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Sustainable Connections for a Better World

2019 Sustainable Development Report

2019 Sustainable Development Report

Shennan Circuits Co., Ltd.





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Addressing of the Management Team

Sustainable Connections for a Better World



From the perception of everything to the interconnection of all things, the digital age is becoming more and more clearer. A new world oriented towards "full connection" is coming, and ubiquitous connection is becoming the basis for rebuilding the world. The sustainable economic, social and environmental development is also destined for sustainable connections. As a company focusing on electronic interconnection, SCC believes that a sustainable information connection foundation will play an important role in promoting the achievement of the Sustainable Development Goals (SDGs).

The realization of each connection is a value creation at the cost of consuming social resources and energy. In order to make the connection more valuable, SCC always adheres to the customer-oriented philosophy, and through continuous technological innovation, establishes an efficient and reliable connection between customer needs and application scenarios in order to help customers to build a richer application ecosystem and create more value for them. In 2019, SCC, with its rich experience in various mid-to-high-end PCB processing technologies such as backboards and high-speed multi-layer boards, etc., fully supports and cooperates with global communications customers to develop PCB products for 5G wireless base stations, bearer networks, and core networks. And through the application of digital technology, the reliability of products is further improved, and more mature RF wireless, high-speed, large-capacity solutions and reliable batch products are provided for the next generation of global communications networks and equipment. These products will become the foundation of information connection in the IoT digital era is driving digital technology to benefit the world.

In addition to bringing a richer application ecosystem connection also increases the consumption of more resources and energy. This, together with environmental issues such as global warming and extreme weather, etc., brings new challenges to the development of the digital age. Similarly, technological progress has brought new opportunities and solutions to green and environment-friendly development. SCC insists on reducing the adverse

impact on the environment in the entire life cycle of production and operation through green product design, green operation improvement and green industrial chain construction. In 2019, the comprehensive energy consumption per RMB 10,000 output value of Shenzhen and Wuxi production bases reduced by 15.92% and 27.5% respectively compared with the previous year.

In the past year, despite various uncertainties in the international political and economic environment, we worked hard to improve our products and solutions, continued to create value for society, and worked with all stakeholders to firmly promote the realization of global sustainable development. However, the situation of global sustainable development is not optimistic yet. At this moment, the countries around the world are suffering from the impact of the 2019-nCoV. In order to ensure the safety of employees and support the production of medical equipment and communication guarantee products related to the fight against the epidemic, we responded at the first time and assumed corporate social responsibility. In late January 2020, in order to reduce the risk of employee infection and protect the health of employees, we proactively persuaded the employees intending to return home to stay in the factory for the Chinese New Year, and provided free epidemic prevention materials for thousands of employees who stayed in the factory to ensure that all of them had a safe holiday. In early February, the anti-epidemic materials around China were in urgent need. In order to support the normal production of our customers in the medical and communications fields, we overcame many difficulties and resumed work to a small extent in a timely manner; and we cooperated with the industry chains to jointly support the epidemic prevention and control.

The epidemic breaking out at the beginning of 2020 further illustrates that the planet on which we live is still facing many uncertainties. SCC hopes to establish a sustainable connection with all forces to jointly meet challenges and promote the economic, environmental and social sustainable development to create a better world.



About SCC

Company Profile

Corporate Culture

Shennan Circuits Co., Ltd. (hereinafter referred to as "SCC" or "the Company") was established in 1984 with a registered capital of RMB 339.36 million. It is headquartered in Shenzhen, Guangdong, China. Its main production bases are located in Shenzhen, Wuxi and Nantong, Jiangsu, China. Its business is all over the world, and there are subsidiaries in North America and R&D sites in Europe.

The Company grasp the historical opportunities of the rapid development of the global electronics industry, keeps customer-

oriented, and takes technology development as the first driving force. Over 30 years of development, the Company has become a key high-tech enterprise of China Torch Program, the first national technological innovation demonstration enterprise and the national enterprise technology center in China's PCB industry, as well as local most powerful PCB maker and developer; meanwhile, the Company is also the director unit of China Printed Circuit Association (CPCA) and the chairman unit of Standard Committee.

In July 2011, SCC released a complete set of cultural concepts. With the Company's multi-business, multi-regional and international development, changes in staff size and product generations, and internal and external changes such as the global economic and social environment, its organizational culture maintains timely adjustments.

Beginning in February 2019, SCC officially launched the work of combing cultural concepts. After interviews and investigations, mid-to-high-level workshops, in-depth research and improvement of key projects, the Company has readjusted and interpreted its cultural concept system. Its mission and vision remain unchanged but its connotation is re-interpreted. Its corporate values are adjusted and injected with new connotations based on the original values, the status quo of its culture, the personal values of employees, and its future development needs. In order to promote the implementation of the cultural concept system, SCC has output the code of conduct for its employees via full participation of employees in the discussion.

The 2019 version of the cultural concept system of SCC emphasizes the interconnection, co-existence, sharing and co-creation of the Company, customers, employees, partners and other stakeholders. "Heart" refers to the individuals that SCC pays attention to; "chip" refers to the carriers of SCC products and technologies; "home" refers to a warm and reliable platform for harvest, growth and value creation. SCC always focuses on the field of electronic circuit, adheres to the principle of leading technology and quality first, builds a leading business ecosystem, provides customers with one-stop products and services, and strives to become the world-class provider of electronic circuit technologies and solutions. At the same time, SCC pursues developing, cooperating and creating a bright future with all stakeholders.

In the future, SCC will continue to provide customers with efficient and reliable connections in the new IoT era. Only by concentrating technology and quality onto "chip", and putting the responsibility to customers, employees, partners and other stakeholders into the "heart", the brand of SCC can move towards our dream of becoming a world-class brand.

Mission

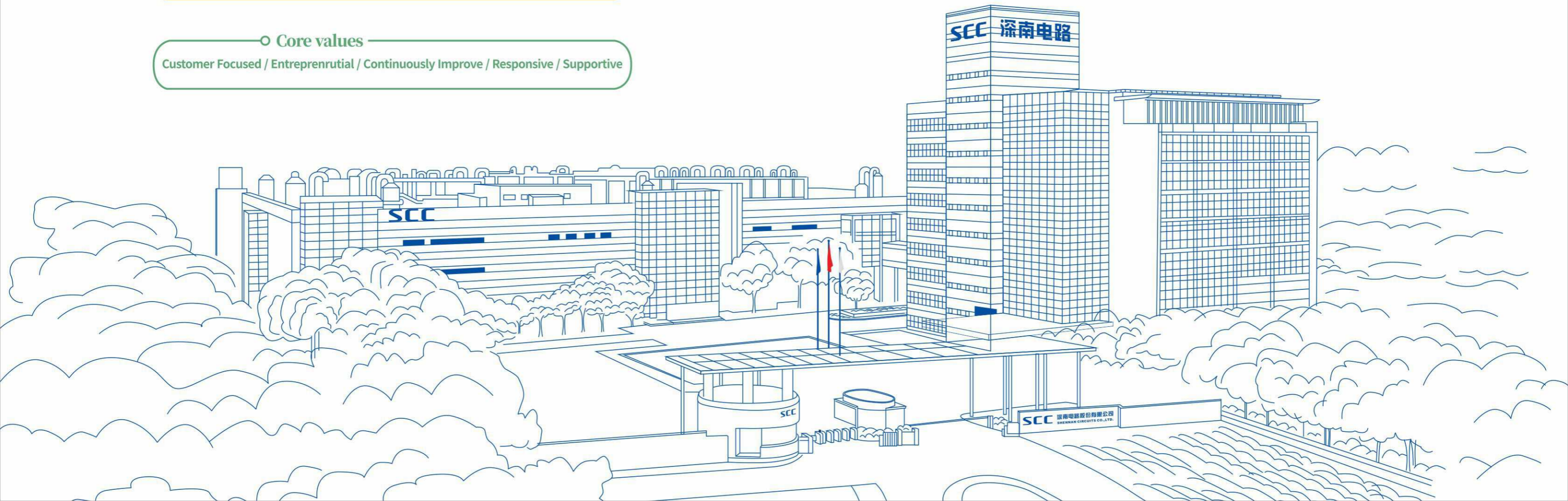
Create happy customers and employee relationships

Vision

To be the world-class provider of electronic circuits technology and solutions

Core values

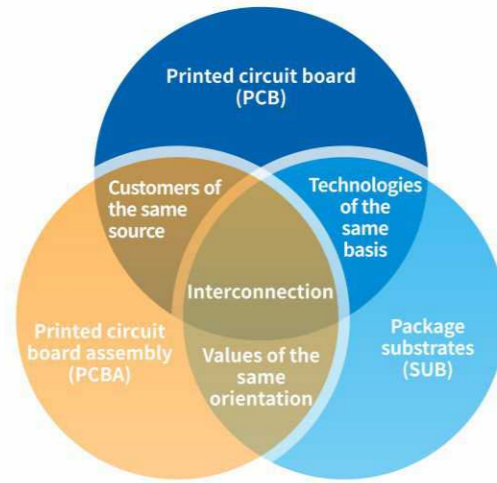
Customer Focused / Entrepreneurial / Continuously Improve / Responsive / Supportive





Strategic Planning

The Company specializes in the field of electronic interconnection, and is committed to "be a world-class electronic circuit technologies and solutions provider". It is engaged in three businesses: PCB, SUB and PCBA, which form a unique "3-In-One" business layout in the industry.



SCC "3-In-One" strategy



Sustainable Development Performance

Business performance

| | 2019 | 2018 | 2017 |
|---|--------|-------|-------|
| Operating income (RMB 100 million) | 105.24 | 76.02 | 56.87 |
| Total profit (RMB 100 million) | 14.03 | 7.78 | 5.04 |
| Net profit (RMB 100 million) | 12.33 | 6.98 | 4.49 |
| Total tax payment (RMB 100 million) | 3.37 | 2.28 | 1.38 |
| R&D investment (RMB 100 million) | 5.37 | 3.47 | 2.93 |

Returns to shareholders

| | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Net profit attributable to parent company (RMB 100 million) | 12.33 | 6.97 | 4.48 |
| Cash dividend for each 10 shares (RMB) | 11.50 | 7.50 | 5.10 |
| Total cash dividends (RMB 100 million) | 3.90 | 2.12 | 1.43 |
| Proportion of cash dividends in net profit | 31.66% | 30.42% | 31.87% |

Green performance

| | 2019 | 2018 | 2017 |
|---|-----------|--------|--------|
| Comprehensive energy consumption per RMB 10,000 output value (year-on-year decrease) | - | - | - |
| Shenzhen | 15.92% | 15.83% | 19.00% |
| Wuxi | 27.50% | 15.83% | - |
| Nantong | 609kwh/万元 | - | - |
| Special energy-saving transformation to reduce carbon emissions (tons) | 6009 | 5718 | 14579 |
| Recycled water consumption (year-on-year increase) | 18% | 9% | 6% |
| Volume of waste liquid produced in outer layer output area (year-on-year decrease) | 64% | 55% | 25% |

Note: SCC counts the data of comprehensive energy consumption per RMB 10,000 output value for the first time in 2019, so there is no comparative change data.



Milestones in 2019

SCC was among the first batch of companies that passed the certification for "PCB Industry Standard Enterprise"

In January 2019, the "Specification Conditions for the Printed Circuit Board Industry" was released, aiming to strengthen the management of the PCB industry, guide the industrial transformation and upgrading and structural adjustment, and promote the sustainable and healthy development of the industry, and focusing on the management of companies for production and operation in multiple aspects such as environmental protection, work safety energy

conservation management, quality management, etc., as well as the main product varieties and production capacity.

On October 25, the Ministry of Industry and Information Technology officially released the list of the first batch of companies that meet the "Specification Conditions for the Printed Circuit Board Industry", including SCC, one of only 7 PCB companies selected across China. SCC became the only company from Shenzhen selected into the list.

The construction of new factories in Wuxi and Nantong was effectively pushed forward, and the Company's multi-regional operation layout was further improved

In 2019, the construction of new factories in Wuxi and Nantong of SCC continued to progress, and good progress was made. In June, Wuxi SUB Factory was successfully connected, and the Company's multi-regional operation layout was further

improved. In the operation and production of the new factory, we will continue to adhere to the principle of customer oriented and quality first, and continue to create value for customers.

SCC won the Excellence Prize for the 21st China Patent Award

On October 18, the evaluation results of the 21st China Patent Award were announced. SCC stood out by virtue of its patent for "A processing method and structure of an ultra-thin chipless package substrate" and won the Excellence

Prize of China Patent Excellence Award. This is not only a high recognition to the product R&D and technical innovation strength of SCC, but also a reflection to the Company's long-standing innovation spirit of insisting on independent R&D.

SCC won the Supplier CSR Excellence Prize of the European Joint Audit Cooperation Organization (JAC) supplier

On January 15-16, 2020, the 9th JAC Annual Conference was held in Macao, and SCC won the Supplier CSR Excellence Prize. JAC (Joint Audit Cooperation) is a cooperative organization jointly established by telecommunications giants France Telecom, Deutsche Telekom, Swisscom and other 17 top European and American telecommunications operators. SCC's recognition by JAC this time is another milestone in the Company's CSR management and internationalization. The Company's CSR team will take this as an opportunity to improve the Company's CSR internationalization construction ability, pragmatically promote the sustainable development of the circular



economy of the industrial chain, enable CSR to be effectively implemented in the Company, and continue to create value by in-depth understanding of industry standards, drawing on the advanced experience of other

industry standard companies in CSR, and focusing on the principle of "being the first to practice, playing an active role, and building a home of hearts and chips".

SCC's "Joint Construction, Cooperation and Future" Global Supplier Conference held in Nantong

On November 28, SCC's "Joint Construction, Cooperation and Future" Global Supplier Conference was held in Nantong. The Company officers and 87 strategic core partners of the global materials, equipment and process M&E attended the conference. At the conference, SCC awarded honorary medals to 36 outstanding domestic

and foreign partners. SCC expressed its gratitude to all the partners. In the future, SCC will continue to adhere to the sunshine procurement policy and is committed to creating a fair and just business cooperation environment. We hope to maintain a good cooperative relationship with all the partners to create a healthy Winning future.



Social Honors

Important Social Honors

- Supplier CSR Excellence Prize
- China's Top 100 Electronic Circuit Enterprises 2018
- Advanced Enterprise of CPCA Science and Technology Committee 2018
- China's Top 100 Electronic Information Enterprises 2019 (33rd)
- Influential Enterprises for Social Contribution to the Electronic Information Industry 2019
- Tenth Place in Shenzhen Top 70 Innovative Enterprises

Awarding Organization

- JAC
- CPCA, CITIF
- CPCA
- CITIF
- CITIF
- Times Entrepreneur, Shenzhen Business Daily



SCC's CSR management concept is in the same line with its corporate mission and vision. The Corporate Social Responsibility (CSR) Management Committee starts from the Company's mission and adheres to the social responsibility policy of "being the first to practice, playing an active role, and building a home of hearts and chips". The leadership of the Company leads the joint implementation of the policy with the cooperation of multiple departments and business units, and systematically

promotes SCC's social responsibility practice to ensure that the Company's strategic operations meet the requirements of sustainable development.

"Being the first to practice" stems from the value pursuit of SCC to be a "world-class" enterprise. "Playing an active role" is SCC's commitment to being responsible for the business results of the Company. We regard the practice of social responsibility as the only way for the sustainable development of the enterprise and closely links it to the corporate mission.



Sustainable Development Management

Sustainable Development Goals(SDGs)

In the blueprint of SCC's mission and vision, "Home of Hearts and Chips" is a platform for the interconnection, co-existence, co-creation and sharing of SCC with customers, employees, partners, environment, community and other stakeholders. As a company striving for being the "world-class" company, SCC actively undertakes and fulfills globalized social responsibility requirements. In 2019, on basis of its

business strategy and 17 UN sustainable development goals (SDGs), SCC further perfects its social responsibility concept. At present, its social responsibility actions focus on providing the connection basis of the sustainable development for IoE, and SCC is dedicated to making connections more valuable, promoting green development and creating a better world.



- SCC will explore future-oriented electronic circuit technologies based on customer demands through continuous innovation, and provide customized solutions and a one-stop service platform, so as to meet personalized and scenario-based requirements.
- The entire staff should establish the concept of quality first. Guided by customer needs, we provide customers with high-quality products and services, and use the same social resources to create more value.







- Integrate the concept of green environmental protection into the full life circle including the design, research and development, manufacturing, delivery and use of the product to provide customers with more environmental products and solutions through continuous technical innovation.
- Be dedicated to improving the utilization efficiency of resources in all aspects of SCC operation and reduce the emission intensity of greenhouse gas and waste.
- Promote the green development of the electronic circuit industry and the upstream and downstream industrial chains.

- Strictly abide by business ethics, oppose corruption, dumping and monopoly and operate in good faith.
- Adhere to people-oriented and make employee value achieved.
- Adhere to work safety and provide all-round safety guarantee.
- Cooperate closely with the upstream and downstream industrial chains to promote the sustainable development of the industrial chains and gradually become a leader of the industrial and global sustainable development.
- Participate in global sustainable development and make positive contributions to countries and communities where the operations are located.

Communications with Stakeholders

The main stakeholders of SCC include shareholders, customers, employees, partners, governments, industry organizations and communities. Through direct or indirect communications, we focus on the three dimensions of economy, environment and society to conduct healthy communication with relevant parties on

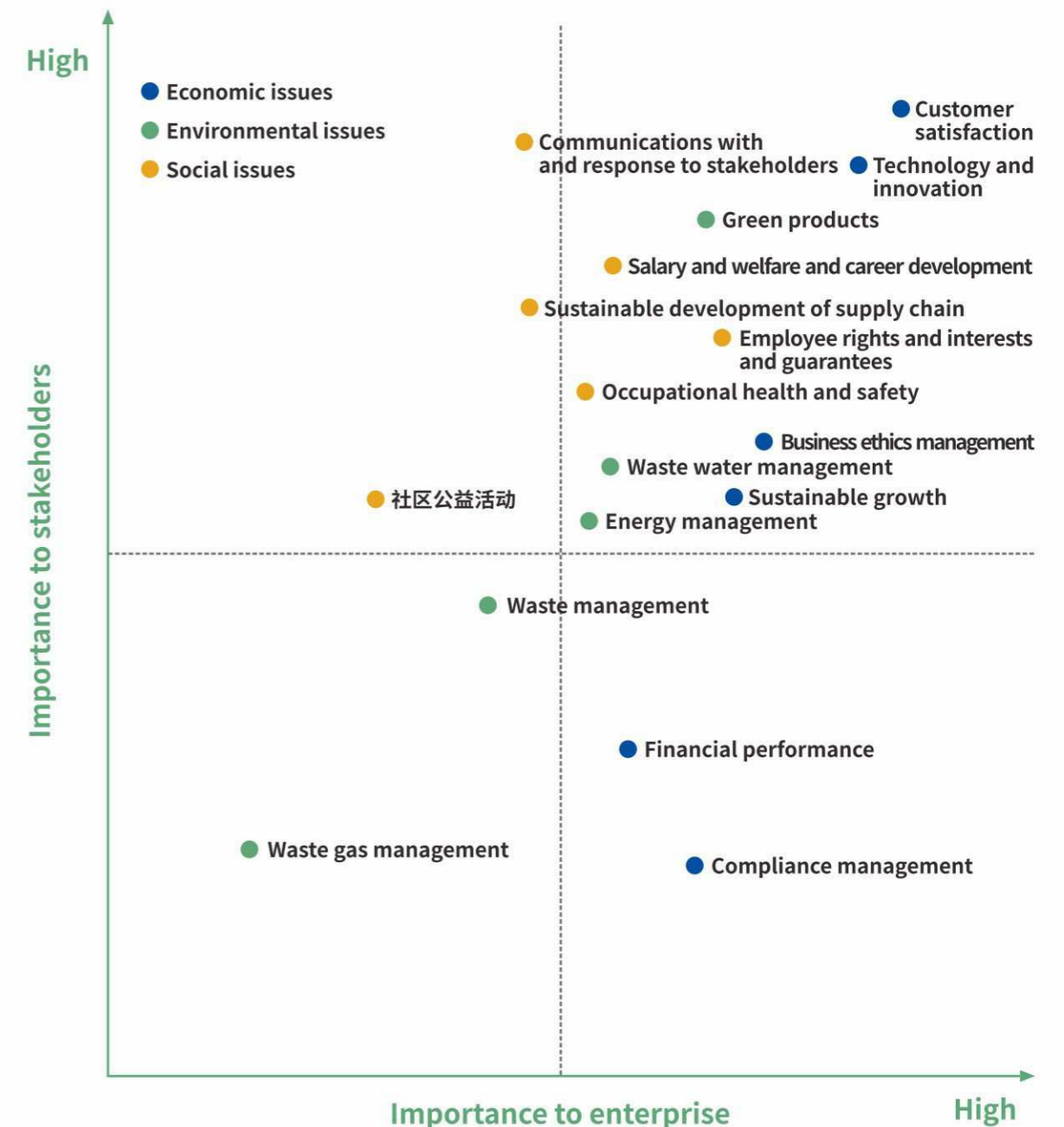
issues of common concern, understand their views, demands and expectations, and adjust the Company's sustainable development goals and actions to effectively respond to the reasonable expectations and interests of various stakeholders through appropriate communication channels and methods.

| Stakeholders | Main responsibilities | Way of communication |
|--|---|---|
|  Shareholders | Under the premise of law-abiding integrity operation, improve efficiency, reduce cost and improve profitability continuously through management, optimized development strategy and rationalized allocation of resources. | <ul style="list-style-type: none"> Shareholders' general meeting Information disclosure Investor conference / roadshow Investor hotline / email / interaction |
|  Customers | Focus on customers, continuously improve technology and quality, continue to create value for customers, and continuously improve customer satisfaction. | <ul style="list-style-type: none"> Technological innovation Quality improvement actions Before-sales communication After-sales service Customer review Customer satisfaction survey |
|  Employees | Keep people-oriented, respect and care for employees, create a good corporate working atmosphere, and provide a platform for employees to realize their personal value. At the same time, provide strong guarantees for employees' work safety and occupational health, strive to provide a high-quality living environment for them, and continuously improve employee satisfaction. | <ul style="list-style-type: none"> Direct communication Trade union Telephone / email feedback Training program EAP project Love & caring platform "Long for Glory" project General manager's lunch Staff activities Staff congress |
|  Partners | Adhere to the concepts of cooperation, win-win and co-development | <ul style="list-style-type: none"> Material procurement Project cooperation Supplier CSR review and improvement assistance Supplier training Supplier conference |
|  Governments | Operate legally, pay tax, promote regional economic development, create jobs, and reduce the impact of enterprise development on society and environment. | <ul style="list-style-type: none"> Policy communication Unscheduled visits and surveys Tax payment according to law |
|  Industry organizations | Promote communication and cooperation in the industry actively, standardize industry development together with the association and peers and establish industry's ecosphere through participation in formulation, release and review of industry standards and intellectual property protection. | <ul style="list-style-type: none"> Compliance with industry codes / conventions Participate in formulation of industrial |
|  Community | Participate in and support development of community culture and education actively and facilitate harmonious development of the region and society. | <ul style="list-style-type: none"> Construction of enterprise science popularization center Popular science into campus Host the 15th National Model Aircraft Open Championships Volunteer action |

Sustainable Development Issues

In 2019, SCC's sustainable development management concept has been further improved. In order to ensure the effective implementation of the concept, we continued to collect report issues through stakeholder survey forms (online / offline), customer satisfaction surveys, and

employee satisfaction surveys. Through the identification and analysis of issues, we focused on the core issues, and according to the update of the Company's value concept, we clarified the key issues of concern to all stakeholders.





As a basic connector in the digital age, SCC believes that more agile and reliable electronic circuit technologies and solutions will support customers in achieving a richer application ecosystem, better promote the development of global digitalization, and allow more people worldwide to benefit from the progress of the digital society.

IoE is profoundly changing the world. SCC adheres to technologies and solutions as the core value of customer services. Through continuous innovation, it explores future-oriented electronic circuit technologies based on customer needs and provides customized solutions and one-stop service capabilities for the customers in communications, aerospace, industrial control medical, automotive electronics, server/storage, etc., in

order to help them achieve a richer application ecosystem and allow more people to enjoy the development dividends of the digital age.

Reliable connection is the foundation of the digital era. We adhere to the "quality first" concept, and based on customer needs, through intelligent and digital means, we explore an effective management mode of integration of human, machine, material, law and environment to promote production efficiency and enhance product yield, continuously improve the stability and consistency of the production process, provide customers with high-quality products and services, and continue to create value for customers.



Making Connections More Valuable

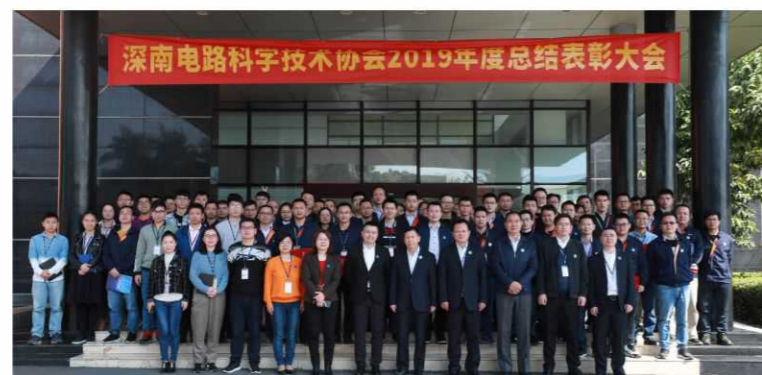
Taking Technologies and Solutions as the Value Core of Customer Services

In 2019, under the environment of highly uncertain global economic environment, SCC focused on improving product technology capabilities to create more value for customers. The Company's technical staff actively maintained benign communication with customers. With its deep accumulation in various processing technologies of high and mid-end PCBs such

as backplane and high-speed multilayer boards, it supported and cooperated with global communications customers in the development of PCBs used in 5G wireless base stations, bearer networks and core networks, and provided mature radio frequency, high-speed, high-capacity solutions for next-generation communication networks and devices.

Innovation results

In 2019, the Science and Technology Association of SCC continued to focus on the strategic goal of "innovation-driven development" and promoted the development of various innovations, with a total investment of RMB 537 million in R&D. The overall R&D work progressed well, and it continued to maintain the technological leadership of the Company's industry leader.



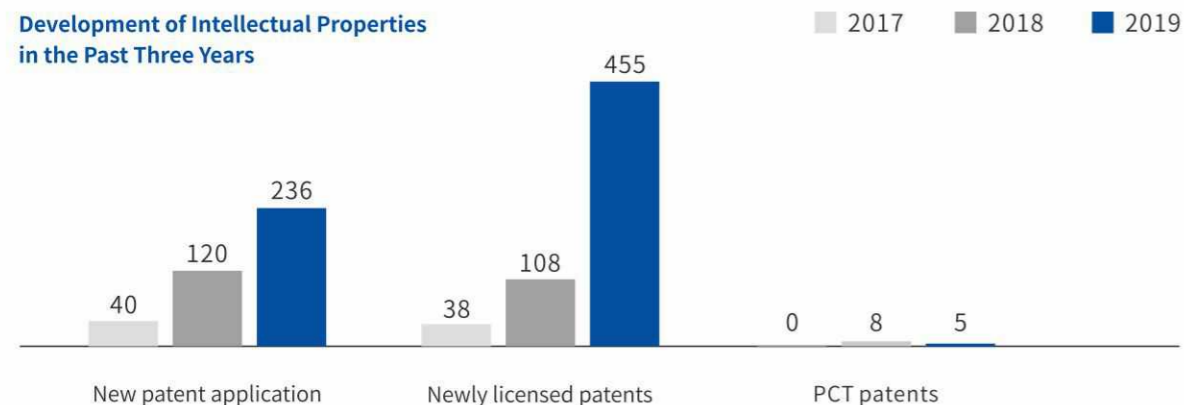
Shennan Circuit Enterprise Science and Technology Association actively organized various technical activities to promote the construction of engineer culture

Throughout the year, technology research and development projects were promoted efficiently, with a total of 202 projects approved, and the project completion rate during the year exceeded 91.5%. The Company participated in the formulation of 13 industry standards throughout the year, published 7 formulated industry standards, and published 21 papers, including 3 international conferences / journals. In 2019, New patents filed increased by 96.7% year-on-year, and

newly granted patents increased by 321.3% year-on-year. PCT applications steadily advanced.

At the same time, the Company actively carried out various technical exchange activities, invited industry experts to give 4 technical lectures, held 4 technical press conferences, and 1 technical seminar, and organized a number of internal and external technical exchange activities to promote the cultural construction of engineers.

Development of Intellectual Properties in the Past Three Years



Important technology awards in 2019

| Important Technology Awards | Awarding Organization |
|--|--|
| The 21st China Patent Award (Excellent Award) | State Intellectual Property Office |
| National Intellectual Property Advantageous Enterprises | State Intellectual Property Office |
| Electronic Information Industry Independent Innovation Achievement Promotion Independent Innovation Technology Award (Former as Pangu Award) | CITIF |
| First Prize of Guangdong Provincial Science and Technology Award for Science and Technology Progress | People's Government of Guangdong Province |
| 3 products certified for Guangdong High-tech Products | Guangdong High-tech Enterprise Association |
| Second Prize of Shenzhen Science and Technology Award for Science and Technology Progress | People's Government of Shenzhen Municipality |

The Intelligent Manufacturing Research Institute was established to lay out an integrated intelligent manufacturing platform

On October 29, 2019, the inauguration ceremony of SCC Intelligent Manufacturing Research Institute was held at the Longgang Base, and participants from Wuxi and Nantong participated via video connections. The Company leaders and relevant leaders and teams of intelligent manufacturing attended the establishment ceremony. The establishment of the Company's Intelligent Manufacturing Research Institute is another staged result of SCC's continuous development in the field of intelligent manufacturing in the past few years. It shoulders the heavy task of establishing a digital, networked, and intelligent operating model for the Company and creating an integrated intelligent manufacturing platform. The Intelligent Manufacturing Research Institute will continue to carry out systematic application research based on quality, operations and efficiency, including advanced intelligent manufacturing technology and automation research, and use new technology to quickly solve existing business pains and continue to create value for customers.



The Advanced Technology Application Research Institute was formally established to improve R&D layout



On December 31, 2019, the inaugural meeting of the SCC Advanced Technology Application Research Institute was held at the lecture hall of the Longgang headquarters. Company leaders, technical leaders and team leaders of business R&D attended the meeting, and participants from Wuxi, Chengdu, Xi'an, and Beijing participated via video connections. The establishment of the Advanced Technology Research Institute will carry forward the spirit of assiduous research, integrate existing resources, consolidate the overall technical foundation of SCC, and promote the technical team to actively adapt to changes in the internal and external environment of the Company and strengthen product planning and management. In the end, we will promote the transformation of technological achievements into customer value, laying a good foundation for the Company's long-term development.



Quality First, Continue to Create Value for Customers

SCC always adheres to the "quality first" concept. Under the overall planning the Quality Management Committee of the Company, each business unit and factory set up a quality management unit that assumes quality control functions by level, such as formulating quality policies, coordinating quality plans, establishing quality systems, checking product quality, and promoting prevention and improvement. This is aimed to

continue to create an excellent quality culture atmosphere and effectively guarantee the long-term steady improvement of the Company's quality. In 2019, the Company continued to consolidate the foundation of quality management and increase the application of digital technology to further improve the quality and reliability of the Company's products and create more value for customers.

The Company introduced the new quality policy and adhered to the principle of customer orientation

In 2019, the Company's quality policy was changed from "quality is a prerequisite for all work" to "quality first, and we are committed to providing customers with high-quality products and services and continuously creating value for customers". Under the premise of adhering to "quality first", the new policy more emphasizes the initiative of high-quality products and services; it reflects the Company's demand for the expansion of high-quality and high-reliability business areas and continuous adaption to customer changes.


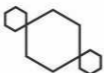

The future business of SCC is increasingly demanding high reliability and quality, the proportion of high-end products is also increasing, multi-business cooperation is becoming closer, and the product integration and product value is also getting higher and higher. The Company must regard quality as the foundation of the Company's survival and is a prerequisite for all work. The goal of our quality management is to "continuously create value for customers", so we must adhere to the customer-oriented principle and always closely connect with customer needs.

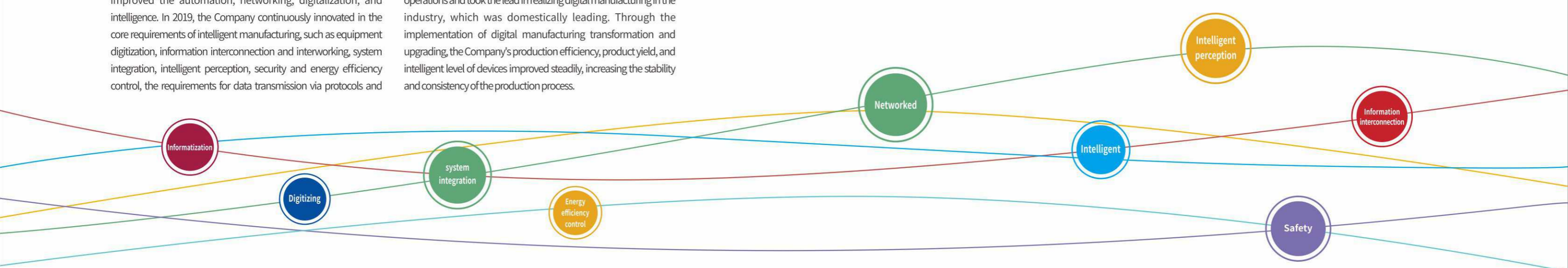
Digital technology keeps innovating to provide customers with more reliable products

After making phased progress in the digital exploration of the Nantong factory, SCC quickly promoted the digital manufacturing experience and results to the three places, continued to deepen the application of information and automation systems, and vigorously improved the automation, networking, digitalization, and intelligence. In 2019, the Company continuously innovated in the core requirements of intelligent manufacturing, such as equipment digitization, information interconnection and interworking, system integration, intelligent perception, security and energy efficiency control, the requirements for data transmission via protocols and

interfaces, and the intelligent requirements such as intelligent production scheduling, process execution and fault prediction, so as to realize comprehensive automation and informatization, and it vigorously promoted digital application practices in production and operations and took the lead in realizing digital manufacturing in the industry, which was domestically leading. Through the implementation of digital manufacturing transformation and upgrading, the Company's production efficiency, product yield, and intelligent level of devices improved steadily, increasing the stability and consistency of the production process.

Application of Digital Technology in SCC

| Improvement Project | Digital Technology Applications |
|---|--|
|  Mis-mix improvement | In the production and operation, the Company marks the raw materials through information technology, identifies and detects mis-mixes in advance, and uses intelligent tools in the process to achieve no manual handling, further reducing the probability of mis-mixes. In addition, delivery and shipping management realizes intelligent formula blanking through digitalization, automatic marking and labeling of packaging lines, and intelligent palletizing, with no one involved throughout the process. The internal and external zero mis-mixing was realized in 2019. |
|  IQC assurance system moves forward | In order to optimize the IQC assurance system, the Company uses digital means to develop the counterpart supplier plan covering standards, projects, frequencies, and MSAs. In December, the standard coverage of main ingredients reached 57%, and the standard coverage of key accessories reached 83%. At the same time, IQC was promoted to formulate the core supplier management specifications and form a bi-weekly review meeting mechanism. In addition, the IQC dynamic sampling system was launched to associate dynamic sampling with MES to achieve intelligent functions. As of November, it had been launched on some production lines. After the SRM system was set up, IQC began to debug the "inspection part" function. |
|  Tools and tooling information management | In order to improve the management of tools and tooling and reduce quality risks, the Company has created a tool and tooling management module in the iMES-TPM system to implement IT-based lifecycle management of tools and tooling from storage, delivery, automatic distribution to scrap. The system has functions of status warning, error prevention design, quality traceability, and data sharing, which effectively reduces the probability of manual errors and improves quality stability in the production process. |



Continue to improve the quality awareness and management of middle and junior officers

In order to implement the "quality first" concept and implement the Company's requirements of "improving the quality control", in March, April and June, the Company provided three sessions of quality system training in Longgang of Shenzhen and Wuxi. A total of 120 middle and junior officers from all the business units and departments participated in the training. The training courses were taught by well-known quality management experts in the industry. In addition to helping trainees develop quality management concepts for defect prevention, reducing variation and waste,

these trainers focused on the requirements of the quality management system and, on basis of the characteristics of manufacturing, they explained in simple terms the R&D quality control, manufacturing process quality control, supplier quality control, CAPD audit method, continuous improvement, etc. The systematic training has effectively improved the quality awareness of the trainees and will continue to promote the continuous improvement of the Company's quality culture and management.



Training of middle-level quality management personnel

Case: Good progress was made in the SUB Business Unit's system construction

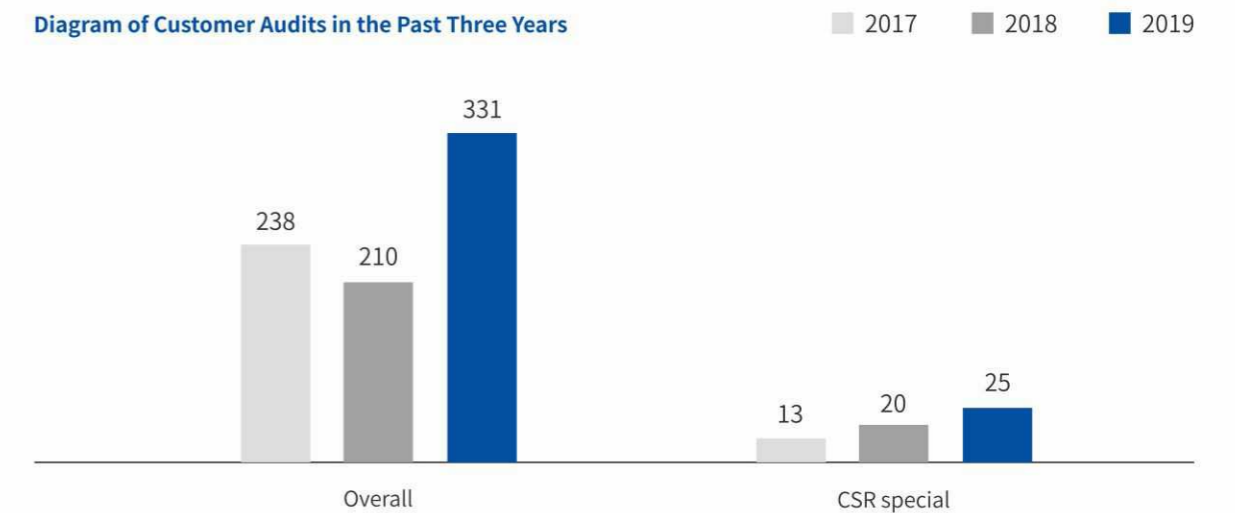
On the afternoon of March 15, 2019, the final meeting of SCC SUB Business Unit on "QC080000 System Certification" was held on Longgang Manufacturing Base. The meeting announced that Shennan SUB Business Unit had officially passed the QC080000 system certification. On June 10-11, Wuxi No. 1 Factory of the SUB Business Unit successfully passed the IATF16949 audit. Passing the system certification will not only help improve customer satisfaction, but also lay a solid foundation for quality assurance for the development of the SUB market. The Company system group and the SUB Business Unit will continue to promote the improvement and prevention of risk points and improve the system construction.

The system management level continued to increase, and the annual pass rate of customer audits reached 100%

Customer audit has always been one of the important forms of communication between SCC and customers. It is not only a test of the effectiveness of the Company's operations, but also can help us further identify the space provided and promote the continuous improvement of our system management.

In 2019, the Company received a total of 331 customer audits with a year-on-year increase of 57.62%, 25 CSR special audits with a year-on-year increase of 25%. We passed all the audits at a time and received unanimous approval from customers in various fields.

Diagram of Customer Audits in the Past Three Years

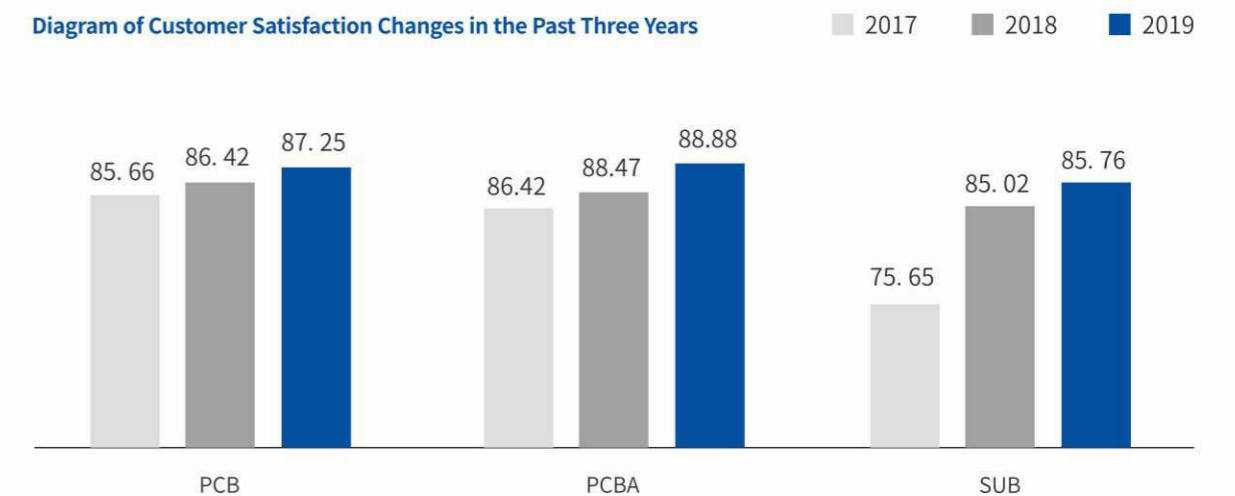


Customer satisfaction continued to improve

To better understand the customers' opinions on products and services, the Company conducts a questionnaire survey at the end of every year to collect customers' objective opinions on four different aspects

(i.e. quality, technology, delivery and service). In 2019, the customer satisfaction of the Company's three major business sectors steadily increased.

Diagram of Customer Satisfaction Changes in the Past Three Years





With the development of the IoE, the connection of electronics is being applied to more and more scenarios by the pioneers of the digital age, and it has also brought a new round of changes to the global economy, society and natural environment. On the one hand, the rapid development of the digital age has brought about an increasing demand for infrastructures, which require more energy and resources to operate. On the other hand, technological progress has also brought new solutions to the

environmental problems in the sustainable development of enterprises. As a leader and promoter of the national electronic circuit industry, we adhere to the policy of “being the first to practice, playing an active role, and building a home of hearts and chips”, actively responding to risks and opportunities in environmental issues, and adopting technological innovation to minimize the adverse impact on the environment in the course of business operations.

Promoting Green Development

Green Products

Green design

According to environmental regulations and customer requirements, SCC incorporates the green design concept into product development and design. By selecting environment-friendly materials and the use of environment-friendly processes, we improve the environment-friendliness of products. We also reduce the consumption of circuit boards and electronic

components via the highly integrated and all-in-one design program. Moreover, we provide customers with professional simulation analysis to reduce the number of development samples. The Company has consciously improved the efficiency of resource utilization in the entire design process, minimizing energy consumption and adverse environmental impact.

Case: Embedded solutions for new energy vehicles

SCC has integrated the inverter module and the drive module through the embedded miniaturization solution of the electric drive to reduce the number of PCBs and improve the environment-friendliness of products.

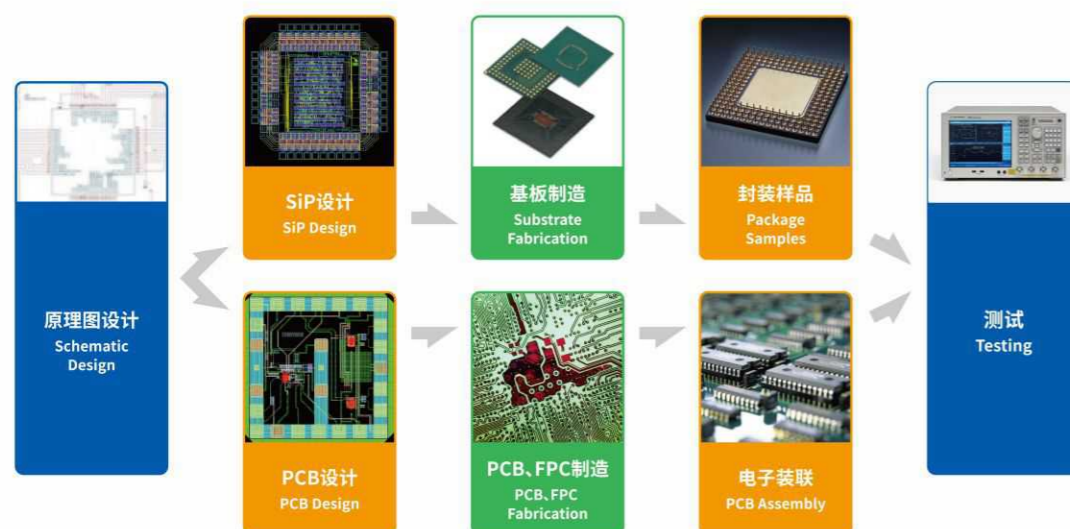
Traditional solutions
Inverter Module, Drive Module, PCB, PCB, PCB

SCC's solutions
New energy vehicle electric drive module, Chip embedding

One-stop service

After 35 years of development, SCC has formed a "3-In-One" business layout. From the perspective of the electronics industry chain, the Company as a whole has the capacity for the production and service of the products from Level 1 packaging to Level 3 complete machine assembly. It can create value for customers

from schematic design, PCB / SiP design, PCB/SUB production, PCBA, packaging testing through one-stop services and help customers reduce costs, shorten delivery time, and ensure product quality and further improve the utilization efficiency of social resources.



Green Operation

SCC is in a period of rapid development of multi-regional operations. The Company attaches great importance to industrial operations and environmental protection, continues to strengthen environmental protection investment, and is committed to improving the efficiency of resource utilization in all aspects of corporate operations and reducing greenhouse gas and waste emissions and minimizing adverse environmental impacts during operation.

In 2019, SCC's environmental protection expenses were RMB 49.59 million. The Company's Clean Production Committee strictly implemented various environmental protection tasks and continued to promote the transformation

of technological and management advantages into economic and social benefits. The Company has implemented 22 technical renovations of environmental protection equipment and facilities, focusing on improving wastewater and exhaust gas treatment capabilities, increasing the removal rate of pollutants, reducing the amount of pollutants discharged and the risk of operation failures of environmental protection equipment and facilities; in addition, it has invested a lot of money in environmental protection equipment and facilities Maintenance to ensure 100% compliance rate of pollution factors throughout the year and no environmental violations.

Energy conservation and consumption reduction

SCC attaches great importance to the use efficiency of the energy throughout its life cycle. It continuously promotes the improvement of energy utilization in operations and reduces energy consumption via technological transformation and refined management.

In 2019, the Company's energy-saving technological transformation advanced steadily, and the comprehensive energy consumption per RMB 10,000 output value in Shenzhen reduced by 15.92% compared with 2018. The comprehensive energy consumption per RMB 10,000 output value in Wuxi decreased by 27.5% compared with the previous year, and the actual value of carbon emission intensity for the whole year was 18.6% lower than the target value.



Energy saving and environmental protection in SCC

Special Energy-saving Technological Transformation Projects

| Area | Transformation Projects | Number of Transformed Equipment | Improvement Revenue (Reduction of Carbon Emissions/ton) |
|----------|---|---------------------------------|---|
| Shenzhen | Installation of inverters for rigid-flex laminated air cabinet | 1 | 38 |
| Shenzhen | The central dehumidifier replaces the rotary dehumidifier system | 3 | 414 |
| Shenzhen | Humidification and energy-saving improvement project | 7 | 222 |
| Shenzhen | The inverter increases energy-saving project | 13 | 384 |
| Shenzhen | Blower energy-saving transformation | 3 | 478 |
| Shenzhen | Central centralized frozen water supply machine plus drilling machine and milling machine for cooling | 4 | 1361 |
| Shenzhen | Energy saving transformation of horizontal line high-efficiency fan | 23 | 1163 |
| Shenzhen | Transformation of vacuum hot presses | 12 | 229 |
| Shenzhen | Transformation of rotary dehumidifiers | 1 | 60 |
| Wuxi | Transformation of UV-LED lamp source of exposure machine | 1 | 100 |
| Wuxi | Secondary energy efficiency transformation of etching pump motor | 54 | 1416 |
| Nantong | Frequency conversion of constant pressure water supply for production water | 2 | 144 |

Reduction of resource consumption and emissions

SCC pays attention to the consumption of energy resources and the generation of waste in the production process, and according to the management idea of

"reduction, resource utilization and harmlessness", it systematically promotes the special work of reducing energy resource consumption and waste disposal.

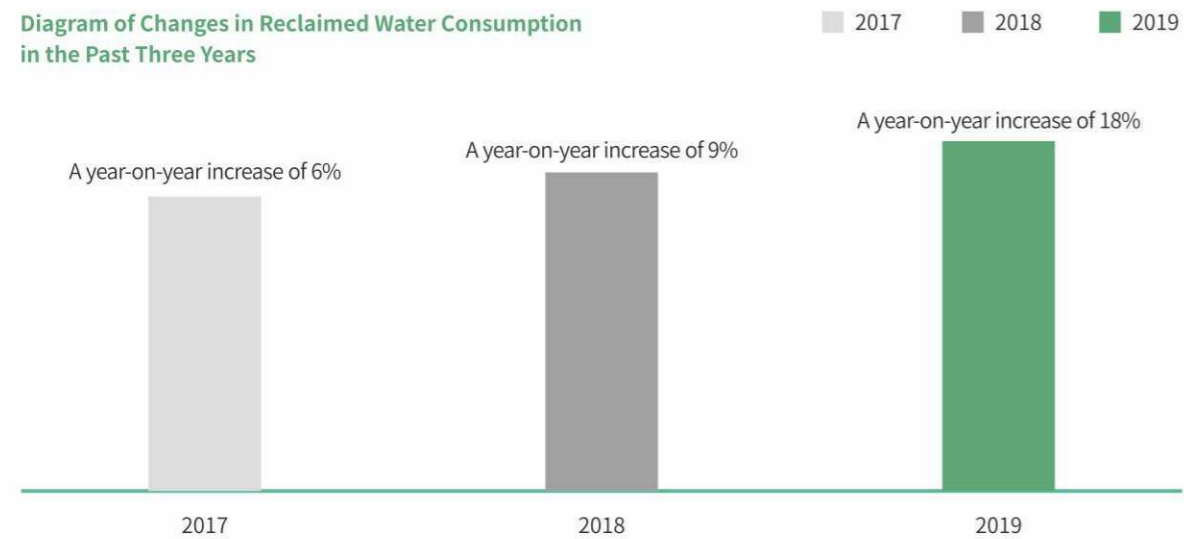
Wastewater Reduction and Recycling

SCC's industry has a huge demand for water resources. In order to reduce the demand for clean water, the Company attaches great importance to the use efficiency of the entire life cycle of water resources, and continues to improve the water resource utilization through technological transformation and refined management. Waste water generated in the Company's production workshop is directed to the waste water processing center after careful classification. After pre-processing, it is processed and reclaimed by the reclaimed water reuse system. The

reclaimed water is used by multiple points of use in production workshops and for waste gas treatment to reduce consumption of fresh water resources.

The Company keeps promoting the use of reclaimed water. The use of reclaimed water increases year after year, and the quantity of reclaimed water in 2019 was 6% higher than that in 2018. In 2019, the performance in the Company's water consumption per unit area was better than the industry's first-class standard for clean production.

Diagram of Changes in Reclaimed Water Consumption in the Past Three Years



Reduction of Pollutants

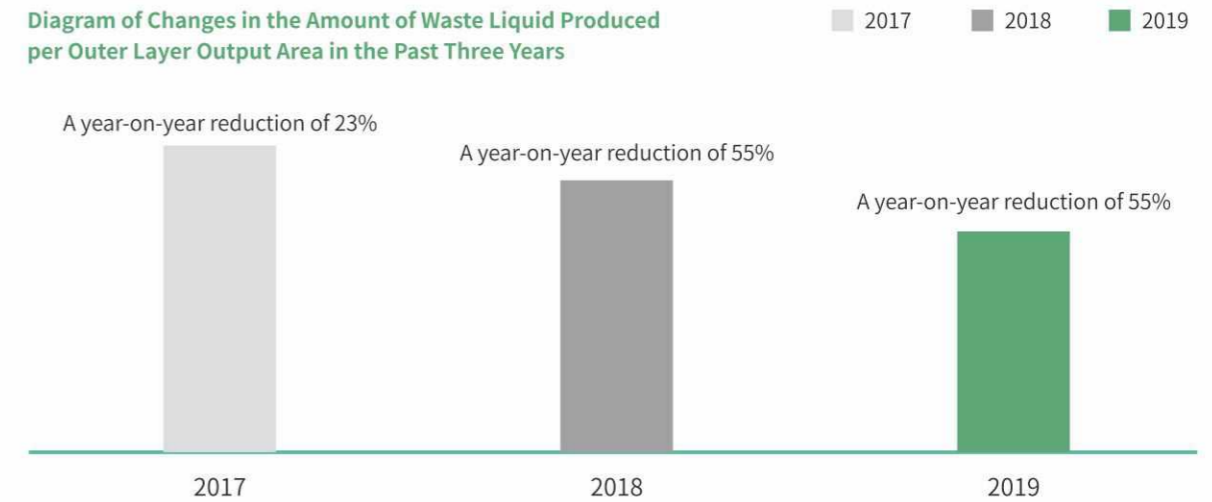
SCC is concerned about the impact of hazardous waste on the environment. It continues to carry out special improvement work to reduce hazardous waste generated in the production process.

At the source of hazardous waste, the Company continues to optimize the waste liquid production process to reduce the amount of syrup added and delay the replacement cycle of syrup in terms of technology, and strictly controls waste liquid generation in all aspects to reduce the production of waste liquid in terms

of management. At the end of hazardous waste collection, some waste liquid is recycled and utilized to realize the recycling of waste liquid.

In the past three years, the Company's volume of waste liquid produced per outer layer output area continued to decline. In 2019, thousands of tons of waste liquid were reduced compared with that in 2018, and the volume of waste liquid produced per unit area decreased by 64% compared with that in 2018.

Diagram of Changes in the Amount of Waste Liquid Produced per Outer Layer Output Area in the Past Three Years



Case: Self-disposal of waste liquid to improve environmental protection value creation

In recent years, the Company's Clean Production Committee has actively and continuously promoted the transformation of technological and management advantages into economic and social benefits. In 2019, the Company achieved significant results in reducing endless waste liquid by upgrading its wastewater system. The self-treatment capacity of endless waste liquid has been greatly improved. Shenzhen, Wuxi, and Nantong plants had 94%, 40%, and 92% of non-valent waste liquid self disposed. The Longgang base disposed nearly 25,000 tons of non-valent waste liquid by itself. The annual reduction of non-valent waste brought about the revenues of about RMB 24.56 million.

Digital office, helping green operations

In order to further improve the environmental friendliness of daily office work, the Company continues to optimize the original office model through digitalization and information technology. In 2019, the video conferencing system was launched, covering most conference rooms in the three places. The real-time video communication and content sharing effectively improved the efficiency of the collaborative office work at the three places, reduced the frequency of personnel travel, and decreased carbon emissions from transportation. In addition, such digital office systems as the shared financial system, digital quality management system, and SRM system were officially launched. The Company reduced the use of paper and improved the environmental friendliness of the office work through the entire-process online data processing.



Shenzhen, Wuxi and Nantong carried out digital office platform training



Green Industrial Chains

The rapid development of SCC is closely related to the industrial chain, and it is inseparable from the full support of upstream and downstream partners. We attach great importance to benign communication with our partners, actively develop suppliers with common

Green purchasing

SCC adheres to the CSR management policy of "being the first to practice, playing an active role, and building a home of hearts and chips", and strictly controls the environmental compliance of purchased materials. All materials to be certified must meet RoHS 2.0 and be in line with the requirements of the policies related to the occupational health, green safe supply and waste discharge environmental protection indicators. At the same time, we continue to deepen cooperation with suppliers, and through supplier certification, performance management and special assistance and support, keep promoting the supply chain sustainable development capacity building to reduce supply risks.

By reasonably adjusting the proportion of the annual purchase budget, SCC has formulated a purchase budget plan

New Supplier Certification

SCC adheres to the concept of sustainable development in terms of the supplier selection. It adopts the one-vote veto system for suppliers with the significant negative impact on environment, resources, human rights, society, etc., and disqualifies the suppliers which do not satisfy the national and social responsibility requirements and are not willing to improve. Under the same conditions, SCC will give priority to suppliers which provide jobs for the vulnerable and marginal groups of people or small- and medium-size suppliers.

In order to protect the rights and interests of both parties and ensure that suppliers effectively fulfill their

CSR management of supply chain

The strategic objective on supply chain social responsibility of SCC is to continuously develop suppliers with common CSR values and comprehensively enhance the economic and social benefits of business cooperation. Moreover, by aligning industry benchmarks, we identify

CSR values, and use sustainable development in business cooperation to break through the difficulties and bottlenecks encountered in our development and achieve win-win cooperation.

at the beginning of the year and established an equal cooperation mechanism with suppliers to ensure the active and transparent supply chain activities of the enterprise and support the healthy and stable economic development in the region. In 2019, there were 248 global cooperative suppliers of SCC, with a total purchase amount of more than RMB 6 billion and a purchase amount of approximately RMB 3.5 billion by the Shenzhen headquarters. A total of more than 200 qualified materials were certified throughout the year. Among them, flame-retardant net washing water, environmentally friendly film-removing liquid, denitration agent and other safer and more environmentally-friendly materials replaced the original solutions, further improving the safety and environmental friendliness of the Company's operations.

social responsibilities, SCC with all qualified suppliers have signed the "Sunshine Procurement Cooperation Agreement", the "Supplier Social Responsibility, Environmental Health and Safety Agreement", and the "Supplier Green Environmental Protection Declaration" with all suppliers and strictly comply with the requirements. In 2019, the signing rate of the three major green procurement agreements was 100%. Among them, the Company sorted out the original supplier standard "Standards for Environmental Protection Enterprises" and changed it to "Supplier Green Environmental Protection Declaration", which further improved the enforceability of the standard.

the current status and shortcomings of suppliers' sustainable development, help the suppliers with shortcomings make progress together and eventually reach the industry-leading level.

Stage goal

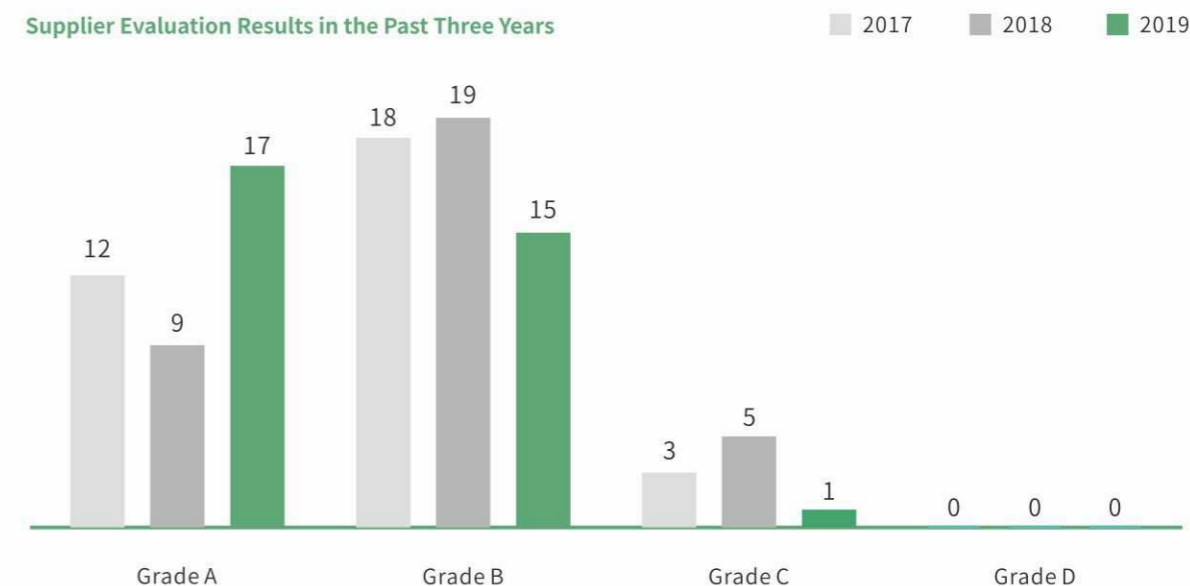
| 2018 | 2019 | 2020 |
|--|--|---|
| <ul style="list-style-type: none"> Audit 10 suppliers in the field; Audit 23 suppliers with questionnaires; Improve through tutoring based on supply chain risks. | <ul style="list-style-type: none"> Audit 12 suppliers in the field; Audit 21 suppliers with questionnaires; Urge suppliers to learn the signed CSR agreement with JAC requirements included; Pay attention to the environmental protection compliance trends of suppliers, and retrieve supplier information by quarterly IPE. | <ul style="list-style-type: none"> Carry out cooperative improvement projects with the suppliers rated C or below. |

Supply Chain CSR Management Performance

Based on the requirements of the ISO14000 system, the Company conducts CSR performance evaluations of suppliers from 12 aspects. For key and important suppliers whose performance evaluation is rated C / D, we urge them to submit improvement reports, interview senior officers, conduct field audits, reduce shares, etc. to improve their performance. In 2019, the Company audited 33 suppliers, of which 12 were audited on site.

Compared with 2018, the number of suppliers rated C dropped significantly, and no suppliers rated D were found for 3 consecutive years. No recurring items were found among the suppliers rated low in 2018, and the improvement suggestions for the 2019 review were all implemented. In the future, the Company will provide special assistance for suppliers rated C and below to improve their performance.

Supplier Evaluation Results in the Past Three Years





The connection in the digital age is ubiquitous, and any action in the closely connected world is not isolated. SCC chooses to create and share with shareholders, employees, communities and other stakeholders to create a better world.

For this reason, for many years, SCC has closely integrated its mission, vision, values and social responsibility, and pursues harmonious, healthy and

sustainable development in its daily operation and production. We adhere to honest management, practice good business ethics, and actively pay attention to the growth and the value realization of employees, and strive to contribute to social prosperity, and ultimately promote the sustainable development of the global economy, society and environment.



Creating a Better World



Adhering to Business Ethics and Operating in Compliance

Corporate governance

In accordance with the requirements of the existing laws, regulations, and rules such as the "Company Law", the "Securities Law", the "Listing Rules of Shenzhen Stock Exchange", the "Guidelines for the Standard Operation of Listed Companies on the Small and Medium-sized Boards of Shenzhen Stock Exchange", etc. SCC has established a relatively complete corporate legal person governance structure, general meeting, the board of directors and the professional committees under it (including the audit committee, the strategy committee, the remuneration and assessment committee and the nomination committee), the board of supervisors, and has also formulated the corresponding proceeding rules and work management systems.

During the reporting period, the Company deepened its internal risk governance, improved the corporate governance structure, standardized its operations, and continued to

advance internal control evaluation and risk management.

The board of directors currently has 9 directors, of which 3 are independent directors; 1 of the 3 members of the board of supervisors is an employee representative supervisor; more than half of the directors of the professional committees are independent directors; and the chairpersons of the audit committee, the remuneration and evaluation committee and the nomination committee are all independent directors.

In 2019, the Company convened 4 general meetings, 8 meetings of the board of directors, and 5 meetings of the board of supervisors. At the same time, through continuous internal and external securities compliance training, the Company actively communicated regulatory amendments, compliance information, and securities regulatory status to directors, officers, and personnel in key positions in business functions.

Standardizing Information Disclosure and Protecting the Interests of Investors

Information disclosure is an important channel for investors and the public to obtain relevant information of the Company and is also the basis for the communication between the two parties. SCC strictly complies with the "Company Law", the "Securities Law" and the relevant requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange on information disclosure, abides by the principle of truthfulness and reliability, and promptly and accurately discloses Company information to shareholders and the public. In 2019, the Company disclosed a total of 92 temporary announcements and 4 periodic reports; and it actively reported its financial and operation information and business conditions to

shareholders and the public in such manner.

The Company actively conducts exchanges with investors through investor relations activities. The Company's official website provides an investor relations column, and answers investors' questions through the exchange investor interaction platform and the Company's investor hotline so as to maintain investor communication channels, help investors understand the Company, approach the Company, and successfully build the fair and effective communication bridge between the Company, and investors and the public. In 2019, the Company's investor interaction platform answered a total of 149 investor questions, with a response rate of 100%.

Continuing to Create Value for Shareholders

In order to allow investors to share its operating results, while ensuring stable operating performance and continuous improvement of profitability, the Company attaches great importance to investor returns and pay them back with actual actions. Within two years from the Company was listed in December 2017, the Company has provided cash dividends of RMB 355 million. The annual cash dividends account for more than 30% of the net profit attributable to shareholders of the parent company. In 2019, the Company realized RMB 1.233 billion net profit attributable to shareholders of the parent company. After the review at the nineteenth meeting of the

second board of directors of the Company, it planned, with existing total share capital of RMB 339,360,000 shares as a base, to distribute cash to all shareholders at RMB 11.50 /10 shares (including tax), a total of 390,264,000 in cash dividends would be distributed. The total amount of cash dividends distributed to shareholders of the parent company in 2019 accounted for 31.66% of the net profit; at the same time, the capital reserves would be used to increase the share capital and converted them into additional 4 shares for every 10 shares to all the shareholders. The plan needs to be submitted to the 2019 annual general meeting for consideration.

Arranging business continuity management to continuously reduce the Company's business continuity assurance risk

As a world-class enterprise, the development of SCC is inseparable from the support and cooperation of a large number of third-party enterprises or institutions. However, in recent years, the global economic and social development has been uncertain. The interruption of cooperation by third-party enterprises or institutions will have an adverse impact on the Company's business and operation.

In 2019, in order to better cope with the risks caused by uncertainty and ensure that it could provide customers with stable and reliable products and services, the Company officially launched a systematic business continuity

management project. The Company invited external experts to conduct systematic training for its senior management and core team, formulated management rules for key business activities and risk assessment criteria for business continuity, and improved related management systems. In 2020, the Company will re-systematically conduct company-level risk identification, evaluation, and improvement of the management model based on the internal and external environment, continue to reduce its business continuity assurance risks, and complete the certification of ISO22301 business continuity system.

Construction of compliance management system

Improving Corporate Governance Structure and Ensuring Corporate Governance Compliance

Since the Company's listing, the Company has strictly established the operation mechanism of the general meeting, the board of directors (including independent directors), the board of supervisors, and officers in strict accordance with the requirements of the listed Company's corporate governance structure. The Company's wholly-owned subsidiaries refer to the parent company's governance model, has set up a complete operation mechanism of shareholders (general meeting), board of directors and board of supervisors and clarified the matters to be decided by the shareholders

(general meeting) and the board of directors. The shareholders (parent company) assign directors, supervisors and exercise corresponding powers according to the articles of association. The Company participates in the establishment and improvement of the governance organization of subsidiaries, and assigns directors to the board of directors and supervisors to the board of supervisors, exercises the powers of directors and supervisors, and participate in the decision-making of general meeting according to the articles of association.

Strengthening Risk Control and Ensuring Decision Compliance

The Company strengthens the institutional constraints of the special risk management evaluation to ensure that the proposals on important matters submitted to the decision-making body for review by all departments and business units must go through the transition risk assessment. Especially for major decision risks, the Company will have in-depth exploration and systematic process design in key business operations. The system design covers the entire cycle of management processes before, during, and after the decision-making process, including issue proposal, early-stage demonstration and risk assessment, demonstration preliminary review, submission for decision, meeting decision, decision execution and

supervision, feedback of decision completion, and self-evaluation after decision, etc., greatly reducing the possibility of risks.

Construction of general legal counsel system: The Company participates in the management of important matters such as major business decisions, major contracts, 3-major and 1-significant events, and major rules and regulations by participating in its executive committee, special seminars on major events, and attending general meetings and board meetings, achieving 100% legal review rate for major decisions, providing legal support and guarantee for the Company's major decisions.

Strengthening the Foundation of Legal Work

The Company strives to maintain the legal review rate in terms of rules and regulations, important decisions, and economic contracts. The legal affairs working group comprehensively carries out legal review: contract review relies on the office platform to implement review informatization, and achieve 100% contract review rate, covering non-company standard contracts, contracts that have substantially

modified the Company's standard contracts, and other contracts that have a significant impact on the Company's operations; etc. The number of the Company's legal module reviews and revisions of various Chinese and English contracts has increased by more than 40% year-on-year. Standard texts (153 copies) have been perfected and pushed forward to increase the use of contract templates.

Strengthening Publicity and Education to Comprehensively Improve the Awareness of the Rule of Law and Compliance

The Company conducts in-depth publicity and education activities of the legal system, formulates programs and plans for the publicity and education of the legal system, determines the content and key tasks of the law, and provides special legal training for personnel in key areas and key positions. Since the "Seventh Five-Year Plan", the Company has organized annual training for leaders and officers in key business areas such as the Safety and Environmental Protection Department, the Marketing Department, the Finance Department, and the Procurement Management Department on special topics such as the "Company Law" and "Contract Law"; it has implemented the responsibility system for the promotion and education of the rule of law in the professional field, and has strengthened the work to cause related officers and key personnel in key positions to learn and use laws.

The Company innovates the carrier of law popularization and creates a good atmosphere of the rule of law. Its legal affairs working group pushes case analysis and legal knowledge every month through the Company's internal website and the "Serve You" column of WeChat public account, to allow employees to easily learn legal knowledge and carries out various forms of education campaigns on the rule of law on basis of the annual work plan, and answers the legal problems encountered in the actual production and life for employees of various departments of the Company. Through these activities, the enthusiasm of employees for "knowing law, understanding law, obeying law, and using law" will be promoted, and the legal and compliance awareness of all employees of the Company will be strengthened.

Case: Compliance system construction and institutional construction

In 2019, according to the compliance manual and compliance management regulations, SCC organized the preparation of the special guidelines for key compliance areas such as fair competition (antitrust), anti-commercial bribery and anti-corruption, export control and economic sanctions, and initially clarified the rights and responsibilities of the lead department and each department of compliance management according to its actual conditions. It formulated the "Compliance Management System (Trial)", carried out identification, inspection and analysis of compliance risks in important areas, formulated compliance risk response plans, and initially set up compliance management system framework.

Adhering to business ethics and good faith

SCC adheres to honest operation, holds a "zero tolerance" attitude towards bribery and corruption, and continues to strengthen the construction of anti-corruption and anti-commercial bribery management system.

SCC requires all employees or third parties engaged in business activities on behalf of SCC to comply with all applicable laws and regulations of the countries and regions where they operate, comply with customers' anti-corruption and commercial bribery requirements, and require all employees to learn and comply with the code of business conduct. At the same time, SCC communicates the relevant requirements on anti-commercial bribery to partners, requires partners to learn and sign integrity agreements, and provides them the channels for complaints to

encourage informed people to report violations. Complaint supervision email: jianyi@scc.com.cn.

In October 2019, the Company organized three batches of personnel involved in key positions such as HR, finance, materials, engineering and construction to watch the anti-corruption education movie "The Heart of Disease". This time, a total of 208 key position personnel participated, and the coverage rate reached 95%. Through lively and vivid character stories, in the way of educating the employees with the good people and deeds around them, the Company strengthened the warning and deterrent effect and guided the personnel in key positions to understand discipline, obey law and keep bottom line.

Caring for Employees

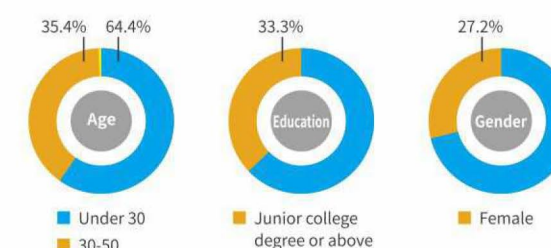
SCC always regards every fighter in the enterprise as the key to create excellent performance. On the one hand, it continuously strengthens the training of talents, continuously improves the talent training system, conducts the training of the talent echelon based on the Company's strategic direction, and provide the employees with large development space and fair development opportunities. On the other hand, the Company continues

to pay attention to all aspects of employees' life, actively organizes them to participate in various forms of health activities, and guides them to balance work and life. Through "cultural day", "parent-child summer camp", "group wedding" and other activities, the Company enhances the recognition of the employee and their families to SCC's culture, and rewards their hard work and struggle by caring their life.

Diversified personnel structure

SCC has long advocated diversified employees and scientific use of them, and selecting and using employees based on business development and the actual situation of each position. As at the end of 2019, the total number of employees in SCC was 11,395, of whom 64.4% were aged under 30, and 35.4% were aged 30-50. The proportion of employees with junior college degree or above was 33.3%, and the proportion of female employees was 27.2%. The structure changed little year-on-year.

The total number of employees was 11395



Protecting employees' basic rights and interests

SCC always adheres to the people-oriented principle, and respects employees, safeguards and protects their legitimate rights and interests. The Company strictly abides by national laws and

regulations, fully respects employee privacy and individual differences of employees regardless of their nation, race, gender and religious beliefs, and prohibits any forced labor and child labor.

Salary, welfare and employee security

Based on the value of the post, SCC insists on equal pay for equal work and guarantees fairness in employment. At the same time, it advocates a culture of strugglers, encourages more pay for more work, and provides market-competitive salary for outstanding talents. Its performance evaluation coverage rate reaches 100%. The Company provides all its staff with all the required five insurances and one housing fund as stipulated in national laws and regulations and buys additional comprehensive accident insurance against the industry's characteristics and post risks. The Company protects the health of its staff by implementing staff health plan, regular physical examination and providing labor protection products for free. All employees are entitled to the paid statutory holiday, maternity leave, annual leave, and are provided with working meal, shuttle bus, etc.



Company employees use clean energy buses

Expanding channels to facilitate employees' growth

Employees are the Company's valuable wealth and an important contributor to the sustainable development of the Company. SCC, based on the characteristics of talents and oriented to its strategies, continuously promotes the construction of talent growth channels and carefully builds the career channels and the matched training systems for employees in different positions. Every employee of SCC has the access to the professional knowledge required for their jobs, training courses for improving their personal quality and leadership, and enthusiastic counselors to help them achieve their goals of all-round development.

In 2019, the rapid development of the Company in multi sectors and multiple businesses improved the growth platform for employees at all levels. In order to help the growth of backbone talents at all levels and incubate high-quality industrial talents, new talent training projects such as "Leading Chips", "Chip Acceleration", "Starting Chips", etc. were officially launched. At the same time, we responded to the 2019 Ministry of Education's implementation plan for vocational education reform, and cooperated with higher vocational colleges in depth to create a new model of applied talent training.

Case: Involving everyone and cultivating innovation ability

Management innovation is an important innovation platform that SCC has adhered to for a long time. Under its strategic direction, the Company comprehensively uses tools such as micro-innovation, QCC, Lean Six Sigma, etc. to comprehensively improve its business efficiency. Focusing on the strategic goal of "enabler of innovative management and accelerator of strategy implementation" and by introducing new tools and methods and coaching corresponding training programs, the Company cultivates the innovative talents that can solve core problems of business and produce project achievements; by establishing an innovation platform, the Company extracts experiences by bringing together achievements to the innovation platform so as to promote tools and methods to iterate.

The Company provides talent assurance for international and multi-sector development and strengthen its development basis. In 2019, the Company completed 8,486 micro-innovation projects, 254 QCC projects, 46 3C projects, 233 yellow belt projects, 90 green belt projects, 14 black belt projects, and its project balance was RMB 57.36 million. In addition, through the development of the project, 270 Lean Six Sigma belt personnel were trained, and a group of talents with innovative ability were transferred to the Company.

| | 2017 | 2018 | 2019 |
|-------------------|------|------|------|
| Micro innovation | 1972 | 5727 | 8486 |
| Lean Six Sigma | 194 | 270 | 337 |
| Incl : Black belt | 2 | 6 | 14 |
| Green belt | 42 | 47 | 90 |
| Yellow belt | 150 | 217 | 233 |
| QCC | - | 178 | 254 |
| Financial balance | 9243 | 5727 | 5736 |



The students in the management innovation salon are exchanging with and learning from each other

Case: Long for glory

"Long for glory" is a welfare activity that explores the shining points of front-line employees, allowing employees to feel more respect and recognition through the project, and encouraging them to strive to enhance their personal value; at the same time, it also provides references and basis for the Company to cultivate talents. The project was officially launched since 2016. As at December 31, 2019, in Shenzhen, Wuxi and Nantong, a total of 9,473 people participated in such project.



Trade union members are giving gifts to the prize-winning employees

Caring for employees' health

In the "Home of Hearts and Chips", every struggler is our family member. SCC is committed to providing employees with "warm" services and support to make them happy and joyful.

In 2019, in order to improve employees' health awareness,

the Company held 4 training sessions on occupational health and health knowledge for employees, serving more than 2,300 employees, further improving everyone's understanding of occupational health, and helping everyone better protect themselves in their work.

Case: Small umbrella, big care

Guangdong has a long rainy season and many showers. In order to prevent employees from getting sick in rain, in 2019, SCC introduced a deposit-free shared umbrella. Points for borrowing and returning umbrellas were provided in each building to facilitate employees to borrow and return umbrellas.



Caring for female employees

While protecting the basic rights and interests of female employees, SCC relies on the trade union platform to care for the physical and mental health of female employees. In order to better meet their needs during pregnancy and lactation, the Company provides

pregnant women with nutritional soup for pregnant women, sets up a loving mother's hut, and prepares gift packages for the newborns of each employee's family to convey the Company's humane care.



Trade union committee member gave newborn baby love packages



Loving Mother Cabin

Colorful life of employees

"Home of Hearts and Chips" is the home of strugglers. The Company continues to pay attention to all aspects of employees' life and is committed to creating an efficient, easy

and caring working atmosphere for employees, improving their sense of gain and happiness, and returning more caring life to the employees for their dedication and struggle.

Enterprise Culture Day

The Enterprise Culture Day in early July of each year is a traditional SCC event and a festival for its employees. The most special thing is that all the officers of SCC became the food stall owners and provide the employees with delicious foods to thank their

contribution to the Company. During the event, the employees can approach to each other to improve their understanding to "Home of Hearts and Chips" and SCC's culture.



The Company's officers are serving employees on the food street



everyone is celebrating the Company's birthday

The Enterprise Culture Day promotes understanding and recognition to the Company among colleagues, family members and relatives of employees.

Parent-Child Summer Camp

Every summer vacation, the SCC Parent-Child Summer Camp always brings more laughter and fun to employees. The rich and diverse experience programs broaden the

children's horizons, and the warm parent-child interaction links shorten the distance between employees and their children and bring them sense of happiness.



A child is observing the butterfly specimens, and writing ecological notes.



The children are creating environment-friendly works with waste cardboard boxes.



SCC Wuxi is giving children useful science popularization and first aid knowledge.



SCC Nantong Research Summer Camp is taking children to explore traditional culture.

Living in the "Home of Hearts and Chips"

The marriage problem of single employees is the concern of the Company. The trade union organizes employee friendship activities from time to time. Through a series of interactive programs, employees have the opportunity to know more excellent strugglers of the Company and enhance their mutual goodwill. Many of them can successfully hold

hands and participate in the Company's collective wedding together. With the unanimous blessings of Company colleagues, they can enter a new stage of life together. As at 2019, the Company's collective weddings welcomed more than 200 couples, and they witnessed the warmth and growth of the "Home of Hearts and Chips".



A slightly shy employees on the Chinese Valentine's Day



Happy grooms and brides at collective wedding



Safety First

According to the national laws and regulations and OHSAS 18001 and EICC system requirements, SCC incorporates the occupational health and safety requirements into its operations, fulfills its commitment to occupational health and safety, and provides occupational health and safety guarantee for employees.

SCC always adheres to the basic principle of "Safety First, Prevention Foremost, Prevention and Control

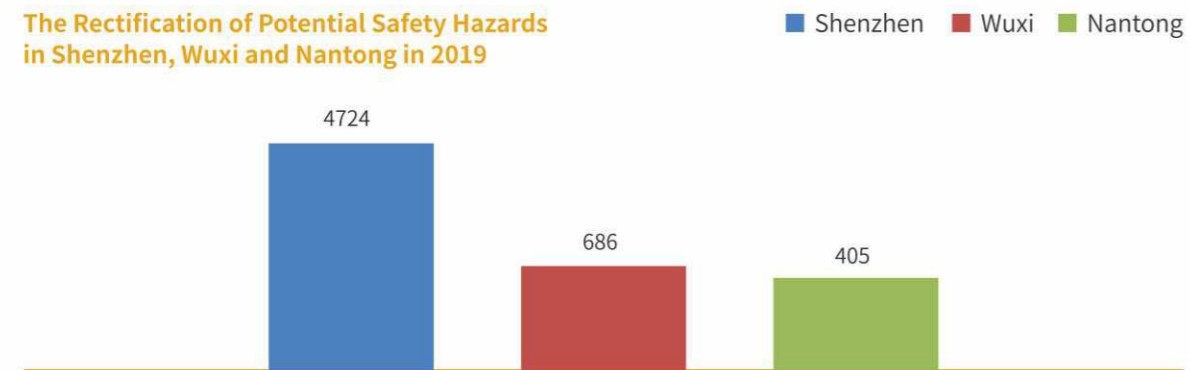
Combined" to minimize the safety risks in production and operation, ensure the safety of the Company's personnel and property and further enhance the essential safety of the Company. In 2019, the Company did not have any major safety incidents and occupational diseases, and the rectification rate of potential safety hazards identified throughout the year exceeded 99% (some rectifications are undue).

Continuing to investigate and manage potential safety hazards and reduce safety risks

Hidden hazards investigation and management is an important part of safety management. The SCC Safety Committee Office conducts self-inspection through various methods such as major inspection, weekly inspection, special inspection, and daily inspection to continuously eliminate potential risks and ensure stable

operation of the entire company. In 2019, the Company investigated a total of 5,825 potential safety hazards of various types in Shenzhen, Wuxi, and Nantong, with an overall completion rate of 99%, and only a small number of outstanding ones were still under rectification.

The Rectification of Potential Safety Hazards in Shenzhen, Wuxi and Nantong in 2019



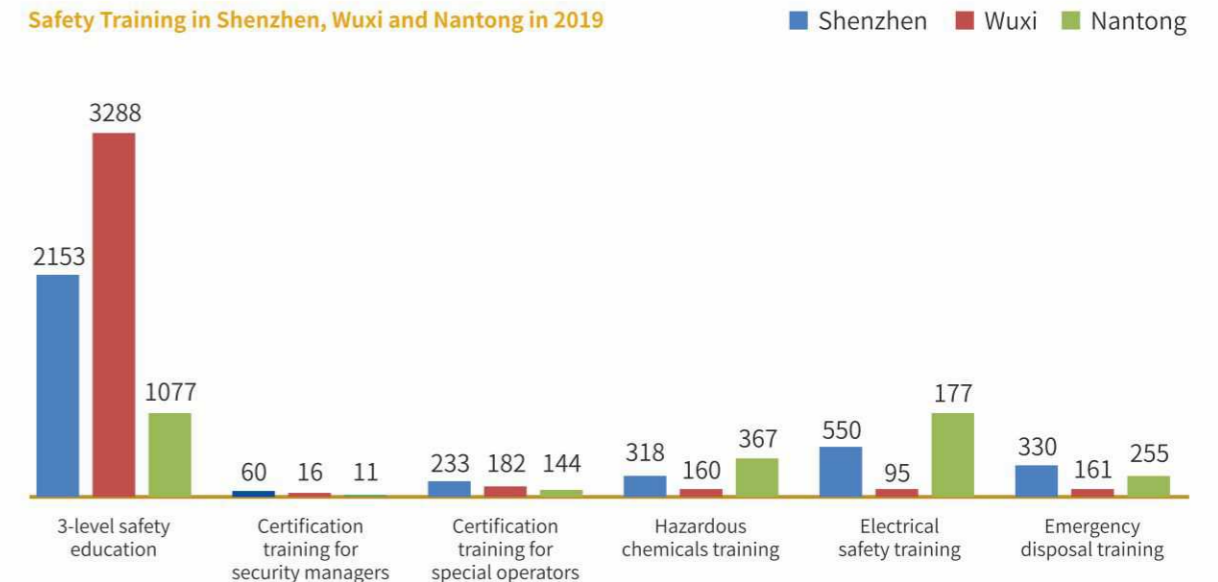
The number of potential hazards that have been completely rectified

Safety training covering all employees to continuously improve safety awareness

Safety is not a trivial matter. SCC has long insisted on training in various forms and special programs to make employees feel and experience daily safety knowledge, effectively improve their basic safety awareness, and reduce the risk of safety incidents. In 2019, in total, 6,518 person-times received new employee 3-level education in Shenzhen, Wuxi, and Nantong, and a total of 3,059

person-times participated in special training at other levels. Through training and upgrading, the number of safety management certificate holders was further increased, 87 new safety management license holders were added, and 559 special operation personnel and license holders participating in re-education and training were added.

Safety Training in Shenzhen, Wuxi and Nantong in 2019

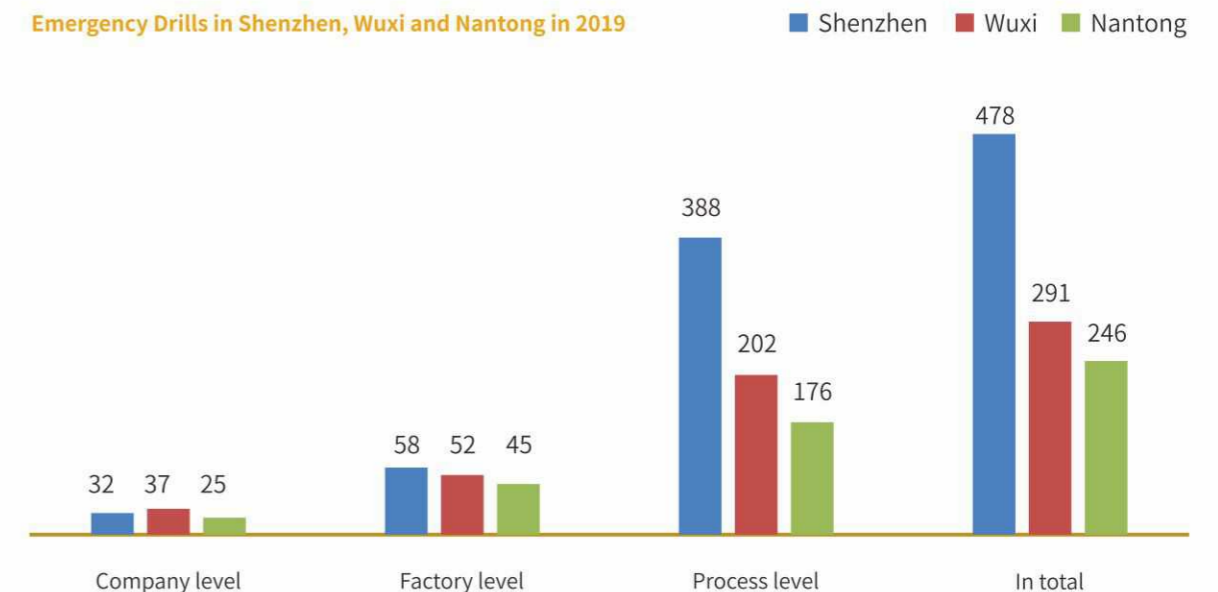


Practical drills to continuously improve emergency response

In 2019, based on the continuous optimization of Level 2 and Level 3 linkage, the SCC Safety Committee Office conducted 94 company-level drills, 155 factory-level drills, and 766 process-level drills in Shenzhen, Wuxi and Nantong. By standardizing 6 elements of security alarms (building, floor, column number,

procedure, event type, and whether people are trapped), we have significantly reduced the length of alarms. Most areas can complete alarms within 20 seconds, earning valuable time for emergency response, controlling the emergency at the initial stage as much as possible to avoid expansion.

Emergency Drills in Shenzhen, Wuxi and Nantong in 2019





Case: Fast response and professional emergency ability can withstand the test

At 13:40 pm on April 11, 2019, a guard of Gate 2 of Longgang Headquarters of SCC smelled a pungent scorching odor and found that smoke appeared on the road outside the Company's park. Then the guard had an investigation, seeing an open fire in the engine compartment of a black Honda car. The security team immediately reported to the fire brigade and started the Company's emergency procedures. Then, he ran back to the sentry box to take out the fire extinguisher for fire fighting. At the same time, the patrol guard received a support instruction and took the fire extinguisher to the scene to support him. Just one minute later, the colleagues from the Safety Committee Office rushed to the scene for emergency. In order to prevent other unknown persons and vehicles from entering the incident area, several team members immediately blocked the road on the side. After investigation, it was found that the engine compartment was locked and could not be opened. After communicating with the car owner and get the car owner's consent to spray water to extinguish the fire, the hose team of the fire brigade immediately connected the hose and sprayed water into the engine compartment to cool down and extinguish the fire. The open flame was put out at 13:48. At the same time, when the Pingdi Fire Squadron arrived at the scene and SCC's emergency personnel handed over the site, the emergency capability of SCC was affirmed by the fire squadron.

Continuous improvement of special safety work

In 2019, the Company's intelligent factory construction continued to advance. The Company carried out special safety enhancements such as smart technical transformation construction safety, new expansion project safety technology review, electrical safety control,

hazardous chemical safety control, occupational health safety control, and emergency management, etc., effectively improving its special management capabilities and reducing potential safety hazards.

Provide regular professional inspections to provide management levels for prevention of occupational diseases

In 2019, SCC commissioned a professional testing agency with national certification to conduct a test of occupational disease hazards at a total of 2,218 points on the three sites of the Company, and make a special

rectification of 54 points where noise exceeded the standard. The goal of zero occurrence of occupational diseases was achieved throughout the year.



Giving Back to the Society

The Company is a member of the social organization, and SCC is inseparable from the whole society. The Company always regards promoting the harmonious development of society as an important link to promote global sustainable development. For a long time, the

Company has maintained a high degree of attention to hot issues from its actual situation and community needs, promoted the development of community education, improved the livelihood of the community, and promoted the sustainable development of society.

Aviation Science Popularization Center Settled in Longgang, Helping Youths' Science Education



Students who were learning to pilot airplanes under the guidance of popular science personnel

In April 2019, SCC Aviation Science Popularization Center was settled in Longgang, Shenzhen. The center has a simulation flight experience hall and a science popularization and video education hall. It is equipped with advanced popular science teaching aids such as two sets of A320 and Cessna 172 high-simulation six-

degree-of-freedom simulation cockpits and aircraft model laser production equipment, flight simulation equipment, and 3D avionics system display equipment, etc., providing equipment support for the further promotion of popular science education.

Since the official opening of the Science Popularization Center, it has carried out a number of aviation science popularization activities for young people in schools in Shenzhen. The number of the youths benefiting from the science popularization is more than 1,100, covering those from the schools in the province, self-enrolled teenagers from the community, and children of employees. The Science Popularization Center fully supported the planning and design

of Guangdong Province Society of Aeronautics and Astronautics' 110th anniversary exhibition to commemorate the aviation industry of China, and was completed in September. At present, the source files of the exhibition have been sent to nearly 100 primary and secondary schools with aviation characteristics in the province and successive exhibitions have provided great help for more young people to understand science and technology knowledge.



Simulated driving is the first step towards a pilot

Simulation Flight Contest

On April 19-20, 2019, the 6th Guangdong Youth Science and Technology Model Contest: Simulation Flight Contest was successfully held at SCC Aviation Science Popularization Center. This provincial competition was co-sponsored by Guangdong Teenager Science and Technology Center, Guangdong Teenager Science and Technology Education Association, and Guangdong Province Society of Aeronautics

and Astronautics, and was organized by Guangzhou Yuexiu District Children's Palace and SCC. More than 400 teachers and students from 50 schools in 11 cities across the province participated in three major events, including individual aerobatic flight contest, individual aircraft carrier five-side takeoff and landing contest, and group four-person racing flight relay contest. Fierce competition occurred in the event.

After two days of intense competition, 118 first prizes, 202 second prizes and 136 third prizes were awarded. Through this event, students can not only increase their aerospace knowledge, but also exercise

their perseverance and coordination skills, enhance their thinking agility, improve their ability to respond quickly, and gain a more intuitive and in-depth understanding of the charm of scientific and cultural activities.



Flight Simulator

"SCC Cup" National Aviation Model Open has welcomed its 15th anniversary

Along with a series of events to commemorate the 110th anniversary of aviation industry of China, the 15th

"SCC Cup" National Aviation Model Open kicked off in Shenzhen Central Park on November 16, 2019.



The guests who attended the opening ceremony and the youngsters jointly released the model airplanes, and sent their original intentions and aspirations to the science of aviation science popularization to the cloud

The "SCC Cup" National Aviation Model Open has been held for 15 consecutive years, and has become a very influential event in Shenzhen and even across China. Many national champions have appeared through this event. One of the domestic 3A model master Liu Caihong is one of them. He delivered a speech as the champion representative, and brought a wonderful "Air Ballet" performance with his son. At the opening ceremony, the top pilots from the aeromodelling industry brought

wonderful flight performances. Hundreds of student representatives and guests attended the flying model event. The unique charm created by the cross-border cooperation between SCC and the older generation in the model industry has attracted many young people's interest in science and technology activities. In recent years, Shenzhen aviation science education has developed rapidly and has repeatedly achieved excellent results in national and international competitions.



Former father and son soldiers, former competition champion Liu Caihong and his son brought you a fancy performance of a fixed-wing aeromodelling known as aerial ballet



Young players carefully preparing for the rubber-powered aeromodelling competition



Regardless of adults and children, the annual model competition is a carnival of Shenzhen citizens

Annex 1: About the Report

Report Object

Since 2008, Shennan Circuits Co., Ltd. (hereinafter referred to as "SCC", "the Company" or "We") has been taking the initiative to report the status of sustainable development to the public and invites the public to understand and supervise our sustainable development work. SCC issues the sustainable development report to the public every year to disclose the concept and practices of sustainable development of the Company, and promote the understanding, communication and interaction between the Company and the stakeholders as well as the Company and the public, so as to achieve sustainable development.

Report Scope

The organizational scope of the Report covers all the entities having control power over or great influence on the financial and operation policies and measures of the Company, and is consistent with the scope of the annual report of the Company. Unless otherwise specified, the Report describes the global operation of the Headquarters and all branches of SCC in terms of economy, environment and society within the report period (from January 1, 2019 to December 31, 2019), and all the data are taken from the formal documents and the "2019 Annual Report of Shennan Circuits Co., Ltd."

Disclosure Principles

The Report is compiled in accordance with the relevant requirements of the "Guidelines for the Standard Operation of Listed Companies on the Small and Medium-sized Boards of Shenzhen Stock Exchange", by reference to the "GRI Standards", Corporate Social Responsibility Guide ISO26000, the Guidelines for Corporate Social Responsibility ISO26000 and the "Corporate Social Responsibility Evaluation Guidelines of Shenzhen", and on basis of the "core" scheme as set forth in GRI Standards. The Report mainly sets forth the issues from economy, environment and society, and focuses on the sustainable development practices of SCC in terms of customers, environment, employees, partners and communities.

As an independent report, the Report will be issued in Chinese in the first quarter of 2020 and English in the second quarter of 2020 (the previous report issued in the second quarter of 2019). In order to protect the environment and reduce the use of paper, please visit: www.scc.com.cn>About SCC Social Responsibility to browse or download the Report online.

We would like to express thanks to the stakeholders offering suggestions and comments on the sustainable development report of SCC and will persistently improve the report quality as usual. In case of any comments or suggestions on the Report, please contact us by the following means, and we also kindly invite you to participate in the 2020 stakeholder survey to let us know more about the sustainable development aspect you are concerned about.



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Disclaimer

This document may contain predictive information. Uncertainties in practice may lead to difference between the actual results and the predictive information, so this document is only used for reference without any offer or commitment. Please understand that Shennan Circuits Co., Ltd. may modify the above information without any prior notice. Sorry for any inconvenience.

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