

SCC 深南电路

2016

SUSTAINABLE DEVELOPMENT REPORT

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1 ABOUT THE REPORT

Shennan Circuit Co., Ltd. (hereinafter referred to as “SCC”, “the Company” or “We”) has prepared this report annually to disclose our latest corporate sustainable development, and its concepts and practices, for the information and oversight of the public, so as to bring SCC and stakeholders to a higher level of interaction for sustainable development.

In line with the annual report, this report encompasses all entities which have control over or a major influence in financial and operating policies and actions of the Company. Unless otherwise specified, this report discloses the global operations of the SCC headquarters and branches concerning economy, environment, and society in year 2015. Data used in this report is derived from official documents and statistical reports of SCC.

This report is in accordance with the Sustainable Development Guide 4.0 (G4) promulgated by the Global Reporting Initiative, Corporate Social Responsibility Guidelines ISO26000, and Shenzhen Evaluation Guide for Corporate Social Responsibility.

To ensure that this report is written on a truthful and reliable basis, Shenzhen Association of Corporate Social Responsibility, a third party, is invited for audits.

This report is independently valid and will be released in both Chinese and English in the second quarter of year 2016. Both paper and electronic versions will be available. For online viewing or download, please visit www.scc.com.cn.

We would like to hereby extend our sincerest gratitude to the stakeholders for their insightful suggestions on this sustainable development report, and will, as always,

be perfecting this report. SCC is open to any comment on perfecting this report. The contact information is as follows:

Address: 99 East OCT Road, Nanshan District,
Shenzhen, Guangdong Province, China

Zip Code: 518053

Tel: +86-755-89300000

Fax: +86-755-86096378

Email: csr@scc.com.cn

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A SPARKLING LIFE STARTS WITH A RESPONSIBLE ATTITUDE

The relocation of the Nanshan plant in 2015 was a milestone for SCC. Despite all the difficulties, the relocation, involving more than 1,000 strong staff, was completed smoothly within just one month. This achievement can never be made without the altruism of each and every staff, sticking to the post till the last minute. A touching moment of an operator born in the 90s goes like this. He stayed in the old plant to work with others to do final checks on the shut-down facilities. But everyday he finished the checks, he would clean all the equipments he attended for several times. In his words, he was bidding them a decent farewell.

The video documenting the relocation left many in tears at the 2015 Annual Meeting and many who used to work for SCC recollected the bygone days on Wechat Moments, reflecting on the warmth and touching moments SCC brought to them all. One of the vice presidents of the PCB business unit noted, "It's really hard to keep a peaceful mind in this bustling society, but our staff did it."

Our employees have a simple and proactive mind, and are eager to learn. Showing plenty of trust and sense of responsibility, they have worked diligently in their respective positions, enabling SCC's continuous growth and development in spite of the tremendous challenges facing the manufacturing industry in China is . Given their unrelenting efforts, we, as the management, are much obliged for

better operating results, to return the favor of our employees and the society. Just like what the corporate mission describes: "To build a homeland of hearts and chips". We are committed to create a more comfortable work environment and offer more opportunities for our employees, so that our employees enjoy greater development and work more merrily and happily as the Company grows.

Throughout the years, SCC has constantly come up with better and more innovative caring programs, such as summer camps for kids and families, Shenzhen tours for the parents of outstanding employees and group weddings, to deliver care to the employees and their family members. SCC has organized events through various employee associations to make their leisure times more colorful. In order to timely understand our employees' difficulties and help them release their emotions, SCC has trained EAP specialists in each department to implement employee caring programs. In order to create an environment for learning, SCC has launched micro-innovation competition and reading camps and lectures to meet the requirement of the employees' development. In order to gear up their enthusiasm at work, SCC has implemented remuneration incentives across all plants and pay employees according to their work load. For SCC, responsibilities to employees are only a small part of the company operation, but we fulfill it each day with a sincere heart.

Over the past two years, the manufacturing industry has experienced great downturn, compelling us to ponder over the challenges brought by slowing industrial growth, Industry 4.0 and so on. Meanwhile, we are constantly wondering how to better fulfill responsibilities to employees in the hustle and bustle society with the impacts of multiple values, pressures at work, modest working environment and uncompetitive wage across the manufacturing industry; wondering how to create better work climate against the unavoidable problems occurred as we grow bigger.

The year 2016 will be a year of great revolution for SCC. With the courage and resolution, SCC will stride boldly ahead.

At the beginning of this year, we held an employee opinion survey. Of the 261 suggestions, some were mild considerations while others were straightforward criticism. These suggestions demonstrated employees' loyalty and affection for SCC. To this end, we categorized 6 major issues covering 12 critical points and formulated 22 "military regulations" for company cadres so that they may reflect upon themselves and lead by example. We will also vigorously press ahead with reforms in the incentive mechanism. In addition to the remuneration incentive scheme for front-line employees, we have also improved the promotion systems, implemented the sharing mechanism of surplus profits so that the enterprise and the employees may grow together; we established the "eager for glory" honorary credit system to encourage employees to pursue the truth, the good and the beautiful; we continued to implement process reformation to set up a smoother and highly efficient process decision-making system; and we created favorable learning environment by proposing 7 subjects in the form of reading camps,

world cafe and others...

Responsibilities to employees are the cornerstones to fulfill social responsibilities, and we still have a long way to go. In this era of sharing economy, we will strive to build better platforms and see individuals playing a greater role, each leading to their sparkling lives.

3 SUSTAINABLE DEVELOPMENT MANAGEMENT

ABOUT SCC

Shennan Circuit Co., Ltd. is an industry-leading integrator of electronic circuit technologies and solutions headquartered in Shenzhen, Guangdong Province of China. With building interconnection as its core competence, SCC has formed a customer-oriented one-stop business model that deals in both products and services covering the whole interconnection industry from PCB fabrication, PCB assembly to package substrates. The Company continues to innovate according to customers' demands, maintains long-term cooperation with its business partners, improves customers' experiences and maximizes value for customers.

Over the past 31 years which witnessed the rapid development of China's electronic and information technology industry, SCC has successfully evolved from a PCB vendor to a one-stop integrator with diversified businesses. We have gradually developed from a single plant into a multiregional network with plants in Shenzhen and Wuxi. This breakthrough is proved by the remarkable asset value of over RMB 4 billion Yuan and the global PCB manufacturer ranking of 34th in 2015 compared with 127th in 2005. SCC is now the most competent PCB manufacturer in China.

Moving forward with the achievement in the telecommunications market, SCC has vigorously developed the four specific sectors, including rigid-flex PCBs and PCBs for automobiles, servers and optical modules. In addition, based on market demand and by taking into account our own professional advantages, SCC has engaged in innovative creation, given full play to our leading role as a hi-tech enterprise, facilitated the development and technological innovation in highly-efficient eco-friendly products, improved efficiency and reduced resource consumption.

With a mission of "building a homeland of hearts and chips" and upholding the concepts of "harmony, innovation and growth", SCC has actively created a harmonious environment between employees and employer, company and society, economic growth and environment as well as among each stakeholder. While maintaining a rapid development, SCC has also constantly promoted employment and tax increases in Shenzhen and Wuxi, rewarding the society and back-feeding customers and employees through concrete actions. SCC continues to push forward the formulation of industrial standards on social responsibility, seeks to build a sustainable green industry chain and pursue growth in low-carbon economy, sources environmentally friendly

materials, provides social welfare platforms and makes contributions to the society.

As PCBs are carriers connecting electronic components, the development of relevant technologies is becoming more and more valuable for promoting sustainable social development. SCC will continue to shoulder its own missions and responsibilities, strive for the vision of becoming a world-class circuits technology and solutions provider, and integrate the concept of sustainable development deeply into its operations. Meanwhile, keeping up with the revolutionary trend of the times,

SCC will keep on promoting transformation and upgrading and strengthen collaboration with partners to jointly build an ecological industrial circle featuring synergy, efficiency and win-win results and promote social and economic sustainable development.



Shennan Circuit Co., Ltd.



Longgang Branch of Shennan Circuit Co., Ltd.

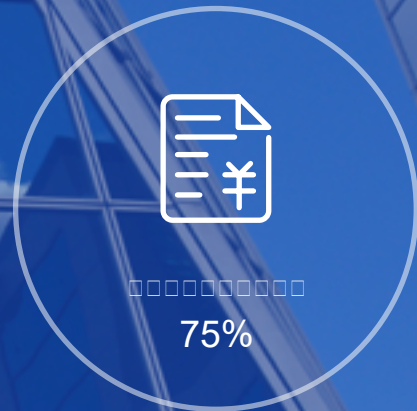
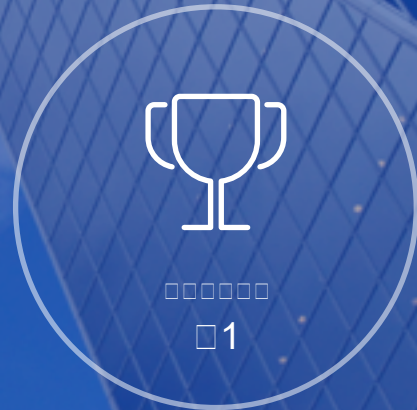


Wuxi Shennan Circuits Co., Ltd.

BUSINESS REVIEW

In 2015, the world economy remained sluggish, the growth of developed economies slowed down, the growth of emerging markets and developing economies continued to decline, and the world economy was still undergoing profound adjustment. Faced with graver external situations and under the leader the leadership of the Board and the management team, SCC made continuous breakthroughs in market expansion, capacity building and efficiency improvement and finally realized the target of promoting profits under austere industrial environment. In order to implement the strategic arrangement for SCC's transformation, upgrading and development and the expansion of production bases in other regions, SCC's plant in Overseas Chinese Town in Nanshan accomplished its historical mission upon over 20 years of expansion and development and smoothly completed the relocation. Meanwhile, Wuxi Company has also entered the stage of market and production capacity expansion. In 2015, SCC's annual revenue amounted to RMB 3.519 billion Yuan and the growing businesses in PCB assembly and package substrate maintained the upward momentum. The Company's global PCB manufacturer ranking reached the 34th winning wide recognition in the industry world wide.

1. Market expansion: SCC focuses on the continued development of the telecommunications market, consolidates its competitive edge in the niche market, focuses on the continued development of the four specific sectors, bringing over 75% order increase in the four sectors in 2015.
2. Capacity building: SCC improves the ability to respond to customers fast and effectively, continues to step up investment in technologies and strengthen the technological advantage. Wuxi Company achieves continuous output increase, and stronger ability to operate in multiple businesses and multiple regions.
3. Efficiency improvement: SCC seeks for higher efficiency in operation, personnel, assets, and organization. To this end, the Company constantly optimizes its business systems to improve operation efficiency, establishes the online quotation system to improve customer satisfaction. For personnel, automated production and incentive mechanisms are employed. For assets, the sales cycle is cut short and the turnover rate of accounts receivable is increased. For organization, customer-oriented marketing is resorted to and internal operation and management is optimized.



MISSION

To build a home of hearts and chips



VISION

To be a world-class circuits technology and solutions provider



CORE VALUES

Persistence, Win-Win, Innovation, Progressive and Vision



STAFF BELIEF

Honest, positive, ambitious, devoted and open



FINANCIAL PERFORMANCE

The compound growth rate of operating revenue from 2010 to 2015 was almost

15%

The operation revenue in 2015 was RMB 3.519 billion Yuan, the profit was RMB 184 million Yuan, and the total asset was RMB 4.769 billion Yuan. Promoting market-oriented independent innovation, SCC's total investment in scientific research in 2015 was RMB 191.921 million Yuan, accounting for 6.19% of the sales income of the year and creating favorable conditions for the

research and development of product technologies. The original value of the scientific research equipment and instruments was RMB 304.91 million Yuan. Among it, RMB 43.04 million Yuan was spent in testing instruments and equipment for R&D in 2015.

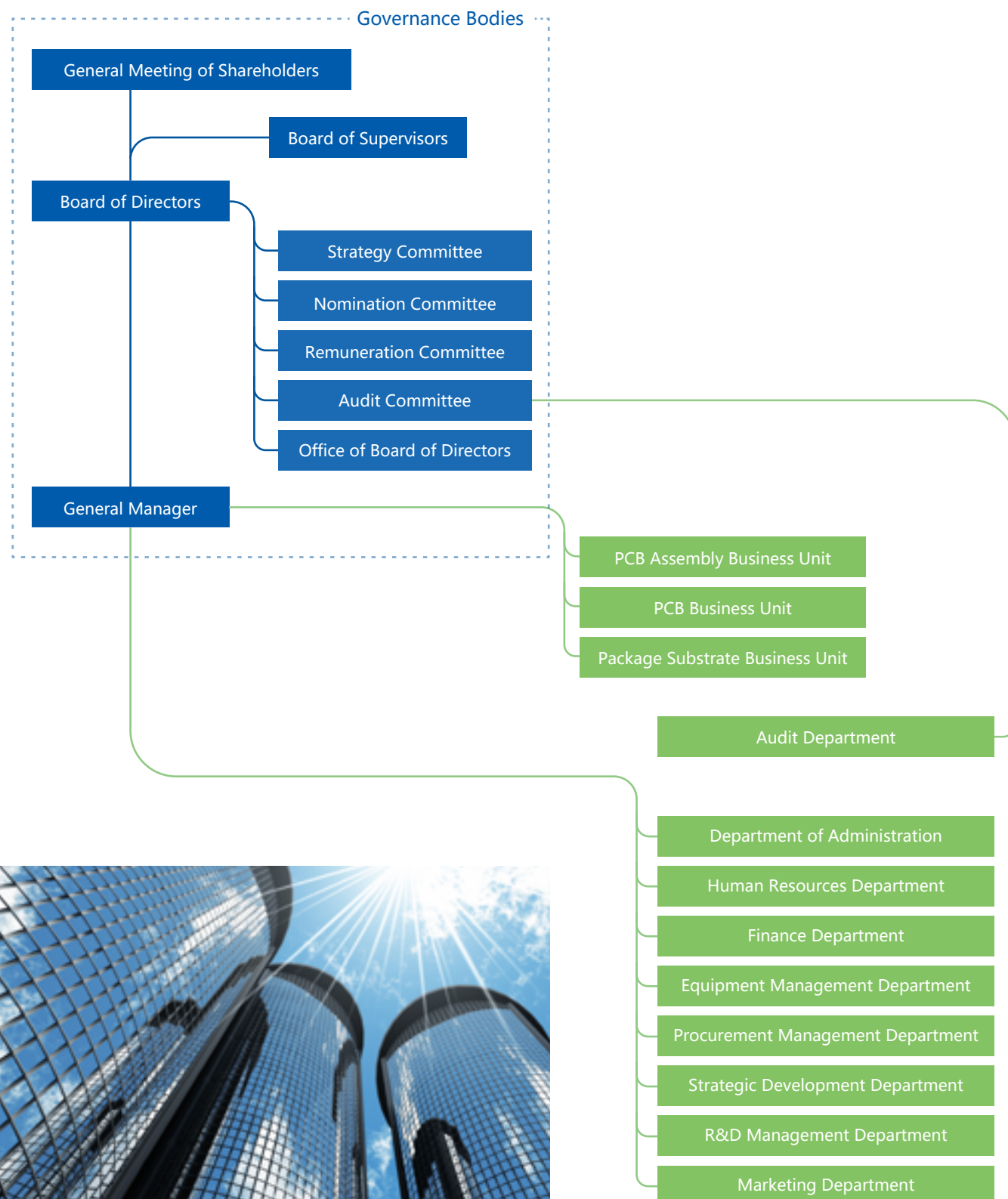
Item	Unit	Amount
Total assets	(RMB 10,000 Yuan)	476991.10
Main operation income	(RMB 10,000 Yuan)	351867.31
R&D investment	(RMB 10,000 Yuan)	19192.10
Intensity of R&D investment	(%)	6.19
Product market share	(%)	10.02

HONORS AND AWARDS

- ★
Key High-tech Enterprise of National Torch Plan
Ministry of Science and Technology
- ★
National High-tech Enterprise
Ministry of Science and Technology, Ministry of Finance, State Administration of Taxation
- ★
National Certified Enterprise Technology Center
National Development and Reform Commission, Ministry of Science and Technology, Ministry of Finance, General Administration of Customs, State Administration on Taxation
- ★
Enterprise Enjoying Advantage in Intellectual Property Rights of Guangdong Province
Guangdong Intellectual Property Office
- ★
2015 China Top-100 Electronic Information Technology Enterprise
China Information Technology Industry Federation
- ★
2015 Top-100 Enterprise in Shenzhen
Shenzhen Enterprise Confederation
- ★
Outstanding Enterprise of Waste Reduction in Pengcheng City
Pengcheng City Waste Reduction Committee of Shenzhen
- ★
Water Saving Construction Award
Water Resources Bureau of Shenzhen Municipality

CORPORATE GOVERNANCE

ORGANIZATIONAL STRUCTURE



GENERAL MEETING OF SHAREHOLDERS

As the highest decision-making body of SCC, the General Meeting of Shareholders is composed of all shareholders, is accountable to all shareholders, makes decisions concerning major issues, has the right to choose, appoint and dismiss directors, and has the final say in SCC's operation and management.

BOARD OF SUPERVISORS

SCC has established a Board of Supervisors which comprises three supervisors, including a Chairman of the Board of Supervisors. The Board of Supervisors includes representatives of shareholders and an appropriate proportion of employee representatives, and the proportion of employee representatives shall not be lower than 1/3. The employee representatives of the Board of Supervisors are elected from the Congress of Employee Representatives, the Congress of Employees or through other forms of democratic election. The Board of Supervisors oversees the Company's financial conditions and supervises the work behaviors of directors and senior management.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

SCC has established a Board of Directors which shall be accountable for the General Meeting of Shareholders. The Board of Directors comprises nine directors, including a Chairman and three independent directors. Upon the approval of the General Meeting of Shareholders, the Board of Directors provides guidance for business operations and activities of the Company and inspects and decides on the major matters of the Company.

The Chairman is elected by the Board of Directors which may authorize the Chairman to perform part of the functions and powers of the Board of Directors when it is not in session.

The Board of Directors further comprises several special committees which play an assistant and supportive role, including Strategy Committee, Audit Committee, Nomination Committee, and Remuneration and Assessment Committee.

GENERAL MANAGER

The Company has a General Manager who is accountable to the Board of Directors, presides over the production, operation and management of the Company, and organizes the implementation of the Company's annual operation and investment plans.

In addition to constant scrutiny, SCC will develop a flexible and rational organization and management structure to boost rapid development and promote multi-service cross-regional operations.

SCC is committed to providing customers with one-stop solutions of integrated products and services. For this purpose, the Company seeks for close partnerships with a win-win effect and offers a seamless business platform to promote sustainable development.



GLOBAL LAYOUT

Manufacturing bases : Shenzhen and Wuxi

Overseas service sites : The United States of America (USA), Germany, Italy, Israel, Japan, Singapore and South Korea

Customer distribution

Asia: Mainland China, Taiwan, Malaysia, Thailand, Singapore, Japan, South Korea, India, and Philippines

North America : The USA and Canada

Europe : Germany, United Kingdom, France, Italy, Ireland, Netherlands, Poland, Spain, Denmark, Finland, Norway, Switzerland, Russia, Belgium, Israel, etc.

Latin America : Brazil and Mexico

COMPLIANCE MANAGEMENT

The Company conducts compliance evaluation on a regular basis. The scope of evaluation involves environment and occupational health and safety, labor relations, quality management, corporate shareholding and governance institutions, and organization of special sessions to study and verify item by item new or newly amended laws and regulations and pressing ahead the rectification of nonconforming items. Besides routine regular evaluation on conformity operations, the Company also conducts in-depth evaluation on some of the key departments. Investigations are conducted

through employee interviews, spot checks of documents and questionnaires, to locate and identify potential legal risks, offer risk warnings and urge relevant departments to timely take pertinent measures.



MANAGEMENT INNOVATION

SCC favors innovation-driven development and innovative management to promote the implementation of strategies. Specifically, SCC employs Lean Six Sigma (LSS), process reengineering, information technology, automation, QCC and other methods and learns from mature experience of business models to improve efficiency and effectiveness.

Putting the strategic goals in management innovation of creating environment for innovation, establishing platforms, reducing costs, improving efficiency and educating talents", we consider "educating talents" as the starting point by introducing tools and methods into "reducing costs" and "improving efficiency", ultimately leading to "building platforms" which exchanges and popularizes the results.

Educate talents: Provide talent guarantee and lay solid foundation for internationalized development of the Company in multiple regions. During the year, 4 green-belt lecturers and 4 lean engineer lecturers were trained. The Company trained 279 talents on Lean Six Sigma (LSS) (236 yellow-belts, 6 lean engineers, 37 green-belts and 6 black-belts).

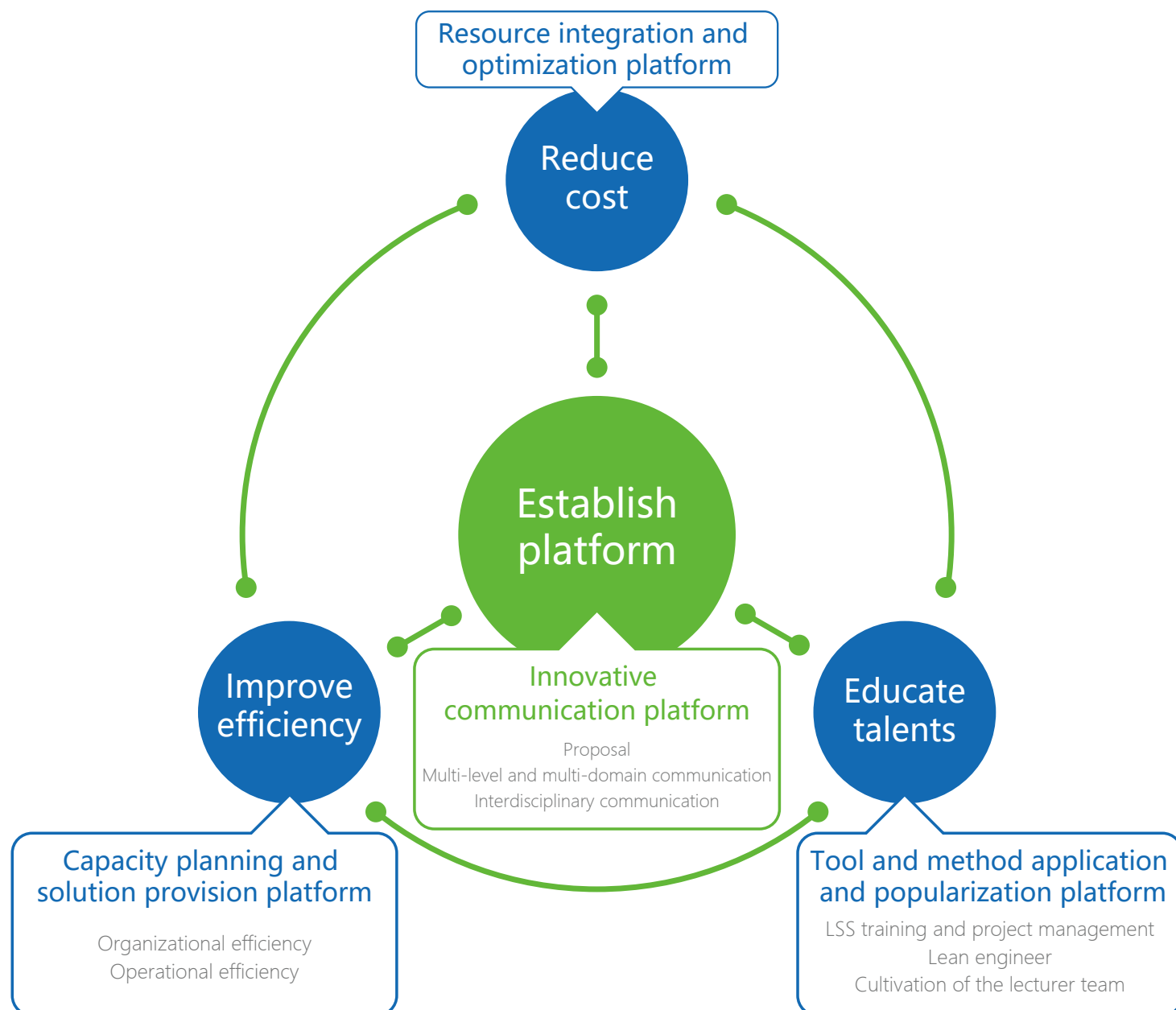
Reduce costs: a total of 112 cost reduction items were established covering process costs, material costs and costs of spare parts, saving over RMB 71.33 million Yuan.

Improve efficiency: The Company provided a platform for capacity planning and solutions, and accomplished the value stream mapping (VSM) of PTN product group lead time for the PCBA BU customers. The lead time was reduced to 1.5 days from 3.6 days by cutting 22 processes, reducing the overall transport distance from 2550m to 300m and eliminating 10

production breakpoints, achieving 20.41% increase in UPPH. PCB Business Unit formulated 140 SOPs by identifying operational risks, streamlining product value flows and reviewing processes such as milling, outer layer inspection and other key posts, realizing the standardization of employee operation procedures. With the VSM, the Manufacturing Department of PCB BU also increased its efficiency by 41%.

Establish platform: The Company organized two management innovation salons and conducted horizontal popularization among business units with a focus on efficiency improvement and cost control. The Company established a micro-innovation sharing platform which supports online application, appraisal, archiving and offline discussion, exchanges and sharing. Over 800 employees participated in the micro-innovation competition. In the finals of the AVIC International Micro-Innovation Competition, our individual participants were awarded 1 first prize, 1 second prize and 2 third prizes and we were awarded the "outstanding organization award". Meanwhile, in 2015, SCC was awarded the title of an outstanding management and innovation enterprise by AVIC International, together with other four awards and nine outstanding projects management innovation.





EXPORT TRADE

As an industry leader, SCC has long realized internationalization is the way to a huge potential market and the only way for a company to survive and develop. In addition to strict quality control and customer orientation, trade compliance is another element that SCC focuses on to expand global operations. As a senior certified enterprise and AEO enterprise attested by the Chinese customs, the Company organizes a dedicated group to effectively identify, improve and continuously monitor trade risks related to pertinent customs businesses so as to ensure the legal compliance in exporting and application of its products and technologies.



INTELLECTUAL PROPERTY RIGHTS

Through formulating and implementing the intellectual property rights strategy, SCC establishes a platform for the standardized management and application of intellectual property rights, realizes informationized, standardized and normalized management of intellectual property rights and comprehensively improves the management of intellectual property rights. The Company establishes a patent information database, patent documentations are subject to the confidential management of specially-assigned persons of competent departments, and professional institutions are retained to explore and plan patent arrangements so as to form rigorous patent protective reserves.

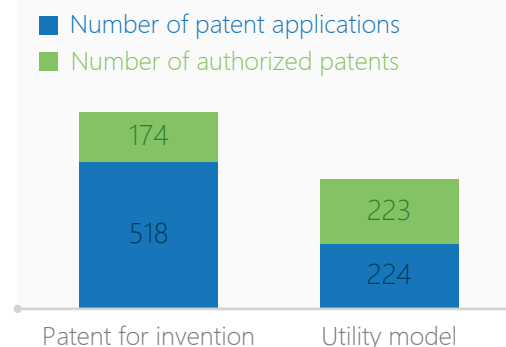
SCC incorporates intellectual property rights into the approval, implementation and acceptance of scientific research projects, establishes the whole process management mechanism for intellectual property rights of scientific research projects and the patent strategy research mechanism of key projects, effectively raising the entering threshold for incipient R&D projects with patent information, which prevents the risks in intellectual property rights and establishes a independent intellectual property right system.

The number of patents held by SCC has grown fast in recent years. By 2015, the Company has applied for a total of 742 patents, including 518 or 69.8% of patents for invention, and the number of authorized patents reached 397. As a result, we hold a group of

high-quality independent intellectual property rights in telecommunications systems, aerospace, industrial control, medical and other key technological areas; meanwhile, we gain commercial advantage brought by the intellectual property rights reserves in key civilian products.

The patent-related work done by SCC is also recognized by the society. Awards received include: □ National Demonstrative Enterprise for Technological Innovation, Enterprise Enjoying Advantage in Intellectual Property Rights of Guangdong Province, Demonstrative Enterprise of Shenzhen Municipality for Intellectual Property Right, Shenzhen Patent Award, etc. With all the recognitions, SCC enjoys an edge in policy negotiations, financial performance and brand awareness.

SCC's patent applications and authorizations



ANTI-CORRUPTION AND AGAINST COMMERCIAL BRIBERY

To advocate honest practice and regulate the employee behaviors, the Discipline Committee of SCC requires employees on sensitive positions to sign up an Integrity Agreement. The Company organized several trainings on integrity for employees, organized employees on key posts to watch anti-corruption educational videos, and organized company leaders and employees on key posts to visit Guangdong Anti-Corruption Education Base. Before each holiday, the Company sends anti-corruption SMS reminders to all suppliers.



The Company organized employees on key posts to visit Guangdong Anti-Corruption Education Base.

SUSTAINABLE DEVELOPMENT MANAGEMENT

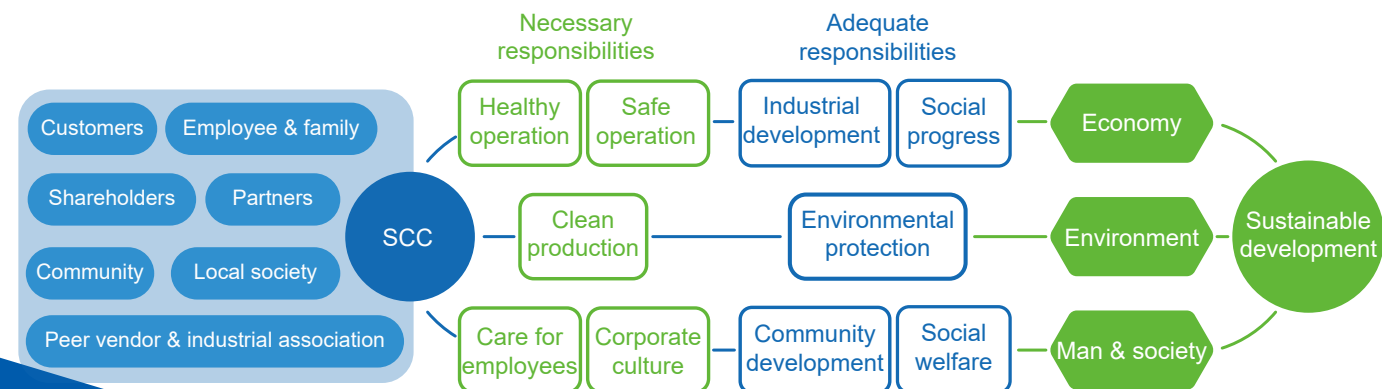
SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM

The sustainable development strategy of SCC has become an inseparable part of its business strategy and corporate governance and affects the routine operation of all service and functional departments and employees.

Sustainable development is reflected in the people-centered guiding principle, in the belief that technology changes world, in the support for public welfare and in the close operation with stakeholders.

SUSTAINABLE DEVELOPMENT PLANNING

Shared value: To build a homeland of hearts and chips



SUSTAINABLE DEVELOPMENT GOAL

Management system:

- Construct a sustainable development management system.
- Integrate sustainable development processes and establish a risk management system on sustainable development.
- Strengthen the risk handling capability of departments on sustainable development.
- Enable the full implementation of the sustainable development management system.

Strategy execution:

- Promote collaborative management of the supply chain and jointly monitor with partners the sustainable development of the entire industry chain.
- Introduce new technologies and new processes to protect the environment.
- Hear the voices of interested parties for common development.

SUSTAINABLE DEVELOPMENT TOPICS

Interested Party	Topics concerned	Responsibility	Communication & Response
Customers	Product quality & safety	Providing one-stop services Creating additional values in product (services)	<ul style="list-style-type: none">● Safety and Quality Competition● QCC (nil defect) Initiative● Management system compliance audit● Compliance self-check● Customer satisfaction survey● Skill competition
	Business ethics		
	Supply chain management		
	Environmental protection		
Employees	Rights and interests	Creating a pleasant, safe and orderly atmosphere and providing a career development platform to balance life and work for mutual development and share the achievement with the Company	<ul style="list-style-type: none">● Occupational health and safety certification● Improvement of human resources system● Establish communication platforms and channels● Employee engagement and satisfaction survey● Corporate culture activities● Employee Assistance Program● Micro Innovation
	Career development		
	Care for family		
	Happiness		
Shareholders	Profitability	Keeping continuous growth, enhancing competitiveness, and improving efficiency	<ul style="list-style-type: none">● Periodical operational reports● Periodical financial statements● Innovative proposals
	Corporate governance		
	Innovative development		
Partners	Business ethics	Setting win-win goals, being responsible for mutual benefits, and creating social values beyond the business circle	<ul style="list-style-type: none">● Green industry chain management initiatives● Suppliers conference● Business ethics conduct● Anti-corruption
	Supply chain management		
	Environmental protection		

Peer vendors &industry associations	Business ethics	Participate in community activities and supporting the development of public utilities	<ul style="list-style-type: none">● Annual meetings● Industrial exhibitions and workshops● Application and management of intellectual property rights
	&industry associations	Promoting environment protection and improvement and reducing resource consumption and pollution	
		Providing employment opportunities for local work force	
	Intellectual property rights	Participating in public welfare initiatives to promote social progress	
Local society	Business ethics	Participate in community activities and supporting the development of public utilities	<ul style="list-style-type: none">● Environmental protection publicity● Aviation exhibitions● Sponsoring National Model Aircraft Open● Volunteers
	Environmental protection	Promoting environment protection and improvement and reducing resource consumption and pollution	
	Community development	Providing employment opportunities for local work force	
		Participating in public welfare initiatives to promote social progress	
	Social welfare		

4 A WORLD-CLASS CIRCUITS TECHNOLOGY AND SOLUTIONS PROVIDER

The products developed by SCC are widely used in a variety of areas such as telecommunications, industrial control, medical, automotive and smart devices, and have a number of first-class customers both at home and abroad. Four of the top five telecommunications enterprises in the world have established stable long-term partnerships with SCC; meanwhile, SCC maintains extensive cooperation with top 3 aerospace companies

including Honeywell and top-notch medical company like GE, Siemens and Mindray.

With its experience in business and strength in integrating entire industry chain, SCC is able to offer customers with one-stop services from design, PCB/substrate fabrication, material sourcing, PCBA and testing.

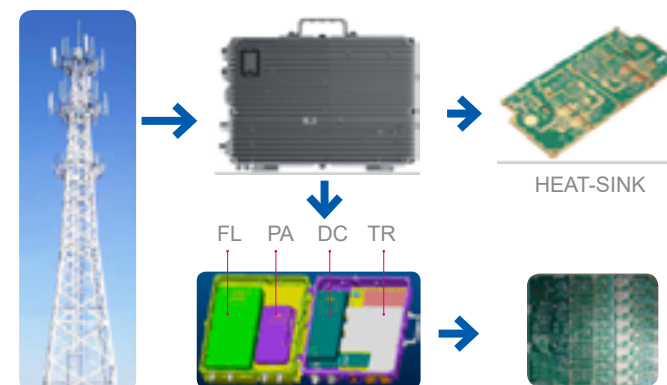


One-stop services

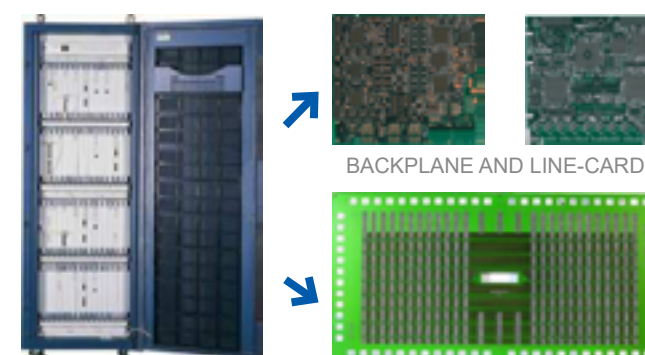
With the development of Internet of Things, cloud computing and other technologies, various terminal applications have resulted in explosion of data traffic. The main development trend of telecommunications, servers, computers and consumer electronic products features

the development of multi-functions, miniaturization, system integration, high speed, large volume, high power and high reliability, which pose challenges to product development in all levels from chip packaging, PCB to entire system.

Highly integrated system



Large volume



High reliability

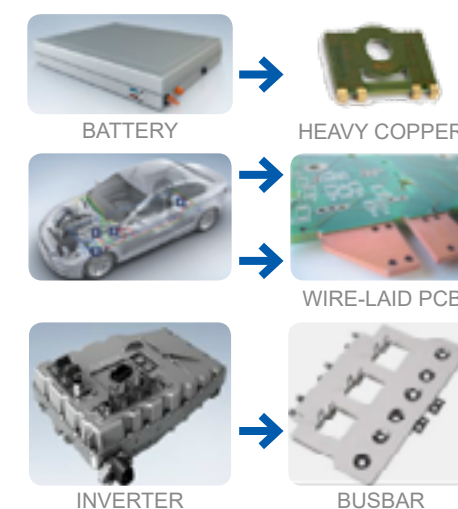


Main product solutions

Miniaturization



High power



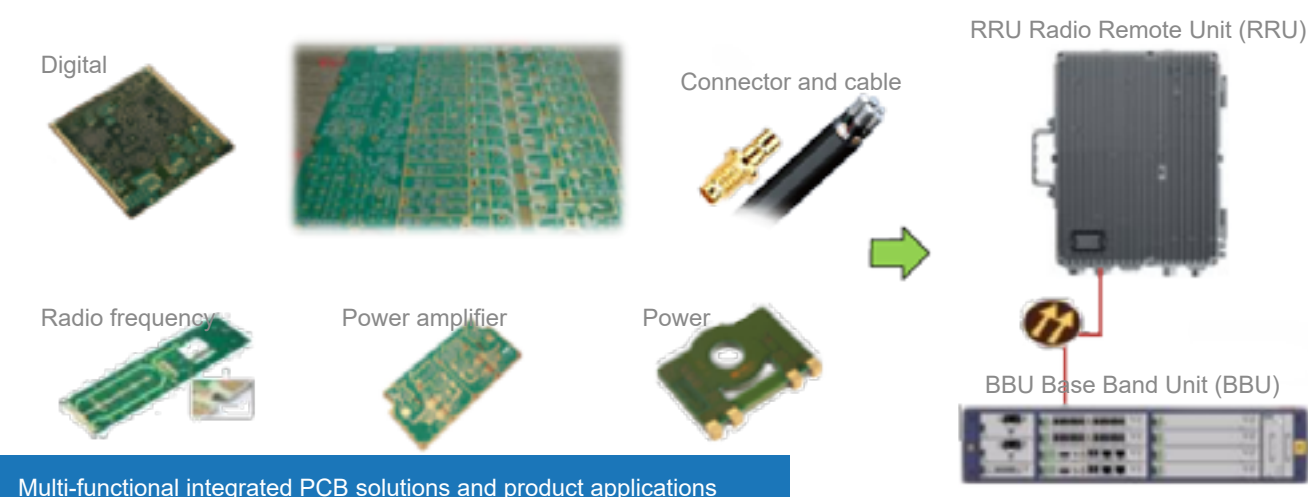
The new products, new technologies and new techniques researched and developed by and the new businesses expanded by SCC effectively support the realization of the Company's product and business layout strategies, bridge the gap between internationally advanced

enterprises in terms of the research and development of core technologies within the industry, and are of great significance to improve the electronic and information industry chain:

DEVELOPMENT AND POPULARIZATION OF MULTI-FUNCTIONAL INTEGRATED PCB TECHNOLOGIES

The miniaturized, low-consumption, controllable and intelligent base station equipments have become a trend. In the development and popularization of the multi-functional integrated PCB technologies, SCC quickly understands the market demand and provides guidelines for customer design, offering customers with technically-advanced and cost-effective solutions to seize the market.

Multi-functional integrated PCB technologies simplify the overall mechanical systems. By integrating radio frequency, digital, power, power amplifier, testing and other modules into one PCB, it enables telecommunications base stations to reach the optimal balance among system performance, integrated functions and density, and help customer design teams achieve more ambitious goals in terms of the sizes and system density of base stations.



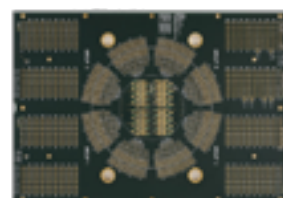
DEVELOPMENT AND POPULARIZATION OF THE MOTHER BOARDS SUITABLE FOR NEXT-GENERATION HIGH-VOLUME BACKBONE TELECOMMUNICATIONS NETWORKS

Mother board is a core component of telecommunications equipment, and it is of utmost importance for the improvement of the telecommunications equipment manufacturing industry chain to have the ability to independently fabricate high-volume mother boards. Especially in the localization processes of 4G and 5G standards in China, SCC provides domestic and foreign major telecommunications equipment manufacturers with high-end high-volume telecommunications mother boards, and offers more comprehensive services and supports for the steady operation of

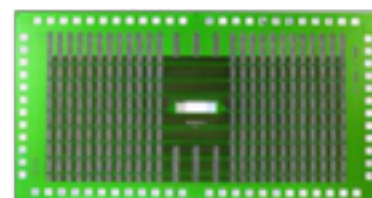
telecommunications systems.

The successful application of the mother boards suitable for next-generation high-volume backbone telecommunications networks enables the cross connect capacity of customers' network transmission products to be smoothly transited from 1.28T to 5.12T, becoming the world's largest capacity network transmission equipment. Such mother boards represent a new height in today's technological level of mother boards.

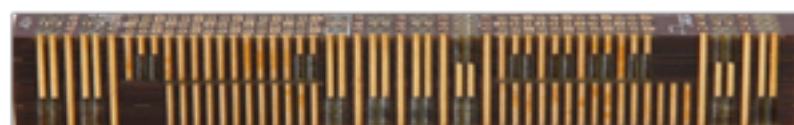
High aspect ratio



Huge size



N+N structure



DEVELOPMENT AND POPULARIZATION OF SILICON MEMS SUBSTRATE TECHNOLOGIES

SCC takes the lead in launching the research into the localization of high-density packaging substrates technologies, and the breakthroughs made in a number of core technologies have broken the monopoly of foreign industries. The silicon microphone MEMS substrate

designed and developed by the Company has been put into mass production and has been successfully adopted in the microphone modules of smart phones such as iPhone, Samsung and others.

PAD MEMS microphone module adopted in mobile phones and PAD

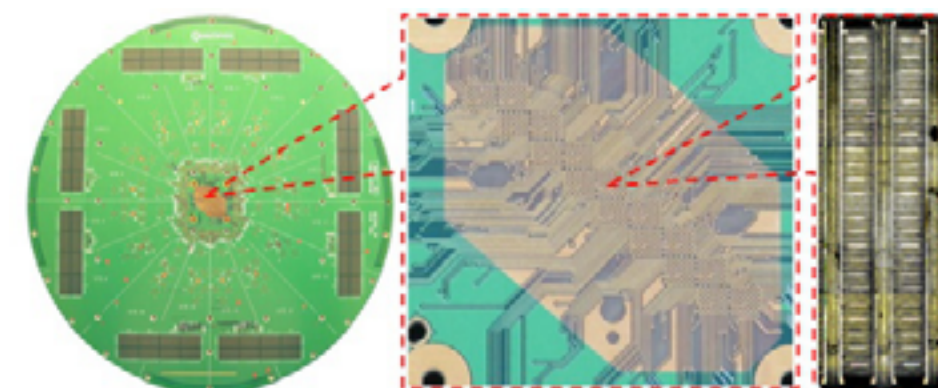


DEVELOPMENT AND POPULARIZATION OF HIGH-END IC TEST PCBS

As a key component in semi-conductor testing, IC test board is a highly complicated product with fine pitch, high aspect ratio and high precision. The circuit designing and product manufacturing of IC test boards is characterized by difficult techniques. SCC has successfully developed high-end IC test board designing and manufacturing techniques, making breakthroughs in core technologies, and possessed

mass production capacity with steady quality, localizing the high-end IC test boards in China. It offers a one-stop technical support and product service for China's integrated circuit packaging and testing industry chain, and effectively breaks the technical barriers and market monopoly of foreign manufacturers.

Picture of a real IC test board

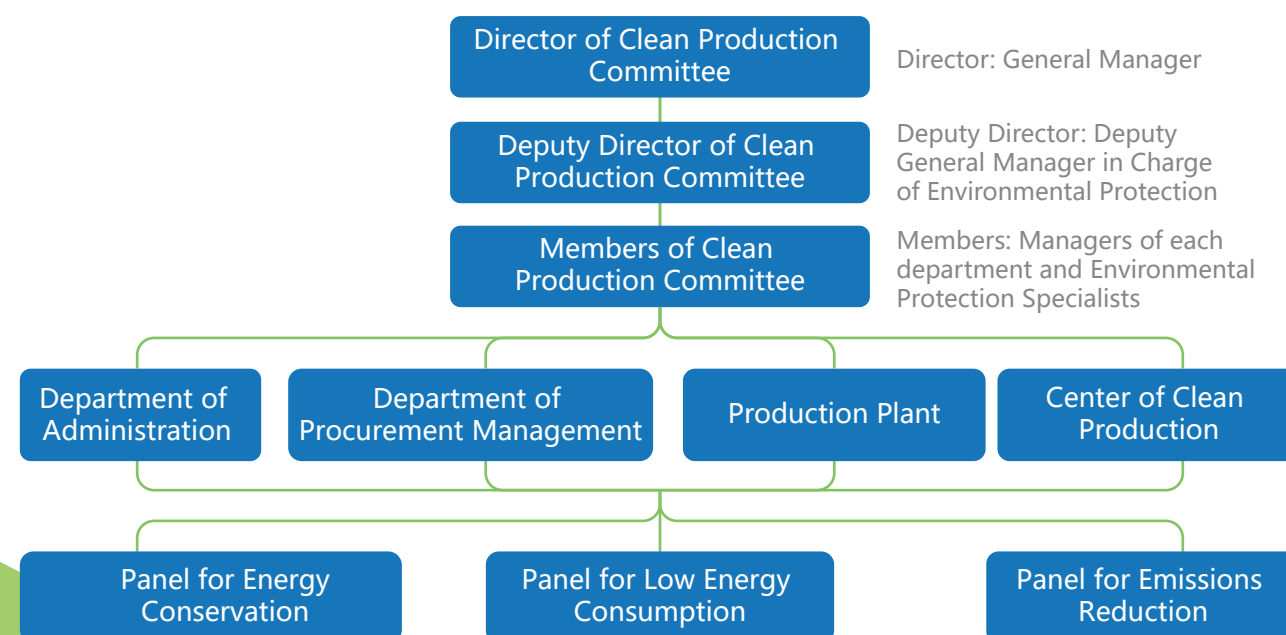


5 GREEN AND ECO-FRIENDLY

Through technical innovation, SCC continues to improve product's energy efficiency performance and providing customers with energy-efficient and environmentally friendly products and solutions. Meanwhile, SCC works closely with suppliers, customers and partners to minimize the environmental impact within the product life cycle for sustainable development.

Organization Structure

ORGANIZATION STRUCTURE



ENVIRONMENTAL MANAGEMENT SYSTEM

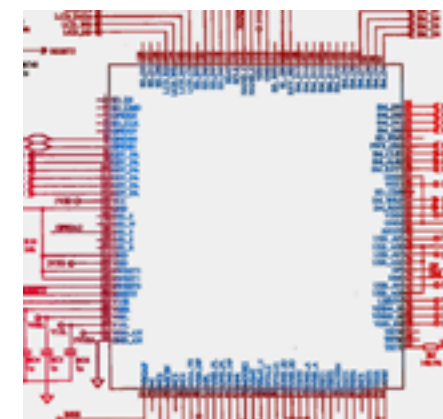
SCC was the first local company within the industry to obtain ISO14001 environmental management system certification. Afterwards, SCC has kept strengthening the management of environmental management system. Meanwhile, SCC, through green procurement and green

marketing, delivers the corporate green business concept to the upstream and downstream companies, mobilizes suppliers and clients to implement standardized environmental management system, and regulates the environmental management of suppliers.

ECO-FRIENDLY PRODUCTS AND SERVICES

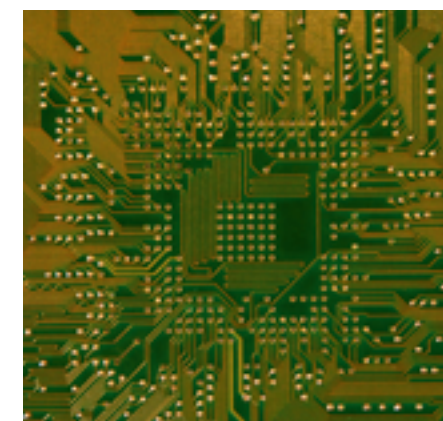
SCC has always persisted in developing leading, highly efficient and environmentally friendly products, which are in strict compliance with or even stricter than the standards set out in relevant laws, regulations, standards, and customer requirements.

Thanks to the highly efficient, energy-saving, and environmentally friendly products and solutions, SCC helps to cut down customers' operating costs and minimize carbon emissions and negative environmental impact.



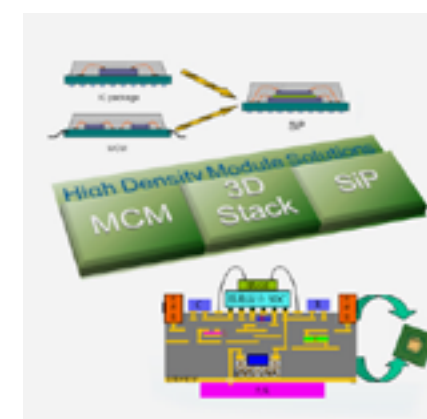
SCHEMATIC DESIGN

- Environmentally friendly materials
- Designed to be reliable and durable to reduce defective products
- Integrated circuits to minimize the number of components used
- Energy-saving circuit design to reduce energy consumption



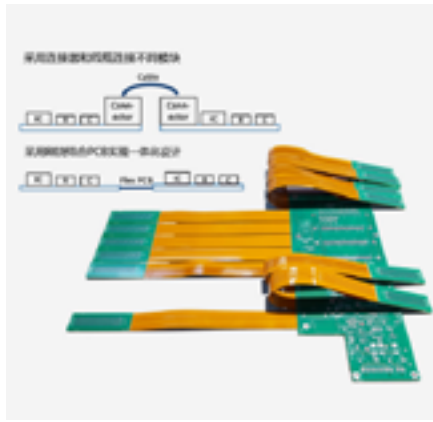
PCB/SiP DESIGN

- High density PCB/highly integrated SiP to save materials
- Environmentally friendly PCB manufacturing materials and workmanship
- Design for manufacturability to save materials, reduce processes, and increase equipment output capacity
- Simulation optimization and quality control to reduce the times of sample development and save materials
- Design for maintainability to reduce wastes.



HIGHLY-INTEGRATED DESIGN

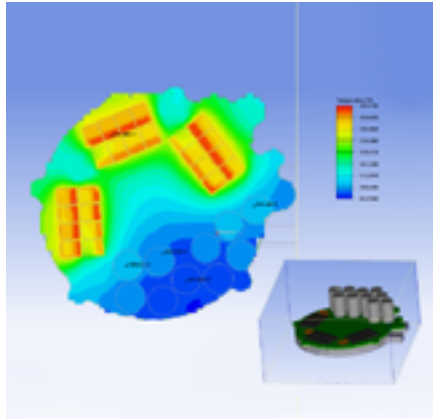
- Highly-integrated design to reduce uses of electronic components
- Adoption of more environmentally friendly halogen-free materials to ensure product stability
- Adoption of packaging to reduce uses of tin-lead solders
- SiP packaging to avoid solder-resist ink, and is halogen-free
- Miniaturize products and packages for more convenient transportation
- Modularized products to achieve better quality stability and reliability



INTEGRATED DESIGN

Adoption of rigid-flex PCBs to cut down uses of connectors and cables

- Integrated design to reduce installation procedures and enhance product reliability
- Smaller assembly space and dimensions to reduce material uses
- Reduced use of connectors to have more continuous high-speed signals, improve product performance, reduce risks of radiation and cut down uses of EMC components



SIMULATION ANALYSIS

Professional thermal analysis, signal integrity analysis to optimize design and reduce the times of sample development and save materials and energy

- Solve thermal dissipation, power and signal integrity of products at PCB level to reduce the use of external auxiliary elements and components
- Optimize PCB product solution to use more cost-effective solutions while satisfying product technical requirements

ECO-FRIENDLY PACKAGING

SCC is committed to use environmentally friendly packaging to reduce environmental pollution and conserve natural resources. The adoption of recyclable corrugated box, which are highly rigid and light-weighted, minimizes environmental pollution throughout its entire life cycle including production, circulation, usage and recycle, effectively reducing carbon emission. In 2015, SCC made a total of 504,208 shipments using 4,226.7m² of corrugated boxes.



ECO-FRIENDLY LOGISTICS

While optimizing the domestic and international transport routes and improving supply modes and logistics solutions, SCC seeks for partnership with the globally leading logistics service providers such as DHL, FEDEX, S.F. Express, and Kerry Logistics. This practice helps to cut down logistics costs, reduce greenhouse gas emissions, and mitigate negative environmental impact.

SUPPLY CHAIN

- SCC signs up environmental protection agreements with all logistics service providers.

INTERNAL

- 1) Optimize and develop diverse transport programs, including land, sea, and air freight;
- 2) Intervene with the transport programs of major suppliers to cut down air freight according to priority level;
- 3) Have overseas-purchased materials delivered directly to Shenzhen instead of Hong Kong to minimize environmental impact due to transshipment;
- 4) Improve the utilization efficiency of regional warehouses to better use warehouse resources.



ENERGY CONSERVATION

SCC actively pushes forward the establishment of energy management system and construction of energy management center in the company, enhancing energy utilization efficiency, reducing manufacturing costs and sharpening its market competitiveness.

In 2015, SCC executed 9 energy conservation projects, with the total investment of RMB4,435,000, of which the investment for the energy-efficient related renovation in equipments and facilities reached RMB1,896,000, the investment for the renovation of lamination machine, changing electric heating into heating by natural gas boiler, amounted to RMB2,539,000, saving about RMB5,252,800.00 for electricity.

Energy-Efficient Renovation Projects in 2015				
Item	Renovation	Scheduled completion date	Actual completion date	Project benefits
1	Energy-efficient renovation of replacing electric heating tubes with heating pumps in Shenzhen PCB Plant II	30-10-2015	30-10-2015	4 sets of electric heating tubes changed into heat pumps, saving electricity 372,000 kilowatt hour, the total annual benefit achieved at RMB280,000
2	UVLED energy-efficient renovation in Shenzhen PCB Plant II	30-12-2015	30-12-2015	9 fluorescent lamps changed into UV-LED, saving electricity 2,045,000 kilowatt hour, the total annual benefit achieved at RMB1,515,000.00
3	Renovation of joining heating tubes for pattern plating process in Shenzhen PCB Plant II	30-9-2015	30-9-2015	After joining the heating pipe, the annual heating electricity consumption saved 73,000 kilowatt hour, and the total annual benefit achieved at RMB54,000.00
4	Energy-saving automatic control for air conditioners in PCBA business unit	30-12-2015	30-12-2015	Adding energy-saving automatic control for 4 sets of air conditioners, the annual electricity consumption saved by 1,286,000 kilowatt hour, and the total annual benefit achieved at RMB965,000
5	Energy-efficient renovation of the secondary return air system for the air conditioners of Shenzhen Substrate Plant II	30-12-2015	30-12-2015	Energy-efficient renovation of the secondary return air system for the air conditioners, annual electricity saved by 275,000 kilowatt hour, the total annual benefit achieved at RMB206,000.00
6	Energy-efficient renovation of the secondary return air system for air conditioners in final inspection process of rigid-flex production lines	30-12-2015	30-12-2015	Energy-efficient renovation of the secondary return air system for air conditioners, saving annual electricity 254,000 kilowatt hour, the total annual benefit achieved at RMB190,000
7	Frequency converter installed to the air-handling units of air conditioners in Shenzhen PCB Plant I	30-12-2015	30-12-2015	Frequency converter additionally equipped to the air-handling units of air conditioners, electricity saved by 1,525,000 kilowatt hour, the total annual benefits achieved at RMB1,143,000
8	Direct electricity purchase	30-12-2015	30-12-2015	The concession for the direct electricity purchase for the entire year was RMB899,800
9	Renovation of changing electric heating into heating by natural gas boiler in Shenzhen PCB Plant II	30-12-2015	16-1-2016	Put into operation in January 2016, with the expected total benefit of RMB2,590,000

UV-LED light as a replacement of UV exposure lamps: This product is used in the PCB UV exposure process, featuring quick response, no stand-by losses, high illumination efficiency, energy conservation (saving 85% or more electricity than traditional UV exposure lamps), and an extra-long life (theoretically 30,000 to 50,000 hours). The mercury-free attribute reduces environmental pollution and the infrared-ray-free attribute emits no harmful electromagnetic radiation and ozone. In 2015, SCC replaced 9 UV exposure machines with the new UV-LED technology, saving electricity 2.045 million kilowatt hour.



Electricity-saving project of adopting air-source heating pumps: the adoption of air-source heat pumps as replacements of electric-heating tubes saves power consumption for heating and reduces safety risks caused by the electric heating. In 2015, 4 sets of air-source heat pumps replaced electric heating equipments, saving electricity 372,000 kilowatt hour.

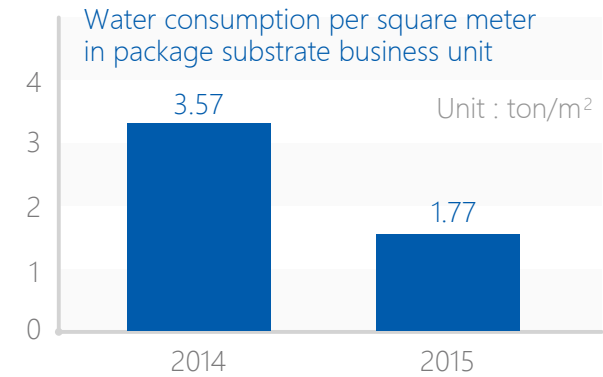
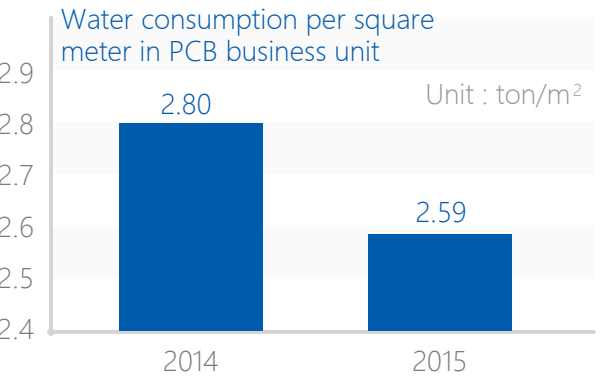
WASTE REDUCTION

REDUCTION OF WASTEWATER DISCHARGE

In 2015, SCC strengthened water conservation, sought breakthrough in equipment automation and lean management, a shift from technology and workmanship in previous years, identified new improvement and made certain achievements.

On one hand, SCC, through the preliminary technical survey and pilot test, has upgraded the automatic water saving for over 100 sets of equipments, making water stops immediately after the feeder leaves the washing

tank, and reducing water waste. On the other hand, SCC has adopted the lean management for daily water consumption, sticking to the principle of “not allowing waste of even one drop of water”, strictly implemented objectives management and system of rewards and punishment. The water consumption per square meter for PCB business unit and the package substrate business unit dropped respectively by 7.5% and 50.4% in 2015 compared to 2014:



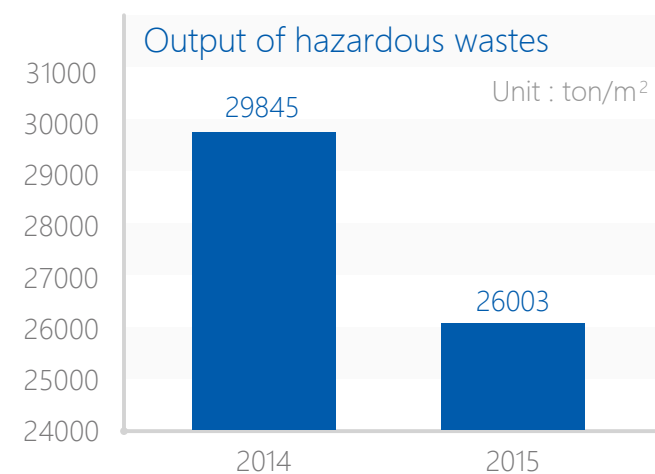
Through water conservation, 1,084,000 tons of waste water, 44.4 tons of COD and 5.6 tons of ammonia nitrogen were reduced.

REDUCTION OF HAZARDOUS WASTES

To reduce the hazardous liquid wastes in production, SCC has furthered measures to reduce them, with the main measures as follows:

1. From the perspective of circular economy, SCC has collected acid liquid waste to treat wastewater, making use of wastes for waste treatments and reducing waste liquid.
2. In processes, SCC has optimized the production technologies, reduced the chemical dosing of automatic controller, cut down the replacement frequency of dosing, and reduced the waste liquid.
3. In management, SCC has further regulated the procedures of discharging liquid waste and minimized liquid waste discharge.

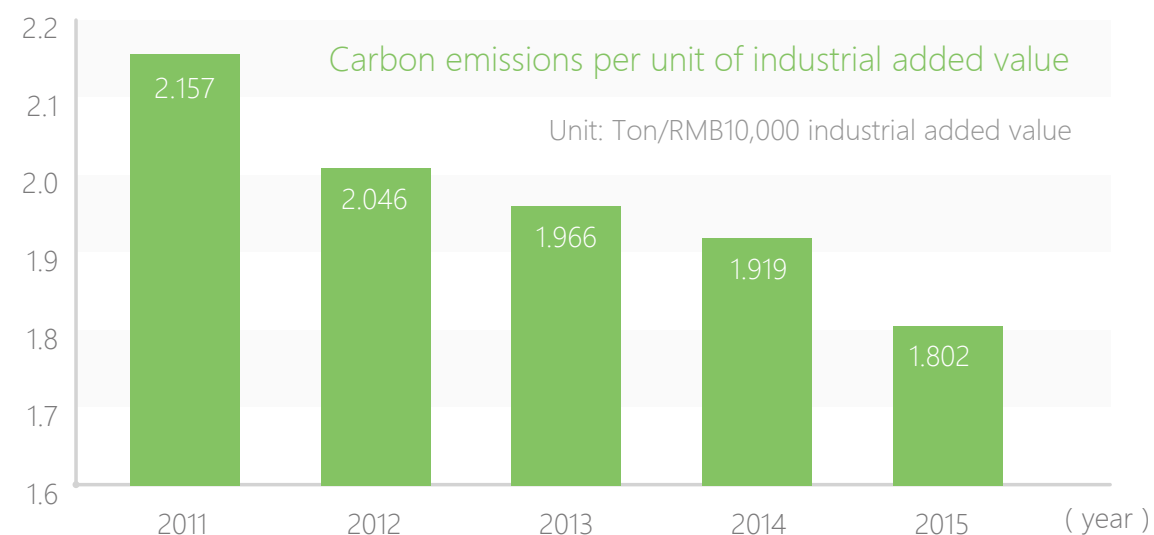
With over 100 waste reduction measures, the output of the liquid hazardous wastes in 2015 dropped by 12.9% compared to the one in 2014, with more than 3800 tons of hazardous wastes reduced.



CARBON EMISSIONS

In response to the evaluation system for energy conservation and trade of carbon emissions for tens of thousands of enterprises in Shenzhen, SCC has actively adopted improvement measures to reduce carbon emissions. In accordance with Administrative Regulations on Carbon Emission in Shenzhen Special Economic Zone, SCC has performed various obligations

to reduce carbon emissions. In 2015, the carbon quota for SCC was 1.891 ton/RMB10,000 industrial added value, but the actually achieved one was 1.802 ton/RMB10,000 industrial added value, achieving the carbon emission benefit of RMB588,700.00, calculated at the current carbon price.



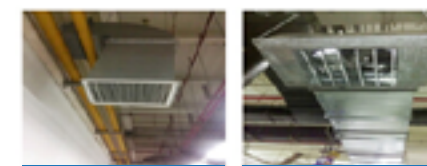
GREEN WORKSPACE

ENVIRONMENT IMPROVEMENT

In 2015, SCC improved 24 items of 24 environmental problems identified, related to employees' health such as workplace temperature, smell and dust, etc., with the achieving rate of 100%.

Implementing the initiative of "delivering fresh air"

To solve the problem that some work areas are with little air flow and smelly, SCC, without increase in energy consumption and through technical means, has implemented the initiative of "delivering fresh air" to provide a comfortable workplace for employees.



Newly-equipped service facilities

A shelter corridor is additionally built in each building of the facilities, so that employees needn't bring umbrellas when on or off duties or going for lunch on rainy days, thus enhancing employees' work & life environment satisfaction.

To get employees' bikes properly managed, bike sheds were set up for the employees' convenience of parking the bikes.



SANITATION ADVOCACY

SCC property management unit and SCC volunteers have launched many campaigns for taking care of environmental sanitation, attracting thousands of employees to participate. The campaigns have seen the enhanced awareness of taking care of environmental sanitation within SCC, and have spread the awareness among other people in Shenzhen.



A HOMELAND OF HEARTS AND CHIPS

6

Sustainable development of a harmonious society requires the joint effort of all undertakings. For this purpose, SCC extensively communicates sustainable development to interested parties, including its employees, and enhances community involvement and awareness to further the improvement. This practice is intended to create more values for employees, customers, suppliers, and local communities for better recognition, stronger capabilities, and higher customer satisfaction.

CARE FOR EMPLOYEES

Employees are the foundation of corporate development. As the most important asset, employees make substantial contributions to the rapid development of SCC. To this end, the health, safety, and welfare of each employee are a major concern for SCC.

TOTAL NUMBER OF EMPLOYEES AND PERCENTAGE OF R&D PERSONNEL



Total number of employees
7608



Female employees
1972



R & D personnel
793



Employees with medium or high occupation accreditation
121



Ph. D
1



Master
122



Bachelor
801

STAFF CAPABILITY BUILDING

Employees are the cornerstone of a company and their capability affects both personal career development and corporate development in the long run. Therefore, SCC has developed more than 20 sets of training systems and procedures to standardize employee training.

2015 has witnessed a notable improvement of the Company's management competence. A workshop specific to frontline directors was established to improve

their skills in worksite and staff management. Courses were developed to provide guidance for supervisors at all levels, including those who had been recently appointed or honored a senior title. Online learning channels were also accessible. These measures can help improve the management skills of the core management. An aggregate number of 9,800 people attended the training, aggregating a total of 721,800 hours and RMB 5.36 million.



COMPENSATION AND BENEFITS

SCC considers the post value as the yardstick to determine employees' compensation standards, supplemented by performance incentives. An equal amount of salary higher than the local minimum wage standards is paid to employees on the same post, coupled with rewards for outstanding performance. Attracting and retaining of talents is taken seriously by means of competitive offers.

SCC undertakes to pay in full statutory social insurances and welfares for regular employees, including pension insurance, medical insurance, employment insurance, work injury insurance, maternity insurance, and housing fund. Other supplemental insurances, such as comprehensive accident insurance, are also covered. SCC pays great attention to the health conditions of employees by means of regular meals, health examinations, protective equipment, and paid annual leaves and more.



SCC Parent-Children Summer Camp

RIGHTS AND INTERESTS OF EMPLOYEES

In strict compliance with relevant laws and regulations, SCC expressly prohibits forced labor and discrimination. SCC respects equality instead of discriminatory beliefs in race, color, age, gender, sexual orientation, nationality, disability, pregnancy, belief, political affiliation, union membership, or marital status. Child labor is strictly banned and personal privacy is in no way violated.

LABOR CONTRACT SIGNING RATE

100%



EAP Mental Health Counseling Course

MENTAL HEALTH

With a mission to build a "homeland of hearts and chips", SCC takes mental health of our employees seriously and has been engaged in exploring an effective psychological counseling mechanism for the care of our employees. The Employee Assistance Program is in full swing to make employees free and happy at work.



Employees Receiving Lean Six Sigma (LSS) Certificates

CAREER DEVELOPMENT

SCC greatly respects and promotes the personal development of talents based on their characteristics and provides career development platforms to fully explore their potentials. Highly professional and skill-demanding positions are offered for experts. A career matrix comprising three positions has been created, namely business management, expertise, and skill and operation. A sound and complete career development system is now helping SCC to cultivate talents.



VOICE OF EMPLOYEES

To widely solicit the voice of employees, SCC has prepared an array of channels for interaction with employees, such as suggestions box, heart-to-heart talk, monthly luncheon with General Manager, and recreation with senior leaders, etc.

Communication channels

Lotus Notes Emails, suggestion box, free talk, employee satisfaction survey, internal forum and journal, performance interview, Micro-blog, WeChat, Home of Employees, billboards, EAP counseling hotline, etc.

In 2015, the labor union organized a number of heart-to-heart talks and a dozen of luncheons and outings for managers and employees. Each plant also organized many talks with employees. Advice put forward by the employees have all been conveyed to relevant departments for improvement.



SCC Initiated Donation

ASSISTANCE FOR FINANCIALLY DIFFICULT EMPLOYEES

With the established <<Methods for Helping Financially Difficult Employees>>, SCC helped 8 employees to apply for the AVIC International Charity Fund in 2015, and initiated donation for 3 employees with extreme financial difficulties and raised more than RMB 100,000, which has been delivered to the employees or their families.

WORK AND LIFE BALANCE

The labor union has organized various activities including the Talent Competition on the Women's Day, the Fun Sports, and the Talented Employees Contest. The hobby associations also held football, basketball and badminton games. SCC's football team competed in AVIC's South China Football Game on behalf of AVIC International and won the third place. SCC's badminton team competed in AVIC's badminton game and won the third place. The teams have also participated in friendly matches with teams of clients or of relevant government departments. These activities have enriched the employees' lives.



Dumpling Making Games



Fun Sports



Outings



CARE FOR FEMALE EMPLOYEES

To provide better services to female employees, after the FREE TEA and the Mom's Dinner Table Projects, the company set up rooms for the pregnant and for breastfeeding.

A Room for the Pregnant

HEALTH AND SAFETY

WORK SAFETY

Focusing on "Enhancing Safety Management Capability" in 2015, the Company has enhanced the capabilities of hidden danger identification and emergency response, improved the management of chemical and electrical safety, and raised the level of safety management to ensure stable operation of the Company. Last year, SCC was awarded the class III enterprise of Work Safety Standardization and was a winner of Shenzhen's "Ankang Cup" Contest.



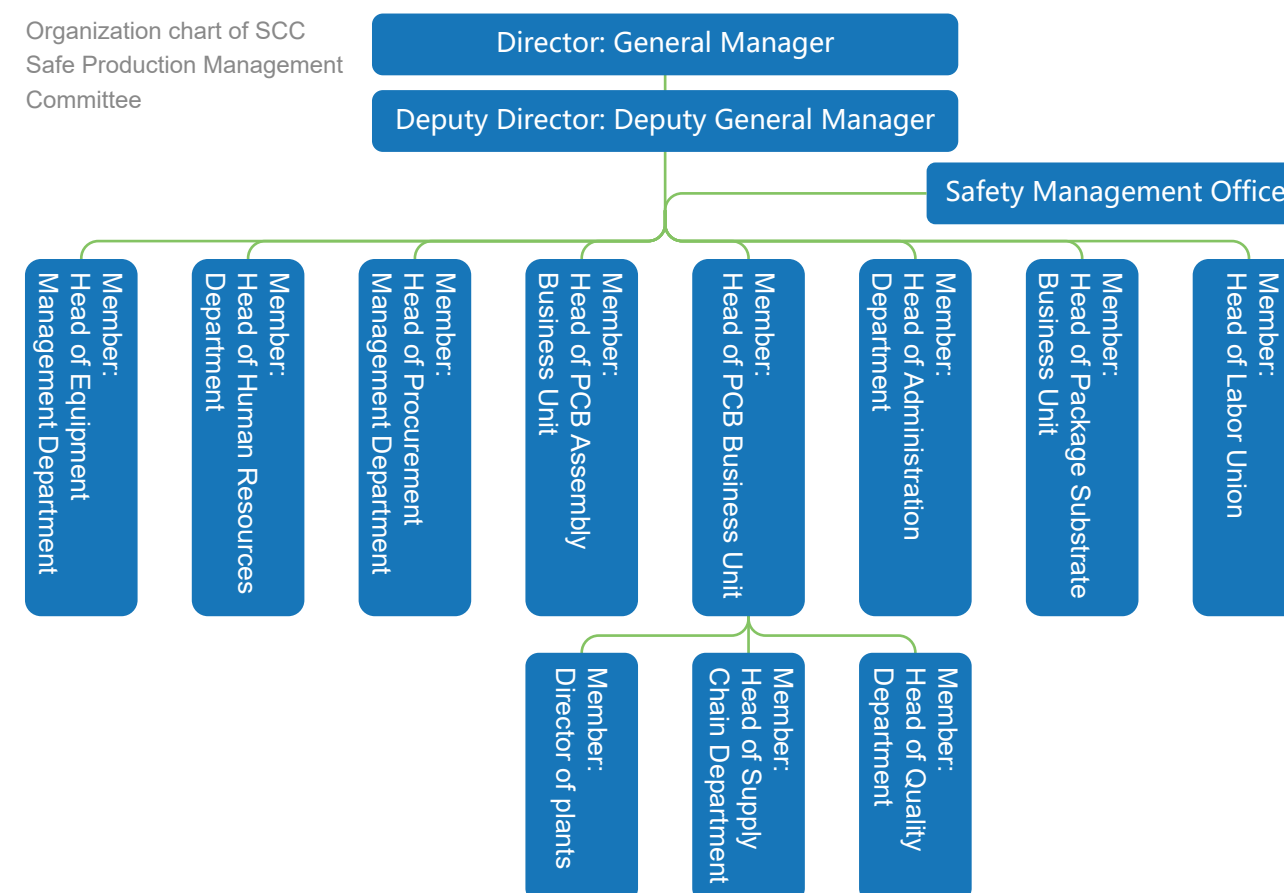
Strengthen the safety management of electricity using

- Release Management Rules For Key Area of Safe Production
- Develop a new safe management mode by identifying dangers in a reverse order
- Regularly organize electrical safety inspections to rectify hidden hazards.

Strengthen chemicals management

- Develop and issue the Management Rules For the Safety of Hazardous Chemicals in light of the Company reality
- Make supplemental revisions, in light of realities, to the contingency measures for major hazardous chemicals, such as strong acids and alkalis, inflammables, explosives, and highly toxic substances and provide related training
- Organize chemicals inspections, generate a list of hidden hazards, conduct rectifications and release notifications.

Organization chart of SCC
Safe Production Management
Committee



SCC Leaders Inspecting
the Daily Emergency
Work of the Fire Brigade



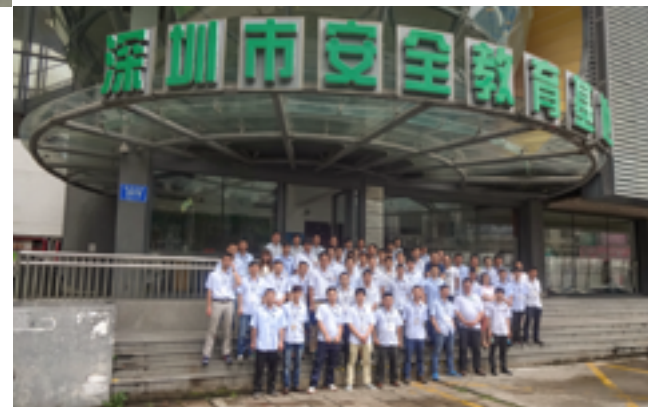
SCC Leaders Inspecting the
Safety of the Production Sites

Company Leaders Signing
Responsibility Agreements on
Work Safety with Employee



SCC Invited Experts to Give
Lectures on Work Safety Law

SCC's Safety Professionals
Visited Shenzhen Safety
Education Base



Firefighting Safety

The Company is dedicated to identifying fire hazards and keeping fire escapes and emergency exits clear, and to ensuring fire-fighting equipments work properly. It focuses on open fire inspections in construction areas, and enhances emergency response capability and prevention to ensure safety. SCC is devoted to improving the fire safety emergency management system and enhancing the basic capabilities of handling fire accidents on the worksite. Considering the concealed nature of safety hazards, a sound three-level (company, plant, and process) emergency echelon has been established to ensure that accidents are nipped in the bud.

Level 1: company-level rescue team

The fire brigade doubles as the rescue team on the company level to handle safety incidents based on experience and major potential hazards and areas that have been identified. SCC provides funding for relatively complete emergency facilities and equipment. Thorough plans for physical training are enforced on a weekly basis and emergency drills in 2 key areas and processes are conducted on a monthly basis. SCC explicitly stipulates that the emergency team must be fully equipped and arrive at the accident scene for rescue within 3 minutes after an alarm is given. The rescue team acts as an effective means to contain the incidents and curb them in the incipient stage.

Level 2: plant-level rescue team

The rescue team comprises safety and security clerks, production management engineers, process

engineers, process directors, and team leaders of plants to handle safety incidents based on the distribution of major hazardous areas and process hazard sources. Emergency response training and drills are conducted from time to time. Responsible for initial handling of safety incidents, the rescue team can effectively organize evacuation of personnel and remove obstructions for the arrival of the company-level rescue team.

Level 3: process-level rescue team

An emergency rescue team is established for all processes, comprising team leaders, group leaders, and key staffs. Specific measures for handling emergent situations involved in a process are clearly stated on walls and all members are subject to emergency handling examinations and drills. Safety Management Office performs frequent random inspections to ensure the emergency preparedness.



Emergency response drills

In 2015, Safety Management Office organized 487 emergency drills as planned involving firefighting and handling of hazardous chemical spilling, among which 23 at company and plant levels, and 464 at process level.

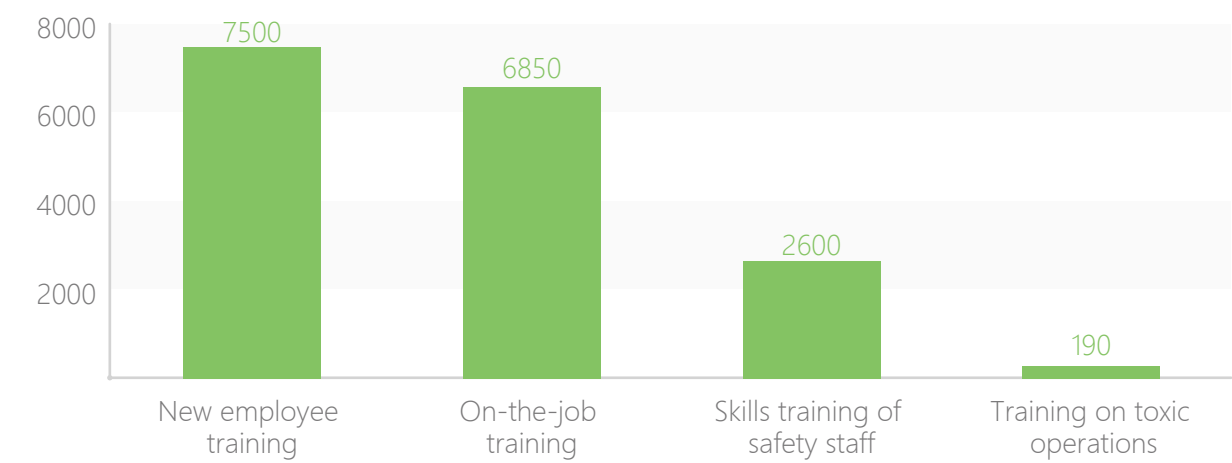




Safety training

Safety training is subject to the following principles:

- 1. All new employees must participate in three-level safety education programs.
- 2. All re-assigned or transferred employees must receive safety training.
- 3. All employees, including leading cadres, must participate in regular safety education course.
- 4. All safety principals and personnel engaged in special operations must participate in pre-job training programs.



SCC conducts education on safety through lectures, quizzes and games to increase participation under the theme “I want safety, I work for it”.

The company’s safety management team reflects on its work every month, holds regular safety meetings, and educates the safety principals on laws, regulations, and safety management methods and skills.



OCCUPATIONAL HEALTH

SCC attaches great importance to the protection of employees at work and seeks to create a safe and comfortable environment for living and working. Work safety is a permanent concern that needs continuous improvement. The company is committed to providing a clean and orderly work environment that does not jeopardize the health of employees to prevent any occupational disease.

SCC takes a number of measures to ensure occupational health of employees. These measures include: encourage grassroots participation; strengthen supervision and inspection; increase the frequency of publicity, education, and training; establish sound systems; provide personal protective equipment in compliance with national or industrial safety standards; carry out on-the-job trainings, etc. By doing so, employees are better prepared for the prevention and

remediation of occupational hazards and develop proper habits of using personal protective equipment, thus improving self-protection awareness and skills of employees.

Periodic monitoring of hazardous factors such as dust, noise, and toxic substance and any other factors that may seriously jeopardize occupational health is conducted to provide evidence for the evaluation and handling of occupational hazards.

Adhering to the “people-oriented, health-first” tenet, great efforts are made in safeguarding the occupational health of employees, preventing occupational diseases, and improving workspaces. Not a single case of suspected occupational disease has been identified so far. The management mechanism is undergoing further perfection and standardization.

Occupational checkup

Occupational Checkup Statistics		
Items	Details	Number
Checkup prior to the employment	Newly employed people	458
	People getting checkups	458
	Checkup rate	100%
Checkup during the employment	People attended the checkups	967
Checkup at the end of the employment	People left	300
	People attended the checkups	300
	Checkup rate	100%
New suspected occupational disease cases	Newly employed people	nil
	People transferred from other posts	nil
	Transfer rate	nil
This year's investment in occupational health	Amount (RMB)	330,000



Tests and assessment of hazardous factors leading to occupational diseases

The Pass Rate of the Sites Tested for Various Hazardous Factors				
The number of hazardous factors that should be tested	The number of sites that should be tested	The number of sites that have been tested	The number of sites that have passed the tests	The percent of pass
380	380	380	380	100%

As tested by Shenzhen Occupational Disease Prevention and Control Hospital, SCC has adopted protective measures against all hazardous factors leading to occupational diseases. The levels of exposure of the density and the intensity of hazardous factors in the workplace are both way below the national occupational

exposure limits, and are in line with the Provisions on the Supervision and Administration of Occupational Health at Work Sites (Order No. 47 of the State Administration of Work Safety), and have established a benchmark for the industry.

CUSTOMER SERVICE



Employees sign to show commitment to quality

SERVING CUSTOMERS

Oriented by customers' demand, SCC seeks for improving customer satisfaction, reducing complaints, integrating internal and external resources to provide customized services, so as to maximize customer value. In 2015, the company has gained satisfactory results in improving customer satisfaction.

CUSTOMER SATISFACTION

Customer satisfaction is one of our most important core competences. To get comprehensive feedback on products and services, the company carries out detailed Customer Satisfaction Surveys every year. In 2015, SCC sent questionnaires to 60 customers and received 54 responses. The response rate was 90%. Careful analysis and assessments of the questionnaires shows that the customer satisfaction of the 3 major business lines scored from 85 to 98, which fully represent their recognition and commendation for our products and services.

Customer Recognition

Award	Issued by
2015 Core Partner	Fiberhome Telecommunication Technologies Co., Ltd.
2015 Golden Core Supplier	Huawei Technologies Co., Ltd.
2015 Best Global Supplier	Rockwell Collins
2015 Best Quality	Digital China Network Co., Ltd.
2015 Best Global Partner	ZTE Corporation

PROTECTION OF CUSTOMER INFORMATION

Deeming customer information security as a permanent focus, SCC strictly abides by the ISO27001:2005 information security management system and vigorously

improves the awareness of information security across the Company and establishes sound information security system to protect the interests of interested parties.

SUPPLY CHAIN MANAGEMENT

SUPPLIER ROUTINE MANAGEMENT

It is a convention of SCC to sign up with all suppliers the Supplier's Social Responsibility Agreement which expressly stipulates the requirements involving key elements such as labor, occupational health and safety, environmental protection, business ethics, nonuse of conflict minerals, and corporate social responsibility management system. In 2015, all suppliers had signed up this agreement.

The aforementioned requirements are included in the Supplier System Audit Table of SCC. Based on supplier's product type, trade volume, business relationship, industrial position, management system, and historical performance, SCC divides sustainable development risks for supplier into three levels, namely high, medium and low. In 2015, 161 suppliers received the risk assessment, 19 in the high-risk group, 59 in the medium-risk group, and 83 in the low-risk group. An on-site audit was conducted for all potentially high-risk suppliers and one third of potentially medium-risk suppliers. A total of

36 suppliers were involved in such audits which were successfully executed.

In the event of any nonconformance during the audit, suppliers are obliged to make improvements within a limited period and SCC will follow up and re-audit based on the results. Suppliers will not be allowed in or be eliminated from the supplier list when the corporate social responsibility management system is materially defective and no improvements are made within the limited period, or when the cooperation violates corporate social responsibility requirements. Suppliers who are considered to have high corporate social responsibility risks and no ability to fully satisfy SCC requirements will be banned from cooperation. With this management mechanism, the corporate social responsibility performance of suppliers becomes a determinant of partnership, thereby pushing suppliers towards continuous improvements in social responsibilities.

NEW SUPPLIER CERTIFICATION

In certifying new suppliers, SCC focuses on corporate social responsibility and sustainable development and evaluates various aspects such as labor, occupational safety, environmental protection, business ethics, and social responsibility. The certification can be granted, conditionally granted or not granted. Suppliers must complete rectification within a limited period if the certification is considered conditionally granted or not granted. Thereafter, a review is conducted and only qualified suppliers can continue the partnership with SCC. For fair, equal, and honest cooperation, all suppliers are obliged to sign up the Sunshine Procurement Agreement to combat commercial bribery and unfair competition.





CSR RELAYED IN THE SUPPLY CHAIN

SCC always maintains the channels for sharing resources with suppliers, in order to transmit information through the supply chain by timely conveying the demands of customers to suppliers and communicating with suppliers. In this way, the goal of multi-win of customers, SCC and suppliers can be achieved.

In terms of the R&D demands of the customers, SCC will make test plans together with the suppliers of main raw materials to improve the performance of the material and meet the customers' demands. The company will also inform the suppliers of the CSR audit demands requested by the customers, and ask them to inform their suppliers, to ensure that the whole supply chain have the same values, and to achieve SCC's sustainable development in the supply chain.

- Long-term strategic partnership agreement
- Standardized risk management and control
- Shared databases
- Stable communication platforms

SOCIETY AND COMMUNITY

LAW COMPLIANCE MEASURES

SCC considers compliance management as an integral part of business operation. The legal affairs division is commissioned to provide guidance for import and export control, network security, trade competition, human resources management, anti-bribery and corruption aspects, identify and evaluate legal risks, and provide recommendations for improvement. In 2015, a credit and debt risk management sub-division was established on the basis of the existing risk management system to positively promote loan collection, bad debt control, and capital management.

LAW COMPLIANCE TRAINING

In 2015, SCC organized frequent trainings on law compliance for employees in different positions, including but not limited to training for personnel work in human resources and frontline management concerning labor law and employment risk control, for financial clerks concerning overdue load management and control, for marketing personnel concerning contract law and typical cases, and for technical R&D personnel concerning patent development and protection. This greatly enhanced the awareness and basic management skills of law compliance of employees, thereby laying a solid foundation for the Company's overall compliant operation.



HONEST TAX PAYMENT

While developing itself, SCC strictly fulfills its CSR, complies with laws and regulations and honestly pays taxes. In 2015, the company's annual revenue totaled RMB 3.519 billion, taxes paid totaled RMB 126.88 million, in which corporate income tax accounted for RMB 20.27 million, value added tax RMB 46.56 million,

additional tax RMB 21.09 million, individual income tax withheld RMB 19.63 million, and other taxes RMB 19.31 million. In 2014 and 2015, SCC was ranked as an A level taxpayer by Shenzhen Municipal Office of the State Administration of Taxation and the Shenzhen Local Taxation Bureau.

Unit: RMB 10,000

Types of Taxes	2013	2014	2015	Total
Corporate income tax	2,127.00	3,471.00	2,027.00	7,625.00
Value added tax	3,511.00	5,023.00	4,656.00	13,190.00
Business tax and additional tax	1,920.00	1,611.00	2,109.00	5,640.00
Individual income tax	1,351.00	1,586.00	1,963.00	4,900.00
Tariff	785.00	1,438.00	992.00	3,215.00
Property tax	344.00	403.00	453.00	1,200.00
Other taxes	157.00	420.00	486.00	1,063.00
Total	10,194.00	13,953.00	12,688.00	36,835.00

POLICIES AND MEASURES TO STIMULATE EMPLOYMENT

The ever growing strength enables SCC to provide employment opportunities while boosting economic growth. In 2015, a total of 2,980 college graduates were recruited, including 412 bachelors and 32 graduates or above. To assist production and operation, a total of 3,671 expatriate laborers and 600 expatriate logistics employees were recruited. By doing so, SCC contributes to the building of harmonious society by driving local employment and boosting local economic growth.



SOCIAL WELFARE

POPULARIZATION OF AVIATION SCIENCE

To have more children learn about knowledge of aeronautics and astronautics, to popularize aviation education, and to especially train and promote the comprehensive quality, such as practice, innovation and teamwork, of Chinese teenagers for the cultivation

of the next-generation talents in aviation technology, SCC integrated resources to give lectures and seminars for the schools in close cooperation with Guangdong Aviation Society. A total of 8 aviation education campaigns were successfully organized in 2015.

THE “MAGICAL FLYING HOUSE”



SCC “magical flying house” launched in Wuxi Shuofang Experimental Primary School

The “magical flying house” is a unique public welfare project launched in 2013 after SCC integrated several public welfare activities. The project combines reading, science education and activities. It focuses on promoting aviation science education, and inspires children’s interest to aviation. The project helps the teenagers to learn science and society, broaden their horizon, and help them to start their dreams and train ability to realize the dreams.

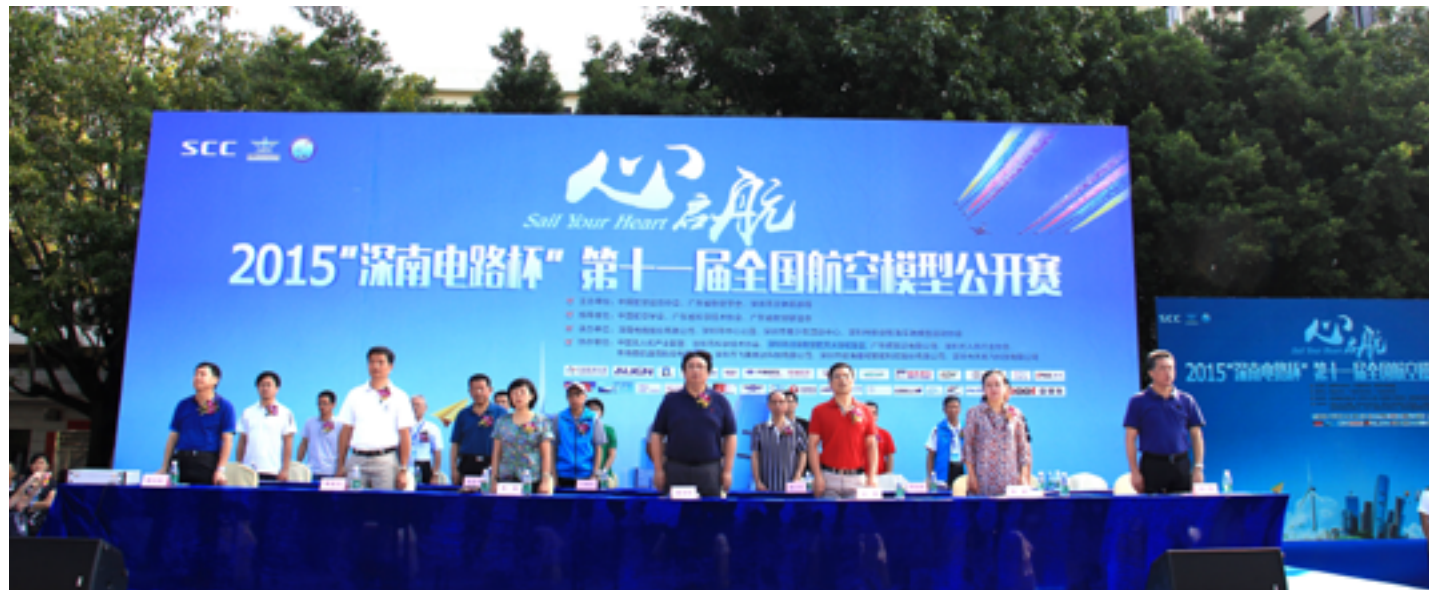
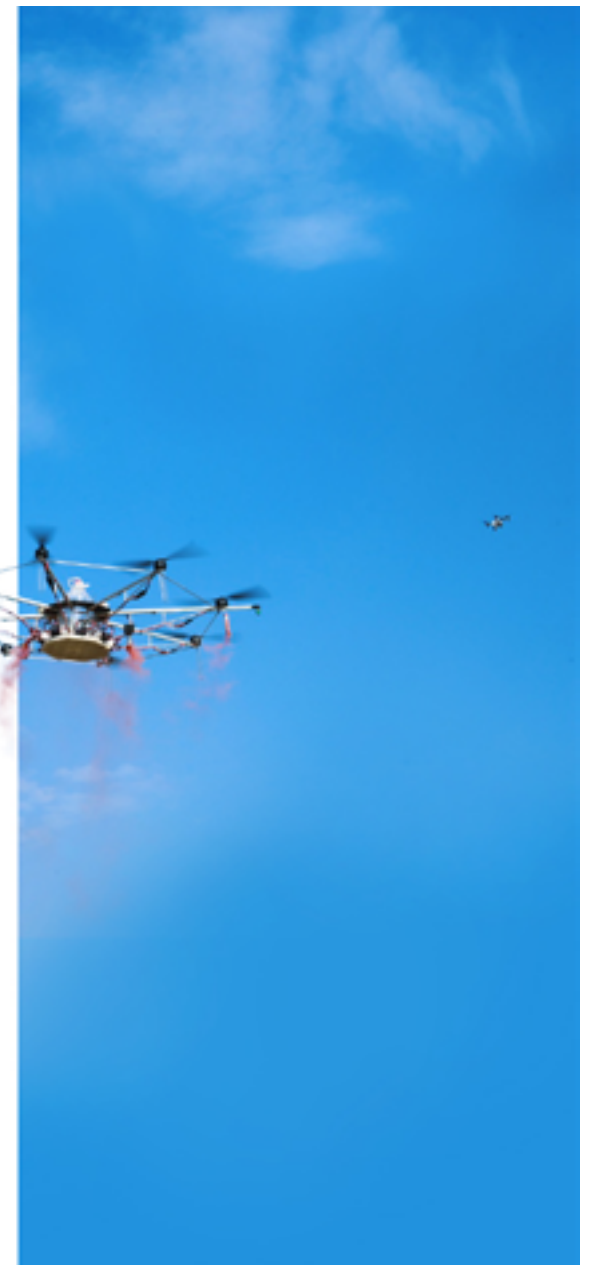
ELEVENTH “SCC CUP” NATIONAL MODEL AIRCRAFT OPEN CAMPAIGN

“SCC Cup” National Model Aircraft Open campaign is China’s largest and most influential model aircraft tournament participated by the masses. It has been held for eleven consecutive years.

To be a true world power, China has to develop advance industry and to be strong aeronautics and astronautics. Participating in the model aircraft activities is the most vivid and effective way for teenagers to learn aeronautics and astronautics and study aircraft structure and mechanism. Model aircraft activities are also the basic measure to popularize aviation education, cultivate aviation talents and develop aviation industry, which have profound influence on fostering and enhancing the overall quality of teenagers such as practice, innovation and teamwork and lay a solid foundation for future scientific personnel in aeronautics and astronautics.

More than three hundred experienced model aircraft makers joined the event, impressing the audience with their superb performance.

In addition to the high-level professional event, there were exhibitions on China’s aeronautics and astronautics, and help visitors to better know the history and achievements of the aeronautics and astronautics cause. At the same time, rich interactive activities caught the attention of many citizens and children. In the aviation class started this year, China General Airlines invited several civil aviation captains to share aviation knowledge, and ask parents and their children to cooperate in fulfilling tasks and experience simulated flight. In the unmanned aerial vehicle area, multi-axis aircrafts allowed people to try to operate unmanned aerial vehicles. In hands-on area, children made model airplanes under the guidance of volunteers. In the painting area, a dozen of children painted “My Flying Dream”. And in the paper plane game, the children let their dreams fly. After taking pictures, people sent their wishes to China’s aeronautics and astronautics cause through WeChat, and printed photos to keep the memories.



APPENDIX I: INDEX OF KEY INDICATORS

1 STRATEGY AND ANALYSIS

Index	Index Description	Status of Disclosure	Chapter	Remarks
1.1	Statement on sustainable development and its strategic significance for the Company made by top decision-makers	Fully	Address by the Management Team	
1.2	Description of key impacts, risks, and opportunities	Fully	Sustainable Development Management	

2 COMPANY PROFILE

Index	Index Description	Status of Disclosure	Chapter	Remarks
2.1	Company name	Fully	Profile	
2.2	Major brands, products, and/or services	Fully	Profile	
2.3	Company's operating structure, including main departments, entities, subsidiaries, and joint ventures	Fully	Organization Structure	
2.4	Address of headquarters	Fully	Back Cover	
2.5	How many countries the Company is doing business, what are the major operations, and which countries are involved in sustainable development as mentioned in the report	Fully	—	In the report period, SCC was fully engaged in business operations in mainland China.
2.6	Nature and legal form of ownership	Fully	Governance	
2.7	Significant changes in the corporate scale, structure, or ownership within the report period	Fully	Global Layout	
2.8	Awards and prizes within the report period	Fully	Governance	In the report period, SCC underwent structural adjustment as illustrated by a new organizational structure chart under section 3.1 "About SCC".
2.9	Awards and prizes within the report period	Fully	Honors and Awards/ Customer Recognition	For the interests of parties involved, information about recognition by some parties was

VOLUNTEER TEAM

SCC volunteers not only serve the company itself, but also seek to establish a volunteer service platform, with which volunteers may search for volunteering activities, organizing volunteering teams and start volunteering campaigns. The company is providing resource supports for the platform to make volunteering a habit.

The Company has about 500 employees as registered volunteers and have participated in 4 large volunteering projects in 2015, among which, 3 projects organized by Shenzhen Volunteer Association, and 2 spontaneous projects in 2015.



3 REPORT ELEMENTS

CONTENT OF THE REPORT

Index	Index Description	Status of Disclosure	Chapter	Remarks
3.1	Report period	Fully	About the Report	
3.2	Date of the previous report	Fully	About the Report	
3.3	Report cycle	Fully	About the Report	
3.4	Contact information for querying reports	Fully	About the Report	

SCOPE AND BOUNDARY

Index	Index Description	Status of Disclosure	Chapter	Remarks
3.5	Process for defining report contents, including determining materiality, prioritizing report items, and identifying interested parties to be involved in the report	Fully	About the Report	
3.6	Report boundary, such as countries, departments, subsidiaries, leased facilities, joint ventures, and suppliers	Fully	Profile	
3.7	Restrictions on the report scope and limits	Fully	About the Report	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that have potentially serious impact on the comparability of different report periods and/or organizations	Fully	——	This item is irreverent and decided by SCC.
3.9	Data measurement techniques and calculation basis, including assumptions and knacks for developing indicators and estimating information	Fully	About the Report	
3.10	Explanation on results and reasons of data carried in previous reports, such as merger/acquisition, benchmark year/year change, nature of business, calculation method, etc.	Fully	About the Report	
3.11	Major difference from the previous reports regarding the report scope, boundary, or measurement methods	Fully	——	This report continues to use previous measurement methods.

GRI CONTEXT INDEX

Index	Index Description	Status of Disclosure	Chapter	Remarks
3.12	Location of standard disclosures in the report	Fully	Index of Key Indicators	

4 GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Index	Index Description	Status of Disclosure	Chapter	Remarks
4.1	Mechanism for shareholders and employees to make proposals to the highest governance body or for determining the business orientation	Fully	Voice of Employees	
4.2	Internal missions or values, codes of conduct, and principles relevant to economic, environmental, and social performance, and their implementation	Fully	Sustainable Development Planning	
4.3	Procedures for supervising the highest governance body to report on the identification and management of economic, environmental, and social performance (including related risks and opportunities), and on the compliance with internationally recognized standards, codes of ethics, and principles	Half	Sustainable Development Goal	
4.4	Involvement in and support for external economic, environmental, and social charters, principles, or other initiatives	Fully	Supply Chain Management	
4.5	Memberships in some associations (such as industry associations and/or national and international advocacy organizations	Fully		As a chairman member of China Printed Circuit Association (CPCA) and member of China Semiconductor Industry Association, SCC has been actively promoting the construction of industry associations and the development of association standards and systems.
4.6	List of relevant interest groups	Fully	Sustainable Development Topic	
4.7	Basis for identifying and selecting interested parties			
4.8	Matrix of introducing interested parties, including the frequency based on different forms and groups			
4.9	Major projects and concerns while introducing interested parties, and response of SCC (such as in the form of a report)	Fully	Sustainable Development Topic	

5 MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS

Index	Index Description	Status of Disclosure	Chapter	Remarks
EC1	Direct economic value created and distributed by SCC	Half	Economic Performance	
EC2	Financial burdens, risks, and opportunities arising from economic climate change	Fully	Carbon Emission	
EC3	Compensation benchmark for defined benefits plans	Half	Compensation and Benefits	
EC6	measures, and expenditures for local suppliers in major areas of operation	Half	Supplier Routine Management	
EC7	Procedures for recruiting local employees in major areas of operation, and proportion of local senior management	Half	Policies and Measures to Stimulate Employment	
EC8	Development and impact of infrastructure investments and services for public welfare by means of commercial activities, in-kind donations, or free services	Fully	Social Welfare	
EC9	Explanations and descriptions on significant indirect economic impacts, including the extent of such impacts	Fully	A World-renowned Provider of Integrated Electronic Circuits	Pursuing innovation-driven development, SCC understands well that innovation has the most profound social impact. This report disclosures innovation of SCC in the report period and describes its indirect impacts.

ENVIRONMENTAL PERFORMANCE INDICATORS

Index	Index Description	Status of Disclosure	Chapter	Remarks
EN1	Weight or volume of the materials used	Half	Environmentally Friendly Products and Services	
EN2	Percentage of recyclable materials	Fully	Environmentally Friendly Packaging	
EN3	Direct energy consumption by primary source	Half	Energy Conservation and Waste Reduction	

EN4	Indirect energy consumption by primary source	Half	Energy Conservation and Waste Reduction	
EN5	Energy savings as a result of energy conservation and efficiency improvements	Fully	Carbon Emission	
EN6	Plans for providing energy-efficient or renewable energy-based products and services, and the effects	Fully	Green and Environmental Protection	
EN7	Plans for reducing indirect energy consumption, and the effects	Fully	Green and Environmental Protection	
EN8	Total water consumption by primary source	Fully	Green and Environmental Protection	
EN9	Extent of serious impact due to water consumption	Fully	—	No occurrence in the report period
EN10	Percentage and total volume of recycling and recycled water	Fully	Energy Conservation and Waste Reduction	
EN11-EN15	Aspect: biodiversity	Fully	—	This item is dependent on the characteristics of SCC products and services and is irrelevant.
EN21	Total water discharge by quality and destination	Fully	Green and Environmental Protection	
EN22	Total weight of wastes by type and disposal method	Fully	Green and Environmental Protection	
EN23	Total number and times of serious omission	Fully	—	No occurrence in the report period
EN25	Location and size of water sources and habitats severely affected by SCC drainage and runoff, the status of conservation, and biodiversity	Fully	—	No occurrence in the report period
EN26	Plans for reducing environmental impacts of products and services, and the effects	Fully	Green and Environmental Protection	
EN27	Percentage of packaging materials for sold and recycled products by category	Fully	Green and Environmental Protection	

EN28	Total amount of significant fines due to violation of environmental laws and regulations, and the number of times of unexpected monetary sanctions	Fully	—	No occurrence in the report period
EN29	Significant environmental impacts due to transportation of products, other goods and materials, and employees	Fully	—	No occurrence in the report period
EN30	Total expenditures for and investments in environmental protection by total sum	Fully	Green and Environmental Protection	

LABOR PRACTICES AND DECENT WORK PERFORMANCE

Index	Index Description	Status of Disclosure	Chapter	Remarks
LA1	Total number of employees by employment type, contract, and region	Fully	Total Number of Employees and Percentage of R&D Personnel	
LA3	Benefits for full-time employees by major operations	Half	Compensation and Benefits	
LA7	Percentage of injuries at work , occupational diseases, lost days, and absenteeism by region, and the number of work-related casualty	Fully	—	No occurrence in the report period
LA8	Plans for education, training, guidance, prevention, and risk monitoring of serious diseases for the interest of employees, their families, or community members	Half	Occupational Health	
LA10	Average hours of training per year by employee category	Fully	Staff Capacity Building	
LA11	Programs for strengthening continued employability and assisting skills management and lifelong learning for position transfer	Fully	Staff Capacity Building	
LA12	Percentage of employees receiving regular performance and career development reviews	Half	Career Development	
LA13	Division of members of governing bodies and employees by gender, age group, minority, and other indicators	Half	Total Number of Employees and Percentage of R&D Personnel	
LA14	Basic salary rate of male and female employees by employee category	Half	Compensation and Benefits	

HUMAN RIGHTS PERFORMANCE INDICATORS

Index	Index Description	Status of Disclosure	Chapter	Remarks
HR3	Total hours of training regarding human rights-related policies and procedures, and percentage of employees trained	Fully	Rights and Interests of Employees	
HR4	Total number of discrimination cases, and actions taken	Fully	—	No occurrence in the report period
HR5	Operations identified that could seriously harm the rights of association freedom and collective bargaining, and actions taken to protect these rights	Fully	—	No occurrence in the report period
HR6	Identified that could seriously jeopardize child labor, and measures taken to help with the abolition of child labor	Fully	—	Not a single case of child labor has been reported and SCC has developed corresponding standards for this phenomenon.
HR7	Operations identified that could cause serious unwilling or forced labor, and measures taken to help eliminate such work	Fully	—	No occurrence in the report period
HR8	Percentage of trained security employees regarding human rights-related policies and procedures	Fully	Safety Training	
HR9	number of cases involving violation of the rights of local employees, and measures taken	Fully	—	No occurrence in the report period

SOCIAL PERFORMANCE INDICATORS

Index	Index Description	Status of Disclosure	Chapter	Remarks
SO1	Nature, scope, and effectiveness of plans and measures for assessing and monitoring the social impact of corporate operations (including access to the community and operations)	Fully	—	SCC has created no social impact and a plan is not available for the time being.
SO2	Total number and percentage of business units which have undergone corruption risk analysis	Fully	Compliance Management	
SO3	Percentage of employees who have received training on anti-corruption policies and procedures	Fully	Anti-Corruption and Anti-Bribery	

SO4	Actions taken to combat corruption	Fully	——	Not a single case of corruption has been reported and therefore no actions have been taken.
SO7	Total number of legal proceedings involving anti-competitive behaviors, antitrust, and monopoly, and the effects	Fully	——	No occurrence in the report period
SO8	Total number of significant fines due to violation of laws and regulations, and the number of punishments other than monetary sanctions	Fully	——	No occurrence in the report period

PRODUCT LIABILITY PERFORMANCE INDICATORS

Index	Index Description	Status of Disclosure	Chapter	Remarks
PR1	Impact of safety and health assessments within the life cycle of products and services for improvements, and the percentage of major products and services categories subject to such assessment	Fully	Environmentally Friendly Products and Services	
PR2	Number of times safety and health rules and voluntary codes are violated within the life cycle of regulated products and services by result category	Fully	——	No occurrence in the report period
PR4	Number of times information tag rules and willingness codes of regulated products and services are violated by result category	Fully	——	No occurrence in the report period
PR5	meet customer demand, including customer satisfaction survey results	Half	Customer Service	
PR7	Number of times communications (including advertising, promotion, and sponsorship) rules and willingness codes in regulated markets are violated by result category	Fully	——	No occurrence in the report period
PR9	Product and service supply, and the amount of fines for violating the relevant regulations	Fully	——	No occurrence in the report period



Shennan Circuit Co., Ltd.

Add: 99 East OCT Road, Nanshan District, Shenzhen,
Guangdong, China

Zip: 518053

Tel: +86-755-89300000

E-mail: csr@scc.com.cn

Website: www.scc.com.cn

Longgang Branch of Shennan Circuit Co., Ltd.

Add: East, Gaoqiao Industrial Park, Pingdi, Longgang
District, Shenzhen, Guangdong, China

Zip: 518177

Tel: +86-755-89300000

E-mail: csr@scc.com.cn

Website: www.scc.com.cn

Wuxi Shennan Circuits Co., Ltd.

Add: 18 Changjiang East Road, Xinwu District, Wuxi,
Jiangsu, China

Zip: 214142

Tel: +86-510-89980000

E-mail: csr@scc.com.cn

Website: www.scc.com.cn