



高陽科技(中國)有限公司*

HI SUN TECHNOLOGY (CHINA) LIMITED

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with limited liability)

(股份代號 Stock code: 00818)

Environmental, Social, and Governance Report

2018



* For identification purpose only
僅供識別

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About This Report

This is our third Environmental, Social and Governance Report (“this Report”), which allows our stakeholders to review the vision, policies, measures and performance in relation to the sustainable development of Hi Sun Technology (China) Limited (“the Company” or “Hi Sun”, and together with its subsidiaries, collectively “the Group”) in the past year.

Reporting Period and Scope

This Report mainly describes the environmental and social performance of the Group during the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”). Unless otherwise stated, this Report covers the key subsidiaries of our major business segments including:

- ✧ Payment processing solutions - 隨行付支付有限公司 (“VBill”);
- ✧ Financial solutions - Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”);
- ✧ Electronic power meters and solutions - Hangzhou PAX Electronic Technology Limited (“Hangzhou PAX”);
- ✧ Platform operation solutions - Hunan Hisun Mobile Pay IT Limited (“Hunan Hisun”); and
- ✧ Information security chips and solutions – Megahunt Microelectronics Technology (Beijing) Company Limited (“Megahunt”).

Reporting Standards

This Report is prepared pursuant to the requirements of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“HKEx”) and has been reviewed and approved by the Board of Directors of the Group.

Your Opinions

We always regard the views of our stakeholders as an opportunity to push forward the Group's development. If you have any comments or suggestions on this Report or our sustainability performance, please feel free to give your feedback to us at info@hisun.com.hk.

About Hi Sun

Leveraging on professional R&D personnel, forward-looking technology and rich industry experience, Hi Sun Technology (China) Limited, listed on the HKEx, has become a leading integrated solutions provider for payment, finance and telecommunication in the People's Republic of China ("PRC"), providing its customers with payment processing solutions, financial solutions, electronic power meters and solutions, platform operation solutions and information security chips and solutions.

Business Overview



Awards, Honors and Memberships

-  paynews.net – the 2nd Anti-Money Laundering Knowledge Contest for National Payment Agencies - Honor Awards for Top Ten Most Diligent Anti-Money Laundering Payment Agencies - VBill

-  Zhongguancun Internet Financial Institute and China Internet Financial 30 People Forum (CIF30) – 2018 China's Top 100 Companies of Financial Technology Competitiveness - VBill

-  Business Partner Consulting Agency - 2018 China's Top 100 Solution Companies - ABS

-  Member of National Internet Finance Association of China - VBill

Our Approach to Sustainability

As a pioneer in the industry, we focus on business development while shouldering corporate social responsibility, in the hope of bringing long-term value to stakeholders and the general public. To this end, we regard sustainable development as the core value of the Group and formulate "Environmental, Social and Governance Policy" which guides all subsidiaries and departments to incorporate the concepts of environmental, social and governance in daily operations to put forward sustainable development of the Company as well as the environment and society. Practical measures include:

Environmental
✧ Subsidiaries regularly reporting resource consumption and waste emissions
✧ Promoting the use of green energy
✧ Complying with environmental laws and regulations
✧ Recycling, reusing and reducing consumptions
✧ Making good use of natural resources

Social
✧ Establishing guidelines for occupational health and safety
✧ Providing equal opportunities in recruitment
✧ Complying policies in the Employee Handbook
✧ Maintaining high levels of product quality and employment standards
✧ Encouraging employees to participate in community activities

Governance
✧ Maintaining a high level of business ethics
✧ Strengthening corporate governance through internal control and risk management
✧ Monitoring and ensuring that the Board of Directors regularly publishes corporate governance reports
✧ Providing relevant disclosures for stakeholders to evaluate and supervise
✧ Maintaining effective communication and governance
✧ Reviewing corporate governance frameworks on a regular basis and ensuring the compliance with relevant laws and regulations

Stakeholder Engagement

Key stakeholders of the Group include customers, business partners and suppliers, employees, shareholders and investors, governments and the general public. In daily operations, we maintain close contact with our stakeholders through various communication channels to understand their opinions and needs on the Group's business and sustainable development to formulate more appropriate policies and measures as a result.

Our regular communication channels with our stakeholders are as follows:

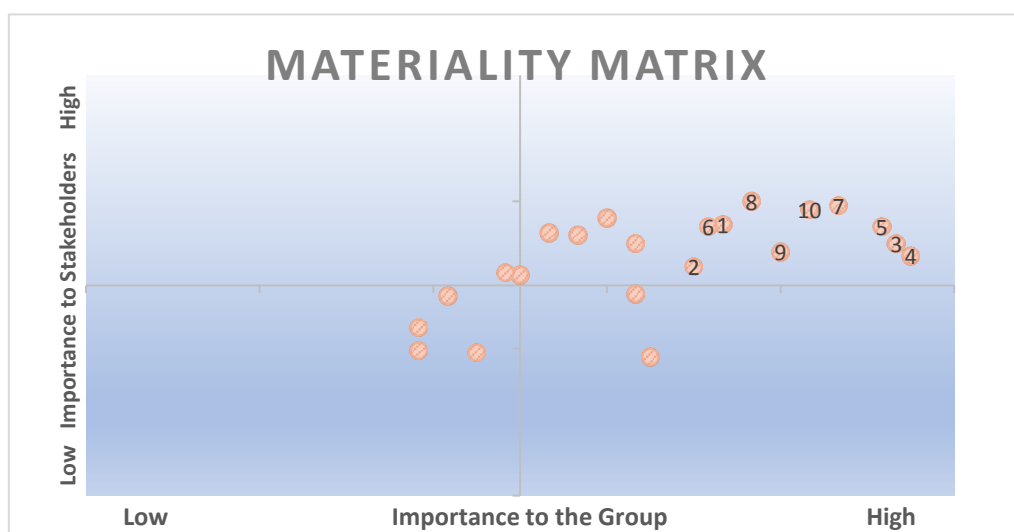
Stakeholders	Communication channels	
Employees	<ul style="list-style-type: none"> ✧ Online message board ✧ President mailbox ✧ Announcements 	<ul style="list-style-type: none"> ✧ Employee publications ✧ Employee general meeting
Customers	<ul style="list-style-type: none"> ✧ Website ✧ Social media ✧ Opinion survey 	<ul style="list-style-type: none"> ✧ Customer service hotline ✧ Direct communication
Shareholders and investors	<ul style="list-style-type: none"> ✧ Shareholders' meeting ✧ Social media ✧ Website 	<ul style="list-style-type: none"> ✧ Mass media ✧ Annual reports, financial reports and announcements
Suppliers and business partners	<ul style="list-style-type: none"> ✧ Field investigation ✧ Review ✧ Annual assessment 	<ul style="list-style-type: none"> ✧ Website ✧ Direct communication
Governments	<ul style="list-style-type: none"> ✧ Meeting ✧ Direct communication 	<ul style="list-style-type: none"> ✧ Qualification assessment
Communities	<ul style="list-style-type: none"> ✧ Website ✧ Social media 	<ul style="list-style-type: none"> ✧ Mass media ✧ Community visits

Materiality Assessment

In order to identify the Group's sustainability opportunities, we conducted materiality assessment during the Reporting Period. We carried out a stakeholder engagement exercise via questionnaires to obtain constructive suggestions in issues covering employees and rights, products and services, as well as corporate governance and social responsibility. In addition, our stakeholders were invited to rank the importance of various identified topics. That way, we are allowed to identify and prioritize the issues that are of concern to stakeholders and the Company.

Materiality Matrix

The following 10 topics sorted in order are identified as material issues for the assessment, including: occupational health and safety, employee relations and staff communications, reliable products and services, service support and complaint handling, compliance of products and services, Internet information and system security, data and privacy protection, fair operation and competition, anti-corruption and anti-fraud, and compliance with laws and regulations.



I. Employees and rights

1. Occupational health and safety
2. Employee relations and staff communications

II. Products and services

3. Reliable products and services
4. Service support and complaint handling
5. Compliance of products and services
6. Internet information and system security
7. Data and privacy protection

III. Corporate governance

8. Fair operation and competition
9. Anti-corruption and anti-fraud
10. Compliance with laws and regulations

Corporate Governance

Anti-corruption

As a good corporate citizen, we are convinced that maintaining a high level of business ethics and integrity is the cornerstone of our success. We endeavor to abide by the "Anti-Unfair Competition Law of the PRC" (《中華人民共和國反不正當競爭法》), "Criminal Law of the PRC" (《刑法》), the "Interim Provisions on Banning Commercial Bribery" (《關於禁止商業賄賂行為的暫行規定》) and other relevant laws and regulations to prevent all kinds of misconduct such as corruption, extortion, bribery and money laundering to establish the corporate culture of "compliance, integrity and justice". To this end, we detail relevant provisions to our employees, suppliers and customers in the "Anti-Commercial Bribery Management Measures", "Employee Handbook" and contracts signed with major suppliers and customers, prohibiting commercial bribery, bribery and gift for improper business conduct. In the event of relevant circumstances, we encourage employees to report and provide evidence to the management and we will immediately initiate investigations and take appropriate actions, such as warnings, termination of labor contracts, transfer to the judiciary, etc. in a timely manner, in order to maintain a fair and transparent business atmosphere.

During the Reporting Period, the Group or our employees did not involve with any legal cases in relation to corruption, extortion, bribery or money laundering.

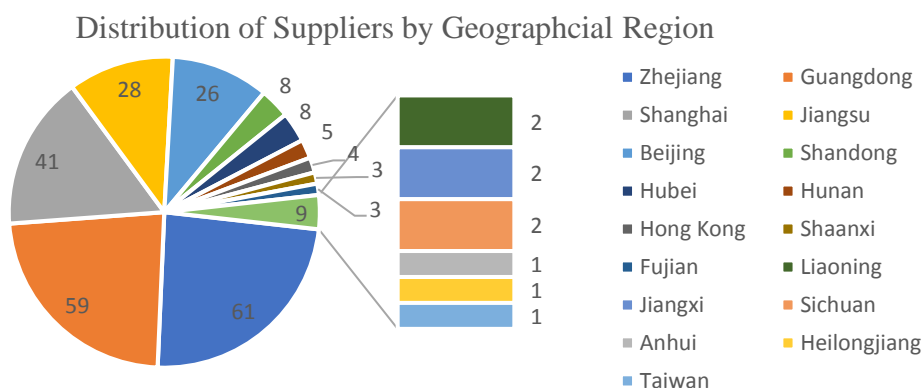
Case Sharing - Strengthening Management Supervision

In order to strengthen corporate governance and supervision, Megahunt has formulated "Management Supervision and Assessment System", which regularly assesses the ethics, organization and management capabilities, working style, working performance and integrity and compliance of its management. The assessment results will be used as the basis for promotion, rewards and punishments of the management.

Supply Chain Management

We understand that supply chain management has an inseparable relationship with sustainable development. At the same time, we are committed to establishing long-term and harmonious cooperation with our suppliers and expect them to uphold the principles of integrity and pragmatism and strictly comply with the requirements of applicable laws and regulations in providing products and services. Taking into account the environmental and social impacts of the supply chain, we will explain to suppliers our requirements in environmental protection, occupational health and safety, and labor rights etc. through “Supplier Code of Conduct” and require them to strictly abide by such code, hoping to bring positive impact to the entire supply chain.

As at 31 December 2018, the Group has engaged a total of 255 suppliers. We work primarily with local suppliers to reduce greenhouse gas emissions from the delivery of products to the Group from different regions.



Apart from expecting our suppliers to fulfill corporate social responsibility, we also strictly review the quality of their products and services with policies in procurement, bidding and outsourcing. When selecting new suppliers, we conduct qualification reviews and visits to ensure that we only work with compliant and qualified suppliers who meet our requirements. We also conduct regular reviews on existing suppliers to assess their product and service standards. If any of them are found unsatisfactory in performance, we will communicate with them and monitor their improvement.

Since our business involves production, we pay special attention to the quality of raw materials, components and outsourced suppliers while implementing comprehensive procurement management. We will sign a quality agreement with them to ensure that the quality of supply meets our standards in terms of technology, specifications, packaging, materials, performance and safety of products. We will conduct random inspections on the products supplied and will conduct regular reviews to guarantee the quality of our products from raw materials to finished products.

Value Created for Employees

Employees are the most valuable asset to us and the key to success of the Group. As a responsible employer, we are obliged to comply with all labor-related laws and regulations, including the “Labor Law of the PRC” (《中華人民共和國勞動法》), “Labor Contract Law of the PRC” (《中華人民共和國勞動合同法》) and “Trade Union Law of the PRC” (《中華人民共和國工會法》). We clearly set out the conditions for dismissal and the procedures and compensation for the termination of the labor contract in the Employee Handbook, and improve relevant rules and regulations, such as the Recruitment System and the Human Resources Management Regulations, to provide equal job opportunities and eliminate discrimination in workplace, provide reasonable compensation and benefits to employees, and organize a variety of cultural and sports activities for employees to enrich their leisure life and develop their physical and mental well-being. In addition, we are committed to maintaining a safe working environment, reducing the risk of work injury and creating a harmonious and friendly working environment for employees and the Group to grow together.

During the Reporting Period, the Group or our employees did not violate any relevant laws and regulations regarding employment, health and safety and labor standards.

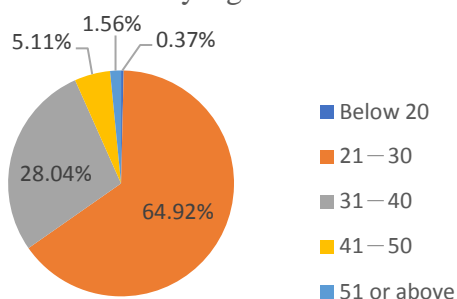
Number of employees¹

2,700 persons

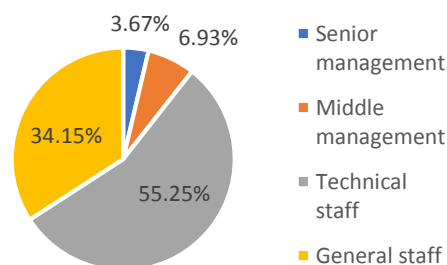
By Gender



By Age



By Employment Type



¹This is the total number of employees in the Group as at 31 December 2018.

Talent Recruitment

We follow principles of justice, fairness, openness and diversification to recruit talents from the Internet, campuses, job fairs, headhunting companies and other ways. We assess the personal ability and quality of candidates through assessments, interviews, written examinations and other forms to select the most suitable ones to join our family.

To attract and retain talents, we regularly review our compensation and benefits to ensure that employees are paid at or above the market level. Our remuneration package is mainly composed of basic salary, performance bonus and allowances. Based on the business nature of different subsidiaries, we will also issue job wages, commissions, skills wages and year-end bonuses etc. Besides, we pay contributions of social insurances and funds for PRC employees, including endowment insurance, unemployment insurance, medical insurance, childbirth insurance, work-related injury insurance and housing provident funds, as well as marriage leave, sick leave, maternity leave, paternity leave, breastfeeding leave, etc. Other benefits include:

- | | |
|------------------------------|----------------------------|
| ◇ Self-service supermarkets | ◇ Wedding gift |
| ◇ Birthday benefits | ◇ Childbirth gift |
| ◇ Festive benefits | ◇ Consolation money |
| ◇ High temperature subsidies | ◇ Transportation allowance |
| ◇ Library | ◇ Meal allowance |

Talent Respect

The Group is committed to creating a diversified and harmonious working environment, respecting and caring its employees to become an ideal employer. We provide equal recruitment opportunities and treat all candidates equally regardless of their gender, ethnicity, race, disability status, marital status, religion, etc. We also do our best to ensure that all employees are not discriminated against or treated unfairly.

We stringently comply with relevant laws and regulations including the “Labor Law of the PRC” (《中華人民共和國勞動法》) and “Provisions on Prohibition of Child Labor” (《禁止使用童工規定》), and adopt a zero tolerance attitude towards the employment of child and forced labor. To avoid child labor, we verify identification documents of new employees to ensure they have reached a legal working age. Also, we have set out measures for working hours, overtime work and related compensation in the Employee Handbook and relevant documents to avoid forced labor. In the event of such a situation, we will remove the child labor from the workplace immediately, review whether there are loopholes during recruitment and take improvement measures to prevent the recurrence of similar situations and protect labor rights and interests of our employees.

Talent Connection

In order to establish a harmonious work atmosphere, other than competitive remuneration and benefits, we also organize a wide range of leisure activities to enhance employees' cohesion, such as birthday parties, parent-child activities, annual dinner, annual travel, team building activities, outdoor development activities, dinners, etc. to promote work-life balance.

We encourage employees and the management to maintain mutual communications to establish a transparent, trusting and close relationship. Subsidiaries will make use of the following channels to enhance the connection between employees and the Company and collect opinions, claims or complaints from them, so as to improve our Human Resources policies to cater to their expectations towards us.

- | | |
|---------------------|------------------------|
| ✧ Mail | ✧ Announcement |
| ✧ President mailbox | ✧ Staff meetings |
| ✧ Staff publication | ✧ Online message board |

Case Sharing - Business Knowledge Contest

Hunan Hi Sun organizes Business Knowledge Contest every year, allowing employees to compete on business knowledge and enhance their understanding and sense of belonging to the company. This year's event, with the theme of "passionate advancement and merry working", involved about 40 employees, with 3 individual awards and 3 team awards through written tests, Q&A sessions and presentations on business knowledge.



Overview of Employee Activities

Annual Dinner



Workshop



Team building activity



Outdoor development activity



Talent Care

It is important for the Group to establish a healthy and safe working environment. We have established a series of sophisticated preventive and emergency measures to protect the physical and mental wellbeing of our employees.

In terms of health, we arrange health checkups every year and, depending on the nature of our business, additional medical and accident insurance are purchased to provide comprehensive protection to our staff. In addition, we actively promote healthy lifestyle through exercises, and organize a wide range of sports activities, such as basketball, badminton competitions, swimming, sports culture festivals and so on regularly, so that employees can relax and strengthen their bodies.



Case Sharing - Free Health Checkup

Employees working in front of computers for a long time may lead to eye fatigue and skin problems. In order to thank our employees for their ongoing efforts, an employee welfare day was held in VBill in June 2018 to invite our staff to participate in free eye and skin testing, with professionals on site to test and provide analytical advice to improve health problems.

In terms of safety, each subsidiary has formulated the “Workplace Safety Management System”, “Fire Safety Management System” and “Safety Production Liability System” to standardize the management of fire and equipment safety in the workplace, conduct regular fire drills and inspect and maintain electronic and fire-fighting equipment. Meanwhile, we also organize relevant security trainings to enhance the safety awareness of employees to put the concept of “Safety first” into practice. In terms of our production activities, the electronic electricity meter, design, production and service of resident centralized meter reading system and load management system, development and service of distribution and transformation integrated management system and related management activities of Hangzhou PAX have been awarded the "Occupational Health and Safety Management System Certification" (GB/T28001-2011) certifications, proving that the occupational health and safety management system has reached national and international standards. In addition, since the production process of Hangzhou PAX involves the use of dangerous chemicals, in the event of sudden environmental accidents such as chemical leakage, we will take timely emergency measures on poisoning, burns, pollution, coma, etc., to reduce the harm caused by accidents to employees in accordance with the Emergency Plan for Sudden Environmental Events.

During the Reporting Period, the Group or our employees did not violate any laws and regulations relating to occupational health and safety, including the “Code of Occupational Disease Prevention of PRC” (《中華人民共和國職業病防治法》) and “Production Safety Law of the PRC” (《中華人民共和國安全生產法》).

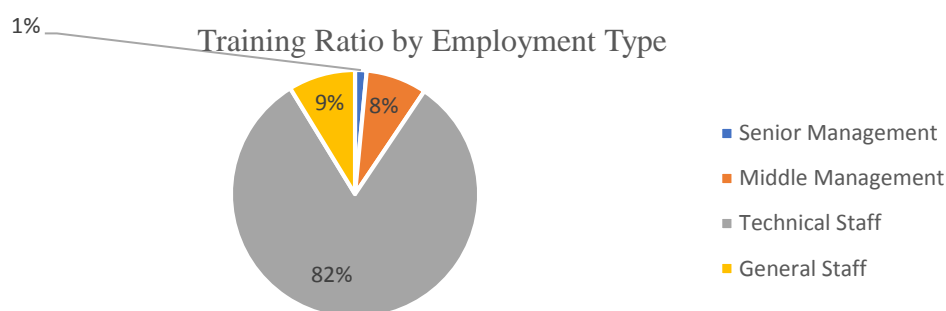
Talent Development

To strengthen our leading position in the industry, we apply the latest technology and knowledge to keep abreast of industry trends and meet market demand. We invest a lot of resources in training and development, conduct a wide range of in-house training courses, and invite external professional trainers to conduct training to enhance the professional skills and knowledge of our employees. We also set out a clear career development ladder to enable our employees to realize their potential, develop their strengths and grow together with the Group.

Each year, training needs are set by each department, and the human resource departments of each company will develop an annual training plan and continuously evaluate the effectiveness of the training courses. We arrange a variety of orientation activities, business skills training, professional skills training and corporate culture training annually, covering on-site training, media training and seminars, so that employees can continue to learn and grow, hence enhancing the competitiveness and advantages of the Company.

During the Reporting Period, the total number of training hours for employees exceeded 13,300 hours. Topics include:

- ✧ Value training
- ✧ Payment and settlement business introduction
- ✧ Compliance knowledge
- ✧ Anti-money laundering training
- ✧ Regulatory policy
- ✧ Project management
- ✧ Information security
- ✧ Communication skills



In addition to providing a wide range of training opportunities, we also have a clear promotion system which allows us to assess the performance of our employees through regular performance reviews as a basis for employee performance bonuses and job promotion.

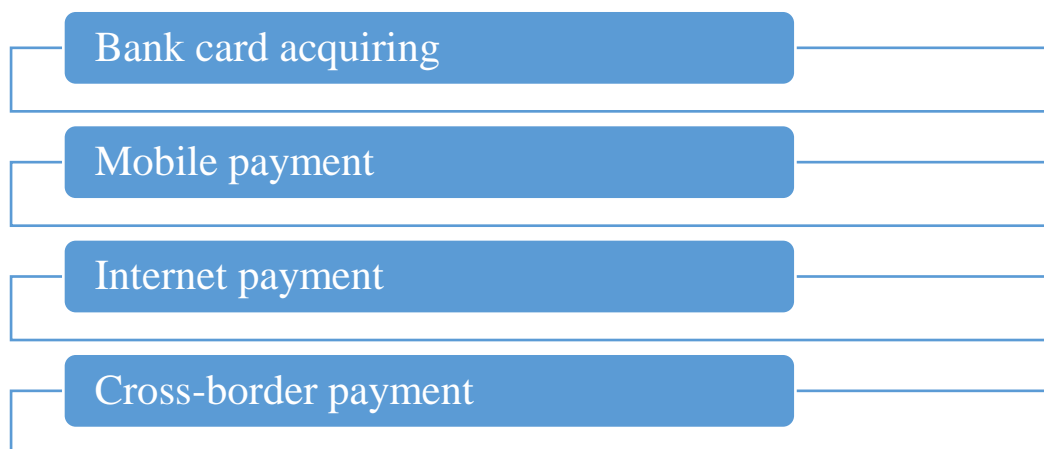
Value Created for Customers

We are committed to unceasing improvements in our product and service quality. No matter in payment processing, financial solutions, electronic power meter production, platform operation or information security chip design and production, we have always been sincere and focused and put ourselves into our customers' shoes to continuously improve the quality of our products and services through state-of-the-art technology and the most professional research and development and production teams.

Payment Processing Solutions

Our payment processing solution business provider - Veil is a leading third-party payment company in China, a non-financial payment institution licensed by the People's Bank of China, and a member of UnionPay. As the leader in the payment card industry, our four core businesses have obtained licences issued by the People's Bank of China, providing various online and offline financial payment services such as personal payment and merchants' acquiring for more than 2 million customers.

Our Four Core Businesses



We are committed to providing compliant services to our customers on the premise of operating with integrity. Our business has obtained the National Bank Card Acquiring Licence; Internet Payment Licence; and Mobile Phone Payment Licence issued by the People's Bank of China; and is qualified to operate RMB cross-border payment business. In the meantime, we are regulated by a number of institutions, including the People's Bank of China, China UnionPay, Payment and Clearing Association of China, to provide security for major customers.

During the Reporting Period, we are the one of the few companies in the payment card industry who successfully passed the evaluation of China National Credit, a domestic authoritative credit certification and evaluation agency, and obtained the enterprise credit evaluation - AAA credit enterprise certification.

Research and Innovation

Our corporate values are "integrity, aggressiveness, innovation, and mutual benefit". We focus on research and innovation with centralized and stable resources to continuously develop the latest software and technologies to keep up with the ever-changing market trends in the payment card industry. As at 31 December 2018, it is inspiring that our R&D team received a total of 40 software copyright certifications in which 34 were newly obtained during the Reporting Period as listed below:

- | | |
|---|--|
| ✧ VBill trading front-end processor system V2.0 | ✧ VBill daily payment value-added system software V2.0 |
| ✧ VBill mobile payment system V2.0 | ✧ Biyao APP system V1.0 |
| ✧ VBill cross-border remittance system V2.0 | ✧ VBill Merchant APP Management Platform V1.0 |
| ✧ VBill POS background management system | ✧ Suixiaobao payment collection system V1.0.4 |

Customer Satisfaction

We aim at providing the most convenient payment experience to enhance quality of life through listening to customers' opinions wholeheartedly and constantly optimizing the technology and service of our payment system. Our customer service team maintains close contact with merchants via on-site inspections or phone to ensure smooth trades. In order to keep abreast of their actual situations, we regulate the service standards of operators through "Operational Inspection and Training System" and carry out periodic or sudden inspections, or inspections of suspicious merchants to check the operation of the machinery and the businesses. We also provide regular training for merchants, including introduction to bank cards, business acceptance, terminal operations, account processing and risk prevention to make sure they use our system correctly and effectively. For customer complaints, we have established "Customer Complaint Management Mechanism" to handle complaints properly. Customers can provide feedback through our service hotline, official WeChat, website and VBill cashier application. We will develop handling procedures and set time limits based on the severity of issues. We require severe customers' complaints to be handled within 4 hours, and general complaints to be handled within 3 working days.

Risk Management

Our payment business strictly follows relevant regulations promulgated by the People's Bank of China, including “Administrative Measures for Payment Services Provided by Non-financial Institutions”, “Measures for the Administration of Bank Card Business” and “UnionPay Card Merchant Risk Management Rules”. We have formulated “Business Management Measures” which regulate the operation of the acquiring business, and “Integrated Risk Management Measures” to manage the risks that may occur in the course of business, identify the causes and scales of the risks, and take appropriate countermeasures, sparing no efforts to minimize the losses to the Company, merchants and the general public in the occurrence of risks.

Based on the above risk management methods, we will closely monitor the abnormal situation of the payment system which may cover: sudden increase in transaction amount, excessive number and large proportion of failed transactions, malicious refunds, non-business hour transactions, repetitive card ratios, errors in UnionPay or banks, or precautions from external agencies. In the event of material abnormalities, we will implement risk control measures in a timely manner, such as freezing the accounts of the risky merchants, suspending payment transactions, delaying settlement and adjusting quotas, and will seriously investigate the cause of the incident and make improvements as soon as possible.

Case Sharing – Merchant Risk Management

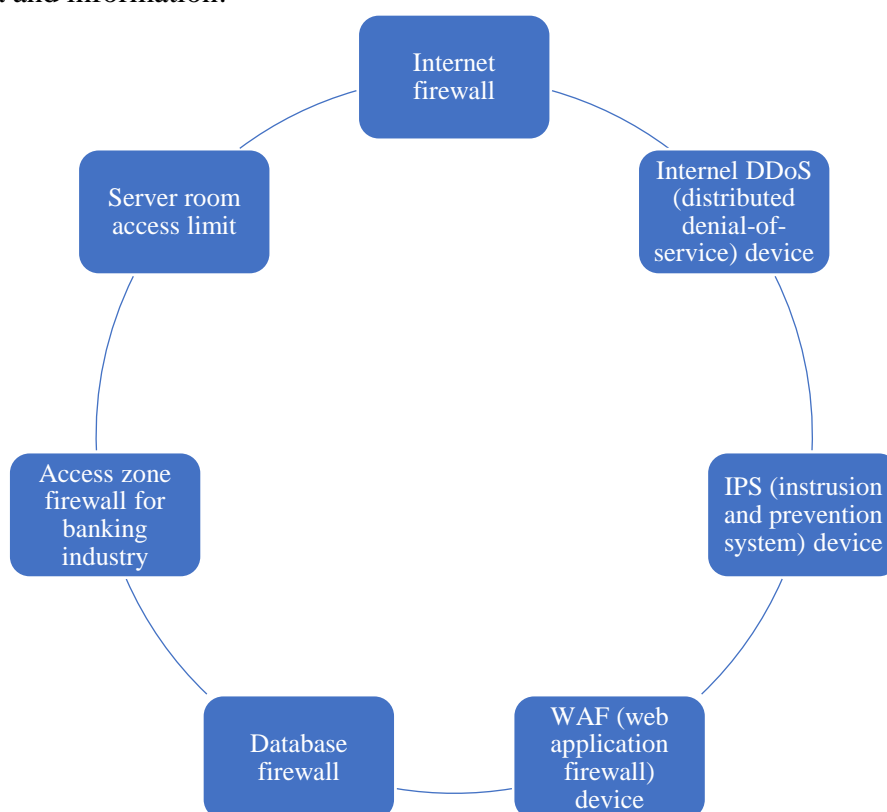
In addition to the operational risk of the payment system, we should also guard against merchant risks, such as:

- ✧ Merchants who have failed to obtain approval due to risk reasons ;
- ✧ Merchants who have been revoked for risk reasons;
- ✧ Business risk information published by the local regulatory authorities; and
- ✧ Merchants’ illegal transactions, etc.

To eliminate the above risks, we conduct rigorous on-site investigations or off-site monitoring of merchants with higher risks, such as those who have had suspicious transactions, suspected fraudulent transactions or suspected assistance to cardholders in cashing, to spot any possible violations. If there is any violation of the business, we will take prompt actions such as verbal warnings, suspension of acceptance of the merchant bank card business or even termination of the merchant agreement, hence strengthening daily supervision and management to prevent

Data and Transaction Security

In addition to preventing trading risks, data and transaction security are also our key concerns. To protect trading information and personal data of merchants and the general public, as well as to ensure transaction security, we have established a data security system with multi-level protections to eliminate system or security vulnerabilities, so that all customers can use our payment services without worries. Our Internet payment system has passed the Payment Card Industry - Data Security Standard (PCI-DSS) information security certification to provide data security for our system. We have also obtained the Accounting Data Security Standard (ADSS) certification for UnionPay card acquirer account to avoid leakage of account information of UnionPay cards. We have also set up a number of security devices and measures to protect confidentiality of data and information:



Furthermore, in response to the emergency of the payment system, such as interruption of the core business system, corruption or loss of real-time transaction data, inability of the server room, and hardware failure of the firewall etc., we will take appropriate preventive and precautionary countermeasures in accordance with Emergency Response Plan, such as launching the disaster backup system, repairing the network, and switching the connections, We will also strengthen relevant trainings and arrange at least one drill every year to enable relevant technical personnel to grasp the incident handling measures as early as possible.

Financial Solutions

Our financial solutions business focuses on providing information systems consultation, integration and operations services and sales of IT products to a number of major financial institutions and banks, such as world-class IBS-Core core banking products, bank card business systems, payment clearing systems, remote intelligent banking, IT planning consulting services, and demand analysis services etc. Our major business has obtained a number of international certifications, including ISO9001:2015 Quality Management System, CMMI (Capability Maturity Model Integration) Level 3 certification of the Software Engineering Institute and Level 2 certification of the Computer System Integration Qualification of the China Information Technology Industry Federation, and is one of the most influential high-tech companies in China.

We actively promote research and innovation, and encourage technical teams to sustain the research and development of intellectual property rights to constantly develop cutting-edge and state-of-the-art technologies and products to maintain our competitiveness. As at 31 December 2018, we have obtained more than 37 intellectual property rights.

Quality First

In accordance with the quality vision, “Creating Quality-first Excellence”, each department will set annual quality targets and establish corresponding evaluation systems to evaluate the quality of products and services in a quantitative manner. During the Reporting Period, our overall quality objectives were:



Customer Satisfaction - 90%



Customer Complaint Handling Rate - 100%



Success Rate of Software Development and System Integration Projects -
100%

In order to achieve the above objectives, we have formulated “Quality Manual” in accordance with the requirements of ISO9001:2015 Quality Management System, which clarifies the Company's quality policy and objectives, and requires employees to implement relevant quality management measures. We organize at least one internal audit and review every year to review the effectiveness of the management system. At the same time, we adopt improvement, corrective and preventive measures in accordance with “Quality Improvement Management Procedures” to constantly improve the quality of our products and services.

To further manage the quality of products and services, we will first formulate a set of quality management standards before commencing on the project and develop a comprehensive set of acceptance, review and testing standards for each process of the project, such as demand analysis, design, coding, and system testing, so that the design and development of the project can meet relevant contract and customer requirements. In the event of non-conformance during the acceptance process, we will identify the cause and take appropriate corrective actions in accordance with the “Non-conforming Product Management Procedures” to avoid affecting customers’ impressions of our products and services.

Customer Satisfaction

We always adhere to the "Customer First" philosophy and treat every customer with the best attitude to maintain a long-term relationship with them. In view of this, we have prepared the “Customer Complaint Management Procedures” and “Customer Satisfaction Management Procedures” to properly handle customer opinions and complaints. Customers can give us feedback by telephone, email, website and letter if they have any complaints regarding our products or services. Our customer service team will then notify them of the initial processing results and rectification plan within 3 working days, and will reply by telephone, email or WeChat within 5 working days after the complaints are processed, to ensure that customers’ problems are resolved in the timeliest and most appropriate manner.

Moreover, we conduct annual satisfaction surveys on development and maintenance customers, and collect ratings on each area of our products and services, such as the technical level, work efficiency, project progress, problem handling, and on-site processing capabilities of the project personnel. During the Reporting Period, the overall customer satisfaction reached 91%, higher than the 90% customer satisfaction target of the overall quality target.

Data and Network Security

Due to the nature of our business, we collect and process large amounts of customer data and financial information during the design, development and operation of products, which may involve the risks of cyber-attacks and data leakage. To minimize these risks, we have formulated “Information Security Management Responsibility System” to establish a sound data management system and safeguard network and information security, trying to protect the interests of the Company and our customers. Measures implemented include:

- ✧ setting up a firewall certified by the Ministry of Public Security between the Company's servers and other computers;
- ✧ installing anti-virus software on servers and workstations to protect against computer viruses and harmful e-mails to prevent information that contains viruses from causing interference and damage to the website system;
- ✧ establishing a hot standby mechanism in the service system; and
- ✧ setting up centralized permission management on the website to set access permission for shared database information for different application systems, terminals, operators, and website system administrators, and set corresponding passwords.

Besides, we have established an information network security team to deal with sudden network security incidents and regularly arrange network information security training to raise employees' awareness of network security.

Electronic Power Meters and Solutions

As one of the leading providers of electronic power meters and solutions, Hangzhou PAX has been endeavouring in the development and production of electronic power meters, and terminal management equipment and systems. We insist on self-innovation and put a lot of resources into research and development each year for continuous creations with professional knowledge and advanced technology of our research and development team. During the Reporting Period, we obtained 3 new software copyrights, with a total of 44 valid software copyright certifications and 16 valid patents.

We also place great emphasis on the quality of our products in order to enhance customer experience. Our major business has passed ISO9001:2015 Quality Management System certification, and developed a comprehensive "System Management Manual" in accordance with its standards, implementing strict management of the entire product lifecycle from raw material procurement, design and development, production to after-sales service to guarantee the quality of products and services.

Product Quality and Safety

Our quality management team possesses professional qualifications and is responsible for the rigorous inspection on the entire production process, from purchase, production to delivery, to ensure that the quality and safety of our products comply with relevant laws and regulations, including "Metrology Law of the PRC" (《中華人民共和國計量法》), "Electricity Metering Equipment (AC)-Particular Requirements" (GB/T17215.352-2009/IEC62053-52:2005) (《交流電測量設備特殊要求》), "Specifications of Third-phase Intelligent Electronic Power Meter" (Q/GDW 356-2009) (《三相智能電能表型式規範》) and "Specifications of Single-phase Intelligent Electronic Power Meter" (Q/GDW 355-2009) (《單相智能電能表型式規範》), as well as the quality requirements of customers or projects.

In the purchase phase, we will perform inspections on the function, appearance and performance of products in accordance with “Incoming Inspection Specifications” and “Inspection Specifications for Bought-in Finished Products”. For instance, inspectors will carry out inspections on some of the key components of major power grid products, as well as sample testing, PCN constraints, regular spot checks and other measures on the products of external manufacturers in accordance with the "GB/T2828 Sampling Procedures for Inspection by Attributes: Sampling Schemes Indexed by Acceptance Quality Limit (AQL) for Lot-by-lot Inspection" sampling plan. In addition, we carry out China Compulsory Certification (3C) or China Quality Certification Centre (CQC) certifications for parts or materials of 3C products, such as relays, transformers, PCB boards and metering chips, or conduct regular inspections covering durability, heat generation, insulation and flammability, so as to ensure product safety.

In the production phase, we have also established a number of inspection systems, including “Appearance Inspection Standards”, “Process Inspection Specifications” and “Management Specifications for First Piece Inspection”, to inspect the welding procedures, semi-finished products and first product in the production process to ensure that all projects or procedures such as equipment, materials, operating environment, and measurement comply with production regulations or requirements.

In the delivery phase, we inspect the finished products in accordance with the “Factory Inspection Specifications” to ensure that the products meet the requirements of customers, the Company and relevant laws and regulations, in order to deliver the products to the customers with the highest standards. In addition, relevant government departments will conduct regular supervision and inspection on the electronic power meters to check their voltage, power consumption, heat resistance, flame retardant and other properties to ensure that the products meet the requirements of "Zhejiang Supervision, Inspection and Evaluation Rules for Electronic Power Meter Quality" (《浙江省電能表產品質量監督檢測評價規則》), and comprehensively guarantee the quality and safety of the products.

Customer Satisfaction

The warranty period of our products we sell is 10 years. If the product has quality problems during the warranty period, or fails to meet relevant national requirements or the technical requirements of the project, repair or replacement can be arranged. Besides, we have a professional after-sales service team and has set up a number of technical service points across the country, together with a 24-hour service hotline to respond to customer inquiries in a timely manner. The following are our commitments

to our customers:

1 hour	• Respond to customer inquiries within 1 hour
2 hours	• Respond to product issues that do not require on-site service and verification within 2 hours
4 hours	• Carry out on-site consultation and service within 4 hours for provincial cities
16 hours	• Arrive at site within 16 hours for non-provincial cities
10 days	• Repair defections found in products during the warranty period within 10 working days
15 days	• Exchange the product which fails to meet the technical requirements of the corresponding national or project standard within 15 working days

Our customer service team conducts at least one survey on domestic and foreign customer satisfaction every year to allow customers to provide advice on product functionality and operational quality, as well as service capabilities and attitudes to help us constantly improve service quality and enhance customer experience.

Platform Operation Solutions

The Group's platform operation solutions business focuses on providing product technology operation services for payment, communication and financial industries. It is a large-scale mobile payment system construction service provider in terms of domestic third-party payment, covering a full range of technical services from product design, software development, operation and maintenance, payment licence acquisition to professional consultation. Being a strategic partner with our major client, China Mobile E-commerce Co., Ltd (“China Mobile”), we have created a comprehensive mobile payment service, “CM Pay”, an NFC business platform that provides various services including online payment, online shopping and communication services, to provide one-stop operational support services, including project development, technical maintenance, and customer service.

With our strength and experience accumulated over the years, our business has been awarded a number of industry-related certifications, including:

- ✧ National High-Tech Enterprise;
- ✧ Changsha Sci-tech SME;
- ✧ China Information Technology Industry Federation — Information System Integration and Service Level 2 and Level 3 Certification;
- ✧ CMMI Level 3 Certification; and
- ✧ Hunan Economic and Information Commission — Software Enterprise.

At the same time, we have passed GB/T19001-2016/ISO9001:2015 Quality Management System certification, regarding our persistence and efforts in maintaining the quality of our products and services.

Platform Innovation

“CM Pay” combines six application platforms, namely “CM Pay”, “CM Pay Mall”, “CM Pay Travel”, “CM Pay Communication”, “CM Pay Social” and “CM Pay Financial Services” to provide convenient, simple, beneficial and secure online and offline payment experiences for individuals and corporate customers.

In addition to daily operations and technical maintenance, our product development team will also develop projects according to customer requirements, develop the latest service platforms and technologies to continuously improve the functions of “CM Pay”. We will keep in touch with customers, understand their needs, and conduct needs analysis and research to assess the feasibility of each project and technology, followed by project development, testing and release.

Case Sharing – “CM Pay” Orchard

During the Reporting Period, we launched the brand new “CM Pay” Orchard social platform in the NFC mobile app, which combines the functions of "Orchard Planting Tree", "Orchard Pet", "Tacit Test" and "Red Packet" to allow users to connect and interact with friends, and enjoy “CM Pay” Orchard anytime, anywhere.



Project Quality

Apart from innovations, we are committed to maintaining the quality of our projects and customer service. During the project development process, we have established a comprehensive project quality control process to guarantee the overall quality of the projects in various aspects. The project will be closely monitored and tested before and after the release to ensure the stability of operation.

Also, for the daily operation of the “CM Pay” platform, if there are any abnormal conditions or problems, including skip accounts, system failure and voice payment error, our technical team will respond correspondingly in accordance with the standard procedures and requirements of “Application Maintenance Daily Work Manual” to ensure that system operations are not materially affected.

In order to effectively assess the quality of projects, we maintain close communication with China Mobile through regular bi-weekly meetings, daily meetings and monthly meetings to understand their needs and opinions. We also conduct monthly assessments with 35 assessment indicators on platform stability, transaction success rate, fault handling, server room management, information security, and system maintenance in which the full score is 100. During the Reporting Period, our average assessment score reached 99.5.

Data and Information Security

For the data security of system operation and information security of platform users and merchants, we have established a comprehensive internal risk control mechanism to prevent the leakage of privacy information such as users' passwords, identity card numbers, names, financial information and transaction information while avoiding major security vulnerabilities within the system to ensure the stability of data transmission and prevent network viruses to comply with data and information security regulations as well as relevant laws and regulations, including but not limited to "Regulations on Telecommunications of the PRC" (《中華人民共和國電信條例》), "Regulations of the PRC for Safety Protection of Computer Information Systems" (《中華人民共和國計算機信息系統安全保護條例》), and "Regulations on Internet Information Service of the PRC" (《中華人民共和國互聯網信息服務管理辦法》). Specific measures include: two-way authentication mechanism, national cryptographic algorithm or SSL international standard algorithm, and personalised dynamic key updates. In addition, we use multi-level key management system and hardware encryption technology to encrypt transaction information to ensure transaction security. We also regularly conduct inspections on routers, firewalls, and intrusion prevention systems. In the event of information security incidents, such as cyber-attacks, information corruption, and hardware and software damage, we will respond in a timely manner in accordance with the procedures set out in the "Network Group Daily Operation and Maintenance Manual".

Information Security Chips and Solutions

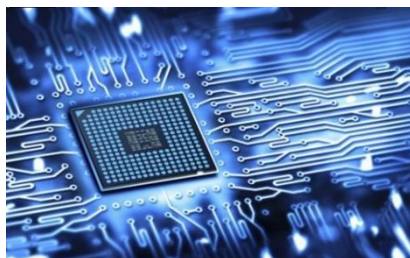
Our information security chips and solutions business focuses on electronic products, computer hardware and system integration, and concentrates on the research and development and sales of system-level chips. As one of the leading POS chip suppliers in China, we are recognized as a national high-tech enterprise, Double Software Enterprise and Integrated Circuit Design Enterprise and also obtained various enterprise certifications including the License for Distribution of Commercial Cryptographic Products and the Certificate of a Designated Manufacturer of Commercial Cryptographic Products. During the Reporting Period, we were also recognized as a high-tech enterprise by Zhongguancun Science and Technology Park of the High-tech Industrial Cluster of the PRC.

Research and Innovation

As a national high-tech enterprise, we support research and innovation and have a professional research and development team and rich experience in chip design, system design and industrialization. We constantly develop the state-of-the-art chip technology and products to meet the growing market demand and promote the development of China's chip market. In particular, we have set up a reward system to award cash prizes to the founders of invention patents for recognition, thus inspiring the research and development potential of the research and development team to bring forth innovation. As at 31 December 2018, we have obtained 6 invention patents, 2 utility model patents, and 20 software copyright certifications, of which 5 were added during the Reporting Period, including:

- ✧ MH1902 chip security Boot software V1.0;
- ✧ Secured CPU chip AES algorithm library software V1.0;
- ✧ Secured CPU chip USB VCP driver software V1.0;
- ✧ Highly integrated secured CPU encryption and decryption algorithm library software V1.0; and
- ✧ Highly integrated secured CPU communication interface driver software V1.0.

Case Sharing – Improvement
of Chip Functions



During the Reporting Period, we successfully redesigned the model of MH1903 secured CPU chip. This high-end chip combines various national cryptographic algorithms and encryption algorithms with high processing power, high security, low power consumption, large storage capacity and rich interface to meet users' design and communication needs.

Product Quality and Safety

To ensure product quality, our testing and quality teams will conduct rigorous testing of finished products. Also, our MH1901 and MH1902 CPU chips have obtained the commercial cryptographic product model certificate issued by the State Cryptography Administration, confirming that the chips meet the requirements of security level two of the GM/T0008-2012 "Security Chip Password Detection Standards". The chips are also approved by Brightsight, the world's largest security assessment agency in compliance with the requirements of the PIN Transaction Security (PTS) of the Payment Card Industry Security Standards Council (PCI) to ensure the security of the chips when applied to financial services.

Customer Satisfaction

In addition to strict control on chips' quality and safety, we also put customer experience at the forefront, and have established rules and regulations such as "After-sales Service Department Management Policy and Manual", "Customer Satisfaction Management Procedures" and "Complaint Procedures" to standardize the after-sales service procedures, allowing every customer to receive the best service. After the product is delivered, the sales department will provide training to the customers and provide instructions, product approvals and preservation methods to ensure that they can use the product correctly and safely. If customers have any inquiries or complaints in terms of the quality of the products or other aspects, they can reach us by email, telephone or fax. We will make immediate response to ensure that customers' problems can be resolved in a timely manner.

In order to constantly improve the quality of our products and services, we conduct customer satisfaction surveys every half year to understand their opinions on product quality, product stability, product delivery, and timely maintenance of products. During the Reporting Period, the average overall customer satisfaction rating reached 100%.

Intellectual Property Rights

As a leading high-tech company in the industry, we allocate a lot of resources in our businesses to develop new products and technologies. Striving to protect the efforts of the research and development and technical teams as well as the interests of the Group, we apply for patent and copyright certification for the Group's innovations in accordance with the "Patent Law of the PRC" (《中華人民共和國專利法》), "Copyright Law of the PRC" (《中華人民共和國著作權法》) and other applicable laws and regulations. As to protect the intellectual property rights of the Group, including computer programs, code, software, systems, technology, inventions, and product development plans, we require employees to sign a confidentiality agreement to prevent employees from leaking relevant information.

Privacy Protection

To protect the interests of the Group, our customers and the general public who use our platform or services, we are committed to doing our utmost to keep private information confidential. Our Employee Handbook has listed out provisions on confidentiality. Unauthorized employees are not allowed to disclose confidential company information to third parties. Based on the nature of the business or project, we will also sign "Non-disclosure Agreement" with relevant business partners or customers to clarify the confidentiality obligations of both parties.

Advertising and Labelling

The Group promotes products and services in accordance with relevant laws and regulations, including but not limited to "Law of the PRC on the Protection of Consumer Rights and Interest" (《中華人民共和國消費者權益保護法》), "Advertising Law of the PRC" (《中華人民共和國廣告法》) and "Opinions of the State Administration for Industry and Commerce on Promoting the Implementation of Advertising Strategy" (《國家工商行政管理總局關於推進廣告戰略實施的意見》) to ensure the authenticity of advertising content, therefore protecting consumer rights.

Since the Group's business involves production, we strictly follow the regulations related to product labelling for label design, review and storage in strict accordance with relevant standards before delivery, so as to ensure the authenticity and validity of the label content.

Value Created for Environment

In view of the environmental harm arisen from greenhouse effect, Hi Sun determines to assume the responsibility of environmental protection by strengthening environmental management in accordance with our "Environmental, Social and Governance Policy", actively exploring opportunities of energy saving and emission reduction in daily operation and production process and utilizing various measures to minimize our impact on the environment from business operation to create long-term benefit for our next generation. During operation, we strive to abide by the "Environmental Protection Law of the PRC" (《中華人民共和國環境保護法》), "Water Pollution Prevention and Control Law of the PRC" (《中華人民共和國水污染防治法》), "Law of the PRC on Prevention and Control of Air Pollution" (《中華人民共和國大氣污染防治法》), "Law of the PRC on Prevention and Control of Pollution from Environmental Noise" (《中華人民共和國環境噪聲污染防治法》) and other laws and regulations related to environmental matters.

During the Reporting Period, the Group and our employees had not violated any laws and regulations related to environmental matters.

Green Emissions

To put our commitment in environmental protection into practice, we closely monitor our air, greenhouse gas ("GHG") and waste emissions from different segments, in order to implement emission reduction measures where appropriate. Set out below are the data of GHG and air emissions generated during the Reporting Period and 2017, which are mainly derived from the consumption of purchased electricity and vehicle fuel combustion.

Emissions ²			
	Unit	2018	2017
Air emissions			
Nitrogen Oxides (NO _x)	kg	24.15	24.69
Sulphur Oxides (SO _x)	kg	0.58	0.54
Particulate Matter (PM)	kg	1.92	1.97
Total GHG emissions ^{3,4}	tonnes of CO ₂ e	1,325.16	1,349.73
Direct emissions (Scope 1)	tonnes of CO ₂ e	105.27	96.61
Indirect emissions (Scope 2)	tonnes of CO ₂ e	1,219.89	1,253.12
Total GHG emissions per floor area (Scope 1&2) ⁵	tonnes of CO ₂ e/sq. meter	0.06	0.06

The Group's production activities generate certain emissions such as wastewater, exhaust gas, noise, electronic waste, waste material and other waste. To properly manage the emissions, we have obtained the "Permit for the Discharge of Urban Sewage into Drainage Network" (《城鎮污水排入排水管網許可證》) to discharge the wastewater generated from the product cleansing process and domestic sewage, which will be delivered to local wastewater treatment plants through municipal drainage for further treatment. In addition, the soldering process and alcohol wiping process during production also generate certain soldering exhaust and evaporated alcohol, and the soldering exhaust will go through the ventilation system on top of the process and be emitted above the factory. We will engage testing institutions to conduct regular tests on wastewater, exhaust gas and noise generated by the factories every year to ensure the emissions meet the requirements of relevant environmental protection standards. Such standards include "Hangzhou Water Pollution Control Permit" (《杭州市污染物排放許可證》), "Integrated Wastewater Discharge Standard" (《污水綜合排放標準》), "Indirect Discharge Limitation of Industrial Wastewater Containing Nitrogen and Phosphorus" (《工業企業廢水氮、磷污染物間接排放限值》), "Integrated Emission Standard of Air Pollutants" (《大氣污染物綜合排放標準》) and "Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》). Tested items include: 1) the pH value, Chemical Oxygen Demand (COD), Ammonia nitrogen and phosphorus of wastewater; 2) the content of carbon monoxide, nitrogen oxide, lead and tin in the exhaust gas at the vent; and 3) the noise level at boundary of factories.

²In view that the Group's various data have not yet been comprehensive enough, we are gradually optimizing the existing data collection methods and channels, in the hope that the key performance indicators we disclose each year can be more detailed and accurate. Hence, the data in 2017 may not be able to be used for direct comparison.

³According to the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) issued by World Business Council For Sustainable Development and World Resources Institute, scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of "indirect energy" resulted from electricity (purchased or acquired), thermal energy, refrigeration and steam internally consumed by the Group.

⁴Total GHG emissions, indirect emissions and total GHG emissions per floor area in 2017 have been adjusted according to the actual consumption of purchased electricity.

⁵The intensities of total GHG emissions in 2017 and 2018 have been adjusted to floor area.

In addition, we improved our Waste Material Disposal System and Waste Management Measures and increased our efforts in the disposal of production waste, retired equipment and facility, scrapped products, discarded office supplies, general waste and other waste. We have set up a waste recycling area in our factory to sort out and store our production waste, and strictly manage the product scrapping procedure, in order to minimize the environmental pollution from the waste. Meanwhile, as the production process also generates hazardous waste, we have engaged qualified third party to collect and dispose of such hazardous waste in compliance with relevant requirements of the “Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes” (《中華人民共和國固體廢物污染環境防治法》) and “Interim Measures on Management of Harmful Solid Wastes in Hangzhou” (《杭州市有害固體廢物暫行辦法》). General waste will be collected on a daily basis and stored at the waste transfer station for further handling by local sanitation organizations.

Emissions ⁶			
	Unit	2018	2017
Total hazardous waste produced	tonnes	0.18	0.05
Total hazardous waste produced per floor area ⁷	g/sq. meter	7.58	2.21
Total non-hazardous waste produced	tonnes	26.34	1.75
Total waste disposed	tonnes	25.40	Not applicable
Other general refuse	tonnes	25.25	
Paper	tonnes	0.10	
Electronic waste	tonnes	0.05	
Total waste recycled	tonnes	0.94	
Paper	tonnes	0.94	
Total non-hazardous waste produced per floor area ⁷	kg/sq. meter	1.11	0.07

⁶In view that the Group’s various data have not yet been comprehensive enough, we are gradually optimizing the existing data collection methods and channels, in the hope that the key performance indicators we disclose each year can be more detailed and accurate. Hence, the data in 2017 may not be able to be used for direct comparison.

⁷ The intensities of total hazardous and non-hazardous waste in 2017 and 2018 have been adjusted to floor area.

As our daily operation generates certain emissions to the environment, we promote various measures at our office, such as:

- ✧ encouraging video-conference instead of business trip
- ✧ encouraging planting to purify indoor air
- ✧ making good use of public transportation
- ✧ reducing the use of disposable food containers and plastic bags
- ✧ implementing subway subsidy program to encourage employees to take subway, thereby reducing the emission of exhaust gas and GHG from vehicles
- ✧ avoiding the use of paper cups and other paper-made utensils

Green Resources

In addition to emissions, the Group's environmental footprint also covers the consumption of resources such as electricity, water, paper and packaging material. We source water from regional water supply companies and property management companies and have not experienced any problem in this regard. To facilitate transportation, we also use corrugated boxes and plastic wraps for finished product packaging. The data of our resource consumption during the Reporting Period and 2017 is set out below:

Use of Resources ⁸			
	Unit	2018	2017
Total energy consumption ⁹	MWh	2,049.83	2,080.18
Purchased electricity	MWh	1,688.93	Not applicable
Diesel oil	MWh	11.02	
Unleaded gasoline	MWh	349.88	
Total energy consumption per floor area ¹⁰	kWh/sq. meter	86.36	88.29
Total water consumption ¹¹	m ³	13,845.92	14,476.30
Total water consumption per floor area ¹⁰	m ³ /sq. meter	0.96	1.02
Total packaging material	tonnes	3.37	8.76
Paper	tonnes	3.37	8.76

⁸In view that the Group's various data have not yet been comprehensive enough, we are gradually optimizing the existing data collection methods and channels, in the hope that the key performance indicators we disclose each year can be more detailed and accurate. Hence, the data in 2017 may not be able to be used for direct comparison.

⁹Total energy consumption, purchased electricity and total energy consumption per floor area in 2017 have been adjusted according to the actual consumption of purchased electricity.

¹⁰The intensities of total energy and water consumptions in 2017 and 2018 have been adjusted to floor area.

¹¹As certain property management companies were not able to provide water consumption records of individual users, the total water consumption in 2018 does not cover VBill, ABS and Hunan Hisun ChangSha office whereas that in 2017 does not cover VBill, ABS, Hunan Hisun ChangSha and Chongqing offices.

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Resource saving measures implemented in our subsidiaries during the Reporting Period are as follows:

- ✧ turning off unnecessary power sources in non-office hours
- ✧ setting the air conditioner at specified temperature
- ✧ preferring electric appliances with energy efficiency labels
- ✧ using dual flush toilets to avoid waste of water
- ✧ performing routine check on water taps and pipes to ensure stable water supply, repairing damaged facilities such as pipes, utility and flushing valves timely

Paperless office

Meanwhile, to further enhance our resource consumption efficiency, we endeavor to achieve paperless office operation by utilizing electronic channels for communication to replace paper documents, use duplex printing and reuse wastepaper and cardboard boxes to reduce paper consumption.

Case Sharing – Rewarding Environmentally-Friendly Employees

Megahunt has established the Internal Incentive and Punitive Measures for Energy Saving to reward the employees that have significant contribution to energy saving and consumption reduction in previous year, thus encouraging employees to save energy in daily life, and enhance their awareness on the importance of environmental protection and nature conservation.

Green Hi Sun

In order to implement effective measures of energy saving and emission reduction, we shall first understand the significant impact on environment from our business operation. To this end, the Group began to monitor and disclose the environmental performance indicators for emission and resource consumption since 2017, and continue to review the environmental performance of each business segment, so as to formulate appropriate improvement measures.

In particular, we have obtained the certification of Environmental Management System (GB/T24001-2016/ISO14001:2015)¹² for our electronic power meters and solutions, and strictly implemented the System Management Manual based on its standards to specify the responsibilities of different departments, identify the environmental impact of products, and ensure that the products meet the environmental requirements of customers and applicable laws and regulations. According to the System Management Manual, we review the management system at least once a year to ensure its effectiveness.

In addition to internal environmental standards, we have also formulated the "Green Procurement Guidelines" based on the principle of reducing environmental impact to serve as the selection criteria of and requirements for suppliers of raw materials, auxiliary materials, components and semi-finished products, and require the suppliers to sign the "Declaration on the Chemical Substances Contained in Products", undertaking that the products supplied do not contain hazardous chemicals and compounds prohibited by the Group, and they will reduce the use of rare resources and prioritize the use of separable, degradable and recyclable materials, thereby ensuring that the hazardous content in products does not exceed the prescribed amount which may cause pollution and harm to the environment.

Furthermore, we also use certain chemicals included in the "List of Hazardous Chemicals" in China for our production. For the production, use and storage of such chemicals and other poisonous and hazardous substances, we have formulated the "Contingency Plan for Environmental Emergencies" in accordance with the "Environmental Protection Law of the PRC", "Law of the PRC on Prevention and Control of Air Pollution", "Water Pollution Prevention and Control Law of the PRC", "Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes", "Production Safety Law of the PRC" (《中華人民共和國安全生產法》), "Emergency Response Law of the PRC" (《中華人民共和國突發事件應對法》) and other relevant laws and regulations to learn about the sources of environmental hazards and their potential impacts in order to prevent and handle environmental emergencies such as fire, explosion, poisoning and leakage, and enhance efforts environmental risk management and relevant training to minimize the impact caused by accidents.

¹²Environmental Management System (GB/T24001-2016/ISO14001:2015) certification covers electronic energy meter, residential centralized meter reading system design, production and service and load management system, development and service of integrated distribution management system and related environmental management activities.

Value Created for Community

We believe that the business and sustainable development of the Group are closely related to the local communities. As such, we strive to perform our corporate social responsibility by actively participating in community activities in order to contribute to the society with our teamwork, in the hope that we can create a better community with our actions.

Same as last year, we participated in the Rotary Hong Kong Ultramarathon 2018 co-organized by the Rotary District 3450 and the Hong Kong Amateur Athletic Association during the Reporting Period with a team of 8 employees which completed the 50 kilometers relay. In addition, we also organized our employees to participate in the 25th Green Power Hike and completed the half length session which covered 25 kilometers, in order to raise fund for the environmental education of Green Power to teach the next generation about nature conservation.

In addition, we also fully supported Sowers Action (a charitable organization in Hong Kong) in its program of supporting students in mainland China, in order to give them equal opportunities in education to get rid of life difficulties.

During the Reporting Period, our employees participated in the Sowers Action Challenging 12 Hours Charity Marathon 2018 and raised fund for the student supporting program of Sowers Action.



We also participated in the Sowers Sending Love activity with 10 volunteers heading into the mountainous area in Zhaotong City of Yunnan Province to donate winter clothes to students in local schools, offering them warmth and care in the freezing weather.



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During the Reporting Period, VBill exclusively sponsored the “VBill Cup” Board Game Reunion Event of the 120th Anniversary of Peking University, which attracted nearly 200 participants including nine world champions in Go, Chinese chess and International chess.

In addition, VBill has been actively participating in public welfare activities by utilizing its expertise and industrial experience to spread financial knowledge to the general public in local communities and promote the culture of integrity and honesty. During the Reporting Period, we carried out various financial and anti-corruption promotion activities, including “Improving financial knowledge to become a good financial netizen” (「提升金融素養，爭做金融好網民」), “Spreading Financial Knowledge to Keep Money Safe” (「普及金融知識，守住錢袋子」) and “Enhancing the Awareness in Anti-money Laundering, Anti-terrorism Financing and Anti-tax Evasion to Prevent Money Laundering Risk” (「普及三反知識，防範洗錢風險」), delivering informational pamphlets to the public through online and offline platforms and giving explanation on different financial risks, bank card security, phone fraud and money laundering, enabling the public to take preventive measures.

In addition to the abovementioned charitable activities, we also organized various environmental protection activities, such as recycling of abandoned packing boxes and plastic bags and upcycling, in order to encourage the employees to recycle and reuse the waste, enhance their awareness of environmental protection to live a green life.

Note: The disclosure above includes the participation of our Hong Kong office.

Environmental, Social and Governance Reporting Guide Index

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KPI A1.2	Greenhouse gas emissions in total and intensity.	Green Emissions	P. 36
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KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Emissions	P. 35-40
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Emissions	P. 35-40

<i>Aspect A2: Use of Resources</i>			
<u>General Disclosure</u>		Value Created for Environment	P. 35-40
Policies on the efficient use of resources, including energy, water and other raw materials.			
Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.			
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Green Resources	P. 38
KPI A2.2	Water consumption in total and intensity.	Green Resources	P. 38
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Resources	P. 38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Resources	P. 38
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	Green Resources	P. 38
<i>Aspect A3: Environment and Natural Resources</i>			
<u>General Disclosure</u>		Value Created for Environment	P. 35-40
Policies on minimising the issuer' s significant impact on the environment and natural resources.			
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Value Created for Environment	P. 35-40

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B. Social			
<i>Employment and Labour Standards</i>			
<i>Aspect B1: Employment</i>			
<u>General Disclosure</u>		Value Created for Employees	P. 12-18
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Value Created for Employees	P. 12
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed this year	N/A
<i>Aspect B2: Health and Safety</i>			
<u>General Disclosure</u>		Talent Care	P. 16-17
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.			
KPI B2.1	Number and rate of work-related fatalities.	During the reporting period, no incident of death due to work	N/A
KPI B2.2	Lost days due to work injury.	Talent Care	P. 16-17
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Talent Care	P. 16-17

<i>Aspect B3: Development and Training</i>			
<u>General Disclosure</u>		Talent Development	P. 18
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.			
KPI B3.1	The percentage of employees trained by gender and employee category.	Talent Development	P. 18
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not disclosed this year	N/A
<i>Aspect B4: Labor Standards</i>			
<u>General Disclosure</u>		Talent Respect	P. 13
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.			
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Respect	P. 13
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Respect	P. 13
<i>Operating Practices</i>			
Aspect B5 : Supply Chain Management			
<u>General Disclosure</u>		Supply Chain Management	P. 11
Policies on managing environmental and social risks of the supply chain.			
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	P. 11
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	P. 11

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Aspect B6: Product Responsibility			
General Disclosure		Value Created for Customers	P. 19-34
<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>			
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed this year	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not disclosed this year	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Value Created for Customers	P. 34
KPI B6.4	Description of quality assurance process and recall procedures.	Value Created for Customers	P. 19-34
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Value Created for Customers	P. 34
Aspect B7: Anti-Corruption			
General Disclosure		Anti-corruption	P. 10
<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>			
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	P. 10
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	P. 10

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Community			
Aspect B8: Community Investment			
General Disclosure		Value Created for Community	P. 41-42
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			
KPI B8.1	Focus areas of contribution.	Not disclosed this year	N/A
KPI B8.2	Resources contributed to the focus area.	Not disclosed this year	N/A

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