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
環境、社會及管治報告
2020

Hi Sun Technology (China) Limited (Stock Code: 818)
Environmental, Social and Governance Report 2020

Content

Hi Sun Technology (China) Limited (Stock Code: 818)
Environmental, Social and Governance Report 2020

About This Report

Reporting Period and Scope

Hi Sun Technology (China) Limited ("Hi Sun Technology" or the "Company, together with its subsidiaries, collectively known as the "Group", "we" or "us") hereby presents its Environmental, Social and Governance Report (this "Report"), for year 2020, for the purpose of, among others, revealing our sustainability strategies and our environmental, social and corporate governance accomplishments in the period from 1 January 2020 to 31 December 2020 (the 'Reporting Period").

This Report covers the 5 major businesses of the Group through the subsidiaries operating in the People's Republic of China (the "PRC"), as listed below:

1. Payment processing solutions - VBILL OPCO ("VBILL");

2. Information security chips and solutions - Megahunt Microelectronics Technology (Beijing) Company Limited ("Megahunt");

3. Platform operation solutions - Hunan Hisun Mobile Pay IT Limited ("Hunan Hisun");

4. Financial solutions - Beijing Hi Sun Advanced Business Solutions Information Technology Limited ("ABS"); and

5. Electronic power meters and solutions - Hangzhou PAX Electronic Technology Limited ("Hangzhou PAX").

Reporting Standards

As a company listed on The Stock Exchange of Hong Kong Limited ("HKEx"), Hi Sun has prepared this Report in accordance with the "comply or explain" and "recommended disclosures" provisions of the Environmental, Social and Governance Reporting Guide ("ESG Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Reference of "comply or explain" can be made to Appendix 14 "Corporate Governance Code and "Corporate Governance Report" to the Listing Rules.

Reporting Principles

This Report has been compiled based on the reporting principles set out in the ESG Guide, including materiality, quantitative, balance and consistency as detailed below.

Principle	Definition	The Group's Response
Materiality	The report should cover the Group's significant impacts on the economy, environment, corporate governance and society, adopting the significance of impacts to investors and other stakeholders as the reporting basis.	We identify and report material sustainability development issues through engaging with stakeholders to assess their materiality, taking into account the Group's business nature and development.
Quantitative	Historical data or comparable data of key performance indicators, as well as other information and data disclosed should be measurable.	Key performance indicators as well as other information and data are disclosed in a quantitative way, where applicable.
Balance	The report should present unbiased information in an objective and fair manner, to reflect the overall sustainable development performance of the Group.	We identify and make comprehensive disclosure of issues that have material impacts on the 5 major businesses of the Group, which include both our achievements, challenges and rooms for improvement in all the environmental, social and governance aspects.
Consistency	The report should adopt methods consistent with the previous year to allow meaningful comparison over time.	The reporting scope and reporting method of this report remain the same as that of the previous year. This Report also discloses year-to-year comparison of key performance indicators.

Data Collection Method

The information cited in this Report is originated from the Group's official documents and statistical data. The Board of Directors (the "Board") of Hi Sun Technology has reviewed and approved this Report in March 2021.

Access to This Report

This Report is available in both Chinese and English versions. In case of any discrepancies between these two versions, the Chinese version shall prevail. This Report is available in both HKEx's website and the Group's website.

Feedback

Stakeholders can actively raise out issues of their concerns through different communication channels to us in order to push forward the Group's sustainable development. If you have any enquiries or opinions towards this Report and the Group's sustainability performance, you are welcomed to provide your valuable suggestions to us through email to info@hisun.com.hk.

About Hi Sun Technology

Hi Sun Technology and its major subsidiaries are principally engaged in payment processing solutions, information security chips and solutions, platform operation solutions, financial solutions and electronic power meters and solutions, aiming at providing diversified payment, system support, application development and terminal supply services to customers including merchants, banks, financial institutions, telecommunication operators and payment industry chain.

Below shows the summary and latest development of our 5 businesses:

Payment processing solutions
➢ Being the national pioneer of offline smart payment platform, launching products of more than 1,700 partners
➢ Strengthening partnership with software-as-a-service ("SAAS") service providers to improve information and operational efficiency to lower costs and increase profits for merchants
➢ Promoting large-scale development of mobile QR code business, with "Payment + Marketing" as the core strategy

Information security chips and solutions
➢ Our comprehensive smart security chips business offers security chips and payment security solutions for the design and R&D of point-of-sales ("POS") payment terminals

Platform operation solutions
➢ Offering high quality technical products and operation services for telecommunications, payment and e-commerce industries, and at the same time renewing the three contracts with China Mobile E-commerce Co., Ltd. ("China Mobile"), including the contract for fintech enterprise, the IVR Base of China Mobile, and Animation Base, new product development, systems maintenance, and business operation support

Financial solutions
➢ Our deep-rooted advantages in the core banking system facilitates upgrade and transformation of clients' business system, including fast payment system, open application programming interface management platform, anti-money laundering, regulatory statements and virtual bank core systems, etc.
➢ Launching and migrating decentralised micro-service architecture core business system, while replicate the relevant implementation skills and methodology to other city commercial banks, rural commercial banks and rural banks
➢

> Developing overseas financial information technology services and emerging South-East Asia markets, and carrying out market-specific product development

Electronic power meters and solutions

> Owning modernised production line and smart monitoring system, and successfully winning the bid in the unified tender of the State Grid

> Actively following up research and construction work of national standard specification for electronic power meters of the State Grid Power Research Institute

Awards, Honors, Certifications, Participating Organisations and Recognitions

China Finance Summit - 2020 Best Investment Value - VBILL	China Development Bank Information Technology Bureau - Excellent Software Development Vendor - ABS
Beijing Integrity Establishment Enterprise - VBILL	Beijing Top 100 Private Enterprise - VBILL
Hunan Software and Information Technology Service Enterprise 2020 Top 50 - Hunan Hisun	Hunan Software and Information Technology Service Industry Excellent Solutions Provider 2020 - Hunan Hisun
Hangzhou Advanced Trade Union - Hangzhou PAX	"Qiantang Ring" (錢塘環) Advanced Trade Union – Hangzhou PAX
Information System Construction and Service Ability Assessment Enterprise - Good - Hunan Hisun	Fintech Products Certification (APP Assessment) - "Xinyifu" (鑫一付) - VBILL
Fintech Products Certification (APP Assessment) - VBILL Plus - VBILL	Payment Card Industry Data Security Standard (PCI DSS) Information Security Standard Certification - VBILL

Sustainability Strategy

Sustainability Overview

Environment

- Energy consumption decreased by 6% as compared to last year

- Greenhouse gas emissions decreased by 4% as compared to last year

- Total water consumption decreased by 11% as compared to last year

Labour

- Male and female staff ratio: 1.48: 1

- Total staff training hours: more than 350 hours

- Work fatality rate: 0%

- Unavailable working day due to work injury: 0

Product Responsibility

- Payment processing solutions: obtained 2 software copyright certifications

- Information security chips and solutions customer: satisfaction rate reached 100%

- Platform operation solutions: obtained 3 software copyright certifications

- Financial solutions: obtained 7 software copyright certifications

- Electronic power meters and solutions: obtained 3 invention patents

Community

- Donated over 100,000 pieces of pandemic preventive supplies, including medical masks, protective clothing, isolation masks, protective goggles and tents

- Donated over 600 sets of teaching equipment and supplies to designated schools

In 2019, we successfully brought in the strategic investment from EQT to a subsidiary of Hi Sun, VBILL Limited, for the acquisition of 14.01% of its shares mainly through the EQT Mid-Market Asia III Limited Partnership ("EQT MM Asia Limited"), part of the EQT private investment funds. For further information, please refer to the annual reports and the relevant announcements of Hi Sun.

Being one of the EQT fund's portfolio companies, VBILL acts in line with EQT's Responsible Investment and Ownership Policy, which outlines the sustainability approach of EQT to invest in businesses with positive societal impact, and to advance the progress of one or more of the United Nations Sustainable Development Goals ("SDGs"). VBill joins hands with EQT to promote sustainability to meet EQT's expectations in ESG standards by annually reporting to EQT on its sustainable practices and ESG performance on the following areas:

1. EQT absolutes & policies

- Report on whether VBill adheres to United Nation ("UN") Global Compact Principles and adopts sustainability-related code or policy in place with environmental and social issues incorporated

2. EQT core & Portfolio Company specific KPIs

- Report on key performance indicators ("KPIs"), KPI target value, target year and status regarding various EQT core KPIs such as ethics and anti-corruption training, diversity, employee engagement, GHG emissions, as well as specific KPIs determined by VBILL such as Unionpay error response rate, customer data security and protection rate and IT system stability

3. Opportunities, risks, SDGs and reports

- Report on main opportunities and risks related to sustainability and how they are managed by VBill

Sustainability Governance

The Board assesses environmental, social and governance ("ESG") issues, including the various potential risks and opportunities. The Board recognizes stakeholders' rights to be heard and informed. We maintain continuous communication with our stakeholders through different channels, to ensure that all issues that are of stakeholders' concerns have been taken into account and addressed by the Board.

The Group has formulated and implemented ESG-related policies, systems and measures to manage material ESG risks, and use suitable measures to maintain sustainability of our operations effectively.

The Board is also responsible for overseeing ESG issues and is committed to bringing long-term value to our stakeholders. For further disclosures on corporate governance, please refer to the "Corporate Governance Report" of the Company's Annual Report 2020.

Stakeholder Engagement

Hi Sun Technology values our stakeholders' opinions and is dedicated to building transparent, readily assessable, positive and two-way communication channels to connect with our stakeholders.

Stakeholders are divided into 6 categories, namely employees, customers, shareholders and investors, suppliers and business partners, government and regulatory bodies, as well as community and general public. Their valuable opinions, which may pose positive impact or threat to our operations, are channeled systematically through the various communication channels (as illustrated below), and where appropriate, their opinions and suggestions are adopted to promote the Group's continuous improvement and the furtherance of the Group's business and sustainable development.

Employees

- Social media
- CEO mailbox and online message board
- Internal communication platform
- Trainings
- Annual dinner and staff activities

Customers

- Company website and mobile application
- Online customer service
- Opinion survey
- Customer service hotline
- Face-to-face customer support

Shareholders and Investors

- Shareholders' meetings and annual general meetings
- Investor relations website
- Non-deal roadshow
- Investor conference and teleconference
- Annual, interim and ESG reports

Suppliers and Business Partners

- Site visits
- Regular review
- Product sampling
- Suppliers' websites

Government and Regulatory Bodies

- Meetings and interviews
- Qualification assessment
- Policy consultation
- Disclosures and announcements

Community and General Public

- Group's official website
- Internet and traditional media
- Community visits
- Charity activities

Materiality Assessment

Apart from the regular communication through the above communication channels, we also appointed an independent consultant to assist in conducting materiality assessment during the Reporting Period, by conducting an online survey and inviting various stakeholders categories to rate different ESG issues in terms of their materiality to Hi Sun Technology. We analysed the feedback together with management's opinions to evaluate issues that are material to the Group, so that we could adjust and prioritize our sustainability strategies and measures.

Hi Sun Technology (China) Limited (Stock Code: 818)
Environmental, Social and Governance Report 2020

The materiality assessment is conducted in accordance with the procedures as follows:

1. Identification of 29 ESG issues that are considered relatively material to the Group based on regular communication with the stakeholders, industry trends, daily operations and the applicable laws and regulations.

2. Inviting the stakeholders to review and rate on the 29 ESG issues and collection of their feedback.

3. Conducting materiality analysis taking into account the stakeholders' feedback together with management's opinions and present the results in the form of a materiality matrix.

The upper right corner (in red square below) of the materiality matrix below shows the top 15 ESG issues that stakeholders and the Group are mostly concerned with. These 15 issues will be addressed in further details in this Report.
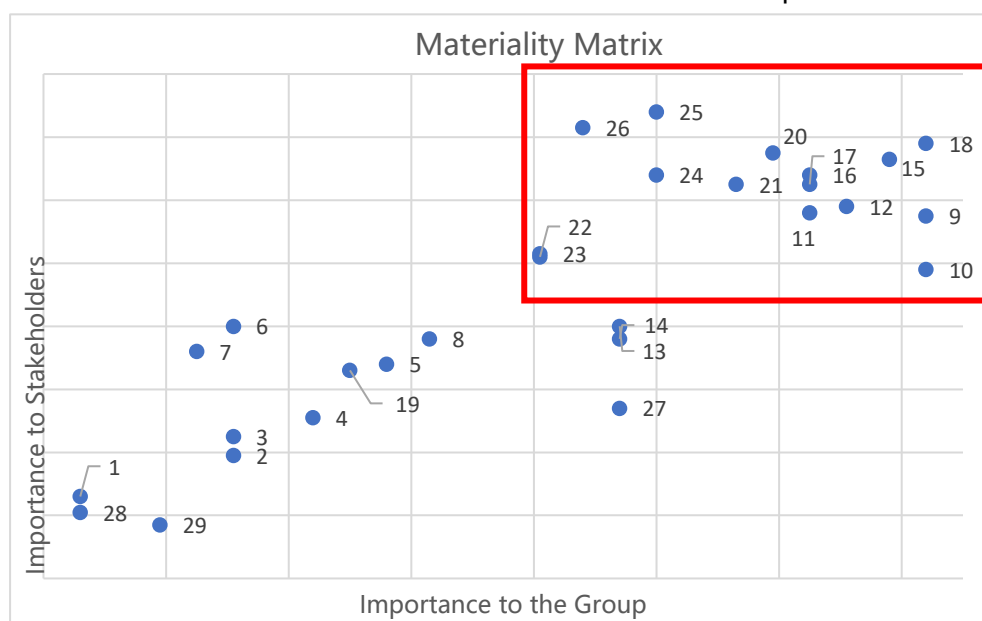
Environmental Protection and Green Operations	Corporate Governance	Customer Protection	Employee Rights	Community Investment
1. Greenhouse gas emissions	9. Fair operation and fair competition	15. Reliable products and services	21. Employee relations and communications	28. Participation of voluntary activities
2. Air emissions	10. Anti-fraud and corruption	16. Compliance of products and services	22. Participation of leisure activities	29. Charitable donations
3. Wastewater emissions and handling	11. Intellectual property protection	17. Internet data and system safety	23. Anti-discrimination and equal rights	
4. Recycling and renewable energy	12. Compliance with laws and regulations	18. Data and privacy protection	24. Occupational health and safety	
5. Energy conservation	13. Supplier management	19. Advertising and promotion	25. Employee benefits and compensation	
6. Use of resources	14. Suppliers' environmental and social risk management	20. Customer satisfaction and complaint handling	26. Training and development	
7. Waste handling			27. Child and forced labor	
8. Green procurement				

Principles of Sustainable Development

In order to achieve sustainable development, Hi Sun Technology has long been adhering to our four core principles: "Value Created for Employees", "Value Created for Customers", "Value Created for Environment" and "Value Created for Community". We incorporate ESG factors into decision-making processes and operations and implement sustainable development measures, and at the same time enhance the Board's accountability in terms of sustainability governance, hoping to build a better environment and society.

| Value Created for Employees	Value Created for Customers
We promise to: Create a "people-oriented" work atmosphere, respect employees' opinions, provide competitive remunerations and benefits and healthy and safe work environment, letting our employees to grow together with us	We promise to: Promote research and development, adhere to the "customer-oriented" approach, provide products and services of the best quality and become the pioneer of the industry
Value Created for Environment	**Value Created for Community**
We promise to: Focus on environmental protection, reduce carbon footprint, strive to mitigate the threat of climate change	We promise to: Pay close attention to the community, and strive our best to join hands with the community to fight against the pandemic

Corporate Governance

Compliant Operations

Hi Sun Technology has been adhering to the "zero-tolerance" approach towards corruption, bribery, extortion, fraud, money laundering and other forms of illegal behaviors, striving to strictly maintain business ethics and integrity in the workplace and to ensure compliance with relevant laws and regulations, including the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Criminal Laws (《刑法》) and Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). Each business segment has established its anti-corruption system and policy, guiding its business units and staff to uphold the principle of business ethics in the strictest manner and avoiding all sorts of illegal acts and corruption, including transfer of benefits and fraud. The Group has also launched a comprehensive whistleblowing policy, allowing our employees and business partners to report to our management in case of any suspicious case of corruption or other forms of illegal acts. From time to time, the Group conducts inspections and follow-up with appropriate actions on a timely basis. We would also take legal actions if necessary, to protect the interests of the Group and our stakeholders. To curb   money laundering and terrorist financing related activities, VBILL has implemented a stringent Anti-money Laundering and Terrorist Financing Internal Control Policy and set up an anti-money laundering working group, guiding its employees to ascertain, confirm, record and regularly perform checking on clients' identities as well as to identify, report and investigate on suspicious transactions, in order to reduce the risks of money laundering and terrorist financing and in compliance with the relevant laws and regulations including the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), Administrative Measures for Payment Services of Non-Financial Institutions (《非金融機構支付服務管理辦法》), Administrative Measures for Anti-money Laundering and Anti-terrorist Financing of Payment Institutions (《支付機構反洗錢和反恐怖融資管理辦法》). We also arrange relevant training or campaigns to enhance awareness towards anti-corruption among our employees and the general public.

During the Reporting Period, the Group was not aware of any confirmed lawsuits related to corruption concerning the Group or its employees.

> VBILL is dedicated to promoting anti-corruption. It arranges training in anti-corruption and compliance. It also organizes a wide range of finance education activities to instill the self-awareness of anti-corruption into employees' daily practice through easily assessible promotional posters, banners and brochures in workplace.

Partnership

In view of our leading position in the payment platform and related payment industry, Hi Sun Technology aims to bring positive impact to the supply chain in the industry and promote sustainable development of our suppliers. As such, we concern about our supplier's environmental and social risk management and practices. During the Reporting Period, the Group deployed 311 suppliers which are mainly located in mainland China and Hong Kong. Since most suppliers are located in the PRC, we manage to substantially reduce the carbon footprint attributed to transportation especially by flight. The following shows the distribution of our suppliers by geographical locations:

Taiwan, 1
Hong Kong, 6
Suppliers by Geographical Locations
PRC, 304
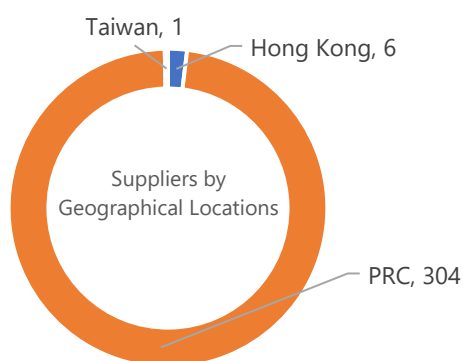
The Group adopts the "Suppliers' Code of Conduct" addressing our expectations towards our suppliers in environmental and social aspects, expecting our suppliers to operate in accordance with the principles of sustainable development and compliance.

The Suppliers' Code of Conduct underlines the following expectations we have towards the Suppliers:

● Complying with labour requirements in the jurisdictions where the suppliers operate;
● Eliminating of all forms of illegal child and forced labor;
● Providing safe and decent workplace for employees;
● Proper handling of waste; and
● Forbidding all sorts of illegal acts related to corruption and bribery.

Since Hangzhou PAX and Megahunt are involved in manufacturing and sales of products, suppliers' environmental performance is more material to us. We have put greater emphasis on the environmental performance of their suppliers.

Hangzhou PAX has established the Green Procurement Guideline, which mandates "reduced environmental burden" as the prerequisite for supplier selection. During the evaluation process, suppliers' ISO14001 Environmental Management System Certification, their Restriction of Hazardous Substances (RoHS) environmental system audit status, their performance in environmental compliance, employment of resources are reviewed and verified, in order to select suppliers who are more environmentally responsible.

In selecting suppliers, Megahunt performs a green environmental assessment to understand and assess their performances in environmental aspects to ensure our final products are compliant with the relevant environmental requirements. Assessment criteria covers the suppliers' environmental management system, measures to restrict the use of hazardous substances, carry out tests for hazardous substances in raw materials and productions, as well as on pollution prevention.

We understand that our suppliers' product and service quality is of paramount importance to our products and services. As a result, we are highly concerned not only with the environmental and social performances of suppliers, but also with the entire procurement process. Stringent measures are in place to govern supplier management, from selecting new suppliers, conducting product inspection, evaluating existing suppliers to reviewing suppliers which are not up to standard. Potential suppliers and existing suppliers are required to undergo our evaluation and assessment, to ensure that their business performance and product and service quality should meet our requirements. In assessing potential suppliers, their qualification, supply capacity, product condition, scale, pricing level and research and development ("R&D") capability are taken into account, where for existing suppliers, their manufacturing capacity, production safety, after-sales services, product inspection, timeliness of delivery, rectification of complaints and price adjustment level are taken into consideration.

Problem identified during the assessment processed are closely followed-up with the relevant suppliers, where supervision and advice on improvement measures are also rendered. For businesses involving manufacturing and sales of products, we also conduct sampling test on products supplied by our outsourced suppliers to ensure product quality.

Value Created for Employees

Hi Sun Technology upholds the "people-oriented" principle and advocates for a harmonious and equal work culture. We are dedicated to building a healthy, safe and discrimination-free working environment, providing competitive remunerations and benefits, optimising career development and training systems to reward our employees who have been striving their best to contribute to the Group. The Group complies with the applicable laws and regulations related to remuneration, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other welfare, dismissal and benefits, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Law of the PRC on Occupational Disease Prevention and Control (《中華人民共和國職業病防治法》) and the Regulations on Prohibition of Child Labour (《禁止使用童工規定》). During the Reporting Period, we were not aware of any violations of labour-related laws and regulations within the Group together with its subsidiaries.

Employee Overview

As of 31 December 2020, the Group employed a total of 2,475 full-time employees in the PRC and Hong Kong, distributed across various business segments.

Distribution by Gender

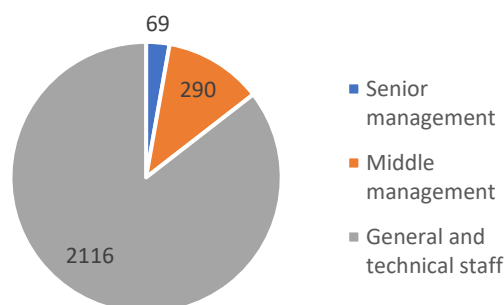| Male：1,511	Female：964

Distribution by Age

65　13
232
1129
1036

- Below 21 ■ 21-30 ■ 31-40
- 41-50 ■ Above 50
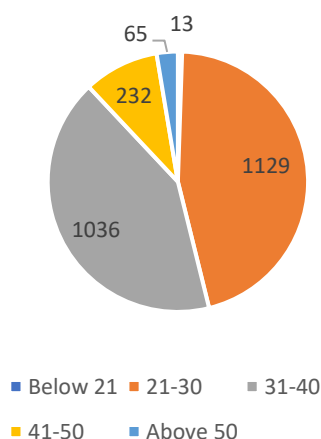
Distribution by Employment Category

69
290
2116

- Senior management
- Middle management
- General and technical staff

Building an Equal Workplace Culture

Hi Sun Technology is devoted to maintaining a diversified work culture. We uphold the principle of equal opportunity in labour-related matters such as recruitment, determination of remunerations, promotion and training opportunities, assuring our employees' rights to equal treatment and a discrimination free workplace, regardless of gender, sexual orientation, age, marital and family status, pregnancy, disability, race, nationality and religion. Moreover, we appreciate the similarities and embrace the differences among our employees. We provide equal job opportunities to the disabled, helping them to build confidence and integrate into the society through teamwork and mutual learning with other colleagues to unleash their full potential.

Attracting and Retaining Talents

As a leading enterprise in the payment industry, we are keen on recruiting high calibre talents to build a strong team to help the Group in furthering its business development. Our talent recruitment channels include internal transfer, internal referral, recruitment fair, online recruitment, etc.. To attract and retain existing talents, we provide market-level remunerations and benefits and through regular review of our remuneration mechanism to ensure that the level of our remunerations and benefits is competitive. In accordance with the Labour Law of the PRC (《中華人民共和國勞動法》), the Provision of Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), we provide our PRC employees with 5 mandatory social insurance schemes, namely endowment insurance, medical insurance, industry injury insurance, unemployment insurance and maternity insurance, and one non-statutory housing provident fund. Apart from statutory and public holidays, we also provide employees with annual leave, marriage leave, maternity leave, bereavement leave, paternity leave and breastfeeding leave, etc. In addition, our employees across the various business segments also enjoy the following benefits:

- Meal allowance
- Transportation allowance
- Telephone allowance
- Offsite allowance
- Shift allowance
- Additional meal allowance
- Computer allowance

- Festive gift cards
- Birthday gift cards
- Marriage red packets
- Festive gifts
- Fruits

- Attendance award
- Excellent supervisor award
- Excellent team award
- Excellent staff award

In order to strengthen the bond among employees and enhance their sense of belonging to the Group, we arrange regular leisure activities, including annual dinner, birthday parties, team building activities, leisure outings or trips, basketball contests, badminton contests and cooking competitions in pursuit of work-life balance for the staff.

Reading Club

Team Building Activity

Annual Dinner

Basketball Contest

Listening to Employees

We acknowledge the importance of maintaining two-way communications between the management and employees for the sake of promoting a harmonious work culture. Employees are welcomed to raise any suggestion through various communication channels. We would listen to their opinions with an open mind, handle and follow up with relevant issues in a timely manner in the hope to build a happy and stable workplace. Set out below are the communication channels established by the Group:

- Email
- Bulletin boards
- Online message board
- CEO's mailbox
- Employee publications

Complying with Labour Standards

As a responsible employer, we are devoted to respecting and protecting human rights in our operations. Hence, we strictly prohibit any child or forced labour. During our recruitment process, our Human Resources Department would verify the identities of new recruits who are asked to produce identity documents to ensure that they have reached the legal working age. Any child labour under the legal working age identified will be immediately terminated from working and escorted from the workplace, and we will promptly investigate and rectify the loopholes in the recruitment process. Besides, terms and conditions concerning working hours, rest periods, overtime work, leave and dismissal are clearly specified in our" Employee Handbook" and Human Resources Policies, to protect the rights of both the employer and employees, while avoiding forced labour. During the Reporting Period, the Group was not aware of any child or forced labour.

Safeguarding Employees' Health and Safety

We understand that it is crucial to put emphasis on employees' personal wellbeing and occupational health and safety in order to promote the Group's long-term and sustainable development. As a result, establishing comprehensive health and safety policies and systems or imperative importance. As a listed company, we have an occupational health and safety management system in place, where Hangzhou PAX and Hunan Hisun have already obtained the OHSAS18001: 2007 Occupational Health and Safety Management System certifications. During the Reporting Period, there was neither any incident of work-related fatalities nor serious causalities. The following shows some examples of occupational health and safety measures imposed by the Group:

Health Measures	Safety Measures
• Provide employees with regular health check to ensure their wellbeing • Provide additional medical insurance to employees • Arrange health seminars and training to enhance employees' awareness in occupational health and safety and health knowledge • VBILL cooperates with a gymnasium to allow employees' access to designated gym rooms for exercising by with staff cards	• Conduct fire drills and regular inspections, to ensure all firefighting equipment is well maintained • Establish safety production system, fire and emergency plan to enhance employees' safety awareness • Set up anti-static floor and anti-static mats in server rooms and product-testing areas in certain offices to prevent employees from electric shock • Conduct power hazard inspections, check for abnormalities or aging conditions in distribution boxes and electrical wiring and replace aging electrical equipment to prevent the risk of fire due to short circuits and power failure

In face of COVID-19, the health and safety of our employees is our top priority. We are in stringent compliance with the epidemic prevention measures enacted by the government and implement a series of stringent measures in our offices and factory to prevent the spread of virus. The measures include:

- Wear facial masks
- Employees, or their family members, displaying symptoms or being suspected of infection are required to quarantine or visit the doctor, as appropriate, and report to the Human Resources Department
- Suggest employees to avoid crowded places, cut face-to-face meetings and avoid meal gatherings
- Check body temperature every day before work. Employees with body temperature above the designated level is required to quarantine and visit the doctor immediately
- Establish "Epidemic Prevention Working Group"
- Purchase and stock epidemic prevention materials such as disinfectant, alcohol, masks, waterless hand sanitizers, thermometers and gloves etc.
- Prepare promotional videos, posters and WeChat articles to raise employees' awareness in epidemic prevention
- Step up sterilisation and require employees to sanitise their hands before entering office, sanitise equipment and facilities in public area, such as water machine, microwaves and door knots regularly
- Designate a take-away and deliver at office entrance to prevent the delivery staff from entering office area
- Set up a quarantine area at the factory to separate personnel who have contact history with infected persons and shut down production if there is any confirmed case of our staff

Encouraging Employee Development

We understand that staff learning and training are key to the sustainable development of our employees and business. We encourage our employees to seek learning and development opportunities, and at the same time establish comprehensive performance appraisal management system as well as training system.

We also believe that diversified training courses can equip employees with the latest knowledge and skills to be applied to work. Each year, each major business and department formulates an annual training plan based on the employees' learning needs and business development plan arrange internal and external courses, such as seminars, conferences and sharing sessions as planned. During the Reporting Period, training courses arranged by each business department covered training for new recruits, banking business, human resources system, internet knowledge, factory system, corporate culture, recruitment interview skills, leadership skills, team building, procurement and supply chain management, product, testing and skills, big data application, data security, risk control, etc.

The following graphs reveal the number and percentage of employees trained by gender and employment category[1], as well as the average training hours by gender, employee category and age groups[2] in the Reporting Period:

Number of trained employees and training rate by gender

244, 41.92%   338, 58.08%

■ Male
■ Female

Number of trained employees and training rate by employment category

5, 0.86%   27, 4.64%

550, 94.50%

■ Senior management
■ Middle management
■ General and techincal employees

Average training hours by gender

Male: 1.50 hours	Female: 1.29 hours

Average training hours by employment category

0.07
0.59
1.51

■ Senior management
■ Middle management
■ General and technical employees

---

[1] The calculation is based on the number of employees trained during the Reporting Period, for a more accurate reflection of the ratio of employees trained by gender and employment category.

[2] The calculation is based on the number of employees trained during the Reporting Period, including such employees having left the Group during or subsequent to the Reporting Period, for a more accurate reflection of the training resources invested by the Group.

Over **350** hours of training activities arranged during the Reporting Period

17.56% of employees trained in total
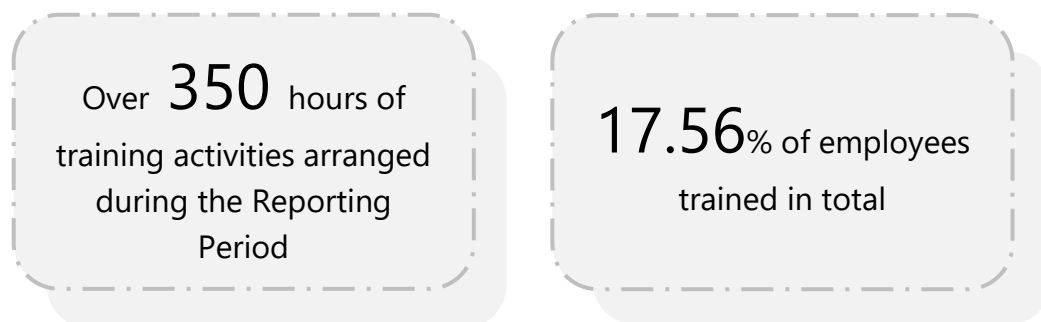
Note: As a result of pandemic prevention measures imposed, the number of hours of training activities, the number of employees trained and the average training hours per employee during the Reporting Period dropped as compared with 2019.

Apart from providing all sorts of training courses, efforts are nonetheless spared on optimising the career development ladder in order to allow employees to fully release their capabilities in accordance with their development goals. Each business department conducts regular performance appraisal every year, by assessing their yearly accomplishment, work performance, skills, knowledge, management, communication skills, work attitude, interpersonal skills and discipline, etc., whereas the employees' promotion opportunities and salary adjustment will be based on the results of the performance appraisals.

Value Created for Customers

The Group strives to ensure compliance with all applicable laws and regulations and industry regulatory standards, including but not limited to the Advertising Law of the PRC (《中華人民共和國廣告法》), the Patent Law of the PRC (《中華人民共和國專利法》), the Copyright Law of the PRC (《中華人民共和國著作權法》), the Law of the PRC on the People's Bank of China (《中華人民共和國中國人民銀行法》), the Administrative Measures for the Payment Services Provided by Non-financial Institutions (《非金融機構支付服務管理辦法》) of the People's Bank of China, the Measures for the Administration of Bank Card Business (《銀行卡業務管理辦法》) and the UnionPay Card Merchant Risk Management Rules (《銀聯卡收單機構商戶風險管理規則》). During the Reporting Period, the Group was not involved in any violations of laws and regulations related to privacy, intellectual property, advertising and labelling that have material impact on the Group.

We strive to create sustainable values for our customers through the Group's 5 major business segments, including:

Payment Processing Solutions

Regarding payment as the portal to provide reliable acquiring and financial services to small and micro enterprises

Information Security Chips and Solutions

R&D and sales of system grade chips for safer and more reliable payment experience and data transmissions

Platform Operation Solutions

Building payment platform and offering system development and operational support services

Financial Solutions

Providing core bank system and relevant solutions for banks and financial institutions

Electronic Power Meters and Solutions

Providing competitive electronic power meters and solutions

Payment Processing Solutions

VBILL, under the payment processing solutions business, is the pioneer of offline smart payment platform in the PRC. It has obtained the National Bank Card Acquiring License, Internet Payment License, Mobile Phone Payment License, online and offline Micro-credit License, RMB Cross-border Payment License and other licenses. During the Reporting Period, the PCI DSS Information Security Standard Certification obtained allowed us to provide efficient payment and financial services for small and micro enterprises, including offline acquiring, mobile payment, internet payment, cross-border payment, QR code payment, financial management loans, aiming at satisfying clients' demands in terms of payment, account, sales, finance, operations and fintech in all domains. We own a huge pool of merchants by having served over 3.5 million merchants and handling transactions valuing over RMB1,000 billion a year. Currently, we cooperate with SAAS service providers, aiming at enhancing merchants' digitisation level, boosting their operational efficiencies, assisting them in lowering operation costs and increasing overall profits.

Currently, VBILL has engaged with the most offline small and micro enterprises among all acquiring organizations, in addition to more than 2,000 prefectural-level municipality service providers and 500,000 front-tier personnel all over more than 300 cities and districts in the PRC, striving to build a comprehensive "Payment + Finance" business system with large scale transaction handling and operation capabilities, data-driven intelligent application capabilities, comprehensive construction capabilities in offline scenarios and efficient channel sinking capabilities.

Moreover, our payment processing solutions business also covers internet micro-credit and financial information services, dedicated to building the largest offline payment and credit ecosystem.

Payment Innovations and Safety
Being a national leading payment processing platform, we focus not only on promoting R&D of the payment industry, but also on ensuring the safety of transactions. We own a team of professional R&D personnel who are provided with ample R&D resources to foster the development of the industry. During the R&D process, we consider product innovation as well as market situation by proposing and designing solutions with a view to tackle prevailing concerns, such as payment safety in order to promote the positive development of the industry and ease merchant's concerns. Along with the 2 software copyright certifications newly obtained in the Reporting Period, we hold a total of 90 software copyright certifications and 4 patents.

Considering the number of hacking incidents taken place among the payment companies having caused huge financial loss, our R&D personnel has developed the "Capital Monitoring System" to ensure settlement security and prevent hacking. The system is capable of functions, which include prior warning notification, verification in-between the event and post-notification. Among these, the payment information interception and UnionPay abnormality callback warning technology act as a major barrier to hacking activities, such as link attack and payment information tampering. Major functions of the system include:

- Interception of payment information for the verification of consistency of payment information on receipts and settlement bill
- Cross-checking the payment amount with the subsisting payment subsequent to a successful payment. Warning will be issued in case of any abnormalities
- Extension of the payment settlement mode of the settlement system to prescribe the daily single transaction limit per card, from the original prescription of the daily single transaction limit per account, in addition to the imposition of guarantee limit in the settlement system to enhance security through limit interception
- The settlement system performs hourly cross-checking of the payment reconciliation documents retrieved from UnionPay. Warning will be promptly issued in case of discrepancy in the transaction number, amount, card number, account holder or payment reference number
- Regarding swipe-and-pay real-time payment, the settlement system through aggregating the transaction amounts on a 1-minute basis, can monitor the total transaction amount. Warning will be issued if the aggregate transaction amount exceeds 20% of the average transaction amount for the same period of time in the latest 3 days
- Transaction amounts of TN-type payment are monitored on a daily basis, whereas warning will be issued if the increase in daily transaction amount exceeds the previous day by more than 20%. In respect of payments-on-behalf-of (POBO) and bank POS system, the real-time transaction amounts are aggregated on a 5-minute basis and the system will issue a warning when the warning threshold is exceeded

Hi Sun Technology (China) Limited (Stock Code: 818)
Environmental, Social and Governance Report 2020

Apart from focusing on R&D, we are also dedicated to ensuring the safety of daily payment transactions and minimising risks in transactions such as suspicious transactions, transaction fraud and bank errors. Our operation team has established a number of systems and policies to manage merchant examination, daily transactions and data security in a stringent manner, including Integrated Risk Management Plan, Emergency Response Plan, Emergency Drill plan, Internet Security Management System. The Integrated Risk Management Plan outlines the procedures and indicators of identifying, reporting and handling risks such as abnormal transactions, bank errors, warnings from external institutions and suspicious merchants. We have divided risk events into 4 levels and specified the response time of each level. For example, if the risk event is classified as level 4 which is the most serious, we require responsible parties to respond within 0.5 working days in order to minimise the negative impact imposed on the company, merchants or consumers.

Merchant Examination	● Conduct review on new merchants' operation situations and license status through on-site visit, telephone communication and filling inquiry to relevant organizations or government departments. We will only sign contracts with merchants if no abnormalities are identified. We would also conduct inspection to check the transaction situation of merchants
	● We would conduct inspection such as high-risk clients who sell easily realisable products, have had suspicious transactions, are suspected to be involved in transaction fraud or help card holders cash out using transactions by checking the use of POS terminals, receipts and daily operations in order to identify suspicious transactions or relevant transaction risks in a timely manner
Daily Transactions	● If there are abnormal transactions (e.g., abrupt increases in transaction amount, malicious refund, non-business hour transactions and excessive number of failed transactions) or warnings from external institutions (including bank errors or warnings, blacklisting or requests for investigation assistance from the People's Bank of China, Ministry of Public Security, UnionPay, banks, Payments and Clearing Association of China or other institutions), we would assess the risk level by considering number of merchants involved, amount and other factors, and would report to relevant departments and undertake remedial measures, such as terminating the payment transaction function of accounts with capital or material risks, freezing merchant's accounts, suspending transactions, withholding payments, deferring settlement and adjusting limits etc.

Data Security	- In terms of the server room in operation locations, we only open access rights to IP addresses verified by our internal office network and block all external visitors - In case of any catastrophic event that disrupts our business system, we would synchronise the core data in the major server room to the core database in the disaster recovery center real time and back up the data - Build bank-level back-end system with security devices, including external network firewall, external network Distributed Denial of Service (DDoS) device, Intrusion Prevention System (IPS) device, Web Application Firewall (WAF) device, database firewall and bank access zone firewall to protect data security in all domains

Merchant-oriented

We have a widespread service network, enabling us to provide wholehearted after-sales services to merchants and other clients, collect and understand their opinions.

VBILL Payment
Application

Online Customer
Service

Telephone
Hotline

Official
Website

Survey

AI Call Customer
Service

Our after-sales service personnel handle merchants' concerns by referring to the procedures and standards in Customer Complaint Management System. We promise to handle material complaints within 4 hours, serious complaints within 2 working days and other complaints within 3 working days.

To ensure that merchants are familiar with the operations of POS terminals, and at the same time ensure smooth transactions, our customer service personnel will conduct regular on-site inspections to check the operations and risk prevention aspects of the merchants. Inspections also cover on-the-job training for merchants' cashiers, check on use of terminals, transaction process, merchants' operation situation, authenticity of transactions and abnormalities of transactions etc. We would also arrange training for merchants from time to time to enhance their awareness in knowledge on bank card, operation and risk prevention.

We notice that COVID-19 has struck merchants' operations hard and some merchants may face difficulty in liquidity. As a result, we introduced a special subsidy plan targeted at merchants in Hubei Province which was affected the most seriously. Under this plan, we return service charges of scan-and-pay transactions of integrated payment from 23 January 2020 to 8 April 2020, to lower merchants' burden on liquidity so that we can fight the virus together in this unprecedented time.

Information Security Chips and Solutions

Information security chips and solutions business under Hi Sun Technology is mainly engaged in providing comprehensive and safe design and R&D of chips for payment scenarios, including POS payment terminal chips. Megahunt is the leading semiconductor and integrated circuit design enterprise in the industry. We design and develop safe, low power-consumption and efficient CPU security chips and encrypted decoding chips in magnetic stripe reader suitable for products such as POS terminals and smart Internet of things (IoT) equipment in pursuit of safer and more reliable payment experience and data transmission. Currently, we have provided chips and solutions for over 100 million POS terminals all over the world and become one of the leading POS chips suppliers in the PRC. Our chips have passed the certification of security level two of GM/T0008-2012 "Security Chip Password Detection Standards" (《安全芯片密碼檢測準則》) and security audit of Brightsight, an international security assessment agency, implying that our chips can guarantee the safety of various payment terminals and other application scenarios.

Product Quality and Safety
We acknowledge the importance of chips in protecting data security in POS terminals and other equipment, and hence we are committed to safeguarding the quality and safety of chips through a series of measures throughout product development, manufacturing, testing and after-sales processes.

Development

We conduct function, capacity and reliability test on newly developed chips, to check their power consumption, risk of power leakage, voltage, compatibility, card swiping speed, heat resistance and cold resistance etc. The chips that have passed the above tests can be put into mass production.

Goods Receipt

Our chips are mainly manufactured by our outsourced suppliers. We require them to conduct inspections on the chips and record the situations and ratios of disqualified products. After receiving the products, we would conduct inspection test on the chips according to the Test Specification, including short circuit, current, driving capacity, frequency and voltage to ensure the chips can be sold after the chips have passed the inspection. If any disqualified product is identified, we would conduct timely investigation and undertake rectification plan.

After-sales

If any disqualified product is identified among chips sold, we would conduct investigation to find out the reason, contact affected clients and arrange recall if necessary. We would also check the products per clients' request, conduct investigation and undertake rectification plan.

Protecting Intellectual Property

Being an enterprise with a focus on R&D, we acknowledge the importance of protecting intellectual property. We require all new-join employees to set their computers and download security software according to the Installation Operation Manual. On the occasion that information in the computer is leaked out, the software can turn all data into garbled data, preventing third parties from stealing the Group's R&D information.

Regarding our R&D process involving a large number of intellectual property and confidential data, we have conducted a renovation project in the office during the Reporting Period, to further protect our R&D data from being leaked out. The renovation includes blocking the glass window of the server room, adding single-sided transparent film on the window, upgrading the door security to high-density encrypted door security, upgrading the door security of the entrance, core server room, storeroom, core office area and R&D area to two-way access card verification, and enhancing monitoring and alarm system in order to reduce the risks of R&D information being stolen or leaked out to protect the effort of our R&D personnel.

Customer Service

After delivering the products to clients, we would provide all-rounded after-sales services to cater to the enquiries of our clients on a timely basis. During delivery of products, we provide user manual, product acknowledgement as well as relevant training to clients. If clients have any enquiries or encounter any problems regarding the products, they may raise their concerns to us through email, phone or fax. Our customer service personnel will provide response within 24 hours and settle the problem within 5 working days. Apart from that, we will gather all clients' opinions every quarter and conduct analysis, in order to establish an appropriate improvement plan.

In addition, in order to further understand the opinions of our clients towards our products and services, we conduct customer satisfaction survey twice a year by inviting them to rate on product quality, product stability, service attitude, timeliness of response, timeliness of product delivery and repair quality. According to the surveys conducted during the Reporting Period, the overall satisfaction rate of our customers is 100%.

Platform Operation Solutions

Our platform operation solutions business is an excellent payment platform and telecom solutions supplier in the PRC. We are currently cooperating with China Mobile, dedicated to providing excellent technical products, business operation services and relevant solutions to clients in telecommunications, payment and e-commerce fields. We are currently building and operating CM Pay Platform (和包), a comprehensive mobile platform jointly with China Mobile and providing product development, system maintenance and business operation support services, capable for supporting various activities on the mobile application of CM Pay Platform for over 100 million of users, including payment, shopping, communications, social media, transportation as well as financial services. Our operation team is equipped with outstanding capabilities to support the operations of payment platform and support over RMB 1 trillion of transaction amount. Currently, we are recognized as National High-tech Enterprise, Changsha Technical Small and Medium Enterprise as well as Software Enterprise of Hunan Province Economic and Information Technology Committee (湖南省經濟和信息化委員會). We have also obtained GB／T19001 2016／ISO9001：2015 Quality Management Certification, Capability Maturity Model Integration (CMMI) Level 5 Optimisation Certification, First-Level Capability Requirement certification of Communication Network Security Service Capability Assessment Certificate（通信網絡安全服務能力評定證書）issued by China Communications Enterprise Association and the Information Technology Service Operation and Maintenance Standard Compliance certificate (信息技術服務運行維護標準符合性證書), recognising our leading position in the market.

Transportation	Payment	Shopping
Subway, train, doctor consultation registration	Paying electricity and water bills and social insurance	Online and offline shopping

Communications	Social Media	Financial Services
Paying phone bill, mobile top-up, money transfer	CM Pay Name Card, CM Pay Orchard, red packets	Financial services including "Hezuibao" (和聚寶) and CM Pay Financing

Project Quality

We always keep track on market trends. Apart from developing new technologies and functions, we also conduct R&D based on client's demand. During the Reporting Period, we have newly obtained 3 software copyrights, with a total of 53 software copyrights. Our R&D process is mainly divided into 6 stages, ranging from demand analysis, initiation, design, development and implementation, system test to publication online. We have introduced a series of quality control procedures to standardise the procedures of each stage, responsible personnel, checklist and assessment criteria etc. so as to control our project quality in a stringent manner. According to "Quality Assurance Procedures", we conduct quality assurance inspection at each stage with respect to a quality assurance (QA) checklist to understand the actual situation of the project and ensure all requirements and standards have been met. We also conduct review on the work done during the project, including demand, technical design, coding, testing samples and detailed plan of the project according to Review Procedures to identify any deficiencies and rectify immediately. We perform unit tests, system integration tests (SIT) and user acceptance tests (UAT) to identify existing problems in the project and conduct rectification to solve the problems. We require that only projects that have passed the tests can be published online.

After publishing the project online, we would strive our best to ensure the quality of the daily operations of the project. We have established Daily Application and Maintenance Operation Manual to guide relevant operation staff the procedures and requirements to handle technical problems such as skip accounts, system failure, abnormality in voice payment and cash shortage.

China Mobile maintains close contact with us and monitors the quality of the project through regular meetings, daily meetings, monthly meetings, daily communications and other sorts of communication ways. It will also conduct project evaluation on a monthly basis, to monitor project quality by rating items such as platform stability, successful rate of transactions, handling of system failure, server room management, data security and system maintenance. During the Reporting Period, the result of the CM Pay platform application software optimisation and improvement project reached an average sore of 99.57, while the assessment result of the system maintenance service reached an average score of 99.67.

Data Security

Our system handles a large amount of data including users' payment transaction information, personal information and other sensitive information on a daily basis. In order to ensure data security, our data security management of application software development, operation and maintenance services have obtained GB/T 22080-2016/ISO/IEC 27001:2013 Information Security Management System Certification. We have implemented stringent data security measures based on the requirements of the certification, including routine network equipment inspection (including routers, firewalls and switches etc.), monthly data back-up, access restriction of server room, regular scan on network security vulnerabilities, two-way authentication, three-level key management system and cryptographic device in order to maintain the safety of data transmission in all domains.

Financial Solutions

ABS has long been focusing on developing core bank system, providing all-rounded services covering financial industry advisory services, solution design and implementation for various clients including state-owned banks, commercial banks, asset management companies, insurance companies, securities companies and fund companies, thus achieving more efficient and smoother business systems to optimize operations. Being an enterprise with an emphasis on R&D, we have a professional team comprising of professional financial business expert, technical expert and R&D personnel equipped with professional techniques and innovation ideas. We provide adequate resources to support R&D of the team in order to keep track on the latest development of the financial market through launching new products and upgrading existing financial business systems. Our latest business systems include but not limited to: Fast Payment System (FPS), Open Application Programming Interface (Open API) Management Platform, Anti-money Laundering, Regulatory Statements, Virtual Bank Core Systems.

During the Reporting Period, our financial solutions business successfully developed a virtual bank core system, "VBANK", aiming at providing microservices-oriented new bank core system service capabilities, covering from front-end counter system to back-end core system. VBANK realises the integration of microservices by launching a number of functions including foundation center, product center, pricing center, customer center, demand deposit, due from banks, account center, foreign exchange trading, workflow center, credit center, credit management and time deposit center.

During the Reporting Period, we also developed a Bank Regulatory Statement Platform regarding the characteristics of Hong Kong banks, providing clients with Hong Kong Money Authority (HKMA) statement declaration application that is efficient and easy-to-manage. By inputting business data, a statement will be automatically generated from the system, thus largely reducing clients' workload and ensuring the quality of statements.

During the Reporting Period, our financial solutions business has newly obtained 7 software copyrights, counting to a total of over 60 software copyrights. These newly obtained software copyrights include virtual bank core system, anti-money laundering system, bank regulatory statement platform, Open API parameter management platform, FPS and virtual bank core system.

Product Quality and Safety

We have always been upholding the principle of "Quality First and Striving for Excellence" by providing high quality financial solutions to our clients. To ensure product quality, we have obtained Level 3 certification of Capability Maturity Model Integration, CMMI of the Institute of Software Engineering and Level 2 certification of the Computer System Integration Qualification of the China Information Technology Industry Federation, and have passed the certification of ISO9001:2015 Quality Management System. We have established "Quality Manual" based on the requirements of the certification to regulate procedures including product requirement evaluation, design, development and control of disqualified products, which acts as a guideline for our employees to adhere to during R&D, innovation and provision of products and services. We have developed "Project Quality Management Standards" which set forth the requirements of business functions, technical indicators, project engineering evaluation, product testing as well as technical documents during product development. According to the above standards, we conduct unit tests, integration tests and user acceptance tests to ensure there is no any system failure or other problem concerning completeness of business functions, accuracy, reasonableness of interface, system abnormalities, connectors, stress and safety before delivering to clients. We have also developed "Quality Improvement Management Procedures" regarding product and software problems identified during project evaluation or other stages as well as complaints from clients on products. The Procedures guide us to find out the reasons behind such problems or complaints, formulate and implement rectification measures on a timely basis. Besides, we also take preventive measures regarding potential problems in order to reduce the chance of product quality problems.

To further manage the quality of our products and services, each year we would set quality targets for the coming year to guide relevant personnel to work according to the requirements and standards. In 2019, all of the quality targets set including 90% of customer satisfaction rate, 100% of complaint handling rate, 100% of successful rate of software development and system integration project have been met.

Since our systems involve frequent and massive data transmissions, we put special attention to the security, to ensure all confidential information including clients' data and financial data are highly protected. We have established "Data Security System" to guide responsible parties to perform comprehensive data protection measures, in order to ensure the normal operations of our systems and preventing our systems from being attacked which will lead to data leakage. Such measures include setting up firewalls and installing anti-virus software, keeping server logs for more than 60 days, establishing a dual-machine hot back-up mechanism with a back-up system that is capable for replacing the core system in view of system failure, setting access rights for server and website, requiring the senior management to approve all information on the website before publishing, as well as enhancing safety education and training to strengthen internet safety awareness among the users.

Response to Clients' Opinions
For the sake of client satisfaction, we collect opinions from clients regarding the projects and our services through "Project Stage Acceptance Report" or "Client Service Record Form". We also handle their complaints in a timely and appropriate manner through "Client Complaint Management Procedures". If our clients have any complaints or opinions, they could raise out through phone call, email, letter, face-to-face or website. We will file them, reflect to relevant departments, inform clients of rectification plan and follow up with clients after the completion of complaint handling so as to address all clients' opinions appropriately.

To further understand clients' opinions, we conduct a satisfaction survey each year by inviting clients from maintenance and development projects to rate on various criteria including technical level of project personnel, smoothness of communications and project status. According to the survey conducted in 2020, the overall satisfaction rate is 92.

Electronic Power Meters and Solutions

The Group is the supplier of electronic power meters and solutions integrating R&D, manufacturing and sales. We are equipped with modern automatic equipment including automatic placement production line, ICT online tester and machine prevision function automatic inspection system, together with Enterprise Resource Planning (ERP) and automatic production information system. We have a number of self-developed electronic meter products, terminals and systems, including single-phase and third-phase electronic power meters, single-phase and third-phase pre-paid electronic power meters, third-phase electronic multi-function power meters, substation acquisition terminal and residential centralised meter reading system etc. Currently, we are certified as National High-tech Enterprise and have been recognised as Hangzhou Information Model Enterprise, Hangzhou Excellent Innovative Enterprise, Hangzhou Top 100 Enterprise, AAA credit-rating Company and other honors. Our products have met relevant national and industrial regulations, including the 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》）.

Being an enterprise with a focus on R&D, we have a team R&D professionals who can develop the latest and excellent electronic power meters to keep abreast of market trends and client demand. During the Reporting Period, we have newly obtained 3 invention patents among a total of 14 effective patents and over 60 software copyright certifications.

Quality and Safety
Ensuring the quality and safety of products has always been our pledge to clients and mission. Our effort can be seen throughout the entire business chain ranging from R&D, goods receipt, manufacturing to after-sales.

R&D

Our R&D process covers 5 stages from concept, planning and design, development and testing, verification to release. We have established "R&D Management System" to regular the procedures and standards of each stage. Our R&D personnel will monitor the status of an R&D project, identify and address existing problems through weekly project reports, regular meetings and temporary meetings. All products are required to pass unit, integration, model and performance tests, to ensure all national and industrial regulations as well as clients' requirements have been met before being put into production.

Goods Receipt

We purchase raw materials and components from suppliers. Since the quality of our products is strongly dependent on these supplies, we would conduct inspection during the goods receipt stage based on the "GB／T2828 Counting and Sampling Inspection Procedures" (《GB／T2828 計數抽樣檢驗程序》) to check the appearance, performance and functions of the supplies. Part of our products will be manufactured by our outsourcing contractors. We would also conduct regular sample check on these products to ensure the production is alright.

Production

We conduct routine and confirmation inspections regarding products certified by China Quality Certification Centre (CQC). Appearances, parameters and relays of products will be inspected. Each year, we also inspect material components such as transformers, relays and chips. Only products that have passed the inspections can be packaged. If any disqualified products are identified, we will separate them from qualified ones and perform rectification measures. We also conduct inspection before product delivery and record the results on "Delivery Inspection Report". The appearances, logos, accuracy, parameters, A/C voltage, packaging and functions of products will be inspected. Only products that have passed the inspections and meet the requirements of relevant laws and regulations, industrial, national and even international standards can be delivered to clients. As for disqualified products, we will conduct investigation and rectification measures.

After-sales

We provide clients with technical analysis report, technical interpretation reports, verification reports, delivery inspection reports, product qualification reports and other relevant documents after sales for record. We also provide all-rounded telephone and on-site support. The product guarantee period is 10 years. In case of any quality problem, we will repair within 10 working days and bear all maintenance costs. If a product is found not to fulfil national or technical requirements, we also arrange free exchange within 15 working days. To improve product quality continuously, we record all quality problems in our product quality database within 3 years after the launch of a product for better follow-up actions.

We have been certified by various authoritative system certifications and product certifications, which cover ISO9001 Quality Management System, National Measurement and Testing System issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, Provincial Standardization Certification, National Metrology Institute of Germany (PTB) certification, KEMA certification of the Netherlands and Measurement Instrument Directive (MID) of the European Union. Through implementing stringent regulations on R&D, manufacturing and inspection, we could ensure the quality and safety of all our products.

Customer Service

It is important to maintain a good customer relationship, in order to promote product quality and business development. We have set up a customer service center in our headquarters to handle all service demands from clients before, during and after sales. Also, we have set up offices in 29 provinces in the PRC and assign professional technicians to provide excellent and timely services for our clients. Clients can raise their enquiries concerning our products and services through 24-hour customer service hotline. We promise to provide response within 1 hour, and follow up on product enquiries that do not require on-site service and verification within 2 hours. If on-site service or repair is required, we also promise to arrive at the site in provincial cities within 4 hours and the site in non-provincial cities within 16 hours.

Each year, we invite clients to participate in our Customer Satisfaction Survey to understand their satisfaction rates concerning product function and quality, technical support and service attitude of customer service personnel. Regarding the survey conducted in 2020, the satisfaction rate in terms of product function, product operation quality, technical support and service attitude of relevant personnel have reached 100%.

Protecting Customer Privacy

Our daily operations involve a large amount of privacy information of clients. In order to protect the interest of our clients and other stakeholders, our operation team promises to handle all privacy information prudently with regard to privacy protection policies and procedures. Employees are forbidden to disclose any client information to third parties without prior consent. We also sign "Confidential Agreement" with business partners, outsourced suppliers or merchants to ensure that client information will not be leaked out.

Protecting Intellectual Property

Due to our business nature, a large amount of R&D data and information of merchants or clients is involved. We understand that intellectual property forms the cornerstone of our operations, and hence we strictly abide by relevant laws and regulations including the Patent Law of the PRC（《中華人民共和國專利法》）and the Copyright Law of the PRC（《中華人民共和國著作權法》）, and apply patents and software copyrights for our R&D achievements.

Advertising and Product Labelling

As a responsible enterprise, we are committed to assisting our clients to make the right choice and protecting their right-to-know and interests through providing accurate and reliable promotions materials and verifying the authenticity of all advertising and promotional materials. At the same time, we guarantee that our businesses comply with laws and regulations including the Advertising Law of the PRC（《中華人民共和國廣告法》）and the Law of the PRC on Protection of Consumer Rights and Interests（《中華人民共和國消費者權益保護法》）.

In terms of product labelling, since Hangzhou PAX and Megahunt are involved in product manufacturing and sales, we would verify the labels on products carefully before delivery to ensure the authenticity and compliance of the content.

Value Created for Environment

Hi Sun Technology has been doing its very best to comply with sustainability principle to address the threats brought by climate change. We have already integrated the ideas of energy conservation, pollution reduction, waste reduction, recycling and optimizing the use of resources into each business segment and daily operations, and implemented a number of environmental protection measures to help promote low-carbon economy. We have complied with relevant environmental laws and regulations during operations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the 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》) and the 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》). During the Reporting Period, we were not aware of any violations of environmental laws and regulations regarding the Group and its subsidiaries.

Promoting Low-carbon Economy

Managing energy consumption and greenhouse gas emissions is undoubtedly the key to tackling climate change. The air and greenhouse gas emissions generated from energy consumption mainly originate from purchased electricity during daily operations and diesel oil and petrol gas used in company vehicles. In view of the deteriorating climate change problem, we understand that it is necessary to take up the responsibility to save energy and reduce emissions. We endeavor to lower the carbon footprint of the group to promote the development of low-carbon economy. Each business segment has already formulated relevant environmental protection systems, guiding its employees to implement various energy conservation and emission reduction measures, including:

Energy Conservation and Emission Reduction Measures

- Advocating planting in office to purify indoor air
- Encouraging employees to take public transport instead of private vehicles
- Using video conferences instead of business trips whenever possible
- Requiring employees to switch off electrical appliances when leaving
- Setting air-conditioning at office at designated temperature to reduce energy consumption
- Prioritising first-level energy labeled appliances
- Placing energy conservation notices to raise employees' awareness in energy conservation

Hi Sun Technology (China) Limited (Stock Code: 818)
Environmental, Social and Governance Report 2020

The Group's energy consumption and air and greenhouse gas ("GHG") emissions data during the Reporting Period and year 2019 are listed below:

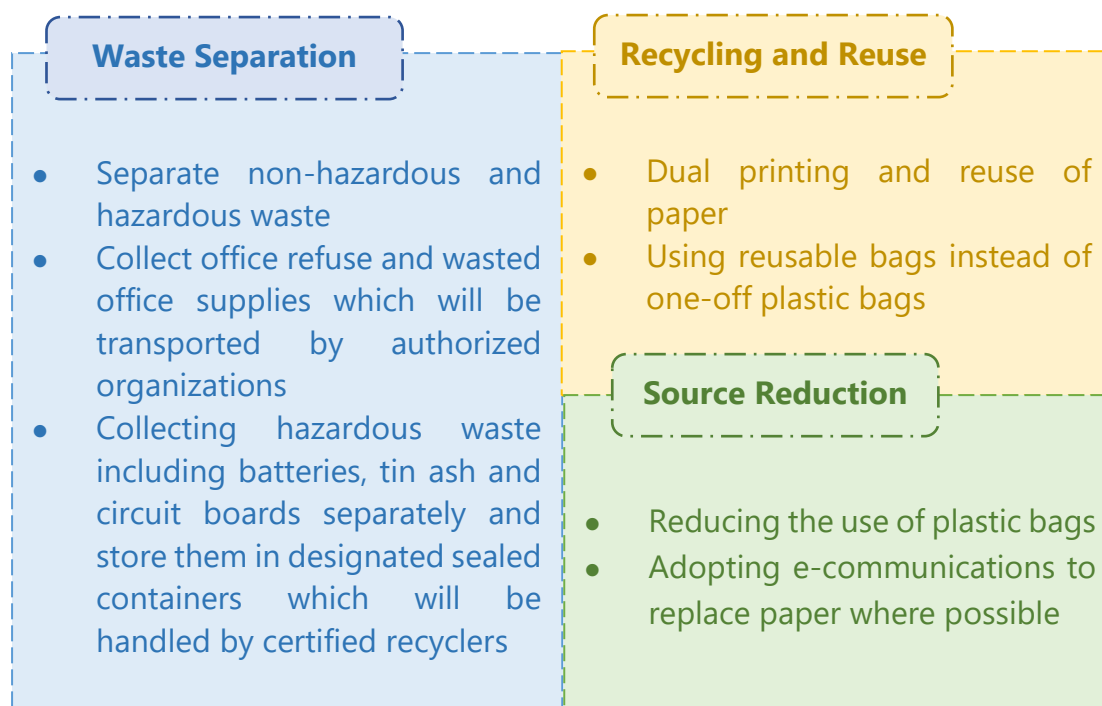|	Unit	2020	2019
Emissions			
Air emissions			
Nitrogen oxides (NOX)	kg	**27.42**	32.41
Sulphur oxides (SOX)	kg	**0.44**	0.57
Particulate matters (PM)	kg	**2.26**	2.65
Total GHG emissions[3]	tonnes of CO_2e	**1666.25**	1,735.03[4]
Direct emissions (Scope 1)	tonnes of CO_2e	**79.43**	102.97
Indirect emissions (Scope 2)	tonnes of CO_2e	**1,586.82**	1,632.06
Total GHG emissions per floor area (Scope 1 & 2)	tonnes of CO_2e/sq. meter	**0.05**	0.07
Energy			
Total energy consumption	MWh	**2,060.50**	2,190.94
Purchased electricity	MWh	**1,788.58**	1,838.10
Diesel oil	MWh	**N/A[5]**	3.31
Unleaded petrol	MWh	**271.92**	349.53
Total energy consumption per floor area	MWh/sq. meter	**58.47**	82.91

Handling Waste Properly

We are striving our best to minimise the impact of our daily operations on the environment by managing and handling waste of the Group properly. Non-hazardous waste including general office refuse, waste paper and office supplies will be generated during daily office operations. Besides, hazardous waste including batteries, tin ash and circuit boards etc. will also be generated in our businesses involving manufacturing. Since non-hazardous and hazardous waste is required to be handled separately, we perform waste emission management through 3 directions, namely waste separation, recycling and reuse as well as source reduction:

[3] According 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.

[4] With reference to the emission factors for Mainland China based operations newly supplemented in "How to prepare an ESG report" published by HKEx, the scope 2 indirect emission in 2019 has been restated.

[5] Since the vehicle of Hangzhou PAX has replaced diesel oil with petrol so there was no consumption of diesel oil during the Reporting Period.

Waste Separation	**Recycling and Reuse**
• Separate non-hazardous and hazardous waste • Collect office refuse and wasted office supplies which will be transported by authorized organizations • Collecting hazardous waste including batteries, tin ash and circuit boards separately and store them in designated sealed containers which will be handled by certified recyclers	• Dual printing and reuse of paper • Using reusable bags instead of one-off plastic bags **Source Reduction** • Reducing the use of plastic bags • Adopting e-communications to replace paper where possible

The following outlines the waste emission data of the Group during the Reporting Period and year 2019:

	Unit	2020	2019
Emissions			
Total hazardous waste generated	tonnes	**0.16**	0.17
Total hazardous waste produced per floor area	g/sq. meter	**4.54**	6.32
Total non-hazardous waste generated[6]	tonnes	**135.32**	23.67[8]
Total waste disposed	tonnes	**132.84**	23.22
Other general refuse[6]	tonnes	**113.74**	15.38[8]
Paper	tonnes	**17.33**	7.84
Wood	tonnes	**1.77**[7]	N/A
Total waste recycled	tonnes	**2.48**	0.45
Paper	tonnes	**2.48**	0.45[8]
Total non-hazardous waste generated per floor area	kg/sq. meter	**3.84**	1.08

---

[6] Due to optimisation of waste data collection method during the Reporting Period, the amount of other general refuse has increased as compared to 2019 to better reflect the actual amount of waste generated.

[7] Wood generated during the Reporting Period came from packaging materials from the transportation of maintenance servers.

[8] Due to adjustment of data collection method of other general refuse, the data of other general refuse and paper in 2019 has been adjusted to reflect the actual amount of waste disposed and recycled.

Optimising the User of Natural Resources

Although the Group's business is not involved in material water consumption, we are dedicated to closely monitoring water consumption in offices and factories to prevent waste of water resources. During the Reporting Period, the Group did not encounter any problem in sourcing water. In the course of our business, we consume packaging materials such as paper boxes and protective materials. The total consumption of water and packaging materials data during the Reporting Period and year 2019 are listed below:

	Unit	2020	2019
Use of Resources			
Total water consumption	m^3	**12,965.82**	14,634.80
Total water consumption per floor area[9]	m^3/sq. meter	**0.85**	0.94
Total packaging material	tonnes	**1.00**	5.00
Paper	tonnes	**1.00**	5.00

We have implemented a number of measures in daily operations to enhance the awareness of water conservation among employees, including deploying dual-flush toilets, strengthening the daily maintenance of faucets, pipes and equipment such as pipes, valves and flush valves, repairing or replacing timely in case of any damage and placing water conservation notices at appropriate locations in office to remind employees to save water resources.

Managing Production Activity

We understand that our manufacturing business will pose certain impact on the environment and natural resources. Therefore, we have implemented stringent management on the procedures of product design, procurement, production and scrapping according to the standards of ISO14001:2015 Environmental Management System in pursuit of sustainable operations, protection of natural resources in the world and preventing production activities from causing material negative impact to the environment.

---

[9] As certain property management companies were not able to provide water consumption records of individual user, the total water consumption does not cover headquarters of VBILL, VBILL Yinqi（銀企 office, VBILL (Beijing) Financial Information Services Ltd. (隨行付（北京）金融信息服務有限公司) and ABS.

Choosing raw materials with less burden on the environment

- Prioritising the use of recycled materials and lead-free solder, and avoiding halogen flame retardants in plastics to create heat-convenient conditions

Easy to disassemble and recycle

- Adopting designs that favor disassembling and recycling during product design stage for the sake of easier recycling during product disposal
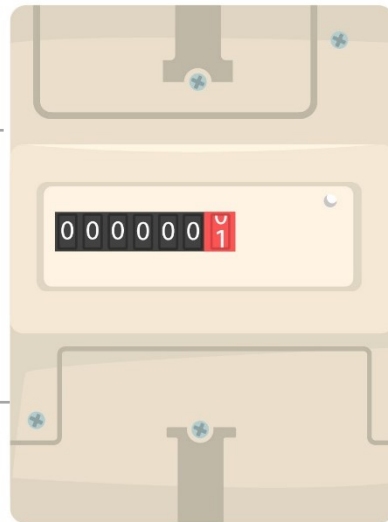
Ensuring compliance of pollution

- Engaging third party to conduct inspection on wastewater, air emissions and noise to ensure the emission concentration complies with the standards of the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the 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》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》) and other requirements to avoid emissions from causing material pollution to the surroundings

Prohibiting the use of hazardous materials

- Requiring raw materials, components and semi-finished products suppliers to sign RoHS agreement, promising that their supplies do not contain any forbidden hazardous chemicals or contain chemicals which concentration does not exceed the regulatory level to prevent our products from causing material pollutions to the environment

Value Created for Community

Hi Sun Technology acknowledges the importance of the trust and support of our stakeholders and general public that contribute to the long-term and sustainable success of the Group's development. As a result, we are dedicated to giving back to society by leading our employees to participate in community activities to give a hand to society physically. This year, we mainly invested in such as epidemic prevention, education aid and publicity of financial knowledge.

Together We Fight the Virus

COVID-19 has been spreading all over the world, causing a big strike to economy, livelihood of the public and medical system. Being a listed company, we acknowledge our responsibility to give a hand to the needy in society and cooperate with medical organisations to fight the virus together. During the Reporting Period, VBILL, together with Peking University Hubei Alumni Association and Peking University Canada Alumni Foundation, donated medical supplies to more than 10 hospitals and relevant medical institutions including Wuhan Seventh Hospital, Huanggang Huimin Hospital (黃岡市惠民醫院) and Wuhan Tongji Hospital (武漢同濟醫院). These supplies include over 100,000 medical masks, protective clothing, isolation masks, protective goggles and tents to support local epidemic prevention work.

Aiding Underprivileged Students

VBILL has been devoted to developing its charity brand, "Good Deed" to take up its corporate social responsibility for over 3 years. Since the establishment, our "Good Deed" volunteer team has attracted a multitude of employees and people from all walks of life to join us in giving a hand and love to the needy. During the Reporting Period, VBILL joined hand with Guangdong Chuying Zhuxue Promotion Association（廣東省雛鷹助學促進會）to organize "Good Deed" community student-aid donation activity by donating school equipment worth RMB100,000 to students in Hebei Chongli Hope Primary School (河北省崇禮區希望小學) including over 200 sets of tables and chairs. Also, we donated 209 warmers and 209 sets of tables and chairs to Hebei Zhangbei County Erquanxiang Central Primary School (河北省張北縣二泉鄉中心小學) and Zhanhaixiang Central Primary School（戰海鄉中心小學）, aiming at improving students' learning environment.
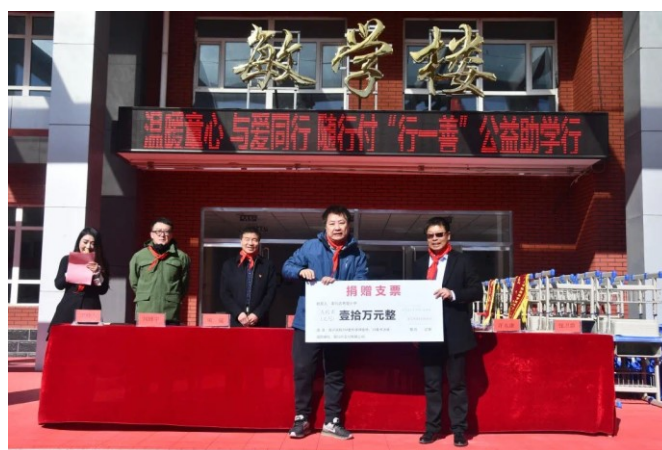
Looking forward, "Good Deed" will continue to promote education sponsorship and targeted poverty alleviation through understanding the needs of children and elderly from remote and poor areas, addressing their difficulties and sending our love to the entire mainland China.

Publicity of Financial Knowledge

Being a pioneer in the payment industry, VBILL has always been doing its very best to publicize knowledge in terms of finance and anti-corruption by investing a lot of resources in organizing multiple finance education activities to raise public awareness in preventing financial risks. During the Reporting Period, we have organised a series of promotional activities with a theme of "Financial Knowledge Publicity Month" through leaflet distribution, face-to-face consultation and placing promotional posters, in the hope that we can enhance public awareness in financial safety and protection of consumer rights.

Environmental, Social and Governance Reporting Guide Index

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Value Created for Environment	P. 46-50
KPI A1.1	The types of emissions and respective emission data.	Value Created for Environment	P. 46-48
KPI A1.2	Greenhouse gas emissions in total and intensity.	Value Created for Environment	P. 46-47
KPI A1.3	Total hazardous waste produced and intensity.	Value Created for Environment	P. 48
KPI A1.4	Total non-hazardous waste produced and intensity.	Value Created for Environment	P. 48
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Value Created for Environment	P. 48, 50
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Value Created for Environment	P. 48, 50

Aspect A2: Use of Resources			
General Disclosure 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.		Value Created for Environment	P. 46-50
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Value Created for Environment	P. 47
KPI A2.2	Water consumption in total and intensity.	Value Created for Environment	P. 49
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Value Created for Environment	P. 46
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Value Created for Environment	P. 49
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	Value Created for Environment	P. 49
Aspect A3: Environmental and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		Managing Production Activity	P. 49-50
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Managing Production Activity	P. 49-50

B. Social			
Employment and Labor Standards			
Aspect B1: Employment			
General Disclosure 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.		Value Created for Employees	P. 19-26
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Overview	P. 19
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed during the Reporting Period	N/A
Aspect B2: Health and Safety			
General Disclosure 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.		Safeguarding Employees' Wellbeing	P. 23-24
KPI B2.1	Number and rate of work-related fatalities.	Safeguarding Employees' Wellbeing	P. 23-24
KPI B2.2	Lost days due to work injury.	Safeguarding Employees' Wellbeing	P. 23-24
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding Employees' Wellbeing	P. 23-24

Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Encourage Employee Development	P. 25-26
KPI B3.1	The percentage of employees trained by gender and employee category.	Encourage Employee Development	P. 25-26
KPI B3.2	The average training hours completed per employee by gender and employee category.	Encourage Employee Development	P. 25-26
Aspect B4: Labor Standards			
General Disclosure 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 labor.		Complying with Labor Standards	P. 22
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Complying with Labor Standards	P. 22
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Complying with Labor Standards	P. 22
Operating Practices			
Aspect B5：Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Partnership	P. 16-18
KPI B5.1	Number of suppliers by geographical region.	Partnership	P. 16
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.	Partnership	P. 16-18

Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Value Created for Customers	P. 27-45
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed during the Reporting Period	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Not disclosed during the Reporting Period	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protecting Intellectual Property	P. 45
KPI B6.4	Description of quality assurance process and recall procedures.	Value Created for Customers	P. 27-44
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Customer Privacy	P. 45
Aspect B7: Anti-Corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Compliant Operations	P. 15-16
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.	Compliant Operations	P. 16
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Compliant Operations	P. 15-16

Community			
Aspect B8: Community Investment			
General Disclosure 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.		Value Created for Community	P. 51-53
KPI B8.1	Focus areas of contribution.	Value Created for Community	P. 51-53
KPI B8.2	Resources contributed to the focus area.	Not disclosed during the Reporting Period	N/A