



Changhong Jiahua Holdings Limited

長虹佳華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

ESG Report 2022



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ABOUT THIS REPORT

BASIS OF PREPARATION

This Environmental, Social and Governance ("ESG") report is prepared in accordance with "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and has complied with "comply or explain" provision and reporting principles in the Listing Rules.

RELEASE CYCLE

This report is issued on a yearly basis and, unless otherwise stated, covers the reporting period from 1 January 2022 to 31 December 2022.

PUBLICATION

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

REPORTING SCOPE

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



ABOUT THIS REPORT

ESG REPORTING PRINCIPLES

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

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

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

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

CONTACT INFORMATION

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ESG STATEMENT OF THE BORAD

The Group is committed to continuously improving its ESG governance as a long-term objective. The Group has developed a framework that integrates environmental, social and governance into its day-to-day operations. The Group has established the ESG Working Group composed of senior managers of the Group to ensure that its ESG governance strategies are communicated and implemented.

The Board formulates the Group's ESG strategy and is responsible for the risks associated with ESG. To enhance the Group's ESG governance, the Working Group assists the Board in regularly discussing and assessing the group's ESG governance risks, performance and strategies. In 2022, the Board considered material issues and reporting strategies and approved the publication of this report.

The Working Group is committed to organizing and implementing the ESG strategy and guidelines formulated by the Board of Directors, supervising and managing ESG-related risks and the effectiveness of internal control measures, taking charge of ESG-related issues in daily management and compiling annual ESG reports, etc..

In the future, the Group will strive to expand sustainable development business, promote new growth with new drivers, maintain long-term stable cooperation with partners, and develop together with stakeholders. At the same time, the Group will strengthen communication with stakeholders, continue to improve the ESG management system, further improve the ESG governance level of the Group, and continue to create more value for shareholders and stakeholders. The Board will take the ultimate responsibilities for the ESG strategies, management and performance of the Group. The Board reviews and decides the ESG policies, strategies and structures, determines the importance assessment, supervises the ESG-related overall management and decision-making, evaluates and determines the ESG risks and opportunities and other important issues, reviews and decides its ESG objectives, and regularly reviews the ESG performance. The Board reviews and checks the ESG-related objectives through regular meetings or/and reports and other forms and supervises the Group's ESG risks and opportunities to ensure the effectiveness of the ESG risk management and internal monitoring mechanism. The Group pays attention to the coordinated and sustainable development of enterprises with the society and environment. While pursuing economic benefits and enterprise development, it consciously incorporates social responsibility into its business strategy, carries on its business with integrity and compliance, actively performs social responsibilities and obligations, realizes the healthy and harmonious development of the Company and employees, the Company and society, and the Company and the environment, and continues to create value for shareholders.



ABOUT US AND APPROACH TO ESG

The Company is a state-owned company listed in Hong Kong (stock code 3991), with the business philosophy "be a good partner to help with growth and support success", pursuing to become a remarkable digitalization and intelligent comprehensive service provider in the new era, leveraging core digital and intelligent capabilities to empower oneself and partners for value enhancement. It is committed to providing partners with pan-ICT product lines, online and offline new circulation ecological services, ICT infrastructure construction products and services, enterprise cloudification and cloud data intelligence solutions and services to help partners grow and succeed in a long and sustainable manner.

As an integrated service provider of cloud, network, data, intelligence and security, the Group is determined to be a leader in providing enterprise-level digitalization and intelligent service in China by actively riding the momentum of the Internet of Things, cloud applications and digital transformation, rapidly improving cloud ecology, increasing technical investment, enhancing independent innovation, as the best partner in digitalization. In terms of specialized ICT solution service and product distribution, the Group integrates international technologies and product resources. Depending on its own technologies, resources integration and service ability, the Group is able to provide smart application solutions based on innovative applications and high cost performance for partners in the fields of cloud computing, big data, artificial intelligence, digital-real integration, cyber security and so on.

With its strong operating power in mass and consumer product markets, the Group develops professional solutions to help manufacturers quickly launch their products into the market. Through a mix of marketing models, it has realized an organic combination of products, helping its partners meet their users' demand in all dimensions. The Group has built a nationwide channel system by connecting tens of thousands of distributors and hundreds of manufacturers. Efforts are made to form a full-fledged new circulation business model that closely integrates e-commerce, new media outlets, offline new retail, new channels and other channels. The needs of personalized marketing scenes can be satisfied since the omni-field and omni-channel marketing is well-developed.

In the field of intelligent manufacturing, the Group is a professional provider of integrated intelligent solutions to development, manufacturing, operation, maintenance, and delivery of products. Focusing on the technology, products and application of IoT and AI, it provides its partners and clients with a variety of one-stop intelligent terminal products and services for IoT connection, including intelligent terminal

and intermediate products and peripheral devices. Relying on the core technology and manufacturing capability of Changhong, it offers its partners and clients with comprehensive business support integrating technical research, product development, intelligent production, intelligent logistics and online after-sales service, creating integrated solutions for intelligent terminal devices.

APPROACH TO ESG

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

CORPORATE MISSION

The Group is committed to supporting its partners' digital and intelligent upgrading, aspires to become a listed company with good profitability and a remarkable digitalization and intelligentization comprehensive service provider in China, hence maintaining long-term sustainable development and creating maximum returns for shareholders.

CORPORATE VISION

- To become a remarkable digitalization and intelligentization comprehensive service provider in China
- To become a remarkable listed company bringing satisfactory returns to the Shareholders
- To become a paradise for the career development of professional managers



CORPORATE CULTURE

- Targets and results oriented: with clearly defined strategic targets, use the targets to be achieved to plan, figure out the timelines, strategies, measures and road maps in accomplishing them and then move forward step by step. Achieve targets through scientific and systemic ways of thinking and focus on results accountability. Fully mobilize the core strength to target, precise alignment, and continuously enhance the effectiveness of the work.
- Simple and direct communication: efficiency is the principle to follow and achieve targets through focused and efficient communications. Be straight to the point, have clear subjects during communication, important first and then secondary, be targets and results oriented and focus on facts but not individuals.
- Seek for truth, seek for diversity, and explore other kinds of possibilities: apply rules that are discovered during exploration process, seek for and apply differences in rules. Advocate "engineer culture", activate the creation gene, establish the innovative thinking mode of Chinese digitalization and intelligentization comprehensive service enterprises, revitalize the vitality of creation and endeavor to achieve corporate improvement and industry perfection.

CORE BUSINESS PHILOSOPHY

Be a good partner to help with growth and support success: We strive to coordinate resources, provide digital and intelligent service for sustainable growth of partners in a specialized way, and work with partners to expand digital and intelligent ecology, create new digital and intelligent value and share development achievements in the new era.

做**帮助成长**
支持成功的好伙伴

DEVELOPMENT STRATEGY

On the basis of maintaining the steady development of the traditional ICT distribution business, to actively grasp the rapid development and digital transformation trend of the Internet of Things and cloud applications, increase technical investment, enhance independent innovation, develop and enhance digital and intelligent core capabilities, and realize the strategic transformation to a remarkable digitalization and intelligentization comprehensive service provider and value partner in the new era.



2022 OPERATING PERFORMANCE

In 2022, the global economy was hit hard by COVID-19 resurgence, escalation of geopolitical conflicts, high inflation and frequent occurrence of major climate disasters. China has efficiently coordinated the prevention and control of the epidemic as well as the economic and social development, effectively coped with internal and external challenges, and sustained national economic development. In 2022, in spite of the adverse impact of severe and complex environment, the Group managed to maintain a stable performance and good development momentum through concerted efforts and persistent hard work. Following the development trend of the digital economy, in 2022, the Company took "new cognition, new kinetic energy, and smart partner" as its business policy in 2022, seized new opportunities in the era of the Internet of Things and cloud applications, developed new models and new momentum for development, accelerated the construction of cloud integrated service innovation business model and promoted business transformation and upgrade.

In 2022, the Group recorded an income of about HK\$38,339.11 million, up by 13.96% over the same period of the previous fiscal year; gross margin in 2022 was 3.32%, up by about 0.36 percentage point from the same period of the previous fiscal year, mainly due to the change in sales contribution of the product line. The profit attributable to shareholders in 2022 was approximately HK\$365.82 million, down by about 11.48% over the same period of the previous fiscal year and the basic earnings per share was HK\$14.23 cents, down by HK\$1.85 cents from HK\$16.08 cents in the same period of the previous fiscal year.

2022 CORPORATE HONOR

- Awarded as an E-commerce Model Enterprise in Sichuan Province 2022 by the Sichuan Provincial Department of Commerce
- Received the title of the Five-star Service Provider in the Consumer Electronics Industry from the Consumer Electronics Service Committee of the China Electronics Chamber of Commerce in 2022
- Received the title of the 2022 Top 500 Digital Ecology Enterprises - Top Ten Value-added Distributors from B. P. in 2022
- Received the title of the 2022 Chinese Digital Ecology Metaverse Pioneer from B. P. in 2022
- Received the Digital Transformation Drive Award from the 11th CFS in 2022
- Received the Industry Innovation Model Award from the 11th CFS in 2022
- Won the 2021 social responsibility Pioneer Award issued by the 11th public welfare Festival In 2022
- Won the 2021 annual business excellence award issued by Sichuan Changhong In 2022



STAKEHOLDERS ENGAGEMENT

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

COMMUNICATION WITH STAKEHOLDERS

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



MATERIALITY ASSESSMENT

The Group conducts stakeholder communication and importance assessment through telephone, questionnaire, etc., to enable stakeholders to understand their environmental, social and governance vision, to further determine the disclosure focus of the ESG report and respond to the expectations and requirements of stakeholders. We took into account internal and external views to define sustainability issues that are relevant to our business and stakeholders.

The results of the following importance ESG issues have been approved and confirmed by the Board:

Sorted by Materiality	Issues
High materiality issues	Compliance Operations Anti-corruption Enterprise Risk Management Procurement and Supply Chain Management Customer Service Management Customer Privacy Protection Information Security Product/Service Quality Management Compliance to Labour Legislation Staff Training and Development Staff Health and Safety
Moderate materiality issues	Responsible Marketing and Publicity Employee Participation, Diversity and Inclusion
General materiality issues	Energy Management Greenhouse Gas Emission Waste Disposal Exhaust Emission Reduction Water Resource Management Use of Natural Resources Addressing Climate Change Community Philanthropy



GOVERNANCE

CORPORATE GOVERNANCE

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

COMPLIANCE MANAGEMENT

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



INTERNAL RISK CONTROL

The Group established the Compliance and Risk Control Management System (《合規與風控管理製度》) and Internal Control Manual (《內部控制手冊》) in accordance with the relevant regulatory requirements and the internal control framework required by the Ministry of Finance to clarify the management rules, systems, critical control points, and corresponding controls of the key control links. The process ensures that the Group's business management is legally compliant, corporate assets are secure, financial information and related information are accurate and reliable, aiming to improve operation efficiency and promote company's strategic planning. In 2022, the Group carried out risk identification and evaluation, regularly summarized the list of major risk identification, conducted training on the main risk points and key control points of the internal control process for all staff, and through daily and special internal control inspection and prevention, effectively identified and controlled various risks arising from the operation process. This year, no significant ESG-related risk was found in the Group.

ANTI-CORRUPTION

The Group strictly abides by national and regional laws and regulations such as the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-Unfair Competition Law of the People's Republic of China (《反不正當競爭法》), and formulated a number of rules and systems including Code of Supervision on Staff Independence (《員工獨立性監管守則》) and Measures of Changhong Jiahua for Accountability Management (《長虹佳華問責管理辦法》) to regulate our employees' behavior in economic activities, maintain the objectivity, impartiality and synergy of the Group's business activities, avoid business operation risks and prevent all kinds of conflicts of interest, prevent misconduct such as bribery, extortion, fraud and money laundering, secure the Group's reputation as well as interests of the Group and customers, and build a sound ordered market. In 2022, there was no corruption lawsuit brought against the Group or its employees, and there was no corruption lawsuit that had been concluded or was pending. In 2022, all the directors participated in the training courses on corporate governance and related regulations, held by a law firm hired, or read the latest information on regulatory matters and relevant documents relevant to the directors' functions and responsibilities, to ensure that all the directors comply with relevant provisions. In 2022, the Group carried out two special anti-corruption management trainings for all the employees (including part of directors), with a single training duration of 60 minutes. In addition, it irregularly issued a special anti-corruption magazine to continuously improve the anti-corruption awareness of the management and employees.



ENVIRONMENTAL PROTECTION

The Group is committed to supporting environmental sustainability. We strictly abide by national and regional environmental laws and regulations such as Environmental protection law of the People's Republic of China (《中華人民共和國環境保護法》) and Pollution Prevention and Atmospheric Pollution Prevention Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), and implement strict environmental protection policies, to ensure the fulfillment of environmental responsibility. We have obtained ISO14001 Environmental Management System certification.

Because the Group mainly operates our business in the office, we affected the environment primarily through the use of water, electricity, car fuel for office, as well as carbon emissions from the business trips of our staff, and had no significant impact on the environment and natural resources.

EMISSIONS

The Group's business operations do not involve hazardous waste, large amounts of waste gas or non-hazardous waste. In 2022, the Group did not have non-compliance issues related to environmental issues.

AIR POLLUTION EMISSION

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

In 2022, the emissions of atmospheric pollutants generated by the Group's vehicles included 393 grams of nitrogen oxide (2021: 494 grams), 46 grams of sulfur oxide (2021: 50 grams), and 29 grams of particulate matter (2021: 36 grams). The emissions of nitrogen oxide, sulfur oxide and particulate matter all were decreased by 20.5% year-on-year compared with 2021.



GREENHOUSE GASES EMISSION

The Group's emissions of greenhouse gases are mainly derived from the use of electricity and fuel use of company vehicle, and indirect greenhouse gas emissions from few paper waste. The Group has set target to reduce the average energy consumption of electricity in office area (MWh / m²) , and fuel consumption (fuel consumption per employee) , using FY2021 as the baseline year. The Group manages its carbon emissions by reducing energy consumption. In 2022, the Group achieved the objective of reducing fuel consumption per capita through the following measures:

- Try to avoid travel during peak congestion, plan routes in advance to improve traffic efficiency, reduce vehicle fuel use to vehicle exhaust emissions; reduce fuel consumption and indirect greenhouse gas emissions by maintaining vehicle's performance regularly.
- Save electricity, advocate to turn off lighting when leaving; use separate switches to control air conditioning temperature and service time to reduce indirect greenhouse gas emissions.

1. Emission from the use of electricity

The Group leased offices in 24 cities including Mainland China and Hong Kong. In 2022, the electricity consumption is 1,096 million watt-hour, involved 1,161 tons (2021: 1,061 tons) of carbon emissions. In 2022, the Group's per capita electricity consumption involved 0.86 tons (2021: 0.81 tons) of carbon emissions. Due to the expansion of the group's office space and the increase of personnel, the consumption increased slightly compared with 2021, and the Group will closely monitor the progress of the objective in the coming year. (Sources of carbon emission conversion factors involved in electricity use are the "China's Regional Grid Infrastructure Emission Factors for 2015" promulgated by the Department of Climate Change, National Development and Reform Commission).



2. Emission from the use of fuel

The Group owns a few vehicles for travel and reception of the executives. In 2022, the fuel usage involved carbon emissions of 7.1 tons (2021: 7.7 tons). In 2022, the Group's the per capita fuel consumption involved 0.0052 tons of carbon emissions, slightly lower than last year, and the objective had been achieved this year, and good progress had been made. (The source of carbon emission conversion factors involved in fuel use is the "2006 IPCC (Intergovernmental Panel on Climate Change) National Greenhouse Gas List Guidelines Catalogue", Vehicle Emission Capabilities: 2.2631Kg/L).

HAZARDOUS WASTE AND NON-HAZARDOUS WASTE

The Group's business operations do not involve hazardous waste or large amounts of non-hazardous waste as defined by the national laws and regulations. The non-hazardous waste generated by the Group mainly includes paper and a small amount of electronic products. The Group promotes paperless office software and secondary use of printing papers, produces portable notebooks, sends holiday e-cards and prints by swiping cards to reduce paper consumption. Very little paper is actually discarded. Strictly implementing garbage classification, for scrapped electronic products, they are recycled by units that have environmental recycling qualifications, while waste batteries and other hazardous wastes are required to be put into hazardous dustbins to avoid causing environmental pollution. The Group advocates employees to practice the concept of environmental protection, pay attention to the classification of waste consumed in daily life, and arrange specialized personnel to deal with waste to maintain environmental hygiene. In 2022, the Group disposed of 327 discarded electronic products including four waste batteries.

WASTEWATER

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



USE OF RESOURCES

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

1. Use of fuel

The Group has a small number of vehicles for senior executives' travel and reception. The fuel consumption in 2022 was 3,151 liters, and decreased by 7.4% from 3,403 liters in 2021. In 2022, the Group's per capita fuel consumption was 2.32 liters, and decreased by 10.77% from 2.60 liters in 2021. This year, the objective had been achieved, and good progress had been made. The Group has taken measures to reduce the use of vehicle fuel, and further reduced exhaust emissions of the vehicles:

- The Group takes measures to reduce vehicle fuel use and thereby reduce vehicle emissions;
- Traveling either at off-peak hours or on less crowded roadways;
- Make full use of mobile internet for route planning and navigation in advance, adopt the optimal route, and avoid wasting trips to reduce fuel consumption;
- Maintain the vehicle regularly to maintain its performance and avoid increasing fuel consumption.

2. Use of water

The Group's use of water originated from office usage. In some of regions, the water supply service in the office is provided by the building management. In this case, water consumption data is not available. The water supply to the offices in Beijing, Nanjing, Fuzhou, Xi'an and Shenyang was managed by the Group itself.

The Group's business does not involve production, and water use is mainly water for offices. During FY2021, the Group has set a target of reducing the water consumption intensity (cubic meters per employee) over the next 3 years, using FY2021 as the baseline year. Specific water-saving measures are as follows:

- Release environmental protection and saving slogans in the company forum to enhance environmental awareness;
- Use induction water switches to control water flow;
- Strengthen the maintenance of water equipment and improve the efficiency of equipment operation to avoid equipment failure waste of water resources.

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

Through the above measures, the water consumption in these regions was 4,338 tons in 2022, and the consumption tended to decline, and was decreased by 0.28% from 4,350 tons in 2021. In 2022, the Group's per capita water consumption was 3.20 tons, and decreased by 3.9% compared with 2021. This year, the objective had been achieved, and good progress had been made.

3. Use of paper

The use of paper by the Group mainly originates from office consumption.

The Group has set a target to reduce the total non-hazardous wastes intensity (tonnes per employee) over the next 3 years, using FY2021 as the baseline year. For achieving the set target, the Group has implemented the following measures:

- Make full use of electronic online information systems and reduce the use of paper;
- Simplify type setting if is necessary to use paper;
- Recycle packaging boxes.

Through the above measures, the Group used 0.84 million pieces of paper in 2022 (2021: 1.05 million pieces), decreased by 20% year-on-year compared with the previous year. This year, the objective had been achieved, and good progress had been made. The Group will continue to promote electronic contracting to reduce the use of paper.

4. Use of packaging materials

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

5. The energy management

The energy consumption of electricity per unit of office area in 2022 was 0.086 MWh/m², slightly increased compared with 0.084 MWh/m² of energy consumption per unit of office area in 2021, mainly due to the expansion of the Group's staff size and office space, and the Group will closely monitor the progress of the objective in the coming year. In 2023, the Group will continue to implement energy saving management measures, advocate the use of energy-saving, efficient and environmentally office equipment, and reduce the average energy consumption of electricity in office area (MWh / m²) compared to the same period last year, using FY2021 as the baseline year. Specific measures are as follows:

- Conserve electricity, promote the use of natural light without affecting work, and turn off lighting when leaving work or leaving.
- Use separate switch control in office and conference room, including centralized control of air conditioning temperature and service time;
- Set up full-time property management staff responsible for pipeline inspection and maintenance, reduce waste;
- In terms of fuel consumption, strengthen vehicle management and advocate green and low-carbon travel;
- Increase the use of modern intelligent communication equipment in business cooperation, reduce unnecessary business trips of employees, so as to reduce the use of vehicles and planes.

THE ENVIRONMENT AND NATURAL RESOURCES

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

CLIMATE CHANGE

The Group continues to pay attention to the possible impact of climate change on its operations, identifying and assessing the risks associated with climate change. Extreme weather, such as typhoons and snowstorms, may bring risks such as facility damage and employee injury, which may lead to operation and turnover efficiency or expose the Group to risks related to default. In order to minimize potential risks, the Group purchases insurance for storage and transportation and/or requires the Group's servicer who providing storage and transportation service to purchase insurance to protect risks that may be caused by extreme weather. In addition, the Group advocates green travel for employees, low-carbon way of energy saving and emission reduction, and improve the utilization efficiency of operation resources such as office supplies. The Group continues to pay attention to changes in climate-related policies and regulations, and timely alerts management of changes affecting business operations to ensure effectiveness.

SOCIAL

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHER STAKEHOLDERS

We believe that maintaining a good relationship with its business partners, customers, suppliers, employees and other stakeholders is important to the Group's business performance and development. Accordingly, the management of the Group has kept good communication, exchanged ideas and shared business updates with the stakeholders when appropriate. The Group also creates a framework for motivating staff and maintaining close relationship with staff. During the year ended 31 December 2022, there were no material and significant disputes between the Group and its customers, suppliers, employees and other stakeholders.

EMPLOYMENT

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

Based on the annual business plan, we formulate the corresponding human resource planning plan. Depending on business progress and employment needs, it recruits talents through various internal and external channels to form diversified businesses team with different genders, ages, education backgrounds, knowledge and skills, and work experience. As at 31 December 2022, the Group employed a total of 1,357 (2021: 1,309) employees. The number of full time employees of the Group classified by different categories is as follows:

	employees	percentage(%)
By gender		
Male	820	60.43
Female	537	39.57
By age groups		
Under the age of 30	425	31.32
30-40	640	47.16
40-50	264	19.45
Aged over 50	28	2.06
By geographical region		
China (including Hong Kong)	1,347	99.26
Indonesia	10	0.74




In 2022, the Group's overall employee turnover rate is about 29.60% (2021: 35.83%). By gender, age group and regional classification of employee turnover in the following table:

	number of demission	turnover rate(%)
By gender		
Male	269	33.84
Female	119	23.06
By age groups		
Under the age of 30	164	41.05
30-40	167	26.30
40-50	53	21.12
Aged over 50	4	15.69
By geographical region		
China (including Hong Kong)	380	29.19
Indonesia	8	88.89

The Group adheres to the principle of equal opportunity in recruitment and promotion, opposes discrimination based on factors such as religion, nationality, gender and age, and strictly implements same pay for same work. For those resigned employees who are capable and willing to re-join, the Group will also re-employ them with an open and enthusiastic attitude.

Applicants who meet the job recruitment requirements and have passed background investigations are formally employed and enter into formal labour contracts. The Group's working hours are in accordance with the working hours system that the national law stipulates that the daily working hours do not exceed 8 hours, and the average working time per week does not exceed 40 hours. At the same time, the employees enjoy statutory paid vacations and annual vacations. The Group has formulated clear management measures for the employees' departure, and clearly established corresponding rules and procedures in the Employee Handbook in accordance with the laws and regulations for different departure situations. When there is a situation in which it is necessary to release the employee's labour relationship, the Group terminates the labour contract in accordance with the Labour Contract Law and related regulations, and strictly complies with the requirements of laws and regulations.



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

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

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

At the beginning of every year, we hold large annual carnival show, which are undertaken by employees from show planning to its performance, providing a platform for staff to exhibit their capabilities and talents. In 2022, due to the pandemic, our Carnival was still broadcast online. All the employees watched the annual carnival through the live broadcast in the brightly decorated office areas and interacted wonderfully with the mobile APP. In order to prevent the spread of the pandemic and reduce attendance at the gathering, we changed the monthly birthday party into a form of employees' selecting gifts by themselves, making the employees' birthday gifts more meaningful. We have carried out Women's Day activities for more than 10 consecutive years to care for female employees. We hold the staff sports meeting every year to call on all staff to keep fit and create a positive, healthy and lively company atmosphere.




HEALTH AND SAFETY

The Group complies with the Occupational Disease Prevention Act (《職業病防治法》) and Working Injury Insurance Regulations (《工傷保險條例》) in China and strives to build a healthy, safe, comfortable and tidy office environment by conducting office environment assessment activities in various branches, so that every employee feels as pleasant as possible. We installed air purification fresh air equipment and regularly detect and manage air quality in the office area. Professional drinking water treatment solutions are adopted to ensure the quality of drinking water, green plants are regularly replaced. The Group has obtained ISO45001 Occupational Health and Safety Management System Certification.

We are people-oriented, and strive to provide caring welfare and care for employees. In addition to the statutory welfare, we provided a number of special welfares, including the selection of different physical examination institutions and packages according to the needs of employees for physical examination, and in combination with the physical examination results of employees, organized health lectures and released health-themed promotional emails. We distributed health pots to the employees with the aim of making the employees and their families pay attention to health and health preservation; increased subsidies for meals, transportation and communications, set up special serious illness subsidy funds, purchased employee travel accident insurance, safety insurance for staff in pandemic areas, allocated public first-aid kits, and provided gift money to the employees when they get married and have children. In 2022, we paid more attention to the practicality and cost-effectiveness of employees' welfare products, which enhanced the employees' sense of identity with the Company. In addition, the Group did not record any work related fatalities, and no lost working days due to work-related injuries in the past three years.





We put great emphasis on safety and environmental management, follows the "Precise prevention and control, Implement safety responsibility" working guideline and adopts a number of measures including measuring body temperature, swiping card for access and exit, visitor registration, safety patrolling, video surveillance, changing the access card password regularly and other measures to safeguard the Group's normal operation order. We regularly conduct fire knowledge publicity and fire drills and posts security warning tips, in order to enhance the safety and environmental awareness of employees.

During the outbreak of the COVID-19 epidemic in 2022, the Group actively took response measures and formulated emergency plan and publicity measures. According to national policy requirements, we timely adjusted employee travel restrictions, precisely promoted staff vaccination by the way of point-to-point, and distributed anti-pandemic drugs and antigen detection reagents for staff free of charge, so as to ensure the safety and physical health of employees. Meanwhile, we purchased a large number of pandemic prevention materials such as masks, alcohol, no-clean hand sanitizer and ultraviolet light disinfection lamps, placed the nano-wash-free hand lotion and disinfected paper towels in public areas such as offices, meeting rooms, toilets, etc., on each floor. Specially-assigned personnel distributed masks to employees, measured their temperature and disinfected the office area every day. We provided care services to employees during community confinement periods. The group provided microwave ovens and refrigerators for local branches to facilitate employees' self-catering and reduce eating out.



DEVELOPMENT AND TRAINING

We strive to provide employees with a good environment for growth, a fair assessment mechanism and an open transfer opportunity to achieve a win-win situation for employee development and company development.

In 2022, the Group strengthened the construction of staff learning and development systems, including annual routine projects including after-sales engineer transformation training, fresh graduates training plan, middle-level training plan and business training and other training projects. Meanwhile, in order to promote digital transformation and improve the comprehensive ability of management personnel, arrange a series of digital transformation and management of gas station projects to improve employees' digital skills and management ability. In addition, we will continue to carry out annual course plans, good lecturers, new staff mentors and new staff training.

In 2022, the Group fully promoted a digital learning mode and comprehensively build a digital learning system. The employees were empowered quickly: first, the Group focused on the construction of a digital learning platform, which became a new intelligent learning center within the Group after being put into operation in 2022, and it realized customized learning, assigned learning, task reminder, learning by mobile phone and other target functions, and effectively facilitated the needs of employees for fragmented and online learning. A total of 11 studies for management courses, 68 studies for post performance improvement courses and 15 studies for general courses were carried out for the company-level' s training.

In 2022, the Group's internal trainer and tutor team developed steadily, and all the personnel playing the role were clear about their duties and responsibilities. There were 32 incumbent internal trainers, and they conducted a total of 77 lectures. 5,703 employees participated in the training, increased by 90% compared with last year. The total number of tutors was 259, and increased by 89 persons over last year. More than 97% of new employees had received effective help from the tutors at the beginning of their employment.

In 2022, the Group carried out various kinds of post empowerment trainings, which focused on quantity and quality. The Group had organized 728 training sessions in total; accumulated 18,647 person-times of trainings were conducted for the employees participated in the internal trainings, the contents of which included products, technologies, marketing, finance, risk prevention and control, compliance and new employee skills, etc..



In 2022, the training rate of the Group's employees was 100%. The average receiving training time for male and female employees was 9.89 hours per person, increased by 39.3% over 2021; the average receiving training time for the senior management and middle management was 10 hours per person, and the average receiving training time for the general employees was 9.53 hours per person. The number of trainings received by trainees of the middle and senior management was 9,505 person-times, accounting for about 26%, and that of the general employees was 26,026 person-times, accounting for about 74%.

In 2023, the group will continue to strengthen staff training and plan to organize 600 training programs of various kinds.

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



LABOUR STANDARD

The Group is in compliance with the Labour Contract Law (《劳动合同法》) of China, Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the relevant laws and regulations, pursuant to which employees are entitled to social insurance, housing provident fund, paid annual leave and other statutory benefits, and female employees are entitled to prenatal examination, maternity and nursing leave. Respecting human rights, the Group complies with the Prohibition of Child Labour Regulations (《禁止使用童工规定》), and prohibits child labour and other forced labour. After recruiting employees, we will collect supporting documents to check the age and prevent false information and misleading during the background check. In addition, the Group will sign labour contracts with employees in compliance with the Labour Contract Law (《劳动合同法》), specifying all details to protect their rights and interests, and so as to avoid forced labour.

The Group will take immediate action to correct any violation of laws and regulations, such as employment of child labor or forced labor. In the fiscal year 2022, the Group did not find any serious violation of laws and regulations in relation to the employment, such as employment of child labor and forced labor.



UPSTREAM AND DOWNSTREAM COLLABORATION AND OPERATION MANAGEMENT

As the PRC agent of numerous international ICT suppliers, the Group conducts extensive cooperation with suppliers to provide professional products and solutions to channel partners. We have formulated a supplier access audit system to evaluate suppliers' qualifications, financial status, product quality, production and supply, service capacity, business licenses, etc.. Through formulating a series of procurement policies including procurement principles, procurement methods and procurement monitoring mechanism, we achieve a centralized and unified comprehensive planning of procurement. We expect suppliers to consider the environmental, social, health and safety and governance in their operations.

The Group issued "Environmental, Occupational Health and Safety Notice" to some supplier, and added relevant contents of environmental, health and safety requirements into the terms of our cooperation contract with the supplier. The Group's suppliers cover 31 provinces and autonomous regions in China (including Hong Kong, Macau and Taiwan) and overseas, including 372 suppliers in North China, 52 suppliers in Northeast China, 428 suppliers in East China, 146 suppliers in South China, 100 suppliers in central China and 111 suppliers in Southwest China. There are 82 suppliers in Northwest region and 33 overseas suppliers. As a comprehensive ICT service provider, the Group cooperates with many industry leading upstream suppliers. The group has established a supplier management system, reviewed the qualifications of upstream suppliers, and optimized the resources of upstream suppliers through performance appraisal. In FY 2022, all the group's suppliers were included in the supplier management System audit.

The Group evaluates its supply capacity and quality management level through supplier access procedures. The supplier shall provide the relevant quality system certification certificate or the authorized agent documents of the relevant manufacturer, so that the Group can select appropriate suppliers to support its operation and reduce potential risks. We visit key suppliers on the spot, inspect their warehouses and production operations, evaluate their safety, environmental protection and operation capacity in the operation process. Under the same conditions, we tend to choose the same strong but less packaged products suppliers. In addition, the products of the Group belong to electronic products and are durable.





For enterprise level segment, based on agent products, we set up application-level platforms relying on our own technologies, resource integration and service capability. we organically integrate products into multiple technologies and industry solutions, and provide multiple value-added services including technical support, consulting, training and qualification certification. We are committed to becoming a well-known big data, cloud computing comprehensive service provider in China. We possess a cloud computing experience and training center, collaborate with many internationally well-know manufacturers to provide one-stop services including solutions containing data solutions, virtualization solutions and disaster backup solutions, market consultation and technical support for cooperative channel partners to promote closer cooperation between manufacturers and integrators. The Group allocates dedicated account managers for different projects, who responsible for the communication and feedback of user problems, and provides one-to-one service support, technical consultation, fault analysis and remote diagnosis through the group' s call centre hotline.

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

Since 2008, we had held a "Jiahua Good Partners" gratitude meeting every year to summarize the operation of the previous year, release the strategies for the next year, provide a platform for communication between the upstream and downstream partners, and explore new paths for future development with the partners. At present, the gratitude meeting has been held for 15 consecutive sessions. In recent years, due to the influence of COVID-19, we have upgraded the gratitude meeting to cloud-based gratitude, used new technologies and new forms, such as 5D cloud live broadcast, 3D digital human, etc., and connected with the partners to gather in the cloud, which achieved excellent results, and established a new style in the industry.



Since the holding of the "Jiahua Good Partner" gratitude meeting, a total of more than 46,000 person-times of manufacturers and nearly 57,000 person-times of agent partners had participated in the meeting. Leaders of 378 sub-manufacturers had sent blessings to Changhong Jiahua and its partners through the meeting, which has become one of the well-known brand activities of the Group and is highly praised by the partners. The Group strives to play a role of ICT ecosystem connector, adopts digital and intelligent tools, continuously improves its core capabilities, builds an intelligent business system, and works with the partners to promote the new development of the digital intelligence era.



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

To combat the outbreak of COVID-19, the Group actively exerted its role as a connector, combining the strengths of manufacturers and agents, and based on our strong platform operation and management advantages, to ensure our business normally running and provide timely services. Facing urgent needs, all parties inside and outside the Group cooperated with each other to quickly communicate and respond, and concentrated their efforts to assist partners to meet the customers' needs from anti-Epidemic frontline. During the epidemic period, we conducted a series of live-broadcast training with the theme of "New Infrastructure and New Driving Forces" together with manufacturers to explore the development direction of ICT in the face of the evolution of the global pandemic and economic challenges, and to help new infrastructure to fight the pandemic from multiple dimensions and scenarios.

The Group always adheres to the concept of being a good partner to help grow and support success, and always pays attention to the actual situation of channel partners. As a corporate citizen with a high sense of responsibility, the Group will continue to fulfill its own responsibilities, help its partners, and provide warmth to the infected area.



QUALITY ASSURANCE

The quality of products and services determines the survival and reputation of the enterprise. To strengthen quality management, the Group has established and continuously improved the quality management system to ensure that the Group's products and services meet customer needs. We have passed ISO9001, ISO20000 (Information Technology Service Management Standard), Level 2 of ITSS (Information Technology Service Operation and Maintenance Service Capability Maturity Level), ITSS cloud computing service capability standard compliance certificate (Level 2) and our own brand products have passed CCC (China National Compulsory Product Certification Certificate) and China Energy Saving Product Certification, etc..

As an ICT integrated service provider, the Group sales products for distribution by the proxy pattern, and the Group will review supplier' s product qualification. In 2022, no recall because of safety and health reasons, no complaints about products and services. If the customer found the problem when received product acceptance, the Group will actively coordinate with supplier according to the laws and regulations, and request to return or replace according to the contract with supplier.

The Group has established an environmental and occupational health and safety management system that conforms to international standards, formed a self-monitoring and self-improvement mechanism, continuously improved the internal management level and the awareness of all staff, strictly complied with the requirements of laws and regulations, avoided risks arising from environmental and occupational health and safety issues, continued to maintain a sense of social responsibility, and established a good corporate reputation and image. We have passed the certification for ISO14001 environmental management system standard and certification for ISO45001 occupational health and safety management system standard.



INFORMATION SECURITY

Information security is one of the basic guarantees for the sustainable development of enterprises. The Group strictly abides by national and regional laws and regulations such as the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》). The Group attaches great importance to information security management and establish the Information Security Management Manual(《信息安全管理手冊》) through adoption of risk assessment and risk management, physical media management, permission compliance management, system development and operations management, data backup and safety management, personnel management and check on duty management standard, to ensure the physical security, operation security, information assets security and personnel security of the information system and to guarantee the integrity, availability, confidentiality and controllability of the Group's information. We have passed ISO27001 (Information Security Management System Standard).

RESPONSIBLE MARKETING AND PROMOTION

The Group has formulated the Regulations on the Administration of Public Media Communication(《公共媒體傳播管理規定》), the Administrative Measures for External Information Release(《對外信息發佈管理辦法》), the Regulations on the Administration of We Media (《自媒體管理規定》), the Regulations on the Administration of Domain Name and Website (《域名及網站管理規定》), the Executive Manual of Market Activities (《市場活動執行手冊》), and Regulations on Crisis Prevention and Management of Public Relations (《公共關係危機預防與管理規定》), and strictly abides by national and regional laws and regulations such as Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) ensuring that the content of communication conforms to the relevant national laws and regulations, adhere to the authenticity of the published content and strictly eliminate false publicity, exaggeration and misleading and other undesirable content, to build a high-quality enterprise brand and establish a good corporate image. If there is any misleading information in the Group's advertising or marketing activities, the Group will explain to the customers and modify or withdraw the relevant advertisements.



CUSTOMER PRIVACY

The Group strictly abides by national and regional laws and regulations such as Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), and has formulated the Confidentiality Management Regulations (《保密管理規定》). The Group will only use the customer's personal information within the scope of legal provisions and authorized business purposes. The designated information personnel are responsible for receiving, transmitting, using, copying, excerpting, storing, and destroying customer data, and necessary safety measures are taken. Each employee signed a confidentiality agreement with the Group to ensure that employees strictly abide by confidentiality requirements.

RESPECT INTELLECTUAL PROPERTY

The Group attaches great importance to the protection and management of intellectual property rights, strictly abides by national and regional laws and regulations such as Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》), and also requires the partners to respect intellectual property rights in making cooperation. The Group has formulated the Intellectual Property Management System in accordance with all applicable laws and regulations to prohibit infringement on intellectual property rights. The Group pays attention to the development and protection of intellectual property rights in the process of business development, and respects the intellectual property rights and other legitimate rights and interests of others, and does not allow infringement on external intellectual property rights. In case of potential intellectual property risks, the Group will immediately take measures to stop suspicious risk behaviors and actively communicate with relevant parties to reach a solution.



COMMUNITY

Responding to the pledge of the government to employ disabled persons, the Group kick-started the disabled recruitment project officially in 2016 and gave preference to offering employment opportunities to disabled persons nearby the community and one disabled person was successfully recruited. In 2022, we set up special posts for the disabled in many departments, and accepted qualified disabled persons to join in the enterprise to achieve employment. A total of 14 disabled persons were employed.

We have always remembered our social mission and responsibility in our development, actively carried out a series of public welfare activities, devoted ourselves to social public welfare undertakings, and made positive contributions to promoting the construction of a harmonious society. In 2022, an earthquake occurred in Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan, and we donated RMB 1 million to the earthquake-stricken area in Luding, Sichuan, for earthquake relief work through Mianyang Charity Federation. After learning that students of Sichuan Ya'an Special Education School were short of books, we immediately contacted the Ya'an Disabled Welfare Foundation to provide books and bookcases exchanged through green actions, such as the employee sports, etc., and provided the students with "Rainbow Bookcases" to help the students better understand the world. In order to improve the people's anti-fraud awareness, we cooperated with a police station in the Fengtai Science and Technology Park to carry out anti-fraud publicity activities, indirectly established the public image of Changhong Jiahua's anti-fraud, and spread the information to more than tens of thousands of people.

Since 2015, we have organized "Yue Bu" for all employees to encourage more walking and less driving. This activity has been held for 8 consecutive years. This year, the employees actively participated in the activity, and the number of walking steps during the activity exceeded 23.1 million.



OUTLOOK

Looking forward to 2023, the global economic growth is expected to slow down, uncertainties such as the conflict between Russia and Ukraine and high inflation will still lie ahead, and China's economic growth is still facing many risks and challenges. With the effective implementation of macro policy measures, a strong impetus has been provided for expanding domestic demand and economic development. In 2023, China's economy is expected to maintain a continuous recovery trend. The digital economy is an important engine for China to accelerate the construction of a new development pattern and high-quality economic development. According to China's "14th Five-Year Plan for Digital Economy Development", by 2025, China's digital economy will enter a period of comprehensive expansion, and the ability to lead development through digital innovation will be much enhanced, the level of intelligence will be significantly increased, and the integration of digital technology and the real economy will achieve remarkable results. In 2023, the Group will seize the development opportunities of digital economy, adopt the business approach of "focusing on being a digital and intelligent value partner", and strive to build an intelligent business system, pay attention to business and management, develop and enhance its digital and intelligent core capabilities, empower itself and its partners and customers for value enhancement, serve a remarkable digitalization and intelligentization comprehensive service provider and value partner in the new era, achieve new development in a new era together with its partners, and make greater contributions to its shareholders.

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KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment	20
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