



Jiu Rong Holdings Limited

**2016 Environmental, Social and
Governance Report**

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Introduction

As at 31 December 2016, Jiu Rong Holdings Limited (“Jiu Rong” or the “Company”, together with its subsidiaries, the “Group”) owned two main operating entities : Soyea Jiu Rong Technology Company Limited (“Soyea Jiu Rong”) and Jiu Rong New Energy Science and Technology Limited (“Jiu Rong New Energy”).

The principal activity of Soyea Jiu Rong is high-tech electronic information products and industry information technology solutions, mainly engaged in digital video and audio products, industry application software, intelligent emergency integrated solutions and others, it is one of the largest terminal suppliers of Zhejiang Wasu Broadcasting Network Company Limited (浙江華數廣電網絡股份有限公司). Soyea Jiu Rong is a national high-tech enterprise and named Hangzhou municipal level Research and Development center with the strong research and development capability for digital video and audio products.

Jiu Rong New Energy is principally engaged in the development and application of new energy technologies, new energy vehicle charging stations and the construction and operation of intelligent parking. There are several new energy vehicle charging stations and intelligent parking has been constructed and operated in Hangzhou. The Company operates with a market-oriented approach, driven by research and development, actively exploring product innovation, management innovation and institutional innovation, constantly improving the company’s core competitiveness, and striving to create the industry leading products to provide customers with quality services.

Jiu Rong adopts co-growth concept of the Group and its staff with a aim to create a pleasant and happy environment for its employees by providing to its staff: better business development mechanism and opportunity; safe and healthy working environment; various types of training and learning opportunities, various recreational activities.

Apart from business development, the Group also fulfills its social responsibility, “contribute to society” is always a key mission statement of the Group.

Chapter 1

About This Report

Report Compilation Basis

This Report is prepared with reference to the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The information disclosed in this Report is derived from the results of internal statistics and analyzes of the Group’s internal resources.

Scope of Reporting

For the year from 1 January 2016 to 31 December 2016, the Group’s main businesses are the digital audio and video business and new energy vehicles business, for specific details of the above mentioned businesses, please refer to the Group’s 2016 Annual Report.

Reporting Period

The information published in this Report covers the period from 1 January 2016 to 31 December 2016, which period is the same as the financial year as reported in the Group’s 2016 Annual Report.

On behalf of the Board

Executive Director

Siu Chi Ming

23 June 2017

Chapter 2

Stakeholder Engagement

Identification of Stakeholders

Based on the experience and frequencies of enquires and interactive communications between relevant business executives and customers, and those between external organizations and internal staff, the Group identified six different groups of stakeholders. These include shareholders/investors, customers, employees, local community, government/regulatory authorities and suppliers.



Interactive Communication with Stakeholders and Identification of Major Issues

Regarding issues that are of concerns to the stakeholders, the Group via relevant business contact windows, seeks for their opinions and suggestions through scheduled and ad hoc meetings and transparent and good interactive communications. Internal meetings are conducted to report and discuss the information received from the stakeholders' feedback, which will then be used as important reference for the Group's sustainable development strategy.

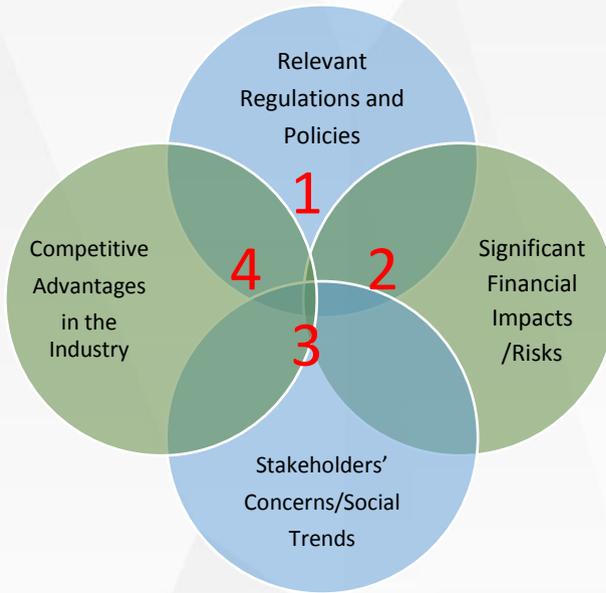
Through various communication channels, the issues concerned will be sorted according to their categories and nature before sending to relevant departments to handle and respond. Letters received through relevant communication channels in 2016 included business cooperation proposals, shareholders/investors services, career opportunities, requests for research and survey, and academic visits, etc. No complaints were received from stakeholders regarding social impacts and related issues.

Chapter 2

Stakeholder Engagement

Regarding the issues which are of concerns to the stakeholders, relevant internal department heads of the Group have filtered and selected major issues according to the “Four Principles for the Internal Assessment of Major Issues” as follows.

Four Principles for the Internal Assessment of Major Issues



Stakeholders	Issues of Major Concerns	Communication Channels and Methods
Government / Regulatory Authorities	<ul style="list-style-type: none"> • Corporate governance • Compliance with laws and regulations 	<ul style="list-style-type: none"> • Cooperate with the government and regulatory authorities on compliance inspections • Due submission • Participate in conferences / seminars
Shareholders / Investors	<ul style="list-style-type: none"> • Financial performance • Corporate governance 	<ul style="list-style-type: none"> • Publish news on Company/HKEx websites (such as announcements, circulars, interim reports, annual reports, etc.) • Convene shareholders’ meetings

Chapter 2

Stakeholder Engagement

Stakeholders	Issues of Major Concerns	Communication Channels and Methods
Customers	<ul style="list-style-type: none"> • Product quality • Management of prohibited / restricted substances • Environmental, safety and hygiene management performance • Code of Conduct implementation performance (labor relations/labor Rights / compliance with the laws and regulations) • Transparency and reliability of information disclosure 	<ul style="list-style-type: none"> • Business visits / regular meetings / regular and ad hoc communication meetings • Audit feedback / self-management performance feedback • Email and phone contacts
Employees	<ul style="list-style-type: none"> • The Group's business condition (job security) • Salaries and benefits • Labor relations / labor rights/work hours management • Workplace safety / reasonableness of rules and regulations • Feedback channels for opinions 	<ul style="list-style-type: none"> • Group internal website / email / Wechat / QQ / employee suggestion box • Safety Committee / Labor Union • Committee for Complaints, Rewards and Penalties / internal staff publications (regular) • Employees / managers forums / surveys (from time to time) • Life counselling rooms located in production factories
Community	<ul style="list-style-type: none"> • Environmental issues / compliance with the laws • Transportation • Career opportunities / community welfare outreach activities 	<ul style="list-style-type: none"> • Proactive visits • External feedback communication windows • Sponsorship of public welfare activities/ community visits / Company website
Suppliers	<ul style="list-style-type: none"> • Management of prohibited / restricted substances • Fair competition / quality and price • Suppliers evaluation 	<ul style="list-style-type: none"> • Letters of undertaking • Business communication / procurement contracts / email and phone contacts • Suppliers evaluation mechanism

Chapter 3

Community Participation

Apart from business development, the Group also actively devotes its commitments to community care and participation of social welfare activities. The Group believes that the business development should not sacrifice the environment and social benefits of other relevant parties and that will lead to mutual win-win relationship between enterprise development and social development.

The Group is committed to enhance the social value with interest groups which are relevant to business operation. This is realized by first meeting the needs of the employees and then further extending the caring and services to their families and to the surrounding community.

The Group pays special attention on female employees' health by organizing B Ultrasonic examination for female employees every year and women's health seminars regularly as well as establishment of mother's room. The Group also shows its care for the employees through home visits, regular free medical consultations, financial assistances to difficult families, to initiate donations for difficult employees and specific caring actions, in order to express the company's concern for employees. These activities not only represent the Company's care of the employees but also allocate more resources to the local community for social caring and benefits. Please refer to the summary of major activities below.

Caring for Employees

- **Discussion Forums:** employees forums, managers forums, Christmas parties, etc.
- **Appreciation of Outstanding Employees:** Star employee for the month, outstanding employees for the year.
- **Health Caring:** annual health examinations, staff recuperation, daily exercises, Tai Chi Association, visits to injured and sick employees, etc.
- **Caring for Female Employees:** annual B Ultrasonic examinations, Gynecological lectures, establishment of mother's room, etc.
- **Recreational Activities:** photo competitions, table tennis competitions, basketball competitions, employee travels, hiking activities, etc.
- **Festive Events and Gifts:** monthly birthday parties, Women's Day event, Christmas Party, etc.
- **Other Welfare and Convenience Facilities:** staff quarters, transportation cards, basketball court, badminton court, yoga, etc.

Chapter 3

Community Participation

- Appreciation of outstanding employees: 18 person-times
- Health examination: 154 person-times
- Female health care seminars : 86 person-times
- Female B Ultrasonic examination: 86 person-times
- Visits to injured and sick employees: 12 person-times
- Financial assistances to poverty employees: 2 person-times
- Birthday party: 154 person-times
- Communication forums: 128 person-times
- Recreational events (Hiking/ Photography /Basketball/Table tennis/Travelling, etc.) : 507 person-times
- Festive Events: Women’s Day Event (85 person-times), Christmas party (152 person-times)



Chapter 3

Community Participation

Employees Caring

- Employee fertility visits
 - Visits to sick employees
 - Financial assistances and/or donation to employees in difficulties
- Home visits: 15 person-times
 - Financial assistances and/or donation of approximately RMB170,000

Donation to employee families in difficulties



Chapter 3

Community Participation

Participation in Community Activities

- To participate in the civilized traffic volunteer activities organized by community organizations
- To participate as volunteers to provide guidance services for tourists and visitors around scenic areas



Chapter 4 Employment and Labor Practices

4.1 Proper Assignment of Roles

Diversified Recruitment Channels

The Group strictly comply with labor laws, regulations and standards to hire and dismiss employees in order to protect the interests of employees.

The Group actively recruits talents of different nationalities, genders, ages and religions in a fair and equitable manner through various channels including internet advertisements, social recruitment, student internship programs, and internal staff referrals, etc.

As at December 31, 2016, the Group had 161 employees. Professionals in different fields are our greatest assets.

Categorized by job function, employees in manufacturing accounted for approximately 45% of the total number of employees; research and development accounted for approximately 25%; administration and management accounted for approximately 8%; marketing accounted for approximately 17%; and others accounted for approximately 5%.

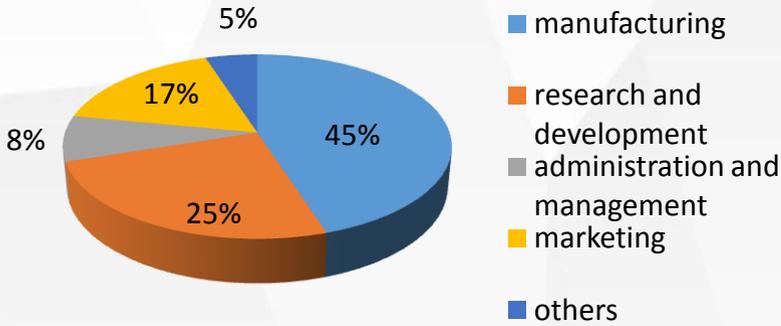
Categorized by employees' gender, male employees accounted for approximately 51%; and female employees accounted for approximately 49%.

As for employees distribution by age, aged 25 and below accounted for approximately 11%, aged 26 to 35 accounted for approximately 42%, aged 36 to 45 accounted for approximately 22% and aged 45 and above accounted for approximately 25%.

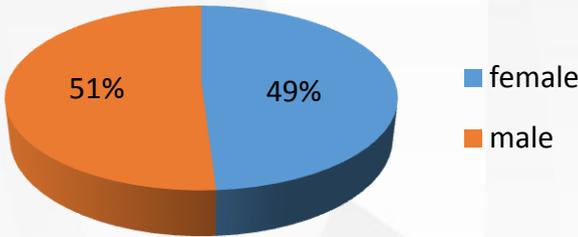
Chapter 4 Employment and Labor Practices

2016 Employee Structure

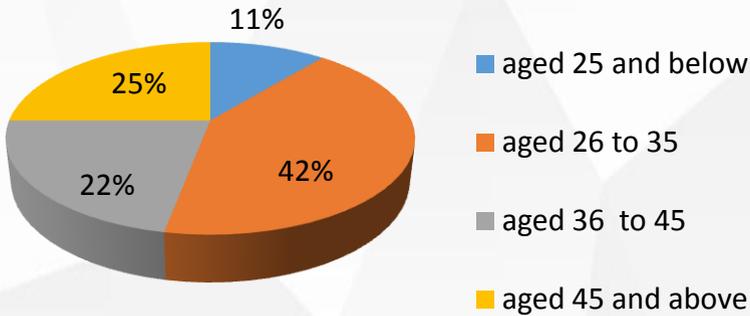
Job Function



Gender



Age



Chapter 4 Employment and Labor Practices

Attrition Rate (Approximate) – By Gender and Age

Gender		Age			
Female	Male	25 and below	26-35	36-45	45 and above
4%	7%	0.5%	8.5%	2%	0%

Note: Attrition Rate = No. of Employee Turnover in the Respective Category/ (No. of Employees in the Respective Region as at December 31, 2016 + No. of Employee Turnover)

Recruitment Rate (Approximate) – By Gender and Age

Gender		Age			
Female	Male	25 and below	26-35	36-45	45 and above
50%	50%	37.5%	62.5%	0%	0%

Note: Recruitment Rate = No. of New Recruits in the Respective Category/ Total No. of New Recruits in the Respective Region

4.2 Education, Training and Career Development

Performance Management System

The Group implemented performance management system to achieve operational goals and enhance employees’ capabilities. The Group evaluates the results of assessment by tracking the assessment forms and categories, results feedback and improvements, to ensure the performance appraisal work. The fundamental purpose of performance management system is not to punish the employees who do not fulfill their targets and not perform their duties properly, but to enhance the motivation of employees. Through improving the working methodology and quality and establishment of a fair competition mechanism to improve working efficiency continuously and develop planning and responsibility of employees that can timely point out working deficiencies and to improve promptly, so as to have the work done successfully.

Chapter 4 Employment and Labor Practices

Group Training

The objectives of training is to continuously upgrade the quality of manpower and job skills, to motivate employees' job enthusiasm and welcome challenges, thereby creating greater corporate value and achieving operational goals and future development.

To achieve the policies and goals of the Group's training, it is necessary to consider not only the Group's business vision and objectives, but also the assessment of employees' performance and capability deficiency. In line with the Company and its management systems, training structures are established to plan internal and external training courses including new employees training, professional training, management training at all levels, environmental safety training and corporate core values training. Through classroom learning or e-learning, the employees are offered all-round and comprehensive training and their professional and management capabilities are continuously enhanced.

In 2016, the Group held approximately 42 training classes, with a total training hours of approximately 210 hours, and participation by approximately 588 person-times.

Total No. of Training Courses (Approximate)	Total Participants (Approximate)	Total Training Hours (Approximate)
42	588	210

Chapter 4 Employment and Labor Practices

Courses Offered by the Training System

To ensure the training courses meet the requirements of corporate strategies, in addition to the evaluation of training and development performance in annual business review meeting, regular reviews on operations of different business units are done in the said meeting to serve as the basis for future development planning. Talents' competitive advantages are enhanced according to the Group's overall business strategies, and a comprehensive training system is established according to its mission. Our annual training plan not only follows the Group's business vision and targets, but also considers the employees' personal development plans, functional training system at various levels, quality management system and law-related courses in relation to labor, safety and hygiene licenses.

Training System Courses

These courses are planned to enhance the colleagues' job skills and bring the employees to mutual understanding and identification to organizational values, in order to achieve the best operating performance for the Group.

General staff: Job knowledge and skills training, corporate core value training, and personal development training.

Professional stream: "Professional skills training" is designed according to the roles and professional requirements.

Management stream: "Management skills training for senior, middle management personnel and management associates" is designed for various management levels according to corporate core and management function development.

Chapter 4 Employment and Labor Practices

4.3 Comprehensive Remuneration and Benefits System

Competitive Remuneration Scheme

The Group recognizes the employees as its most valuable assets. In order to attract, motivate and retain talents, we offer attractive and competitive remuneration packages. We uphold the principle of equal pay for the same position regardless of gender, race, religion, political affiliation, sexual orientation or marital status of the employees. The remuneration of an individual will be determined with reference to his/her educational background, experience, job duties, professional skills and technical capacities, the salary levels in the industry as well as the condition in the manpower market. The basis of reward and promotion is dependent on an employee's work attitude, disposition of professional ability and overall performance. The Group also reviews the remuneration policies regularly to make sure our salary standards are competitive. The performance management system is introduced to assess individual employee's performance, the results of which will be used as the basis for salary adjustment and job promotion.

Comprehensive Employee Benefits

The time-off mechanism of our Group is established according to the relevant laws and regulations of the operating bases. Employees are allowed to range their time-off according to their own needs within stipulation.

For the interests of the employees, the Group provides the local insurance plan (including pension; medical insurance; unemployment insurance; maternity insurance and work related injury insurance) and housing provident fund, so as to protect the employees' livelihood and reduce the employees' burden of medical expenses, and so as to safeguard employees' retirements.

Diverse Employee Benefits

The Group offers a wide range of employee benefits, so as to motivate the employees to contribute in their job positions under employee benefits system. In addition, the Group provides benefits including: work performance bonus; year-end bonus; staff quarters, catering and transportation allowances, etc. Provide reading rooms with borrowing of books and magazines for free; and organize of various cultural and sports activities regularly.

Chapter 4 Employment and Labor Practices

4.4 Respect for Labor Rights

The Group complies with the local laws and regulations, it is committed to promote the principle of fairness and human rights policies.

Equal Opportunity and Protection of the Right to Work

The Group protects the employees' right to work, employees are not discriminated in employment (including recruitments, salaries, promotions, disciplinary actions, dismissals, and retirements) because of their backgrounds in gender, race, religion, age, disability, sexual orientation, nationality. At the time of appointment for every new recruit, the employee is required to sign a labor contract which clearly defines the employer's and the employee's rights, responsibilities and obligations. All employees have the right to terminate the labor relationship with the Group. The setting up, amendment, cancellation and termination of the relevant employment contract are strictly subject to the relevant local laws and regulations. During the reporting period, there was no discriminatory act reported or complaint received in relation to equal opportunity, transfer, promotion, recruitment, termination, severance, holidays, benefits and training.

Child Labor

The Group does not hire child labor aged below the relevant legal threshold of the respective markets. At the time of interview, the Human Resources Department will request the job applicants to produce valid identity document for the verification of actual age of the applicants.

No Practice of Forced Labors

The working hours of the employees strictly comply with the local laws, the employees' resting time is well respected and the employees enjoy paid holidays in accordance with the laws. To maintain the physical and mental balance of the employees, work attendance checking by human resource is effectively managed the working hours and resting dates of the employees. To prevent forced overtime work, any necessary arrangements of overtime must be agreed by the employees voluntarily. Overtime and overtime pays are in line with the PRC laws and regulations.

Chapter 4 Employment and Labor Practices

4.5 Workplace Safety

Safety and Hygiene Management

Occupational Safety and Hygiene Management Policy

The Group’s policy on occupational safety and hygiene management is to “provide a safe and healthy working environment for the employees and avoid occupational hazards”. To fulfill commitment of providing a safe working environment to the employees, the Group has established a standardized safety management system.

Safety and Hygiene Management

With respect to occupational safety and hygiene management, in addition to compliance with the corresponding local laws and regulations, the Group has established a series of management directives for all departments to follow, and at the same time implemented management and hazards prevention measures. The Company regularly reviews the relevant issues related to safety and hygiene inspection, and develop internal safety and hygiene management policy.

Standardized Management Measures

The Group continues to strengthen various safety and hygiene management issues by phases. In addition to fire safety, chemical safety, special hazards operation control.

During the reporting period, there were no cases of work related fatalities and serious injuries.

Item	Number
Number of work related fatalities	0
Number of work related handicapped	0
Lost day rate	0

Chapter 4 Employment and Labor Practices

Fire Safety Management

To ensure the protection of lives and properties, the Group promotes fire safety work, fire prevention at the source, containment of disasters, emergency response and disaster relief. The risk of fire is reduced by investing fund to improve and adopt relevant control mechanism.

Fire safety demonstration



Chapter 5

Environmental Protection

The Group has established a set of management policies, mechanisms and measures on environmental protection to help ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy, water and materials and also complies with relevant environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

5.1 Effective Use of Resources

Use of Raw Materials and Procurement

The raw materials used in the video products can be categorized into electronic component, case, PCB, solder, cable, screw and packing materials, environmentally friendly materials being used which meets national requirement.

The Group has always maintained close communication with brand customers and suppliers in the course of material selection, we follow the quality requirements and standards in selecting materials, and use the green materials for the relevant materials.

With respect to material procurement, we rely on the respective local suppliers to supply the materials in order to reduce the risk of supply interruption as well as to reduce carbon emissions in transportation

Usage of Energy

The type of energy used by the Group in 2016 include: electricity and fuel oil. 2016 Energy Consumption and Average Energy Consumption per set-top box/TV and new energy vehicle charging pile shown in the following table:

Energy Type	Fuel Oil	Electricity
Consumption	1000KL	371149KWh
Average Energy Consumption per set-top box/TV	0.026L	0.97KWh
Average Energy Consumption per new energy vehicle charging pile in KWh	/	0.06KWh

Water Resources Utilization

Most of the water resources are for the daily use of employees, and such discharged water is in compliance with the local discharge regulations.

Hazardous waste treatment:

All hazardous waste produced by the Group is disposed by professional recycling company. Hazardous waste density (HW/U)=0.0000014.

Harmless waste treatment:

All the harmless waste produced by the company is disposed by the Government's professional sanitation company. Harmless waste density (HW/U)=0.000031.

The density of the packaging material used in the finished product:

The density of the packaging material used in the finished product = (PA/U)
=0.00156

Chapter 5

Environmental Protection

5.2 Greenhouse Gas and Carbon Emission

The greenhouse gas emission generated by the Group's business activities are extremely limited, the main sources are fuel consumption in the production. Indirect generation of greenhouse gases is mainly caused by the electricity consumption in the production process. The data are as follows:

Total Carbon Emission of Greenhouse Gas			
Year	Total Carbon Emission of Greenhouse Gas (Approximate)	Primary Source (Approximate Percentage)	Average Carbon Emission per set-top box/TV
2016	594.7 tonnes	Electricity (39%) Fuel (60%)	~1.563kg CO ₂ ^e /set
Year	Total Carbon Emission of Greenhouse Gas (Approximate)	Primary Source (Approximate Percentage)	Average Carbon Emission per new energy vehicle charging pile
2016	43.56 tonnes	Electricity (100%)	~0.00422kg CO ₂ ^e /unit(KWh)

Scope 1 : Direct emissions of greenhouse gases, greenhouse gas emission from sources owned or controlled by the organization. (Remarks : The statistics include the production process and the fuel consumption generated)

Scope 2 : Indirect emissions of greenhouse gases, greenhouse gas emission from the generation of purchased electricity, heat or steam consumed by the organization. (Remarks : Generated by the purchase of electricity)

Scope 3 : Other indirect greenhouse gas emission, which is a consequence of an organization's activities, but arises from greenhouse gas sources that are not owned or controlled by other organizations. The Group has not established a data collection method for the greenhouse gas emission in scope 3, so scope 3 does not apply to this report.

5.3 Pollution Prevention and Control Management

Environmental Management Policy

By adhering to the principle of maintaining a balance between environmental protection and production, the Group is committed to the following environmental protection measures:

1. Comply with relevant environmental laws and regulations and other requirements, and develop and implement relevant standard operating procedures.
2. Optimize production processes, promote clean production, reduce pollutants emission, implement pollution control and management, and perform regular tests and inspections.
3. Reduce the use of hazardous substances, promote industrial waste reduction, recycle resources, and save energy and reduce carbon emission in order to enhance the performance of corporate environmental protection.
4. Strengthen education and training and enhance staff awareness of environmental protection so as to thoroughly carry out environmental protection.

In the actual operation management, the Group has established guidelines related to environmental protection as implementation standards for all factories under the Group. With reference to ISO 14001 environmental management system, we have established the self-management system.

Environmental Management Compliance

Based on the respect and protection of environmental resources, the Group's factories have installed facilities for the collection and treatment of pollutants generated during the production process. This is to ensure that pollutants are treated according to local regulatory requirements before emission.

In 2016, there was no report of serious environmental pollution caused by major non-complied emission and leaks in the Group's factories.

5.4 Green Office

The Group promotes and implements green office with the following measures:

Office Power Saving: Policy to turn off lights when not in use, partitioned control of office lighting circuit, air-conditioning temperature control, shut down of computers during lunch break.

Paper Saving: Go paperless, use email and online signature system for document review, signing and communication where possible, reduce copying and usage of papers.

Reduce the Use of Bottled Water: Provide drinking water supply equipment at all factory production bases for the use by factory employees, meetings and visitors. Employees are encouraged to bring along their own reusable cups to reduce the use of bottles.

6.1 Customer service and products

Customer service

The Group placed its customers in the first place by providing safe and quality services. The Group also respects the intellectual property rights. In the event of any breach discovered in the protection of privacy or intellectual property rights, the Group will immediately stop the breach, review the mechanism and take improvement measures.

The Group continually improves its service quality and responds immediately to customers' needs in terms of delivery lead time, quality and price. Customers' needs are attended to immediately so to strengthen the relationship with the brand customers who increasingly rely on the Group's product development capability and quality service.

Product Management and Service

Product Service Policy

The Group is committed to provide customers with products of high quality and safety and places high importance on any customer demand for product quality. From product development to production, the Group strictly follows international legal requirements and complies with the brand customers' lists of prohibited and restricted substances and the Sustainable Chemistry Guidance in the selection of raw materials. We also monitor the production from start to finish to ensure products are consistent with the principles of eco-friendliness.

Product Quality and Safety Management

Before the Group's developed products are officially put into mass production, standardized production procedures are formulated, and stringent test of physical properties and chemical properties are performed on the products.

In mass production process, all materials must go through sampling tests before warehousing to prevent inappropriate materials from being used in production. All products are subject to inspection before packing, all qualified products are loaded, are under the supervision of quality inspectors carried out, and take records of shipping situation.

Product Service

All of our products need to pass high standard quality testing by the customers, and we follow the customers' requirements and the exporting countries' laws and regulations to provide a reasonable packaging and detailed product information labeling which include product size, material, ingredients, instructions etc. As such, the consumers not only can obtain related product information and service through the brand customers, but they can also identify the production plant through the factory code on the product information label, and contact the relevant production plant to inquire about product related issues.

Product liability

The Group adopted internal products control system to inspect products on a full or sample basis and will retrieve unqualified products. For those products sold or delivered in 2016, no retrieve has been done in relation to quality or safety issue.

The Group adopted internal after-sales service management system that must response within 30 minutes upon receipt of complaints. The after-sales engineers will visit the site within 24 hours to solve the problems.

6.2 Supply Chain Management

The Group aims to provide comprehensive solutions that meet customer s' needs and establish a comprehensive vertical supply chain management system through resource integration and suppliers screening and management. We also focus on the suppliers' development capability and their ability of sustainable development. We hope to collaborate with supplier in innovation development and application, participating in production process enhancement and materials improvement for the continuous optimization of supply chain capabilities as well as performing responsibilities in social and environmental protection.

The Group is committed to meet customers' needs, suppliers' development and social responsibilities. The Group is looking forward to developing more new materials, new production processes, new technologies and applications; to create product innovation and green value; and to realize the concept of corporate social responsibility and sustainable operation.

Strategic Supplier Management Strategy and Implementation Plan

The Group works with 64 suppliers for digital video business (1. Zhejiang – 31 suppliers; 2. Guangdong – 11 suppliers; 3. Shanghai – 8 suppliers; 4. Jiangsu – 4 suppliers; 5. Beijing – 1 supplier; 6. Hong Kong – 6 suppliers; 7. Sichuan – 1 supplier; 8. Shandong – 1 supplier; 9. Fujian – 1 supplier). The Group works with 31 suppliers for new energy vehicle business (1. Zhejiang – 29 suppliers; 2. Shanghai – 1 supplier; 3. Jiangsu – 1 supplier).

The strategies of the Group in respect of supplier management are based on strategic supplier screening and management system, and the objectives are to deepen the collaborative relationship with the strategic suppliers and to create competitive advantages in the value chain, with the aim to strengthen the positive impact on the society and the environment.

Suppliers screening process proposed by the potential suppliers, the need for the relevant internal audit unit for field audit, while the procurement unit for competitiveness analysis, and then by the factory production units and the relevant departments of the Committee, through the fair, Fair and open manner, to vote through, in order to formally obtain the certification for the company's strategic supplier qualification. Through this rigorous supplier screening mechanism, the selected strategy providers ensure that their performance meets the needs of the Company and develop long-term strategic partnerships with them to establish a quality supply chain management system.

The suppliers are required to strictly follow the relevant regulations and requirements in labor safety and hygiene, human rights and environmental protection. In addition, the Quarterly Business Review is introduced to the supplier management mechanism for the quarterly assessment and review of suppliers' performance in all aspects. The Quarterly Business Review indicators cover six aspects including quality, price (cost), delivery lead time, service, research and development management as well as green supply chain. Qualitative and quantitative indicators are defined for each aspect, which will be weighted differently according to the specific items supplied and procurement strategies. The assessments are made jointly and systematically by the procurement team, the factory production team and the audit team. The contents of the indicators are adjusted flexibly according to the environment or the Group's strategies with the objective to achieve the control of supply chain risks. Through collaborative review with the suppliers of the assessment results, the suppliers are able to improve continuously, uplift the performance of business operation, and achieve the goal of mutual growth with the Group.

The Quarterly Business Review was officially launched in 2016. In addition to giving recognitions to suppliers with outstanding performance, a "Green Supplier Team" has been set up against the indicator of the green supply chain to specifically evaluate the suppliers' fulfilment of corporate social responsibility. This is to fulfill the Group's mission in sustainable development while the competitiveness of the supply chain is improved

Regular assessment of indicators (Quarterly Business Review): "QBR" includes green supply chain, quality, cost, delivery, service, and management.

Supplier Audit Program and Results

The Group annually visits the major suppliers to review and audit on-site their product qualities and green management. In addition to clearly establish audit rules and procedures for suppliers' product quality and green management, the suppliers who are found to have deficiencies are requested to provide improvement plans and prevention measures, which then will be followed up periodically for improvement progress. The Group works cooperatively with the suppliers and utilize multiple means to uplift the capabilities of the suppliers and the Group. Through the supplier screening and management mechanism, together with supplier audit program, the Group is able to select highly qualified suppliers which meet the expectation of the Group.

On-site Audit of Product Quality and Green Management and Tracking of Major Problem Improvement Progress

The Group insists that all strategic suppliers go through the stringent review and audit system. Within on-site review and audit, there are 11 scoring categories for quality management and 3 scoring categories for green management. The Group adopts corrective and preventive actions to manage quality issues. The basic items under green management are environmental protection and prohibited/restricted substances management. With and relevant improvements are proposed. The suppliers have to make improvements within on-site audit by a professional team, non-compliant items are pointed out specified periods or produce substantial improvement plans. Audit reports are issued to the suppliers and the tracking of deficiency improvements would be completed within specific time after the issuance of the reports.

Quality Management Highlights in 2016

1. We have requested suppliers to comply with ISO9001: 2008 quality management system. We have established guidelines for the selection and evaluation of suppliers. An investigation form is used to understand the suppliers' business conditions, quality management systems, production capacities, service qualities and delivery capabilities, etc. The results of the risk assessment based on the aforesaid elements serve as a base for the selection of strategic suppliers

2. To effectively manage suppliers and ensure that the procurement quality can meet the requirements of the Group and the brand customers, we request suppliers to adopt improvement measures after supplier audits based on principles of "Plan, Do, Check, Action". The objective is to enhance the suppliers' control on quality, reduce the costs of quality failures, and to ensure that the quality control of all incoming materials to the factories are in line with the brand customers' requirements.

Green Management Highlights in 2016

1. With the growing concerns of the global community, government authorities and brand customers over environmental protection, the Group attaches great importance to the performance of green management in the supply chain. The Group is gradually implementing green supply chain management policies in order to achieve environmental sustainability through green design, green procurement, green manufacturing and value creation of green products, thus fulfilling social responsibility and putting the concept of sustainable operation into practice. The concept, requirements and control indicators of green management have been fully introduced to the Group's strategic suppliers through green supply chain management program in 2016

2. The Group considers the suppliers as our important partners. A stable supply chain is key to maintain continuous production. Therefore, continuously making improvements and enhancement of the suppliers' self-management capabilities is a major task in supply chain management for the Group. With improved tracking mechanism, the suppliers can understand the objectives of global management and effectively enhance their self-management capability.

2016 Quality and Green Management Audit Results

1. The scales, management capabilities and degrees of cooperation vary between suppliers. The strategic suppliers who are unable to meet the Group's requirements in quality and green management indicators are requested to improve within specified timespan, after which they will be removed from the strategic supplier list if the requirements are not met in order to reduce the risks in the supply chain. This is to ensure the Group's supply chain management can comply with the basic requirements of quality management in ISO 9001, and conform to the global green management trend.

2. In 2016, the Group pushed forward quality management and green management for materials suppliers in order to enhance their quality management and green management capabilities. Unqualified suppliers were removed from the supply chain.

6.3 Moral Integrity and Anti-corruption

Laws and Regulations

In addition to compliance with relevant laws and regulations in different regions, the Group also maintains a “Code of Business Integrity”, which requires the employees, during the course of business engagement, not to (whether directly or indirectly) provide, undertake, request or receive any improper benefits, or take any other actions which are in violation of integrity, illegal or dishonest behaviors which are in breach of fiduciary duties. Such behaviors to be prevented include criminal acts such as bribery, extortion, fraud, money laundering and other acts such as the provision of illegal political contributions, inappropriate charitable donation or sponsorship, provision or acceptance of unreasonable gifts, entertainments or other improper benefits, infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights, and engagement in acts of unfair competition, etc.

Communication and training

The Group has systematically organized irregularities and disciplinary measures through the construction of financial, operational and management systems, standardized groups and individual acts, and announced policies to report telephone and disclose business integrity so that the Group's personnel, suppliers, customers or Other business-related agencies and personnel can clearly understand the integrity of the company's business philosophy and norms and to be subject to supervision within and outside the group. During the course of business conduct, the Group shall explain the integrity management policies and related regulations of the Company to the object of the transaction and shall expressly refuse to provide, promise, demand or accept any form or name of any improper advantage directly or indirectly to the individual.

During the reporting period, there were no corruption case occurred.