

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF HENGXIN TECHNOLOGY LTD.

Hengxin Technology Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**” or “**we**”) recognises the importance of sustainability in creating long-term values for all of our stakeholders. We manage the business with caution and are committed to providing premier products and services for our customers. By keeping close contact with all stakeholders, including shareholders, customers, employees, suppliers, creditors, regulators and the public, we strive to strike a balance of differing views and interests of all parties concerned to allow the Group and the community to achieve a clear and long-term direction.

The Group hereby presents the environmental, social and governance (the “**ESG**”) report for the financial year ended 31 December 2018 (the “**Reporting Period**”). This report mainly covers two major operating subsidiaries of the Company, namely, Jiangsu Hengxin Technology Co., Ltd. (“**Jiangsu Hengxin**”) and Jiangsu Hengxin Wireless Technology Co., Ltd.

The senior management has confirmed to the board of directors of the Company (the “**Board**”) that the ESG risk management and internal control systems for the Reporting Period were adequate and effective.

ENVIRONMENTAL

The Group is committed to environmental protection by minimising the environmental impact of its business activities. It supports natural and environmental protection programs and has been in strict compliance with environmental laws, regulations and policies of the government. Currently, the Group occupies a total area of approximately 122,878 square metres, among which approximately 18,144 square metres or approximately 14.7% consist of green landscaping. In 2006, the Company was named Jiangsu Province Environmentally Friendly Enterprise by the Environmental Protection Department of Jiangsu Province. Meanwhile, Jiangsu Hengxin Technology Co., Ltd., a major operating subsidiary of the Group, has consistently passed the certification of ISO14001:2004 environmental management system since 2007.

Emissions

The Group has set forth strict control regulations in relation to, amongst others, operating equipment in workshops, vehicle exhaust emissions, operations of outsourcing units in the Company and regular clearing of other wastes. For example, the Group has entered into the Transportation Agreement with its transportation suppliers and has promulgated the Solid Waste Control Procedures and the Pollutant Emission Control Procedures internally to monitor and regulate pollutant emissions and waste disposal. Specific measures include: (i) all vehicles of the Group must use unleaded gasoline; (ii) the canteens use non-phosphorus detergents; (iii) filters are installed in waste water discharge ports to reduce sewage discharge; (iv) grease trap, fume purification and other equipment has been installed in the canteens, while a qualified third party is commissioned to clean up the equipment regularly; and (v) refrigerators, freezers and central air-conditioners all employ fluorine-free equipment. All these control measures are implemented throughout the manufacturing plant. At the same time, the Group has also installed special purification equipment to treat domestic sewage.

In addition, the Group commissions relevant municipal environmental protection departments and Jiangsu Levei Testing Co., Ltd. to monitor and inspect the factory premises and its surrounding environment each year.

The Group adhered to the Environmental Protection Law of the People’s Republic of China, the Cleaner Production Promotion Law of the People’s Republic of China and the Atmospheric Pollution Prevention and Control Law of the People’s Republic of China in regulating the emission of exhaust gases generated in our production activities.

The following table lists out the gases and waste discharged by the Group during the Reporting Period:

| Emission Type | Emissions | Volume Per Production Unit (tons) | | | |
|---------------------|--|-----------------------------------|----------------------|---------------------------|----------------------|
| | | Volume (tons) | RF Cable (per km) | Accessories (per unit) | Others (per unit) |
| Hazardous waste | Waste oil | 0.15 | 0.001kg | N/A | N/A |
| Non-hazardous waste | Waste oil rags | 0.2 | 0.0013kg | N/A | N/A |
| | Waste solvent box | 2 | 0.014kg | N/A | N/A |
| | Toner cartridges | 0.02 | 0.0001kg | N/A | N/A |
| | Scrap copper (bronze, brass), scrap aluminium, and waste plastic | 2.8 | N/A | 0.003kg | N/A |
| | Waste plastic film, waste cartons, and waste paper | 82 | 0.461kg | N/A | N/A |
| | Waste wooden material | 125 | 0.13kg | N/A | N/A |
| | Household waste | 79 | N/A | N/A | N/A |

During the Reporting Period, the Group’s indirect greenhouse gas emissions from the use of energy amounted to 6,709 tons. Due to the wide variety of products, it is impossible to calculate greenhouse gas emissions per production unit.

In order to reduce greenhouse gas emissions, the Group has formulated efficiency plans (please refer to the efficiency plans for the use of resources and the results achieved during the Reporting Period as set out in the section headed “Use of Resources” in this report) to improve energy efficiency and reduce energy consumption, thereby lowering greenhouse gas emissions.

The following table sets out the Group's methods of treating hazardous and non-hazardous wastes, measures of reducing waste generation, and results achieved during the Reporting Period:

| Emission Type | Emissions | Treatment Methods | Reduction Measures | Achievements |
|----------------------|--|--|---|--|
| Hazardous waste | Waste oil | Hand over to qualified third parties for centralised disposal. | Dry paint is used to replace cooling oil for machine tools, and used materials are recycled. | Consumption decreased by 8% as compared with last year. |
| Non-hazardous waste | Waste oil rags | Hand over to local third-party sanitation service companies for disposal. | Reduce gas and liquid leakage. | Consumption remains more or less the same with that of 2017. |
| | Ribbon, waste, solvent box, toner cartridges | Sort out and recycle by category under ledgers, and hand over to qualified solid waste treatment companies for disposal and recycling. | 1、 On top of existing ribbons, two small ribbons are added specifically for label printing to reduce the usage of ribbons and toner cartridges. 2、 The templates are unified for printing labels of connectors, arresters and jumpers to reduce the usage of ribbons and cartridges. | Waste volume decreased. |
| | Scrap copper (bronze, brass), scrap aluminium, and waste plastic | Hand over to waste recycling personnel for recycling. | Improve the utilisation rate of materials and use hot extrusion pieces for production. | Waste volume decreased. |
| | Waste plastic film, waste cartons, and waste paper | Hand over to waste recycling personnel for recycling. | N/A | Waste volume decreased. |
| | Waste wooden material | Hand over to local farmers for recycling. | N/A | Waste volume decreased. |
| | Domestic waste | Hand over to local third-party sanitation service companies for disposal. | N/A | Waste volume decreased. |

By implementing projects including the change of chassis without stopping in the coaxial workshops and improving the utilisation rate of raw materials, the Group identifies waste items in its production and business processes and then mitigates or eliminates the waste through project-based control. The Group has reduced the number of runs and scrap materials, thereby reducing the amount of waste generated.

To alleviate the environmental pollution caused by solid waste, the Group specifies a storage location for dangerous waste and general waste by category, sorts them out centrally, and then transfers them to a qualified institution for disposal. The treatment methods are as follows.

The staff on duty places waste oil rags, waste oil, waste solvent boxes, waste chemical containers, and other dangerous waste generated during the production process to the dangerous waste collection location. The Group has entered into the Dangerous Waste Disposal Agreement with Yixing Lingxia Solid Waste Treatment Co., Ltd., a qualified institution, which will centrally manage the waste. At present, the dangerous waste generated by the Group in the course of production includes the following:

1. For the year ended 31 December 2018, the Group recycled approximately 125 tons of waste wood.
2. For the year ended 31 December 2018, the Group disposed approximately 79 tons of household waste.

| Category of waste | Type | Storage Location | Treatment Methods |
|--------------------------|---|----------------------------------|--|
| Dangerous waste | Waste batteries, waste fluorescent lamps, waste bulbs, waste oil rags and waste oil | Dangerous waste collection point | Hand over to qualified third parties for centralised disposal. |
| | Waste electronic devices, cartridges and ribbons | | |
| | Waste paint barrels and waste spray paint bottles | | |
| | Waste chemical solvent boxes and waste saponification solution | | |
| General waste | Scrap copper (bronze, brass), scrap aluminium and waste plastics | Scrap warehouse | Hand over to waste recycling personnel for recycling. |

| Category of waste | Type | Storage Location | Treatment Methods |
|--------------------------|---|-------------------------|---|
| | Waste plastic film, waste cartons and waste paper | Sundry warehouse | Hand over to waste recycling personnel for recycling. |
| | Waste wooden frames | Sundry warehouse | Hand over to local farmers for recycling. |
| | Domestic waste | Sundry warehouse | Hand over to local third-party sanitation service companies for disposal. |
| | Waste sawdust and waste wood blocks | Woodworking room | Hand over to local farmers for recycling. |

Use of Resources

The Group prescribes specific provisions on the conservation of electricity, raw materials, water resources and paper, educates employees to save resources, and monitors the consumption of energy and resources.

The Company has passed the audit of OHSAS 18000 certification. We effectively monitor and manage the utilisation of and formulate the assessment systems for the utilisation rate of water, electricity and raw materials.

The following table lists out the Group's consumption of resources by category during the Reporting Period:

| Category of Resources | Unit | Consumption | Consumption Per Production Unit | | | Remarks |
|---|-------------|-------------|---------------------------------|---------------------------|------------------------|---|
| | | | RF Coaxial Cables (per km) | Accessories (per unit) | Antennas (per unit) | |
| Electricity | kWh | 12,240,000 | 48 | 15 | 3.5 | Total consumption decreased by 5.99% as compared with FY2017 |
| Liquefied petroleum gas | Cubic metre | 13,305 | N/A | N/A | N/A | It is mainly used for canteens of the Group. The average monthly consumption was approximately 1,108 m ³ in 2018, 278 m ³ less than 2017. |
| Gasoline | Litre | 63,484 | N/A | N/A | N/A | It is mainly used by administrative and business vehicles of the Group; Total consumption decreased by 1.32% as compared with 2017 |
| Water | Ton | 27,049 | 0.223 | 0.0001 | 0.006 | The Group uses water supplied by Yixing Water Group, and there is no issue in sourcing water that is fit for purpose. Total consumption increased slightly by 1.05% as compared with 2017 |
| Wood | Ton | 6,374 | 0.2076 | N/A | 0.0016 | Total consumption decreased by 18% as compared with 2017 |
| Cartons | Ton | 821 | 0.0014 | 0.0003 | 0.0028 | Total consumption decreased by 17.65% as compared with 2017 |
| Office paper | Ton | 3.57 | N/A | N/A | N/A | Total consumption decreased by 23.55% as compared with 2017 |
| Other packaging materials (such as plastic packaging film) | Ton | 208 | 0.0003 | N/A | 0.0001 | Total consumption decreased by 11.49% as compared with 2017 |

During the Reporting Period, the total volume of packaging materials used by the Group for finished products was 6,374 tons of wood, 821 tons of carton and 208 tons of other packaging materials. Due to the wide variety of products, it is impossible to calculate the amount of packaging materials used per production unit.

The following table lists out the efficiency plans for the use of resources and the results achieved during the Reporting Period:

| Category of Resources | Efficiency Plans | Achievements |
|------------------------------|---|--|
| Electricity | <p>Frequency conversion control technology is adopted for production equipment.</p> <p>Advanced energy-saving lamps are used for lighting.</p> <p>The frequency conversion split control is adopted for the central air conditioning system of office buildings.</p> <p>All lights are turned off when there is no one in the workplace.</p> <p>The use of air conditioners is regulated according to weather conditions.</p> | Total consumption decreased by 780,000KWH as compared with 2017. |
| Liquefied petroleum gas | A reasonable quantity of meals is provided to the staff to reduce the use of liquefied petroleum gas. | Total consumption decreased by 3,325M ³ as compared with 2017. |
| Gasoline | Reasonable travel arrangements were made for encouraging employees to share corporate vehicles or adopt public transport. | Total consumption decreased by 851 litres of gasoline as compared with 2017. |
| Water | <p>Industrial water is recycled.</p> <p>Factory-wide water conservation is promoted, water-saving signs are posted at all water access points, and regular inspection is conducted to repair water leakages in a timely manner.</p> | Total consumption remains more or less the same with that of 2017. |

| Category of Resources | Efficiency Plans | Achievements |
|-------------------------------|--|--|
| Wood and cartons | In order to reduce waste of wood, our packaging method was technically enhanced to replace solid wood with plywood and wood chip trays. | Total consumption decreased by 1,399 tons as compared with 2017. |
| Office paper | <p>To reduce paper printing, electronic reports are delivered and files are shared via the Company's internal email system.</p> <p>Except for official documents, double-sided printing is used for documents circulated within the Company to the extent possible.</p> <p>Paper that has been printed on one side is used to draft documents and make notes and internal memos.</p> | Total consumption decreased by 1.1 tons as compared with 2017, approximately 15,000 sheets of A4 papers. |
| Food and beverage ingredients | The "Empty Plate Operation" is introduced to encourage employees to reduce food waste. | The "Empty Plate Operation" was implemented in September 2014 to promote food saving and good eating habits among employees. |

Impacts of operational activities on the environment and natural resources and measures taken by the Group to manage the impacts

The production, operation and services of the Group significantly impact on the environment and natural resources. The Group sorts out, collects, stores, moves and handles hazardous substances of raw materials for antennas, cables and other products in accordance with the national and industrial standards, and monitors them in an all-round manner, which effectively prevents the products from causing any harm to the environment. The Group has in place engineering departments and teams to continuously track the sold products, learn about the engineering application of the products, assist in solving various problems that occur during the construction process, and deal with different social concerns in a timely manner.

Environmental protection, health and safety are the starting points for the Group to carry out corporate social responsibility (“CSR”). We strictly abide by the relevant national laws and regulations over the course of various activities, identify potential threats and then take control measures. In addition, the Group regularly publicises its performances in terms of environmental protection, occupational health and safety, and CSR. To continuously improve the efficiency of resource utilisation and value creation, we strengthen the CSR awareness throughout the Company, actively practise energy conservation, and vigorously promote lean management.

The Group convenes a cost analysis meeting every month to review and analyse the costs and material consumption of each department and determine if there are any irregularities. We encourage all of our employees to spot any potential wastefulness or non-compliance, so that we can constantly make efforts to reduce the waste generated by our business operations.

EMPLOYMENT

Employees are important assets of the Company. We value loyal and diligent employees, and are committed to ensuring equal opportunities for employees by protecting them from discrimination against their race, gender, age and/or other factors. We stand firmly against any forms of forced labour and strive to provide a safe and healthy working environment for all employees.

In the event that the Company proposes to terminate the labour contract unilaterally, we make monetary compensations pursuant to the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, and Regulations of Jiangsu Province on Collective Contracts. In addition, we have promulgated several internal management measures, including Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Recruitment, Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Remuneration System, Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on the Rating of Post Grades (Levels) and Technical Levels, Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Attendance, Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Talent Cultivation and Development, Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Resignation, and Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Welfare, etc. All these internal management measures are intended to clarify administrative matters in relation to terms of recruitment, remuneration, working hours and holidays, other benefits, welfare, and resignation, and offer equal opportunities for talent development.

1. The trade union regularly leads and organises the signing of the Regulations on the Protection of Female Employees with female employees, to create a healthy working environment for female employees and guarantee their rights during pregnancy, maternity leave and breastfeeding leave. The Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Attendance clearly defines the relevant leave, benefits and welfare as well as reasonable arrangement regarding job positions for pregnant female employees or those who have a miscarriage. For those who are in need of recuperation during their pregnancy or cannot return to their normal work after their pregnancy leave due to personal reasons, the application for the termination of labour contract can be sought.

2. We actively accept the supervision by the city-wide labour union and labour law supervision program organised by Yixing Trade Union, including inspection of the conclusion and performance of labour contracts and collective contracts, salary payment, implementation of working hours and the rest and leave system, contribution of social security, formulation, revision and enforcement of labour rules and regulations, implementation of labour safety and health management regulations and special protection regulations for female employees, potential labour relation contradictions, resolution of labour disputes, and implementation of the workers' congress system, etc.

Remuneration and Dismissal

1. Remuneration: In order to establish a rational and reasonable remuneration and welfare system, as well as to standardise the Group's remuneration management, we have formulated the Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Remuneration System and the Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on the Rating of Post Grades (Levels) and Technical Levels, both of which are applicable to all of our employees. Posts of the same nature (posts are divided into six categories including management, marketing, professional, technical, operations, and general affairs) shall adopt the same payroll model while posts of different natures adopt different payroll models. Meanwhile, posts that have similar value requirements are grouped into the same grade, and employees at the same grade are divided into different levels based on their skills, work experience, educational background, etc. New recruits have a basic post grade when joining Jiangsu Hengxin Technology Co., Ltd. and will then be promoted according to its grade (level) and technical level assessment system. The Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Paid Annual Leave and relevant supplementary terms have been formulated to standardise the administration of employees' annual leave.
2. Article 39 of the Labour Contract Law of the People's Republic of China prescribes six scenarios, under which an employer may terminate the labour contract. Therefore, if an employee violates the prescribed provisions, the Company may propose to terminate the labour contract. Pursuant to the provisions of the labour contract entered into with the employee, in the event that the employee engages in any action that constitutes a serious breach of the Company's rules and regulations as stipulated in the labour contract, upon discussion between the trade union and workers' congress, the Company may propose to terminate the labour contract with the employee.
3. The trade union convenes conferences annually and signs the Collective Wage Agreement with employees thereon, explaining the proposed wage system to be implemented. In addition, the trade union signs the Regulations on the Protection of Female Employees with female employees, and make reasonable arrangements in relation to the job duties and working hours of female employees based on their physical conditions and their rights entitled under the Labour Contract Law of the People's Republic of China.
4. At the beginning of each year, the Company seeks opinions of employees on the Administrative Rules on Performance Points and Administrative Rules on Employee Reward and Punishment in place. The trade union organises employee representatives and managers to promote and publicise the proposed relevant systems to be implemented, which will be officially released and enacted upon completion of the publicity period if no objection is raised.

Recruitment

The Group abides by the relevant provisions of the Labour Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China and the Special Collective Contract for the Protection of Enterprise Female Employees and the principles of "fairness, impartiality, and openness" during recruitment. As part of the recruitment process, the interview team (generally consisting of the head of the human resources department, the direct supervisor, and the head of the department to which the post belongs) holistically evaluates the candidates and reports the recruitment result to the department head and management team for review and approval. The recruitment result will take effect after their review and approval. For female candidates, the Group strictly complies with the Regulations on the Scope of Prohibited Labour for Female Employees promulgated by the Ministry of Labour and reasonably arranges their postings. Currently, the majority of female employees work in office, product assembly and auxiliary production departments.

Promotion

As one of the important development strategies of the Group, we strive to "attract, retain, cultivate and utilise talents", and are committed to creating a sound environment for all kinds of talents to shine and tap into their greatest potential. The Group applies the concept of "merit-based appointment" to the employment mechanism and implements a series of employment systems such as the job competition system and the duty performance reporting and assessment system, thus effectively selecting the best employees under the mechanism of "promoting the able, demoting the mediocre, and dismissing the incompetent" and creating a platform for talents to showcase their capabilities. A platform for development has been created with reference to the Strategic Plan for International Development of the Company to offer high-quality human resources and a good training environment. All employees of the Group can, in accordance with the Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Promotion to and Competition for Managerial Positions and International Talent Cultivation Programme and giving due regard to the conditions of job competition and talent cultivation, lodge their applications for our talent cultivation programme in writing. The Human Resources Department will process the applications for the Talent Cultivation Programme and suitable candidates will be admitted to the talent cultivation system. A ranking mechanism for technical personnel was initiated in 2018. It explicitly sets forth the competency and remuneration standards as a way of setting up targets in respect of learning and talent nurturing for the development of technical personnel.

Working Hours and Holidays

Pursuant to the Labour Law of the People's Republic of China and the Regulations of Jiangsu Province on Salary Payment, the corporate representatives and the employee representatives concluded the Company Collective Contract, Special Collective Contract on Labour Safety and Health, Special Collective Contract on the Protection of Female Employees, Special Collective Contract on Wages, and Special Collective Contract on Working Hours through negotiations, which clarified remuneration, working hours, holidays and leaves, social security, welfare and other relevant matters.

Talent Cultivation and Equal Opportunities

In order to enhance the professional skills, management proficiency and comprehensive quality of employees at all levels, the Group has formulated the Guiding Opinions of Jiangsu Hengxin Technology Co., Ltd. on Talent Cultivation and Development, Guiding Opinions on the Cultivation of Backup Officers, Technical Talent Cultivation Program, Reserve Talent Cultivation Program, International Talent Cultivation Program, and Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Mentorship, with a view to building an employee training and development system. Based on the requirements of each post, we perform our employee training and assessment from three perspectives, namely theoretical knowledge, practical knowledge and talent echelon construction. In particular, for college graduates introduced each year, we provide them with equal opportunities and strive to train them into compound talents and put them in roles that can best represent their values. We select top-notch talents and allocate them to appropriate posts through our fair and standardised interviews, as well as our selection and assessment mechanism. The curriculum of training courses for technical staff are formulated in accordance with the competency and qualification standards for the technical category. We also require that a detailed action plan be formulated in view of the development pathways.

Employee Diversity

Our employees are divided into six categories (management, marketing, professional, technical, operations, and general affairs). The management category consists of managers at the deputy director level and above, and the marketing category includes employees engaged in sales locally and overseas; the professional category is composed of employees from human resources, administrative management, planning management, business management, supply management, production support, job information, and financial management etc, and the technical category covers technical engineers engaging in technical process, production technology, technology research and development, quality engineering, mechanical engineering, and electrical engineering, etc; the operations category consists of frontline production workers, and the general affairs category includes logistics staff and drivers of the company.

We pay attention to talent cultivation through cross-specialisation and focus on the development of four teams (technical, backup, reserve, and overseas talent teams) that are aligned to the future development of the Group. In order to build a diversified talent pool, we have developed the Guiding Opinions of Jiangsu Hengxin Technology Co., Ltd. on Talent Cultivation and Development and cultivation programs for the “four teams”, and implement a training system with a focus on job rotation supplemented by agency in duty.

Anti-discrimination

We provide equal employment opportunities and fair job treatments without discrimination, and oppose any form of discrimination in the workplace, regardless of gender, race, marriage, biological, surname, geography, and religious belief, to protect workers' right of equal opportunities to employment. We have a clear recruitment system, and prohibit any discriminatory terms in the recruitment descriptions or any express or implied discriminatory provisions in the conditions of employment. We eliminate any form of identity discrimination and regard anti-discrimination as part of our social responsibility. In addition, we uphold the principle of equal pay for equal work and ensure that women enjoy the same rights as men in terms of labour remuneration, benefits and welfare.

Other Benefits and Welfare

The Group adopts a rational and reasonable salary and welfare system in order to manage staff salary and welfare in a standardised manner. We solicit a group of talents which suits our need in the development of the Company in accordance with the recruitment policies at the state, provincial and municipal levels. To attract and retain talents, as well as to promote the sustainability of the Group, we promulgated the Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Remuneration System and the Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Paid Annual Leave. At the same time, we are particularly concerned about employee benefits and welfare beyond salary and remuneration. In addition to social security, we also provide subsidies to older employees, and offer benefits to our employees during summer heat waves, mid-autumn festivals and at the end of the year. Priority in terms of the application period and duration of paid annual leave will be given to key technical personnel and marketing experts. Key talents with high academic qualifications introduced by the Company will be entitled to commensurate grants and benefits based on our recruitment policies.

The following table shows the staff headcount of the Group by types of employment, age, and location at the end of the Reporting Period:

| Type of Employment | <30 years old | 30–39 years old | 40–49 years old | ≥50 years old | Total Headcount |
|---------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|----------------------------|
| Long-term | 319 | 342 | 157 | 27 | 845 |
| Temporary | N/A | N/A | N/A | N/A | N/A |

Note: The Group had signed labour contracts with all employees and paid for social security in favour of them in accordance with laws and regulations. No temporary employee was hired.

| Location | China | Others | Total |
|-----------------|--------------|---------------|--------------|
| Headcount | 815 | 30 | 845 |

The following table shows the turnover rate of the Group by age and location during the Reporting Period:

| Age group | Number of Turnover | | Total |
|------------------|---------------------------|---------------|--------------|
| | China | Others | |
| <30 years old | 110 | – | 110 |
| 30–39 years old | 41 | – | 41 |
| 40–49 years old | 3 | – | 3 |
| ≥50 years old | 5 | – | 5 |
| Total | 159 | – | 159 |

HEALTH AND SAFETY

Employee Health and Safety

We are committed to providing a healthy and safe working environment for all employees, and we strictly observe the Production Safety Law of the People’s Republic of China and other related regulations, formulate safety production measures and prevent any accidents from occurring. The Group passed the OHSAS18001 occupational health and safety system in 2004, and a third-party occupational health verification centre inspects the workshops annually to ensure the safety and health of employees. Meanwhile, we arrange pre-employment physical checkup for new employees, and arrange occupational health checkup and welfare-based physical checkup for incumbent employees each year. In addition, managers of workshops are also trained to handle medical emergencies and each workshop is equipped with a medical kit. Employees engaged in special operations are required to receive training at the designated training institutions and can only engage in the operations after obtaining the qualification certificate.

During the Reporting Period, the Group has promoted a factory-wide safety culture and The Company convenes monthly safety meetings and conduct monthly inspections of safety hazards, followed by regular maintenance. A competition named ‘Health and Safety Cup’ was organised for promoting workplace safety at all levels within the Company. During the competition, we conducted a series of activities such as safety pledge and signature campaign, collection and appreciation of adages on safety, promotion of and education on road traffic safety as well as fire drills and practices.

During the Reporting Period, the Group did not have any work-related fatalities or any records of working day losses due to work-related injuries. Further, the Group did not have any records of violations of employee safety laws and regulations.

DEVELOPMENT AND TRAINING

Employee Development and Training

The Group aims to introduce a healthy atmosphere of cultivating, selecting and utilising talents, and tailors a career development path to the personal growth and abilities of each employee. To promote sustainable human resources development, the Group has created a mentoring program and implemented dynamic management for reserve talents. In previous years, our employees were elected as Municipal Model Workers and “March 8th” Red-banner Pacesetters annually.

The Group has also implemented an “internal trainer” system and formulated the Notice on External and Internal Training Arrangement, to standardise the learning system and lay a solid foundation for standardising training management, encouraging employee development and achieving knowledge transparency. Meanwhile, the Group actively organises a variety of activities including operational skills training, special training, and outreach training, in order to enrich the skills of our employees, as well as to boost the competence and strengthen the competitiveness of the Group.

The following table lists out the training hours for employees of the Group by job category during the Reporting Period:

| Category | Senior Management | Mid-level Management | Junior Level | Professional and Technical | Administrative | Marketing | Production | Others | Total |
|----------------------------------|-------------------|----------------------|--------------|----------------------------|----------------|-----------|------------|---------|-----------|
| Number of staff | 9 | 12 | 9 | 138 | 76 | 139 | 410 | 30 | 823 |
| Training Hours | 395.19 | 526.92 | 395.19 | 6,059.58 | 3,337.16 | 6,103.49 | 18,003.1 | 1,317.3 | 33,137.93 |
| Average Training Hours (approx.) | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 |
| Staff Training Percentage | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Labour Standards

Pursuant to provisions of the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Regulations of Jiangsu Province on Collective Contracts and the Special Collective Contract for the Protection of Enterprise Female Employees, Jiangsu Hengxin only hires employees aged 18 full years and above. The Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Recruitment also expressly prohibit the employment of those under 18. This minimum age requirement is specified in the recruitment information of the Group published on all recruitment channels. Jiangsu Hengxin also inform the candidates of this requirement during interviews and employment procedures, and double check the identity information of the candidates within the scope as permitted by national laws and regulations.

The Administrative Rules of Jiangsu Hengxin Technology Co., Ltd. on Attendance prescribes that all departments of the company shall exercise strict control and review overtime hours. To improve the work efficiency and fully utilise normal working hours, in the event that overtime is unavoidable due to task demands, an overtime application must be submitted and approved in advance. Meanwhile, Jiangsu Hengxin has set up a trade union where employees can negotiate and monitor their rights on equal footing, so as to prevent any circumstances of forced labour from happening.

SUPPLY CHAIN MANAGEMENT

Customer Management

For our major clients (such as the three major telecom operators in China), we participate in their centralised bidding organised by the headquarters every one or two years. The successful bidders are usually rated based on price, technology and overall strength, and the quota allocation of the procurement is based on ranking. The higher the bidder's rank, the more quota it will receive. Subsequently, we will sign a framework agreement with the telecom operator, and then sign sales orders and contracts and settle accounts with the customer's provincial subsidiaries that are responsible for provincial procurement (based on centralised bidding price and quota).

As for larger institutional customers (such as telecom operators, equipment manufacturers and system integrators), we conduct internal assessments periodically to ensure that the Group can continue to serve as their certified supplier. The scope of supplier certification assessment covers, including but not limited to, factory inspection, sample testing, quality verification, and service quality. To constantly improve our products, our marketing and procurement personnel understand and gain insight into the market and product trends through close contact with customers as well as through bidding and industry information.

Supplier Management

We select suppliers through a bidding process based on a number of factors, such as the ability to maintain a stable quality of products, pricing, on-time delivery, financial conditions, and service levels, etc. We have identified a set of supplier selection criteria to select suppliers. The supplier certification and assessment includes their credit background, the relevant certificates or permits that they possess, production capacity, equipment and product quality, etc. We conduct on-site inspections over the suppliers that meet the relevant requirements, and test their samples. Only suppliers that pass all these procedures are enlisted as qualified suppliers of the Group.

For the procurement of major bulk materials, we invite bidding from time to time, with the proportion of the procurement through bidding accounting for approximately 95.83% in total procurement. The Group sets up a bid invitation team consisting of heads of the related departments and the General Manager, which will comprehensively evaluate the proposals of suppliers and determine the successful bidders by considering a variety of factors, including bidding price and product quality, etc. For suppliers that have worked with the Group in the past, the timeliness of their delivery, the level of services and other factors are also taken into consideration. In general, if the overall strength of a qualified supplier is equivalent with or similar to the supplier with a lower bidding price will be selected and will acquire the largest

share. We assess our suppliers fairly and justly by material categories quarterly, half-yearly or yearly, and the performance assessment results serve as an important basis for subsequent bid invitation and bid evaluation. In addition, we select certain major suppliers by inspecting and auditing their factories based on actual conditions each year, for the purposes of checking and verifying the supply of raw materials and their on-site management and control.

All major suppliers are required to carry out standardised operations in accordance with the requirements of our customers, such as environmental, occupational health and safety and other aspects. Therefore, we also require our suppliers to undertake their CSR and comply with labour laws and other relevant laws and regulations. During bid invitations, the Group requires suppliers to sign the Supplier Social Responsibility Proposal to ensure that the relevant corporate policies of the suppliers align with the policies of the Group.

The Group maintains a stable relationship with its suppliers, and has never encountered any significant problems with regard to the supply of raw materials to meet its production needs. In addition, the Group does not rely on any specific supplier to provide raw materials, as other suppliers may provide such raw materials at any time.

PRODUCT LIABILITY

One of the Company's important tasks is to ensure customer satisfaction towards our products and services. We strictly abide by all applicable laws and regulations, uphold integrity, and operate our business according to the law. In addition, all of our employees are required to comply with the Employee Codes of Conduct and the applicable laws and regulations.

HEALTH AND SAFETY

All materials used by the Group meet the requirements under the Restriction of Hazardous Substances Directive, which limit the use of certain hazardous substances in electronic and electrical devices. We also require our raw material suppliers to provide appropriate supporting documents and conduct regular reviews. No customers have lodged any negative feedback about our products due to health and safety reasons.

REMEDIES

The Group has established a project service department to deal with all kinds of issues reported by customers and responds to customer demands round the clock. A report will be submitted while we will continuously resolve the customer's problem. In the event that a batch of unqualified products is no longer within the control of the Group (such as when the product has been delivered or ownership has been transferred, etc), we will initiate the recall process immediately. In this regard, we have promulgated the Regulations on Product Recall Control and Management to control and monitor the product recall process.

INTELLECTUAL PROPERTY

Intellectual property rights play a very important role in our business. Given that China pays increasing attention to intellectual property rights, the Group actively applies for patents and protects our own intellectual property rights. To drive innovation, we have established a reward system for various types of innovations and patents based on their degree of novelty and their contribution to the Group, and reward their creators accordingly.

We have been certified as an intellectual property management demonstration unit, and have also enforced the GB/T 29240–2013 Enterprise Intellectual Property Management to actively promote intellectual property works of the Group. We have set up an intellectual property management unit consisting of specific employees with relevant knowledge, skills and experience to deal with matters in relation to product advertising, labeling and privacy. In addition, we have also established a sound working mechanism and a systematic, standardised, and normalised system for intellectual property management, and regularly organise and develop intellectual property education and training in accordance with the regulatory requirements of the Regulations of Jiangsu Province on Enterprise Intellectual Property Management to ensure further supervision of intellectual property management and apply them widely, so as to accelerate the conversion of intellectual property rights into productivity and improve the core competitiveness of the Group.

The Group promulgated the Administrative Rules of Branding, Market Planning and External Publicity Targets and the Administrative Rules of Dynamic Information Reporting as its promotional policies. By cooperating with professional advertising media and new media, the Group has expanded promotional scope and strengthened its promotional efforts, to constantly enhance its overall brand image and boost its presence and reach in the industry, domestic and overseas markets as well as in the society.

ANTI-CORRUPTION

The Group attaches great importance to doing business in a manner that conforms to ethical standards and complies with all applicable laws and regulations, prohibiting any improper payment of money in exchange for commercial interests, and we strictly observe the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Anti Unfair Competition Law of the People's Republic of China and other related laws and regulations. The Group formulated the Rules of Jiangsu Hengxin Technology Co., Ltd. on Integrity Credit Risk Management in 2016 to strengthen management and control over the integrity credit risks of employees, suppliers and customers, eliminate and mitigate risks of losses incurred by the Group due to the dishonest behaviour of employees, suppliers or customers, while auditing, verifying, using and managing the integrity credit risk information in an orderly manner. As a result, damages from external integrity credit risks can be prevented. The Group strictly prohibits any form of bribery or other improper payment of money in the course of business operations. These provisions are applicable to all business activities, regardless of whether the person involved is a government official or from the business community. However, such payments should not be confused with reasonable and limited expenditures for gifts, rewards and other legitimate

activities directly related to the businesses of the Group. At the same time, the Group has developed anti-bribery and anti-corruption policies in accordance with the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations, which set out the codes of conduct that must be complied with by all employees. Stakeholders may report illegal or potential illegal activities to the Board through the relevant channels established by the Group in a confidential manner.

COMMUNITY INVESTMENT

Community Involvement

The Group has always incorporated social responsibility into its overall development by actively participating in charitable donations, partnerships and mobilising employees to involve in community activities, so as to bring tangible changes to the community. The Group has made donations to assist underprivileged students and children, and organised voluntary blood donations and other public welfare activities. For example, the Group has committed to donating RMB500,000 to Yixing Charity Committee annually for 20 years starting from 2007, and provided RMB100,000 to Dingshu Secondary School to support poverty-stricken students in 2018. The Group also donated RMB50,000 to Dingshan Experimental Elementary School of Yixing in 2018 and paired six students with our female employees under the “Social Mother” programme and donated RMB6,000. In 2018, we donated materials and supplies amounting to RMB14,000 to local fire brigade, joined and organised 239 charitable events and participated in 7 charitable blood donation activities.

The Company was awarded the title of “Leading Charitable Organisation 2018” from the local government.



On 5 June 2018, the Company organised employees to participate in the World Environment Day Promotion Education Event.



On 10 August 2018, the Company joined in the local community volunteer activities.



On 7 November 2018, the Company organised employees to participate in the social environment protection charitable events.



On 5 December 2018, the Company organised employees to participate in the social environment protection charitable events.



On 1 July 2018, the Company organised and visited the local fire brigade.



On 18 October 2018, the Company organised employees to participate in the charitable blood donation activities.



On 12 September 2018, the Company joined the “Social Mother” programme in Yixing and helped the poverty-stricken children to get continuing education opportunities.

Care for Employees

The Group has offered free work meals for employees during working hours and carried out a variety of activities to enrich the lifestyle of our employees, enhance their sense of belonging and team cohesion, and form a cultural atmosphere of solidarity and mutual assistance. This can boost employees' productivity and strengthen the core competitiveness of the Group.

Our staff quarters are equipped with sports facilities, reading facilities and other amenities to provide our employees with a comfortable and pleasant living environment.



On 1 May 2018, the Company newly set up a nursery room to provide convenience for breastfeeding female employees.



On 1 July 2018, the Company organised employees to participate in the Quiz Competition Event.



On 8 May 2018, the Company organised employees to join in Fun Sports.



In July 2018, the Company organised employees to participate in the labour competition events.



On 29 June 2018, the Company organised employees to join the patriotism education sports together with the staffs of local government department.