is not only the foundation and ethical requirement for the Group's work, but also the responsibility and obligation of all employees.

I. EDUCATION ON INTEGRITY

The Group regards education on integrity as an important part of employee training. The Group educates employees to strictly abide by the Company Law of the People's Republic of China and the Criminal Law of the People's Republic of China, and prohibits and eliminates bad behaviors such as bribery, extortion, fraud, money laundering, etc. It uses cases of duty crimes to alert employees to ensure that the employees of the Group are honest and loyal and have good ethics and code of conduct.

II. INTEGRITY POLICY

The Group adopts its own code of ethics and integrity policy to monitor the conduct and action of employees in daily operations. At the same time, such code and policy are supplemented and updated annually according to the Company's adjustment of strategy and management philosophy. Through the annual self-censorship, the Group reviews the implementation of the code of ethics and related regulations to ensure that the code of ethics and related regulations are implemented in actual operations and management practices, and effectively eliminates bribery, extortion, fraud, money laundering, etc., to balance and maintain the interests of the Group and stakeholders and build long-term partnerships.

III. MEASURES AGAINST CORRUPTION

On the one hand, the Group engages an independent auditor to conduct an independent audit of the Group and prevents and controls the Group's corruption or unethical conduct through internal monitoring and independent audit. On the other hand, the Group provides reporting telephones and mailboxes. If employees find any misconduct, they can notify the relevant supervisor or report directly to the chairman of the audit committee. All reports will be handled in a prudent and confidential manner. The chairman of the audit committee will be responsible for following up on the complaint and proceeding with further investigation.

In the event of non-compliances and disciplinary offenses by employees of the Group, the Group will carry out legal investigation and evidence collection on the non-compliances and disciplinary offenses in a pragmatic manner, and communicate with the employees on the premise that the evidence is sufficient and conclusive. Then the Group will give the employees punishments such as introspection while awaiting job assignment, change in position, demotion, pay cut or termination of employment relationship according to the agreement in the signed labour contract according to the severity of such non-compliances and disciplinary offenses.

The Group and its employees strictly abide by relevant laws, regulations and codes of ethics. As far as the Group is aware, there are no material non-compliance issues related to the relevant standards, rules and regulations during the year. In addition, no complaints about corruption were made against the Group or any of its employees during the year.



COMMUNITY PUBLIC WELFARE

COMMUNITY PUBLIC WELFARE

As a retail enterprise that has been cultivating the industry for many years, Huiyin Smart Community always regards social responsibility as its obligation to return the society, and insists on walking with the public welfare to achieve synergy between its own benefits and social benefits.

B8 COMMUNITY INVESTMENT

I. COMMUNITY SERVICES

The Group values the establishment of a harmonious and inclusive corporate and community relationship with the communities of the area in which it operates, and actively participates in community activities to understand community needs. During 2017, the Group provided a number of community services, including free housekeeping, free household appliance repair and maintenance services, and trade-in activities to bring more convenience to community residents. The Company has also formed a good brand image and reputation in the community.

II. COMMUNITY DEVELOPMENT

The Company (Huiyin Smart Community) uses O2O (online and offline) to facilitate the purchase of low-energy green products such as household appliances in the community, and community residents can receive the products purchased without leaving the house, which meets their demand for a healthy and convenient life. Through the increase in per capita consumption expenditure, and the growth of the tertiary industry, the economic growth of the community and the region is also promoted while the community are more convenient to purchase the necessary household appliances and import merchandise.

III. COMMUNITY EMPLOYMENT

With the layout and expansion of the Group in third- and fourth-tier cities in East China, the Group improved its store management plan in 2017. By the end of 2017, the Group has opened 46 self-operated stores in Jiangsu, Anhui and Nanjing, including 30 comprehensive stores, 3 brand retail stores and 13 import merchandise experience shops, which has also promoted the employment of the population of the right age in the community while meeting the individualized and diverse needs of the community.

IV. PUBLIC WELFARE ACTIVITIES

The Group actively fulfills corporate citizenship responsibilities and encourages employees to actively participate in various public welfare undertakings in the society. While gaining profits, the Group also actively repays the society and provides more help to people in the community.

On 16 December 2017, "Spread the Seed of Love - 2017 AiEr Charity Night" was held in Diaoyutai State Guesthouse. Nearly 400 well-known caring people, caring companies and caring chambers in the society gathered together to promote charity. The event was hosted by the AiEr Foundation, and co-organized by the Beijing Red Cross, the Tianjin Red Cross and the Hebei Red Cross.

The event was also actively participated and supported by descendants of the founding fathers, leaders at all levels, and famous artists. Some of the guests present were: Ms. Zhou Bingde, the former Vice President of the China News Service and the niece of the founding father Zhou Enlai, Ms. Chen Weili, the former Chairman of the CIIC Group and the daughter of the founding father Chen Yun, Ms. Dong Lianghui, the former Party Secretary of the Chinese Federation of Literary and Art Circles and the daughter of the founding father Dong Biwu, Mr. Zhang Lili, the former Director of the Political Department of the Supreme People's Court and the son of the founding major general Zhang Ruguang, Mr. Zhu Heping, the Major General and Vice President of the Air Force Command and the grandson of the founding father Zhu De, Mr. Hao Yuan, the Vice Chairman of the Gansu Provincial CPPCC and the Chairman of the Federation of Industry and Commerce, Mr. Li Baofeng, the President of the Beijing Red Cross, Mr. Cui Hengde, the Secretary General of the China Mayor Association, Mr. Yu Kuizhi, famous Peking Opera performing artist and Ms. Tai Lihua, the Head of the China Disabled People's Performing Art Troupe.



Founding father Zhou Enlai's niece, Ms. Zhou Bingde



Founding father Zhu De's grandson, Mr. Zhu Heping

At the scene of the charity fundraising event, everyone actively participated, and finally raised funds of RMB16.496 million. This donation will be invested in the cerebral palsy children's rescue projects in Xinjiang and Tibet, and the student aid program in some areas.

Mr. Yuan Li, the Chairman of the Board of Huiyin Smart Community, and Mr. Xu Xinying, an executive director, donated more than RMB2.60 million through voluntary donations and auctions, and continued to support poor student schooling programs and cerebral palsy children's rescue projects.

As Tao Siliang, the founder of AiEr Foundation, said in her speech: "All the guests attending the charity dinner tonight have formed a loving community. Everyone, regardless of gender and age, no matter he is rich or poor, healthy or disabled, uses the synergy of love to send warmth to those in need."



Speech by Tao Siliang, the founder of AiEr Foundation

The charity auction of the event was very lively, and the guests opened their purses for love. More than 20 pieces of famous paintings and calligraphy, world famous watches donated by caring people from all walks of life were taken away through auction. Midway, Ms. Zhou Bingde, the niece of the founding father Zhou Enlai, added a book, *My Uncle and Aunt Zhou Enlai and Deng Yingchao*, as an auction item. The book was auctioned with no rock bottom price. Mr. Xu Xinying, the executive director of Huiyin Smart Community, first offered RMB50,000. Finally, after several rounds of bidding, Mr. Xu Xinying took the book for RMB500,000. In addition, Mr. Yuan Li and Mr. Xu Xinying also donated money by obtaining "Sakyamuni Wood Carving" and "Dahongpao" through auction.

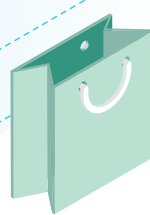


Group photo of Mr. Yuan Li (right), the Chairman of the Board of Huiyin Smart Community, Mr. Xu Xinying (left), an executive director, and Ms. Zhou Bingde (middle), the niece of Zhou Enlai

The dinner ended in the impassioned "AiEr Public Welfare Declaration", and Mr. Yuan Li went up on the stage to read it aloud as the Vice Chairman of Beijing AiEr Foundation. In the future, the Group will continue to put charitable projects into practice. In response to the call of the state, the Group will use its own practical actions to drive more and more entrepreneurs to join the ranks of public welfare, opening another window for precise poverty alleviation, and also opening another door for the development of charity.



Mr. Yuan Li (second from left), the representative of AiEr Foundation, read "AiEr Public Welfare Declaration"



CONCLUSION

Environmental protection, rewarding the society and corporate governance are long-term undertakings of public companies. During the year, although the Company has done more work and updated the system in environmental protection, employee care, product management, integrity culture and community public welfare, there is still much room for improvement in the achievements due to the rapid expansion of the Company. The Board has the determination and perseverance to do better in the future. "A thousand sails pass by the wrecked ship; ten thousand saplings shoot up beyond the withered tree". It is believed that in the future, the Company will usher in a new look through continuous improvement and transformation, and at the same time reward investors and give back to the society with better economic benefits.