



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

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT

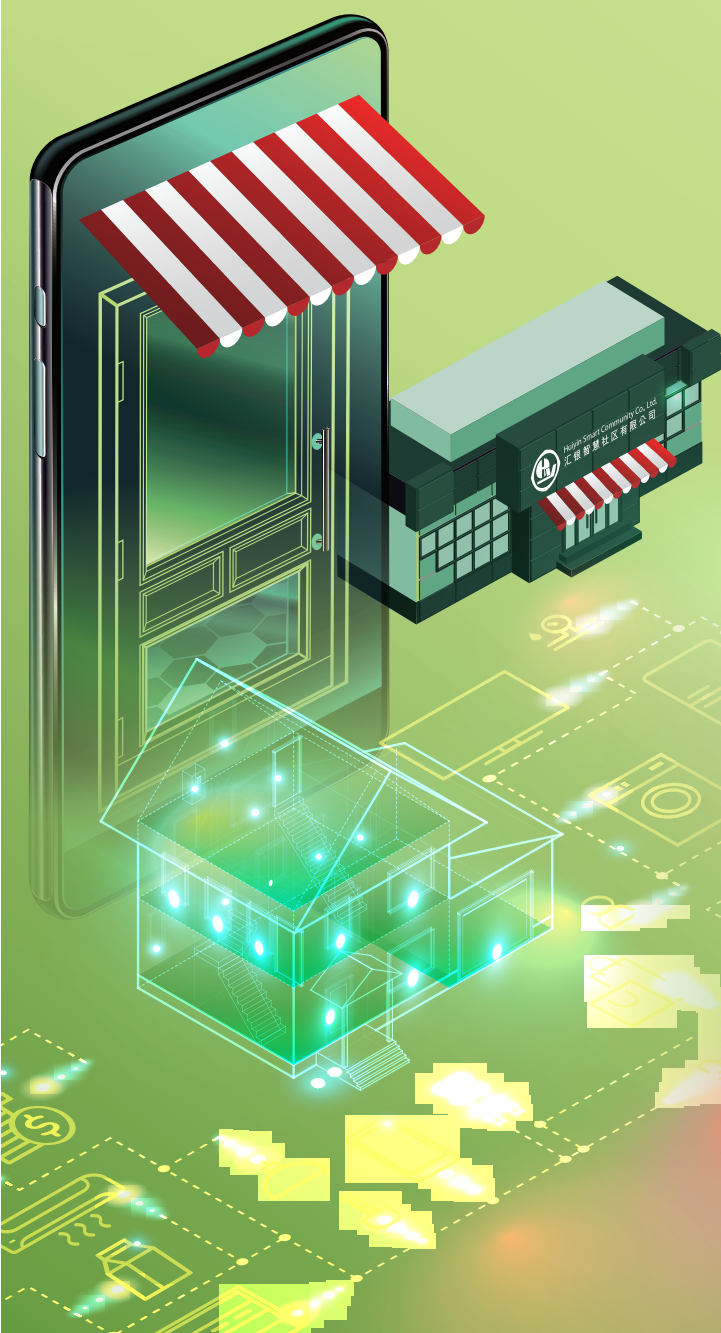
2018





# CONTENTS

<b>INTRODUCTION OF REPORT</b>	<b>2</b>
<b>INTRODUCTION</b>	<b>3</b>
<b>ENVIRONMENTAL PROTECTION</b>	<b>4</b>
<b>A1 EMISSIONS</b>	<b>4</b>
<b>A2, A3 USE OF RESOURCES</b>	<b>5</b>
I. ENERGY CONSERVATION	5
II. SALES OF GREEN PRODUCTS	8
<b>EMPLOYEE CARE</b>	<b>9</b>
<b>B1 EMPLOYMENT</b>	<b>9</b>
I. INTRODUCTION OF TALENT	9
II. EMPLOYEE WELFARE	12
III. PROMOTION OF EMPLOYEES	13
<b>B2 HEALTH AND SAFETY</b>	<b>14</b>
I. OCCUPATIONAL HEALTH	14
II. OCCUPATIONAL SAFETY	16
<b>B3 DEVELOPMENT AND TRAINING</b>	<b>17</b>
I. EMPLOYEE DEVELOPMENT	17
II. TALENT DEVELOPMENT CHANNELS	19
<b>B4 LABOUR STANDARDS</b>	<b>21</b>
I. PREVENTING CHILD LABOUR AND FORCED LABOUR	21
<b>PRODUCT MANAGEMENT</b>	<b>22</b>
<b>B5 SUPPLY CHAIN MANAGEMENT</b>	<b>22</b>
I. SCREENING OF SUPPLIERS	22
<b>B6 PRODUCT RESPONSIBILITY</b>	<b>23</b>
I. QUALITY CONTROL	23
II. ADVERTISING AND PUBLICITY	24
III. PRODUCT IDENTIFICATION	25
IV. PRIVACY PROTECTION	25
V. AFTER-SALES GUARANTEE	25
<b>INTEGRITY CULTURE</b>	<b>26</b>
<b>B7 ANTI-CORRUPTION</b>	<b>26</b>
I. EDUCATION ON INTEGRITY	26
II. INTEGRITY POLICY	26
III. MEASURES AGAINST CORRUPTION	27
<b>COMMUNITY PUBLIC WELFARE</b>	<b>28</b>
<b>B8 COMMUNITY INVESTMENT</b>	<b>28</b>
I. COMMUNITY SERVICES	28
II. COMMUNITY DEVELOPMENT	29
III. COMMUNITY EMPLOYMENT	32
IV. PUBLIC WELFARE ACTIVITIES	32
<b>CONCLUSION</b>	<b>36</b>





▶ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# 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 2018 to 31 December 2018.

## 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](http://www.hkex.com.hk) or [www.hyjd.com](http://www.hyjd.com).

## DESCRIPTION OF REFERENCES

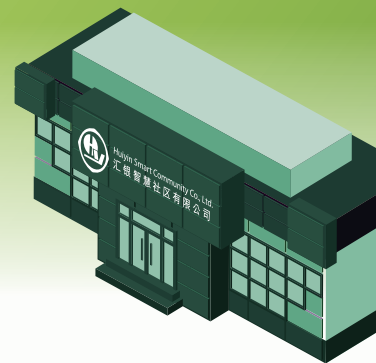
For easy reference and reading, Huiyin Smart Community Co., Ltd. is referred to as the "Company", together with its subsidiaries, as the "Group" or "Huiyin Smart Community".

## CONTACT

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## Huiyin Smart Community

# 2018 Environmental, Social and Governance Report

### INTRODUCTION

The Company has been listed on the Hong Kong Stock Exchange (stock code: 1280) since March 2010. 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. While it is selling and promoting the use of low-energy products, it 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. On the other hand, the Company also sets up environmental, social and governance-related systems, regulations or specifications to guide the employees, so as to form an effective management policy and internal control system.

During the reporting period, the Group's human resources system, information technology management system, risk control and administrative system, financial system, procurement management manual and non-competition regulations, as well as anti-fraud and whistle blowing management system have been fully revised and improved in accordance with the recommendations given by the internal control consultants and the former senior management from Haier and Gome so that the Company's internal control system is more comprehensive.

During the year, the Group undertook a drastic reform in its business in accordance with the national supply-side reform policy and the trends of consumption upgrade and new retail development, so as to streamline the business and open up the industrial chain. This lays a sound foundation for better supply chain management, product management, employee care, environmental protection, and community investment in the future.

In the future, Huiyin Smart Community will continue to abide by and implement the rules governing listed companies. Meanwhile, the Company will conscientiously implement the policy of "Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market" issued by China, vigorously promoting the upgrade of home appliances, increasing the proportion of green and smart home appliances, contributing to China's green city and green village construction, promoting energy conservation and emission reduction, and contributing to the creation of a new harmonious environment for the symbiotic development of both human being and the nature.

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.

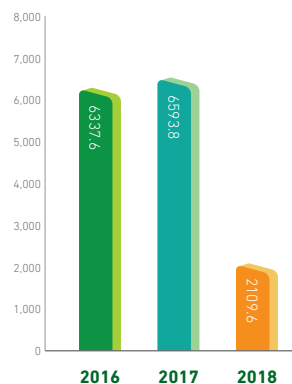
In terms of operation, the energy consumption of each store is supervised with the promotion of green development in the whole process of operation. In terms of downstream consumers, through the transformation of store scenes users have been introduced into green living spaces and low-energy products have been promoted. The concept of green consumption has also been promoted through changing users' consumption concepts, consumption methods and consumer products.

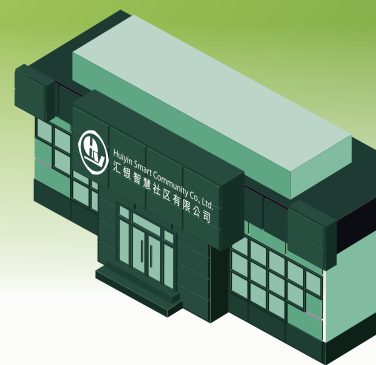
### A1 EMISSIONS

The main business of Huiyin Smart Community is to engage in the retail business of household appliances and import merchandise as well as the APP online sales of products 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 minimizing the Group's resources consumption and carbon emission through a series of measures, such as smart logistics and the promotion of energy conservation and emission reduction.

In 2018, the carbon emission was 2,109.65 tonnes, which decreased significantly from 6,593.82 tonnes in 2017.

Indirect Carbon Emission (Tonnes)





## A2, A3 USE OF RESOURCES

### I. ENERGY CONSERVATION

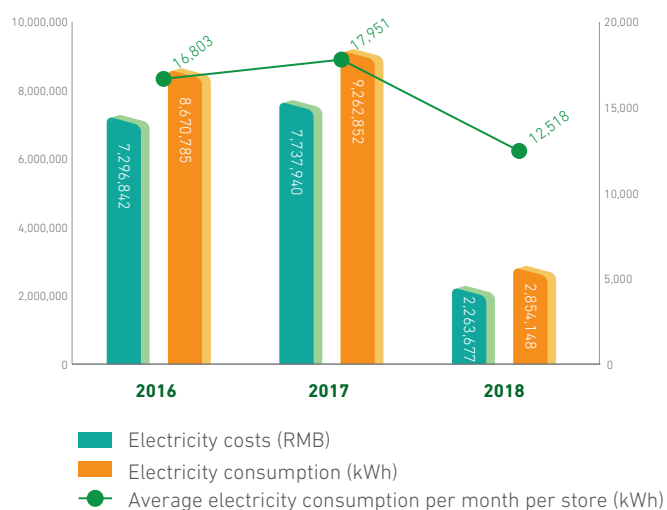
#### Electricity Saving

In order to reduce the electricity consumption and cost of electricity in the course of business, Huiyin Smart Community has adopted the following control measures regarding the use of electricity:

- (1) Promote green lighting products and replace halogen lamps with LED lights for existing stores and office locations;
- (2) Promote and mainly use energy-saving lamps in the process of expansion and transformation of stores;
- (3) Strictly forbid the use of main lamps for lighting in the absence 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 lights, water dispensers and printers.

In terms of electricity consumption in stores, the total electricity consumption by the Group was approximately 2,854,148.10 kWh during 2018, representing a significant decrease of 69.19% as compared to that of 2017.

#### Electricity Consumption





## ENVIRONMENTAL PROTECTION

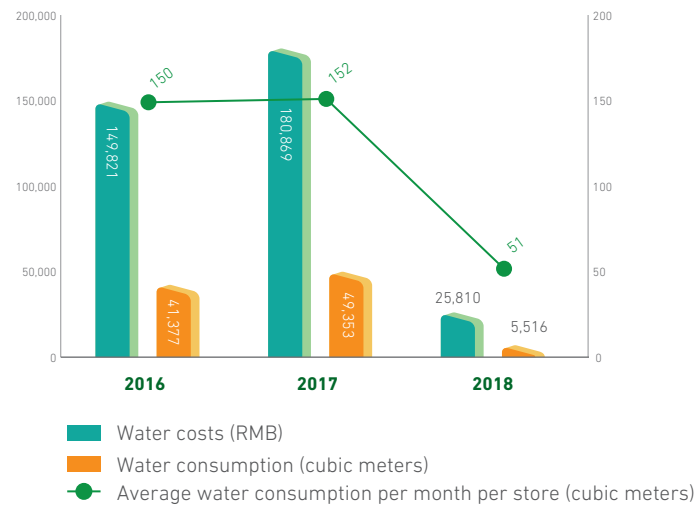
### Water Saving

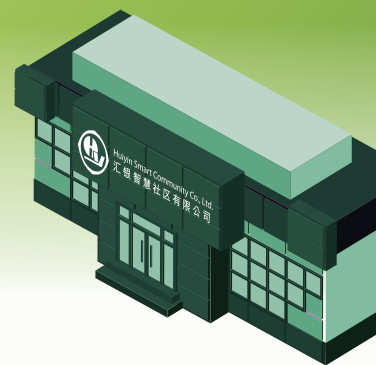
In addition to electricity, Huiyin Smart Community also attaches great importance to the management of water sources, especially in terms of water saving in stores. The main measures to save water are as follows:

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

The total water consumption of the Group was approximately 5,516.82 cubic meters during 2018, which is reduced by more than half of the total water consumption in 2017.

### Water Consumption





### 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 or the accumulated bonus points 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.

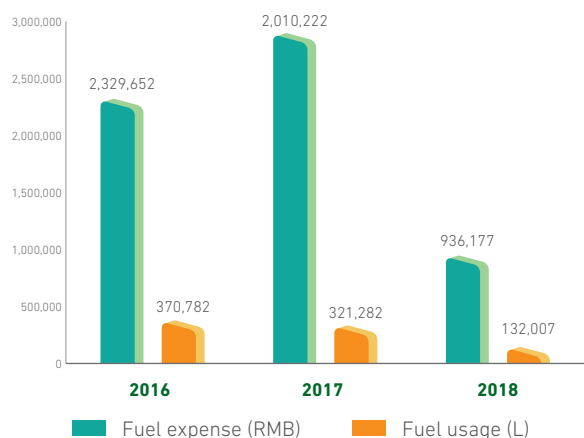
**Implementation of office automation system:** The Group is currently implementing the OA (Office Automation) office automation system. All contracts, bill payment, management processes, stamps, etc. will go paperless, minimizing paper waste.

### Logistics Management

In 2018, 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, reduced unnecessary driving and improved 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, the Company has a vehicle use management system. In the case of non-urgent or important matters, other means of transportation such as buses or subways may be used to handle the relevant matter to minimize fuel consumption and carbon emission of the Group's vehicles.

The total fuel consumption of the Group reached 132,007.04 liters in 2018, which is 58.91% lower than that for 2017.

### Fuel Consumption







## ENVIRONMENTAL PROTECTION

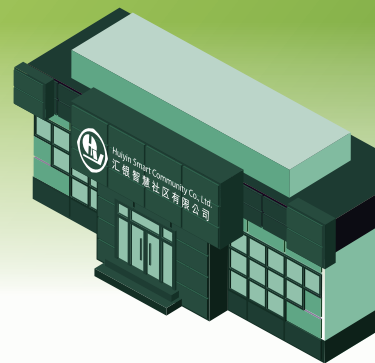
### ***Packaging Materials***

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 promoting new generations of products, so as to encourage the promotion and application of energy-efficient products.



## EMPLOYEE CARE

Huiyin Smart Community strictly abides by the Labour Law of the PRC, the Labour Contract Law of the PRC, the Regulations on the Paid Annual Leave of Employees and other laws and regulations to protect employees' legal rights and interests. The Company established a fair and reasonable salary management system to ensure that employees receive fair and reasonable benefits and treatment, as well as recruitment, training, performance appraisal and other systems to ensure that all job seekers have equal opportunities to be hired by the Company and employees have access to training and continuously get promoted and grow through performance appraisal. Meanwhile, the Group pays 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 planning and development of employees, and conducts vocational training from time to time to help employees achieve their career goals.

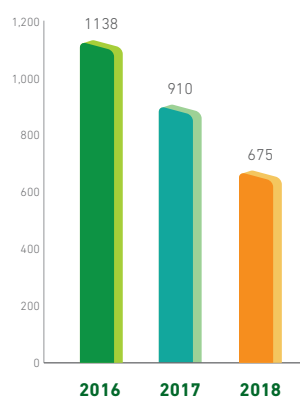
## B1 EMPLOYMENT

### 1. INTRODUCTION OF TALENT

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

After nearly a year of business restructuring and optimization, the total number of employees in 2018 was 675, representing a decrease from 2017. At the same time, the introduction of employees from ethnic groups has been increased, with a current proportion of 0.44%, which makes the employment of talents more diversified.

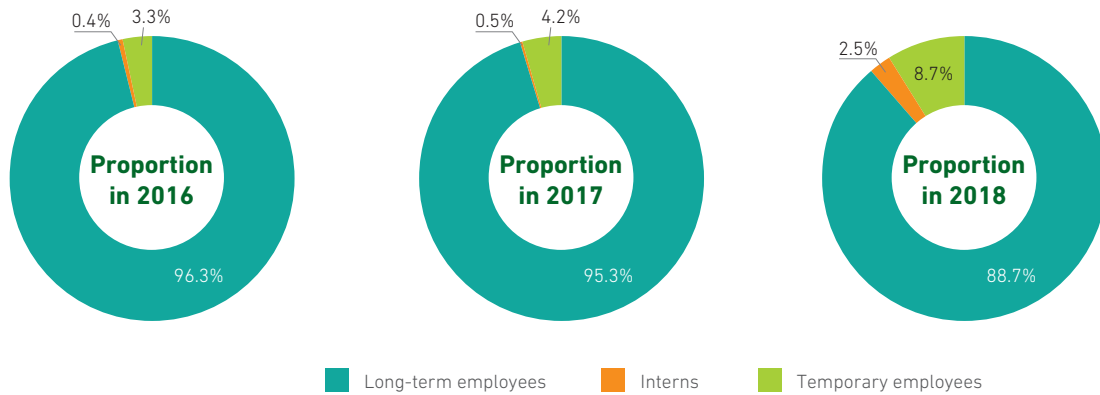
Total number of employees



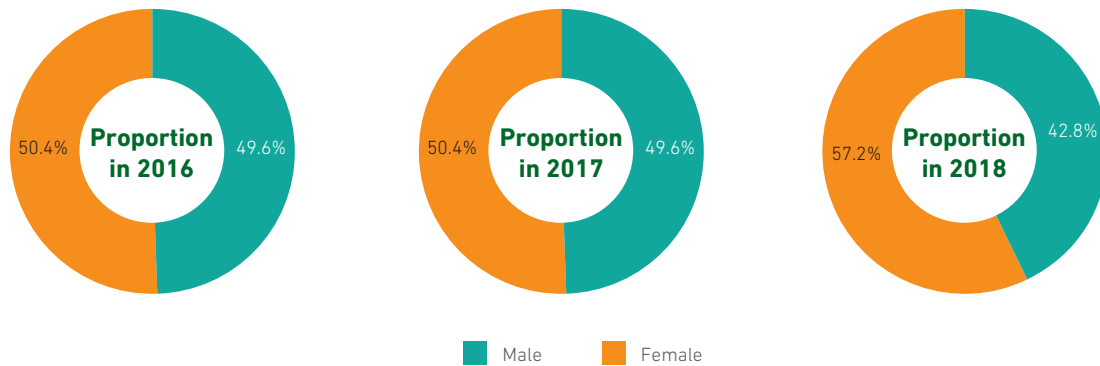


## EMPLOYEE CARE

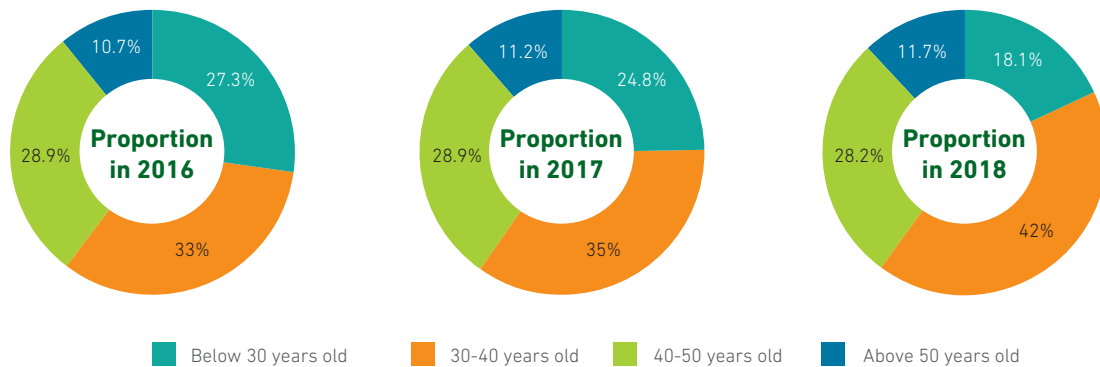
In terms of the type of employment, the employment type in 2018 is more diverse than that in 2017 by increasing the proportion of temporary employees and interns, which makes the human resources composition of the Company more dynamic.



In terms of gender, the employee composition the Group has been relatively balanced in recent years. In 2018, the proportion of female members increased, providing more employment opportunities for women. The turnover rate was kept within 6%.

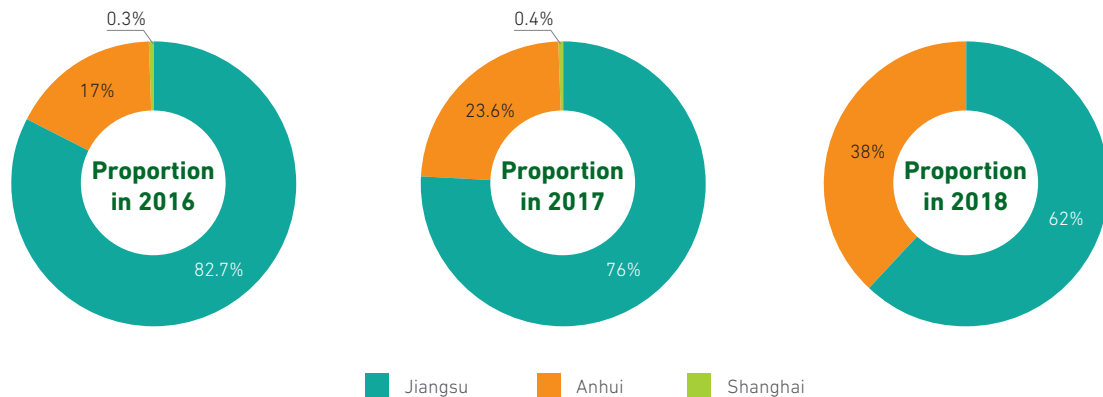


In terms of age, the Group optimized the talent structure and increased the proportion of talents aged 30-40 in 2018. Talents from such age group are characterized by stability equipped with richer experience in operation, management and marketing, which is conducive to the healthy and stable development of the Group.





In terms of geographical regions, the Group has strengthened its business expansion in the Anhui market in 2018, resulting in a significant decrease in the turnover rate of such market. At the same time, the turnover rate at the Jiangsu market has also decreased compared to 2017. In the future, the employee turnover rate is expected to further decrease with the stable expansion in the business scale.



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 2018, the Group actively sought and introduced top industry leaders into the Group so as to enhance the Company's new retail competitiveness, improve its operating model, strengthen and consolidate its retail business, and accelerate the realization of its new retail strategy. On 15 June 2018, Mr. Xin Kexia, who had been the vice president of Gome Retail Holdings Limited and the general manager of Haier Group Co., Limited, was appointed as the Group's Chief Executive Officer to build a mature operating system for the Group, which creates an army of retail teams to increase the market share, expands the development momentum in the East China region and lays a solid foundation.



Mr. Xin Kexia (left) co-operating with Mr. Yuan Li (right), the Chairman of Huiyin Smart Community's Board of Directors



## EMPLOYEE CARE

### 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 in accordance with 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 annual body check welfare for all the employees at the end of the year; provides training for new recruits and currant 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' cultural life in spare time, the Group also organizes various festival activities during the holidays to enhance the team building of the employees.



Employee care and festival greetings were delivered on time



### 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 some office appliances such as special vehicles and laptops 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.

### Regular promotion

Outstanding key employees and management cadres are selected through store appraisal, employee appraisal, and management cadre appraisal. The key employees and management cadres who continuously meet the appraisal standards and fulfil the promotion criteria will be placed on probation for the promotion and carry out trainee work in accordance with the standard of that position. After a period of time (generally three months), the employee who passes the assessment and fulfills the standard of the position will be promoted as the entry level management or middle and senior level management.



Year-end evaluation activities





## EMPLOYEE CARE



### *Exceptional promotion*

In the rapid growth stage of the Company, a large number of middle- and high-level management cadres with professional ethics and leadership are required. Particularly active and outstanding employees who have made significant contributions in their positions can be recommended by the Company's leaders for exceptional promotions. Such exceptional promotions will be granted if after discussion, the senior management is of the view that the candidates possess key capabilities and skills required of that position.

## B2 HEALTH AND SAFETY

### *1. OCCUPATIONAL HEALTH*

The Group cares deeply about the physical and mental health of its employees. On the one hand, the Group provides a safe and healthy work environment for its employees and provides employees with a good and comfortable work space to avoid work accidents or injuries. On the other hand, the Group provides different forms of activities are organized for the employees to release their mental stress to maintain their work-life balance and enrich their work.



2018 Summer 100<sup>th</sup> Day Celebration Event





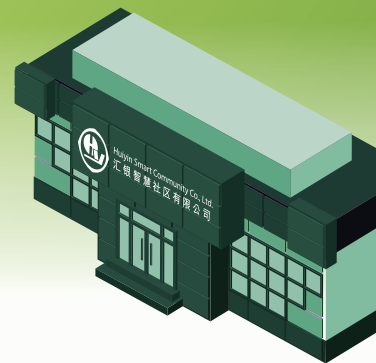
## EMPLOYEE CARE

### II. OCCUPATIONAL SAFETY

The Group conducts unified guidance and supervision of occupational safety with its "Safe Operation Standards" system in accordance with China's laws and regulations on occupational health and safety and industry standards. For example, the Company's service staff have to carry out safety inspections on users' power supply, earth wire, wire direction, water pipes, water valves, air valves, water pressure, air pressure, and so on during the provision of installation and maintenance services. In case of potential safety hazards, it is necessary for them to propose rectification advice in time so as to avoid accidents from happening.

During the reporting period, the Group did not have any incident of death due to work, 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. Courses include 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 locations need to go to the headquarters to participate in unified training. The Human Resources Department will help employees understand the Company's development history, business composition, departmental composition, and future planning. On the other hand, employees will be informed of the Company's various management systems, requirements and specifications on dress code and etiquette, so as to enhance their sense of stewardship and service awareness.

#### *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 the 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. In addition, the Company allocates members of the senior management to different stores for them to provide trainings. These trainings encourage and provide guidance to the employees to boost their work and improve work performance.



## EMPLOYEE CARE



All-staff training at stores

### **Corporate cooperation training**

The Group pays attention to cooperation trainings with external manufacturers, and has 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 sell and improve their business quality and skills, but also strengthen the strategic partnership with such manufacturers. The experience of joint exchanges and training 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 senior management and expand the circle of industry contacts, the Group will give core senior management the opportunity to study and obtain further education at higher education institutions such as Tsinghua University, Peking University or Cheung Kong Graduate School of Business. 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.

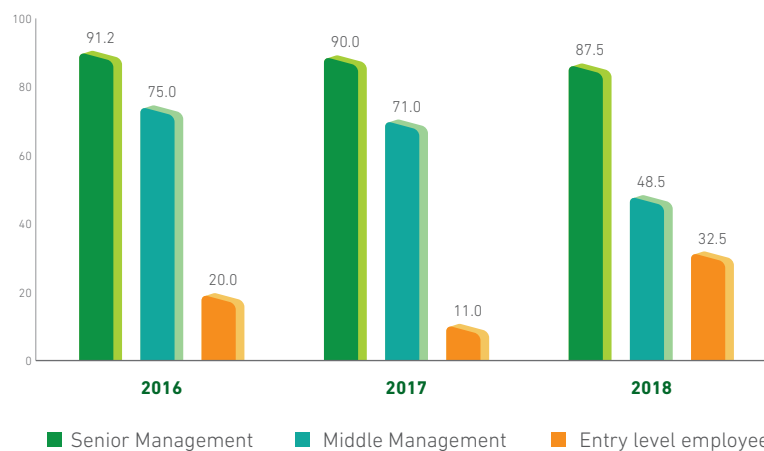


## II. TALENT DEVELOPMENT CHANNELS

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

In terms of training by type of employees, there were relatively more training for entry level employees in 2018 so that the training system for the senior, middle and entry level employees is more balanced.

Percentage of employees trained  
by type of employees



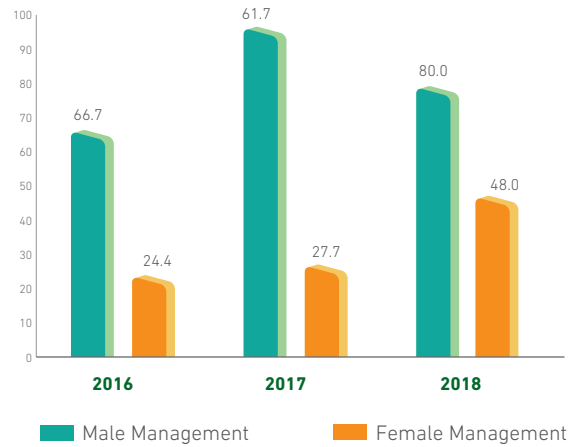
In terms of training by gender, there were significant increases in the number of both male and female managers in 2018. With a greater increase, female managers are gradually playing more important roles in the Group.





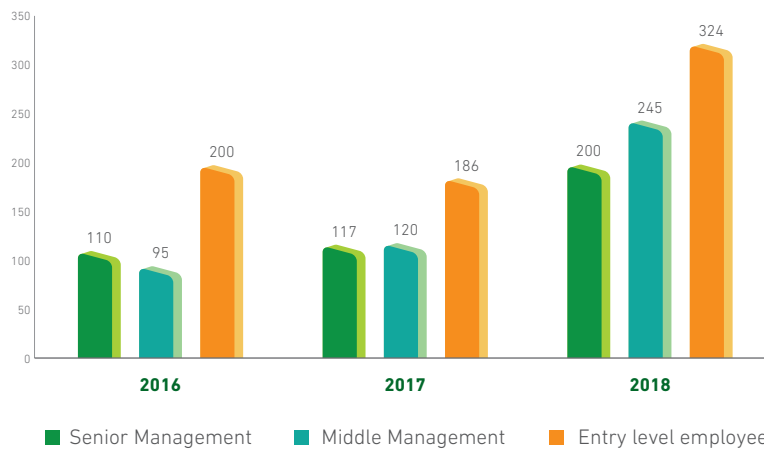
## EMPLOYEE CARE

**Percentage of employees trained by gender**

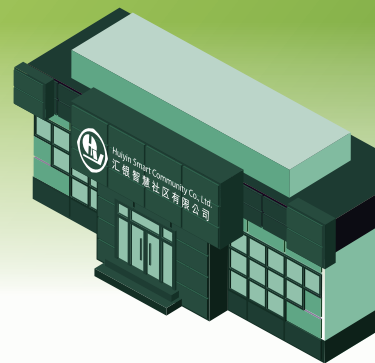


In terms of training by type of employees, the Company stepped up effort in training during the reporting period so as to ensure that employees from different levels acquire sufficient knowledge and work skills to increase the operation and work efficiency.

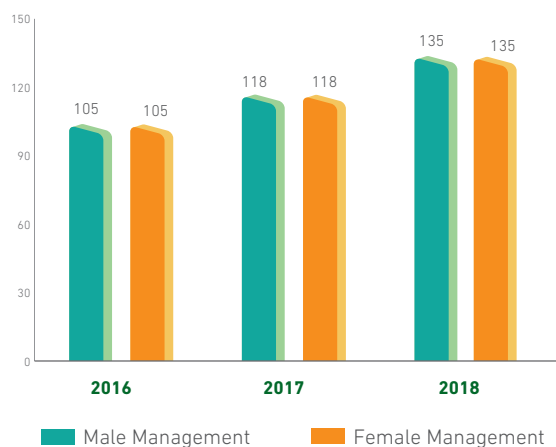
**Average training hours per employee by type of employees**



In terms of categorization by gender, there was gradual and equal increase in the training hours for male and female managers.



Average training hours per employee  
by gender



## 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.

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 compensation leave 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

### 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 food to contribute to energy conservation, emission reduction and environmental protection on the other hand.

### B5 SUPPLY CHAIN MANAGEMENT

#### 1. SCREENING OF SUPPLIERS

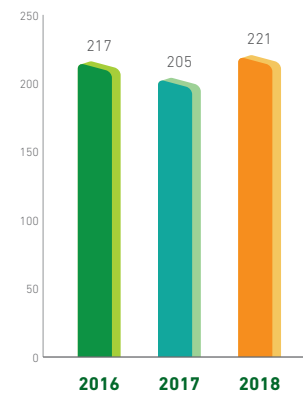
The Group follows the principles of openness, fairness and transparency in selecting suppliers, develops and implements procurement management manual, specifying procurement and bidding procedures and regulations, as well as supplier assessment and selection criteria to assess suppliers' performance 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 main market is in East China. Thus, in order to facilitate and speed up the supply of goods, suppliers are mainly concentrated in East China. In order to improve the bargaining power for supplied products and to select the quality suppliers on a larger scale, the Group increased the number of suppliers to for screening in this year.

Note 3: East China Region mainly includes Jiangsu, Anhui and other areas.

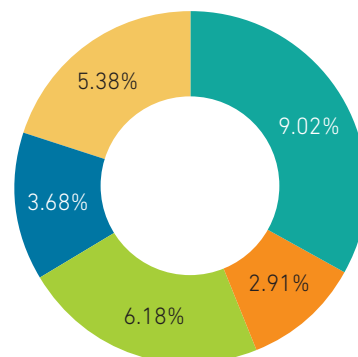
In addition, in order to ensure the suppliers' ability in quality assurance, safety and other environmental management, the Group conducts on-site investigations of suppliers as needed, and conducts field surveys of their production capacity, technical level, quality assurance, supply capacity, and safety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

East China Region  
(Number of Suppliers)



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

- 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)
- Zhengzhou Fulianwang Electronic Technology Company Limited (鄭州市富連網電子科技有限公司)
- BSH Home Appliances (China) Co., Ltd. (博西家用電器(中國)有限公司)
- Sony (China) Ltd. Shanghai Branch (索尼(中國)有限公司上海分公司)
- Daikin (CHINA) Investment Co., Ltd. Nanjing Branch (大金(中國)投資有限公司南京分公司)





## 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 which the government has ordered to phase out and stop selling, or any 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 Group has formulated the "Procurement Management System", "Inventory Management System", "Warehouse Stocktake System" and "Defective Products Management System" to check and manage product quality. All products sold shall not be counterfeit or of an inferior quality, so as to avoid any safety-related incident arising from 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. In terms of products sold, products from reputable brands such as Haier, Gree and Midea were sold so as to contribute to the high living standard of local residents.





## PRODUCT MANAGEMENT

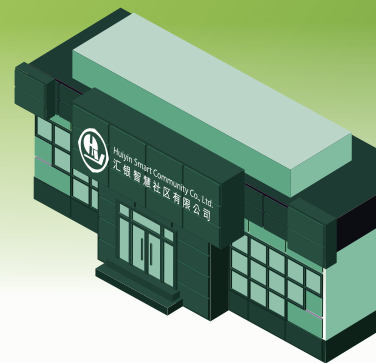
### II. ADVERTISING AND PUBLICITY

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 statements 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 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 presented obviously and clearly. Through the above measures, the Group effectively safeguards the legitimate rights and interests of consumers.



Haier Global Brand Festival



### 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. The household appliances sold shall comply with the safety standards for household and similar electrical appliances, and shall be labeled in accordance with 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 or 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 being leaked or lost. 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 consumers, or if the consumers expressly refuse.

### V. AFTER-SALES GUARANTEE

#### After-sales service

The Group has a professional after-sales service center and a after-sales personnel training center, as well as dozens of maintenance organizations designated by manufacturers. Through years of service experience, 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 telephone servings with customers who purchased our products to understand customers' experience with the 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. The Company has established a complaint handling team consisted of the customer service manager, business manager and vice president of business. In case of complaints, the customer service will refer it to the team in a timely manner. The complaint handling team will categorize the complaints based on its severity and provide individual reply and opinion concerning each complaint, while the customer service staff will take the initiative to inform the customer of the processing progress and properly compensate 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 ANTI-CORRUPTION

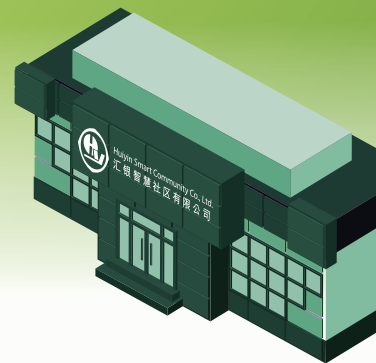
Integrity culture is an important part of the Company's corporate culture, and the culture of honesty and altruism that is symbiotic with integrity is an important guarantee for the Company's sustainable and healthy development. Integrity is not only the foundation and ethical requirement for the Group's 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 avoid violating the Criminal Law of the People's Republic of China, and prohibits and eliminates bad behaviors such as bribery, extortion, fraud and money laundering. It uses cases of duty crimes to alert employees to ensure that the employees of the Group are honest and trustworthy and have good ethics and code of conduct.

#### *II. INTEGRITY POLICY*

The Group established "Anti-fraud and Whistleblowing Management System" to monitor the conduct and action of employees in daily operations. At the same time, such system is supplemented and updated annually according to the Company's adjustment of strategy and management philosophy. Through the annual self-reflection, 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 eliminated 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 an anti-fraud mailbox and an anti-fraud anonymous hotline to the internal and external parties of the Group, accepting complaints and whistleblowing from internal employees of the Group and related suppliers/agents/fixed customers of the Group with dedicated personnel to carry out proper recording and storage of the cases. The President's Office/Human Resources Department is responsible for the collection, analysis, transmission and exchange of all kinds of information related to anti-fraud. The findings of anti-fraud cases will be implemented, followed up, announced and filed. Anti-fraud work is regularly supervised by the risk management supervision team.

Complaints and whistleblowing will be handled depending on the position in the Group of the person being complained about or reported. Cases about employees from middle management or below will be investigated and handled directly by the Group's office/Human Resources Department and punished upon approval from the Group's anti-fraud team. Cases about those from middle or higher management will be investigated and handled directly by the Group's anti-fraud team and punished upon approval from the Group's senior management. The Group shall keep any complaints or whistleblowing confidential to prevent the personal interest and benefit of complainants or whistleblowers from being compromised.

From 1 January 2018 and up to the date of this report, the Company was not involved in any corruption cases concerning its employees or the Company.



## COMMUNITY PUBLIC WELFARE

### COMMUNITY PUBLIC WELFARE

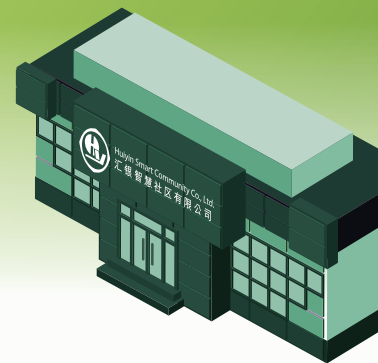
As a retail enterprise that has been cultivating the industry for many years, Huiyin Smart Community always regards social responsibility as its obligation to give back to society, and insists on supporting the public welfare to achieve synergy between its own benefits and social benefits through carrying out advocacy and promotion on public welfare.

### B8 COMMUNITY INVESTMENT

#### 1. COMMUNITY SERVICES

The Group values the establishment of a harmonious and inclusive corporate and community relationship with the communities of the areas in which it operates, and actively participates in community activities to understand community needs. During 2018, the Group provided a number of community services, including free household appliance repair and maintenance services, trade-in activities and festival blessing activities to bring more convenience and welfare to community residents. The Company has also formed a good brand image and reputation in the community.





Shiqiao District New Year Blessing Activity

## II. COMMUNITY DEVELOPMENT

The Group 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. With the increase in per capita consumption expenditure and the growth of the tertiary industry, the economic growth of the region is also promoted while the community residents enjoy greater convenience for purchasing the necessary household appliances and imported merchandise.

Mr. Yuan Li (Yuan Baixian), Chairman of the Board of Huiyin Group, actively participated in various important activities in China and the society, actively responded to the call of the state, followed the pace of the party, and learnt about the policy trends of the country in real time, contributed to the promotion of local and national economic development, as well as full employment.

In the evening of 28 September 2018, the General Office of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), the United Front Work Department of the Central Committee of the Communist Party of China (CPC), the Overseas Chinese Affairs Office of the State Council, the Hong Kong and Macao Affairs Office of the State Council, and the Taiwan Affairs Office of the State Council jointly held National Day Reception in the Ballroom of the Great Hall of the People. Wang Yang, member of the Standing Committee of the Political Bureau of the CPC Central Committee and chairman of the CPPCC National Committee, was invited to attend and give a speech in the event with Yang Jiechi, member of the Political Bureau of the CPC Central Committee and director of the Office of the Central Leading Group for Foreign Affairs hosting the event. Some of the members of the Political Bureau of the CPC Central Committee, Secretary of the Secretariat, and leaders from the National People's



## COMMUNITY PUBLIC WELFARE

Congress, the State Council and the CPPCC National Committee together with more than 2,800 representatives from all fields of Hong Kong, Macao and Taiwan attended the Reception. Mr. Yuan Li (Yuan Baixian), Chairman of the Board of Huiyin Smart Community, was invited to attend the National Day Reception.

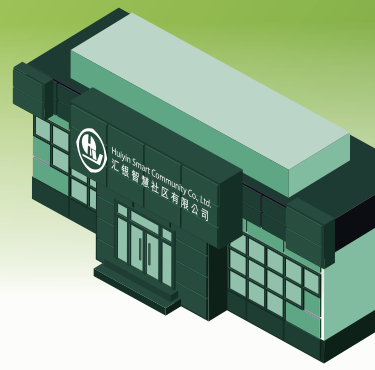
Wang Yang pointed out that 69 years ago when the new China was proclaimed, the Chinese nation, which had suffered in modern history, completely changed its destiny. Since the 18th National Congress of the Communist Party of China, the Central Committee of the Communist Party of China, with Comrade Xi Jinping as the core, has undergone historic changes and historical achievements in promoting the cause of the party and the country. The Chinese nation has ushered in a great leap, becoming rich and strong thanks to the unity of the Chinese Communist Party, which has led the people of the entire nation to overcome the difficulties. This is also the result of the concerted efforts of the Chinese in China and abroad. At present, socialism in China has entered into a new era. The Chinese have never been closer to achieving the goal of the great rejuvenation of the Chinese nation. With greater goal, there will be brighter prospect and more arduous mission. The responsibility to be shouldered will also be greater, thereby requiring the consolidation and development of an extensive patriotic and united front with the power gathered from all Chinese in China and abroad.

Yuan Li (Yuan Baixian) said that he was honored to have the opportunity to participate in this National Day Reception. He understood that there are more responsibilities to be shouldered after listening to the leaders of the party and the county in person, wishing that the industry he engages in will contribute more to achieve the great improvement of the Chinese nation.



National Day Reception Event





Cheung Yan, China Outstanding Business Woman and the chairlady of the board of Nine Dragons Paper (Holdings) Limited (Right), and Yuan Li (Yuan Baixian), Chairman of the Board of Directors of Huiyin Smart Community (Left), taking photo together



Photo of Yuan Li (Yuan Baixian), Chairman of the Board of Directors of Huiyin Smart Community, at the Reception



Zhu Xiaodan, member of the Standing Committee of the 13th CPPCC National Committee and director of the Committlee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese (second from the right), Chen Younan, Vice President of the China Federation of Overseas Chinese Entrepreneurs and Vice President of the Hong Kong Chinese General Chamber of Commerce (second from the left), and Yuan Li (Yuan Baixian), Chairman of the Board of Directors of Huiyin Smart Community (Left one) taking photo together





## COMMUNITY PUBLIC WELFARE

### III. COMMUNITY EMPLOYMENT

With the layout and expansion of the Group in third- and fourth-tier cities in East China, especially its business expansion in the Anhui region, the Group has opened dozens of comprehensive stores and brand retail stores by the end of 2018 in Jiangsu, Anhui and Nanjing, which has met the individualized and diverse needs of the community while promoting the employment of the population of working age in the community. With the future development of new retail business, the Group will continue to increase its efforts in recruitment and contribute to community employment.

### 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 1 July 2018 Xu Xinying, Executive Director of Huiyin Smart Community and executive director of Shengshang Charity Foundation, attended the signing ceremony of the "AiEr Sunflower Project" held in Linzhi, Tibet with the designated hospital of Linzhi City. As a representative of the donation enterprise of Beijing AiEr Foundation, Chairman Xu donated RMB200,000 of rehabilitation equipment to the Linzhi People's Hospital.



Yang Jie, Chairman of the AiEr Foundation, also attended the signing ceremony together with Yu Yanbing, director of neurosurgery, China-Japan Friendship Hospital; Yuan Weihong, secretary of the party committee and vice president of the hospital; Li Xin, deputy secretary of the party committee and superintendent of the hospital; Xu Xiaoli, deputy director of neurosurgery, China-Japan Friendship Hospital and others.





The “AiEr Sunflower Project” was initiated by the AiEr Foundation to alleviate the burden of medical expenses for families with children suffering from cerebral palsy as well as the poverty problem brought by illness. Meanwhile, the project also gathers the high-end medical resources in China to provide quality medical services for children with cerebral palsy in poverty-stricken areas so that children suffering from such condition can enjoy scientific and standardized treatment, as well as treatment with the latest medical technology. The project provides medical assistance to children with cerebral palsy under 12 years old from low-income families in designated areas. Those who meet the conditions can apply for medical and rehabilitation training subsidies from the project.



Due to the special geographical and climatic conditions of Tibet and the limited medical conditions, the incidence of cerebral palsy in this area is higher than that in other parts of mainland China. In this project, the expert group conducted surgical treatment for 34 children with cerebral palsy in Tibet in the Second People's Hospital of Tibet Autonomous Region and the People's Hospital of Linzhi City.



## COMMUNITY PUBLIC WELFARE

Chairman Xu said that it is very honorable for him to be able to help these children. He added that the Company should not only be the participants and practitioners of public welfare, but also be the advocates of public welfare, inviting more business groups to participate in social welfare activities, contributing to the vulnerable groups in need, spreading the positive energy of charity in the long run, giving love to the Tibetan people, and bringing more hopes to families with children suffering from cerebral palsy.

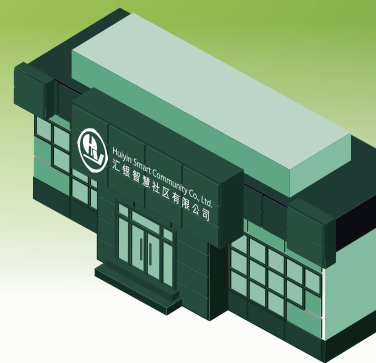
After the signing ceremony, Chairman Xu visited the children who suffered from cerebral palsy and was able to undergo surgery in this project. He handed the sunflowers to these children as a symbol of hopes, wishing them early recovery.

On 14 December 2018, "Love as Sunshine - 2018 Charity Night" was jointly held by Beijing Red Cross and AiEr Foundation in Beijing. Nearly 400 caring people from the political, business, philanthropic and media industries gathered at the event. The event was successfully completed with the support of the China Association of Mayors, Hebei Red Cross, Tianjin Red Cross, etc.

Some of the guests attending the event included Zhou Bingde, the Founding President of Dahuan Xiangyu Charity Foundation, Chen Weili, the daughter of Chen Yun, Zhu Heping, the Vice President of the Air Force Command college and the grandson of Zhu De, and other descendants of our founding fathers, as well as Li Baofeng, Party Secretary and Executive Vice President of Beijing Red Cross, Liu Youping, the deputy secretary of China Charity Alliance. Yang Jie, Chairman of the AiEr Foundation, Jia Shusen, Executive Director of the AiEr Foundation, Liu Yongliang, Vice Chairman of the Aiet Fondation and others, with Cao Yang, a well-known host of Beijing TV Channel as the host of the ball.



Zhou Bingde, the former Vice President of the China News Service and the niece of Zhou Enlai (top left), Chen Weili, the former Chairman of the CIIC Group and the daughter of Chen Yun (top right), Zhu Heping, the Vice President of the Air Force Command College and the grandson of Zhu De (bottom left), and Li Baofeng, Party Secretary and Executive Vice President of the Beijing Red Cross (bottom right)



Yuan Li (Yuan Baixian), Chairman of the Board of Huiyin Smart Community and Vice Chairman of Beijing AiEr Foundation, and Xu Xinying, Executive Director of Huiyin Smart Community, also participated in the event.

In her speech, Tao Siliang, the Founding Chairman of the AiEr Foundation, expressed warm welcome to the leaders and guests at the event. She advocated the integration of public welfare and charity into life as "charity is an elegant way of life. Elegance is not the beauty of appearance, but a kind of spiritual sufficiency, a kind of pleasure in the heart, which will sublimate one's spiritual world. Such elegant way of life will better yourselves with good virtue."



Speech by Tao Siliang, the Founding Chairman of AiEr Foundation



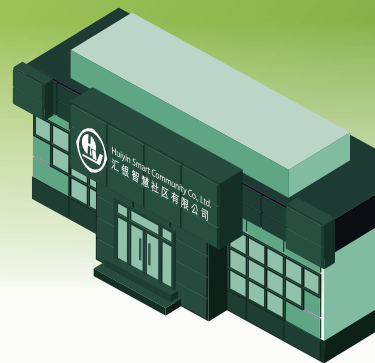
Yuan Li (Yuan Baixian), Chairman of the Board of Huiyin Smart Community (right), Xu Xinying, Executive Director (left) and Tao Siliang, Chairman (middle) taking a picture together

All the guests made generous donations at the event with all the 16 artworks donated by caring people from different fields sold for a total of RMB1.095 million donation. Among them, Yuan Li (Yuan Baixian), Chairman of the Board of Directors of Huiyin Smart Community and Vice Chairman of Beijing AiEr Foundation, bought a picture called "Cihang Pudu" for RMB30,000.

2018 AiEr Night was a demonstration of love, a platform for love, and a relay for love. Huiyin Group will firmly bear in mind its original intention by actively responding to the country's call for precision poverty alleviation and efficient poverty alleviation, bringing more caring people to charity activities and contributing to the public welfare of the society.



## CONCLUSION



### CONCLUSION

Corporate governance is the internal practice of the Company while environmental protection and giving back to the society are the external contributions of the Company, both complementing each other. During the year, the Company strengthened and improved the corporate management system and internal control level. Compared with last year, it was more comprehensive in terms of supplier management, product management, employee care and integrity culture. On the other hand, in the areas of environmental protection and community public welfare, we continued to carry out strict environmental protection supervision and actively participated in charitable activities to spread love, achieving significant environmental protection progress and social public welfare influence. Although the Group has made great progress in all aspects compared to last year, it will face more difficulties as it tries to make more achievements. The Group will not forget the initial intentions and will move forward in the process of consumption upgrade and urbanization, making more contribution to the society and the country.