

高陽科技(中國)有限公司*
HI SUN TECHNOLOGY (CHINA) LIMITED

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with limited liability)

(股份代號 Stock code: 00818)

Environmental, Social and
Governance Report

環境、社會及管治報告 2021



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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” or “We”) is pleased to present its Environmental, Social and Governance Report (this “Report”) for year 2021, for the purpose of reporting our effort on sustainability and our accomplishments in environmental, social and corporate governance in the period from 1 January 2021 to 31 December 2021 (the “Reporting Period”).

Based on the materiality principle, the reporting scope of this Report covers the core businesses of the Group through our key subsidiaries operating in the People’s Republic of China (the “PRC”), as listed below:

- Payment processing solutions - VBILL OPCO (“VBILL”);
- Fintech solutions and services - 南昌隨行付網絡小額貸款有限公司 (unofficial English translation being Nanchang VBill Internet Micro-Credit Co. Ltd.) (“Nanchang VBill”) and 北京隨行付商業保理有限公司 (unofficial English translation being Beijing VBill Commercial Factoring Co. Ltd.) (“Commercial Factoring”);
- Information security chips and solutions - Megahunt Microelectronics Technology Inc. (“Megahunt”);
- Platform operation solutions - Hunan Hisun Mobile Pay IT Limited (“Hunan Hisun”);
- Financial solutions - Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”); and
- Others - Hangzhou PAX Electronic Technology Limited (“Hangzhou PAX”).

The coverage of the Report will be reviewed on an annual basis. To improve management efficiency and effectiveness, in the first half of 2021, the Group separated “fintech solutions and services” from the “payment processing solutions” segment, while electronic power meters and solutions is no longer separately disclosed in management reporting. However, the scope of business coverage has not been changed as compared with the previous environmental, social and governance (“ESG”) report.

Reporting Standards

This Report is prepared in accordance with the “mandatory disclosure requirements” and “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) in Appendix 27 to the rules governing the listing of securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”). For guidance on the “comply or explain” approach, reference can be made to the “Corporate Governance Code” and “Corporate Governance Report” set out in Appendix 14 to the Listing Rules.

Reporting Principles

This Report applies the four reporting principles set out in the ESG Guide of the HKEx, to ensure that the content of this Report is of material, quantitative, balance and consistency, and significant issues on sustainability are covered.

Principle	Definition	The Group’s Response
Materiality	This Report should cover issues in the aspects of environment, corporate governance and society that have significant impacts on the Group and its stakeholders, and report the significance of impacts to investors and other stakeholders.	We maintain good communication with internal and external stakeholders to understand their expectations on our performance in sustainability through different channels. Material issues are identified and assessed based on the feedback from stakeholders which is analysed and evaluated by the management in order to ensure that they were sufficiently important to our stakeholders.
Quantitative	This Report should disclose the data or comparative data of the Group's historical key performance indicators (“KPI”), and calculate the relevant data in a quantitative manner.	We set out quantitative environmental and social KPIs in this Report for comparison with historical data, enabling stakeholders to have a better understanding of our sustainability performance.

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Balance	This Report should provide an unbiased and objective description of the performance of the Group and the challenges it faces, for the purpose of presenting the overall sustainable development of the Group.	We identify issues that have material impacts to our major businesses, and make comprehensive disclosure on the related accomplishments, challenges and room for improvement in this Report.
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Consistency	The Group should use methods consistent with the previous year to prepare this Report and to allow meaningful comparison of relevant data, thereby understanding its business performance. .	Consistent reporting and data calculation methods are adopted in preparing this Report to allow meaningful comparison over time, and year-to-year comparison of relevant key performance data is included in this Report.
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Data Collection Method

The information cited in this Report is extracted from the official documents and statistical data of the Group. The Board of Directors (the "Board") of Hi Sun Technology has reviewed and approved this Report in March 2022.

Access to This Report

This Report is available in both Chinese and English versions on the websites of Hi Sun Technology and the HKEx. The Chinese version shall prevail in case of any discrepancies between the Chinese and English versions.

Feedback

The Group values stakeholders' views on sustainability. Therefore, we actively listen to our stakeholders and understand their concerns and expectations, to constantly promote the sustainable development and business development of the Group.

Should you have any opinions or recommendations towards this Report and the Group's sustainability performance, you are welcomed to provide your valuable suggestions to us through email at ir@hisun.com.hk.

About Hi Sun Technology

Business Overview

Hi Sun Technology and its major subsidiaries are principally engaged in various businesses, including provision of payment processing solutions, provision of fintech solutions and services, sales of information security chips and solutions, provision of platform operation solutions and provision of financial solutions and others, and committed to providing comprehensive payment solutions, system support, application development and terminal supply services to customers including merchants, banks, financial institutions, telecommunication operators and payment industry chain.

In response to our continuous business development and to improve management efficiency and effectiveness, we have changed the presentation method of the financial reporting this year by splitting the Fintech solutions and services segment from the Payment processing solutions segment, while electronic power meters and solutions segment are no longer separately disclosed. Customers are thus able to obtain the latest and accurate dynamic information in the market.

Below shows the summary and latest development of our Group's businesses:



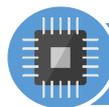
Payment Processing Solutions

- Introducing over 1,000 software-as-a-service ("SaaS") service providers to build a smart and open payment transaction platform
- Launching a number of innovative technology products or solutions for offline small and micro merchants to maintain market competitiveness and improve their operational efficiency and effectiveness



Fintech Solutions and Services

- Working closely with over 14 banks, and serving a total of 2,860 suppliers
- Focusing on providing micro-lending, supply chain financing, factoring business, credit assessment services and related products and solutions for big banks, core enterprise suppliers, corporate financial platforms, and bill-holding enterprises



Information Security Chips and Solutions

- Providing safe and reliable security chips and payment security solutions for point-of-sales (“POS”) payment terminals and various payment scenarios by leveraging and diversified smart technologies



Platform Operation Solutions

- Closely cooperating with telecommunications, payment and e-commerce industries and offering effective and high-quality technical products and reliable operation services and solutions
- Providing supporting services for three projects, including new product development, systems maintenance, and business operation support, for Interactive Voice Response (the “IVR”) Base of China Mobile Fintech (“China Mobile”) and Animation Base



Financial Solutions

- Engaging with the advancement of the downshift process of our business system and the tools needed in the downshift process by leveraging our deep-rooted advantages in core banking system to cater the market demand
- Supporting the product research and development of the cross-border financial management plans to develop efficient and useful products and solutions



Others

- Owning modernised production line and smart monitoring system, and providing unique and high-quality products and solutions
- Actively following up research and construction work of the latest national standard specification for electronic power meters of the State Grid Power Research Institute

Awards, Honours, Certifications, Participating Organisations and Recognitions

The Group is dedicated to fulfilling its corporate social responsibility, and maximum value is achieved with the cooperation of our various business segments with our strategies on sustainability. In addition to business qualification and technology certification, our effort and achievement in sustainability during the Reporting Period, including social contribution, environmental protection, caring for employees, product responsibility and community contribution, have also been widely recognised by various sectors and won a number of relevant awards and certifications. In the future, we will remain committed to the principle of sustainability, and our teams in each business segment will, on best effort basis, to make contribution to our future business development and the interests of stakeholders.

Business Qualifications

China UnionPay

- Premier Partner Award - VBILL

Relang Finance, Pay Baike, ShowFi Think Tank, TOP100

- Top 10 Bank Card Acquirers in 2020 – VBILL

Hunan Software Industry Association

- Software and Information Technology Service Industry in Hunan Province in 2021 – Hunan Hisun

Society

China Times

- Social Responsibility Model Enterprise in 2021 – VBILL

Chinese Yanhuang Culture Research Association

- The Vice-chairman Unit of the Corporate Culture Work Committee – VBILL

School of International Studies, Peking University

- Letter of Appreciation for Donation from "Center for Chinese & Global Affairs" – VBILL

Hunan Enterprise of Keeping Promise Honouring Contracts Association

- Hunan Enterprise of Keeping Promise Honouring Contracts in 2020 – Hunan Hisun

Technology Certifications

Beijing Municipal Science & Technology Commission

- Certificate from Beijing Municipal Enterprise – Science and Technology Research and Development Institute – VBILL
- Technology Certification for Payment Service Facilities of Non-bank Payment Institutions – VBILL

Payment Card Industry Security Standards Council

- Payment Card Industry Data Security Standard ("PCI DSS") – VBILL

Sustainability Strategy

Sustainability Overview

Environmental Protection

- Set environmental targets and review progress in due course
- Discussed climate change issues with stakeholders via online platform
- Arranged employees to participate in environmental training seminars to enhance environmental awareness
- Total non-hazardous waste decreased by 70% as compared to last year

Caring for employees

- Male and female staff ratio: 1.57:1
- Average training hours per staff in 2021: over 4.8 hours
- Work fatality rate in 2021: 0%
- Organized various activities for employees to promote work-life balance

Product Responsibility

- Payment processing solutions: obtained 5 software copyright certifications
- Fintech solutions and services: served 2,860 suppliers
- Information security chips and solutions customer: satisfaction rate reached 100%
- Platform operation solutions: obtained 5 software copyright certifications
- Financial solutions: obtained 2 software copyright certifications
- Electronic power meter business under the business segment of "Others": obtained 3 invention patents

Community Contribution

- Donated over RMB1.6 million to non-governmental organisations, social welfare organisations and tertiary institutions
- Participated in environmental protection activities in community and disseminate information about waste disposal to the public
- Focused on nurturing young talents and offered support for the development of youth education
- Promoted and raised public awareness of traditional history and culture

Sustainability Governance and Structure

Good sustainability governance lays foundation to the long-term development of the Group. The Board is responsible for overseeing our ESG issues, including potential risks and opportunities that may be posed to the Group's businesses and determine control or mitigating measures to systematically reduce such risks to an acceptable level.

A top-down approach is adopted in the sustainability governance and structure of the Group, where the Board, as the highest governing body, is responsible for formulating, supervising and approving the Group's ESG policies, work plans, strategies, targets, performance and reports. To achieve effective ESG management, the ESG matters have been included regularly into the agenda of Board meetings. The Risk Management Committee, under the leadership and guidance of the Board, will assess and manage the impact and opportunities arising from the significant risks on ESG issues and ensure the Group's ESG risk management and policies are implemented effectively, and report to the Board on a regular basis.

Headquartered in Hong Kong, the Company has assigned personnel to coordinate with different business units to carry out work plans on sustainability and regularly report the implementation status and progress of each business unit. The Board and the Risk Management Committee will then review and revise the current ESG management approach and strategies regularly.

The Group will also listen to and understand stakeholders' opinions on our ESG performance via various communication channels, which could allow us to identify sustainability issues that are of greatest concern to stakeholders. The Board will review such significant issues and provide guidance to the Group for improving its sustainable development.

The Board oversees our ESG issues, evaluates the sustainability performance and monitors and regularly reviews the implementation progress made towards its ESG-related goals and targets. The Board promotes two-way communication to encourage employees of various business segments to express their opinions, and review the areas for improvement in sustainability, in order to create long-term benefits for stakeholders. For details of the corporate governance of the Group, please refer to the section headed "Corporate Governance Report" in the 2021 Annual Report of the Group.

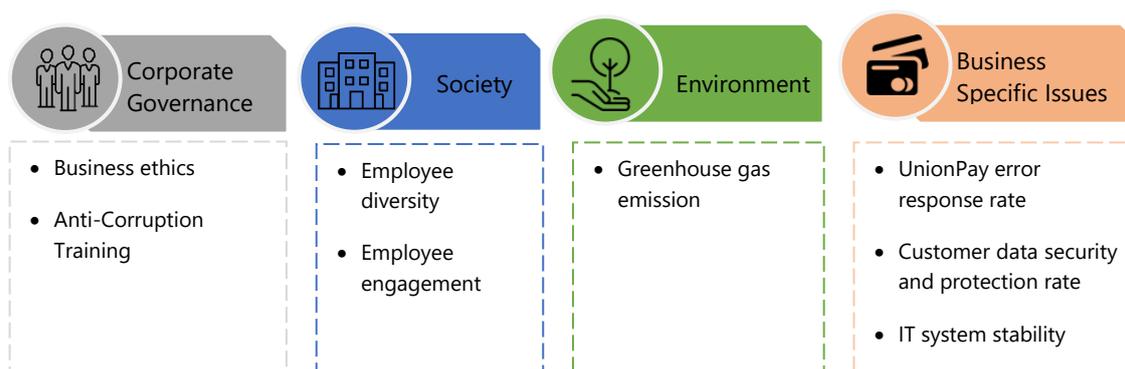
Sustainability Policy and Strategy

The Group regards sustainability as an integral part of achieving long-term and stable business development. We therefore maintain our commitment to sustainability and have 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 also see sustainability as the core of our operations and consistently apply it to our employees, customers, environment and community, and fully incorporate it into our daily operations, the four core principles and related commitments. In the future, we will continue to review our sustainability policies and measures and strengthen the Board's ability to monitor sustainability trends, risks and opportunities, as well as integrate the concept of sustainability into daily business operations to create sustainable value for stakeholders.



In addition, the Group has been closely monitoring the trend of sustainable investment strategies. To promote responsible investment, the Group brought in private investment funds under EQT from 2019. EQT is a European investment agency, which aims to promote sustainable development among enterprises, and actively invests in enterprises that bring positive impact on society and supports enterprises to implement the United Nations Sustainable Development Goals (“UNSDGs”).

We, in compliance with the Responsible Investment and Ownership Policy formulated by EQT, have annually reported the ESG measures and performance to EQT, for instance, observing the principles set out in the United Nations Global Compact (“UNGC”), formulating sustainability code or policy, and managing major sustainability risks and opportunities. We also present our performance based on core key performance indicators (“KPI”) of EQT and report specific KPIs for the payment industry, including its KPI value, target value, year of target achievement, and current progress towards target. The KPIs we reported are shown in the figure below:

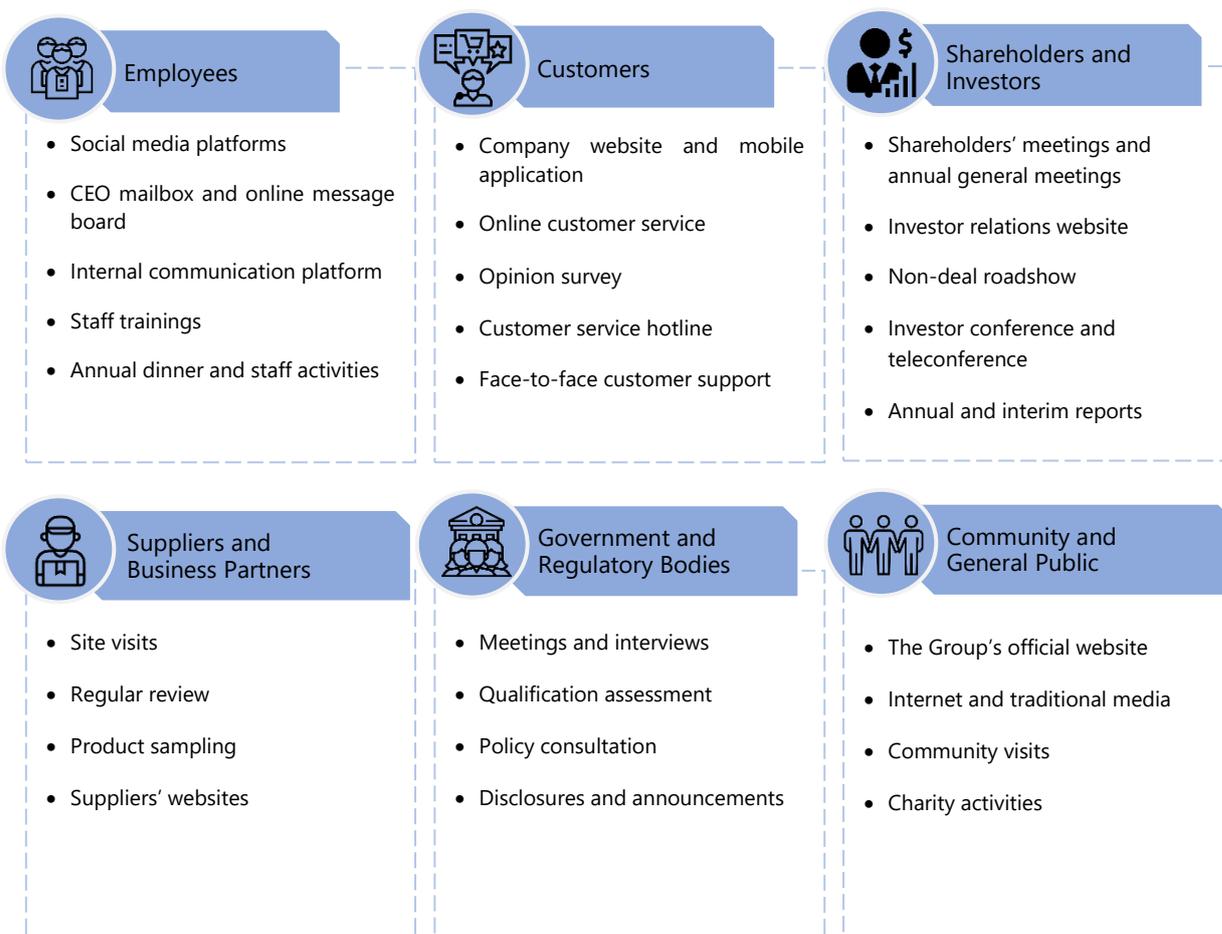


We are devoted to improving our ESG performance and continue to promote a culture of responsible investment and sustainable development with EQT and other enterprises.

Stakeholder Engagement

We believe that maintaining communication with our stakeholders allows us to understand their expectations of our sustainability performance. As such, we formulate relevant business strategies and improve operational efficiency to satisfy the expectations of our stakeholders and achieve sustainable business development.

In this regard, the Group has established various communication channels (as illustrated below) over years and invited different group of stakeholders which are divided into 6 categories, including employees, customers, shareholders and investors, suppliers and business partners, government and regulatory bodies, as well as community and general public, to express their opinions. 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. We will continue to listen to the views of stakeholders with an open attitude, and review and adopt their suggestions in due course.



Materiality Assessment

Apart from the regular communication with stakeholders through the above communication channels, we appointed an independent consultant to conduct materiality assessment during the Reporting Period, by inviting internal and external stakeholders to complete online questionnaire to rate different ESG issues in terms of their materiality. We analysed the feedback with reference to the management's opinions to evaluate issues that are material to the Group, so that we could timely adjust and prioritize our sustainability strategies and measures to better manage the material ESG issue.

In conducting the materiality assessment, we have taken the following three steps:



Step 1: Identify relevant ESG issues

- A total of 33 ESG issues (with 4 new issues when compared with year 2020) that are considered relatively material to the Group were identified during the Reporting Period based on the Listing Rules, prior results of stakeholder engagement, major industry trends and daily operations



Step 2: Evaluate and prioritize material ESG-related issues and stakeholder engagement

- Inviting stakeholders to complete online questionnaire conducted by an independent consultant commissioned by the Group to rate the materiality of 33 identified ESG issues of the Group
- Conducting evaluation based on the results of questionnaire and with reference to the opinions of management and present the results in the form of the materiality matrix

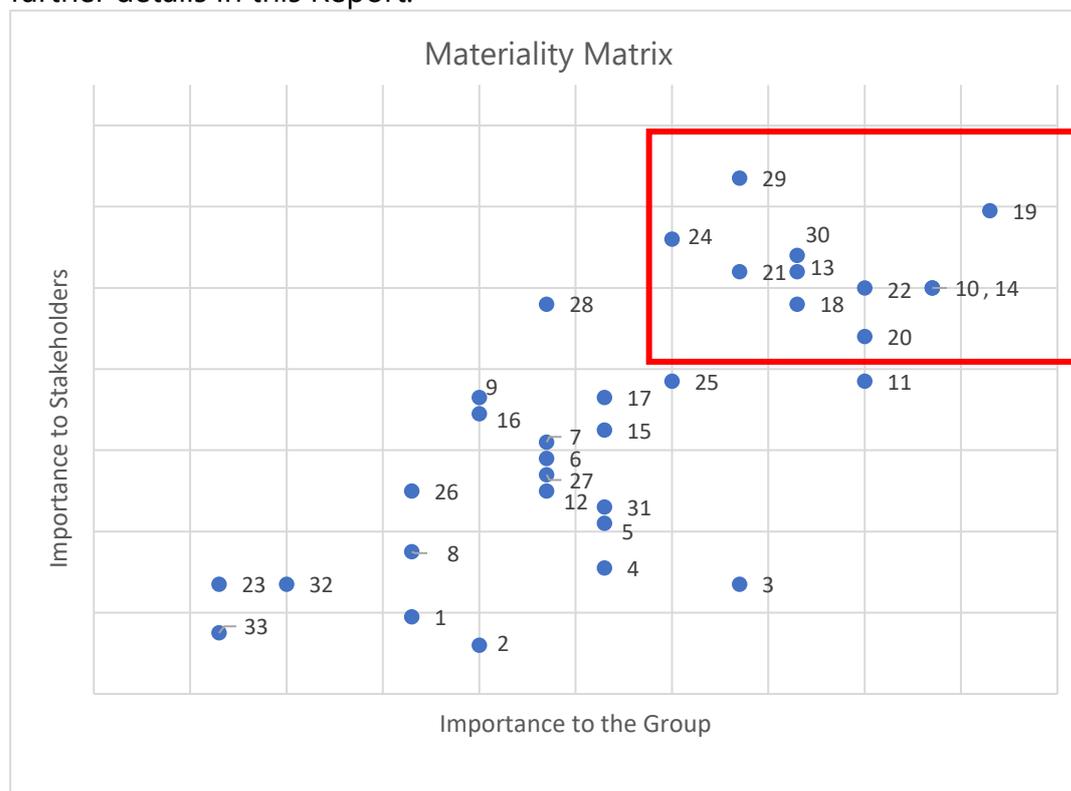


Step 3: Review the results

- Reviewing, assessing and determining the materiality matrix by the Board

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The matrix below shows the materiality of these 33 ESG issues, where the issues that are most concerned by stakeholders and the Group are shown at the top right corner, while those that are less concerned by stakeholders and the Group are shown at the bottom left corner. We have identified 11 issues that are most significant to the Group's business and stakeholders, which will be addressed in further details in this Report.



Environmental Protection and Green Operations	Corporate Governance	Customer Protection	Employee Rights	Community Investment
1. Climate change	10. Fair operation and fair competition	19. Reliable products and services	25. Employee relations and communications	32. Participation of voluntary activities
2. Greenhouse gas emissions	11. Anti-fraud and anti-corruption	20. Compliance of products and services	26. Participation of leisure activities	33. Charitable donations
3. Air emissions	12. Anti-Corruption training	21. Internet data and system safety	27. Anti-discrimination and equal rights	
4. Wastewater emissions and handling	13. Intellectual property protection	22. Data and privacy protection	28. Occupational health and safety	
5. Recycling and renewable energy	14. Compliance with laws and regulations	23. Advertising and promotion	29. Employee benefits and compensation	
6. Energy conservation	15. Supplier management	24. Customer satisfaction and complaint handling	30. Training and development	
7. Use of resources	16. Suppliers' environmental and social risk management		31. Child and forced labour	
8. Waste handling	17. Disaster contingency plan			
9. Green procurement	18. Epidemic prevention and control			

Sustainability Risk Assessment

The Group believes that a systematic assessment of business sustainability risks is critical to our long-term business development. As such, the Group, through the Risk Management Committee, reviews its risk management system, internal control system and content of ESG reports. To ensure that the Board is aware of the sustainability risks and opportunities, we also set up an internal communication mechanism and report such risks and opportunities to the Board. We proactively monitor and review the overall business, with reference to the prevailing Listing Rules, current and prior assessments and results of stakeholder engagement, industry updates and market developments, to identify, assess and control the potential ESG risks in our operation and take timely measures to minimise the impact on our daily operations, thereby bringing long-term benefits to stakeholders. For details of the measures addressing the ESG risks, please refer to other sections in this Report.

Corporate Governance

Maintaining Business Integrity

The Group attaches great importance to business ethics and workplace integrity, and creates a corporate culture with trustworthiness and honesty. We strictly comply with the relevant laws and regulations such as 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) and adopt an attitude of zero tolerance towards unethical business practices in any forms, including corruption, bribery, extortion, fraud and money laundering.

The Group is committed to maintaining good corporate governance and has formulated a series of anti-corruption policies and systems in each business segment, requiring all business units and employees to uphold the strictest standard of business ethics when handling transactions to prevent corruption and other illegal activities including transfer of benefits and fraud. To curb money laundering and terrorist financing related activities, in addition to strict 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) by the Group, VBILL has implemented the Anti-money Laundering and Terrorist Financing Internal Control Policy (反洗錢和反恐怖融資內部控制制度) and set up an anti-money laundering working group, guiding its employees to take a series of measures, including examining client information, regularly investigating suspicious transactions and reporting any non-compliance, in an attempt to reduce the risks of money laundering and terrorist financing and safeguard the interests of the Group.

We also place strong emphasis on the business conduct of its employees and business partners. A comprehensive whistleblowing system is in place, encouraging employees and business partners to report to our management on any suspicious case of corruption or other forms of illegal acts. Active follow-up action and investigation will be conducted upon receipt of reports. We will make timely rectification in a professional manner and issue warning to or dismiss, or take legal action (as necessary) against, employees or business partners violating regulations according to the severity of the incident. Random inspections on compliance will be conducted from time to time to monitor and strengthen our risk management and corporate governance.

To raise anti-corruption awareness, we proactively carry out relevant anti-corruption education and training. In addition to the orientation training covering anti-corruption and business ethics for new employees, anti-corruption training or information on business ethics, anti-corruption, anti-fraud, and anti-money laundering is also provided to our employees, including directors, to instil them knowledge on the prevention of corruption and other irregularities and ensure they have a clear understanding of the requirements of the Group on integrity.

During the Reporting Period, the Group was not aware of any confirmed lawsuits related to corruption, bribery, extortion, fraud and money laundering brought against the Group or its employees.

Building a Sustainable Supply Chain

The Group pays close attention to its impact on the society and environment during its operations and procurement process, and is committed to the practice of sustainable development. Likewise, our suppliers and other business partners are anticipated to manage their environmental and social risks in a responsible manner and bring positive impacts to the supply chain. We also actively maintain good and long-term relationships with suppliers to secure quality and reliable services and products for our major businesses.

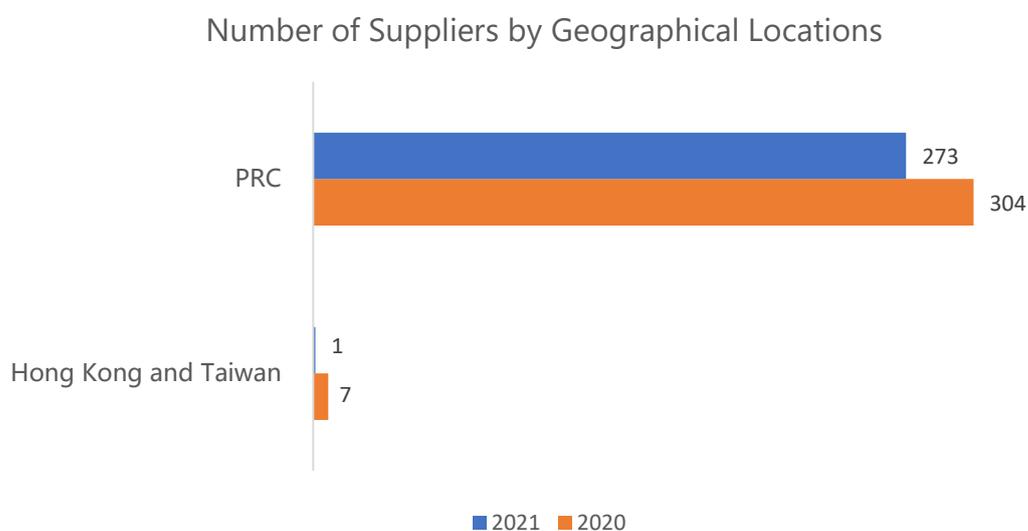
To ensure that the quality of products and services meet the highest standards of customers' health and safety, a series of internal practices for engaging suppliers and managing all suppliers have been developed, which cover the selection of new suppliers, product inspection, evaluation of existing suppliers and review of suppliers which do not meet our standards. In purchasing materials or services, strict evaluation of potential suppliers will be conducted, in which the scale, qualification, product condition, pricing level, supply capacity and research and development capability of the suppliers will be considered. In terms of existing suppliers, we will assess their manufacturing capacity, production safety, price adjustment level, product inspection, after-sales services, timeliness of delivery and rectification of complaints. With regard to the businesses involving manufacturing and sales of products, sampling tests on products supplied by our outsourced suppliers will be undergone to ensure product quality. However, suppliers who are rated as unsatisfactory in the evaluation process will be informed and required to propose improvement plans. We will continuously monitor the entire improvement process, and may terminate the relationship with suppliers who fail to correct and improve their performance within specified deadlines, to reduce risks throughout the supply chain.

In addition, we attach importance to the suppliers' performance on society and environment protection. The Group has therefore formulated the "Suppliers' Code of Conduct" to make sure that the suppliers are aware of our expectation on respecting human rights, protecting the environment, occupational safety and health and anti-corruption, further regulating the ethical business conduct of suppliers and their performance on sustainable development. The Suppliers' Code of Conduct underlines the following five expectations, among others: 1) complying with labour requirements of the place of operation; 2) eliminating of all forms of child and forced labour; 3) providing safe and clean workplace for employees; 4) disposing waste in compliance with local and industry regulations; and 5) forbidding all sorts of illegal acts such as corruption and bribery.

The environmental performance of suppliers is critical to the Group's supply chain risk management, especially in the business involving the manufacture and sale of products. Hangzhou PAX has established the "Green Procurement Guidelines", where the environmental performance of suppliers will be assessed based on the principle of "reduced environmental burden" in selecting suppliers, including attainment of ISO 14001 Environmental Management System Certification, passing of the Restriction of Hazardous Substances ("RoHS") environmental system audit, environmental compliance, and use of resource. It aims to ensure that suppliers manage their environmental risks in a responsible manner and achieve a green supply chain.

Besides, Megahunt performs environmental assessments in selecting suppliers. In addition to environmental management systems, Megahunt will also examine whether suppliers have implemented green measures, for instance, restricting the use of hazardous substances, performing tests for hazardous substances in raw materials and products, as well as the ways to prevent environmental pollution, in order to ensure that the products provided by suppliers meet the strict requirements for environmental protection of the Group.

To combat climate change, the Group is committed to reducing the environmental footprint arising from transportation. Suppliers in neighbouring regions of our operation are preferred to avoid carbon emissions from transportation, especially air transport. We also promote environmentally preferable products and services when selecting suppliers such as prioritizing local procurement to reduce carbon footprint from transportation. During the Reporting Period, the Group engaged 274 suppliers, of which 99.6% were located in the PRC, bringing a significant impact on reducing our carbon footprint resulting from transportation. The following shows the distribution of our suppliers by geographical locations¹:



¹ Due to the adjustment of the reporting scope during the Reporting Period, the business of VBILL (Beijing) Financial Information Services Ltd. (隨行付(北京)金融信息服務有限公司) ("VBILL (Beijing) Financial") accounted for a small proportion of the business segment during the Reporting Period, such that the geographical distribution data of the suppliers of VBILL (Beijing) Financial will not be included this year. Therefore, the statistic of two years cannot be compared directly.

Value Created for Employees

The Group values all employees. We not only strictly comply with all applicable labour-related laws and regulations related to remuneration and benefits, employment and recruitment, development and promotion, working hours and overtime, holidays and rest periods, equal opportunity, diversity, anti-discrimination, other treatment, welfare, dismissal and compensation, 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). We have also developed corresponding measures to create a work environment favourable for employee development, featuring harmony, health and safety. 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

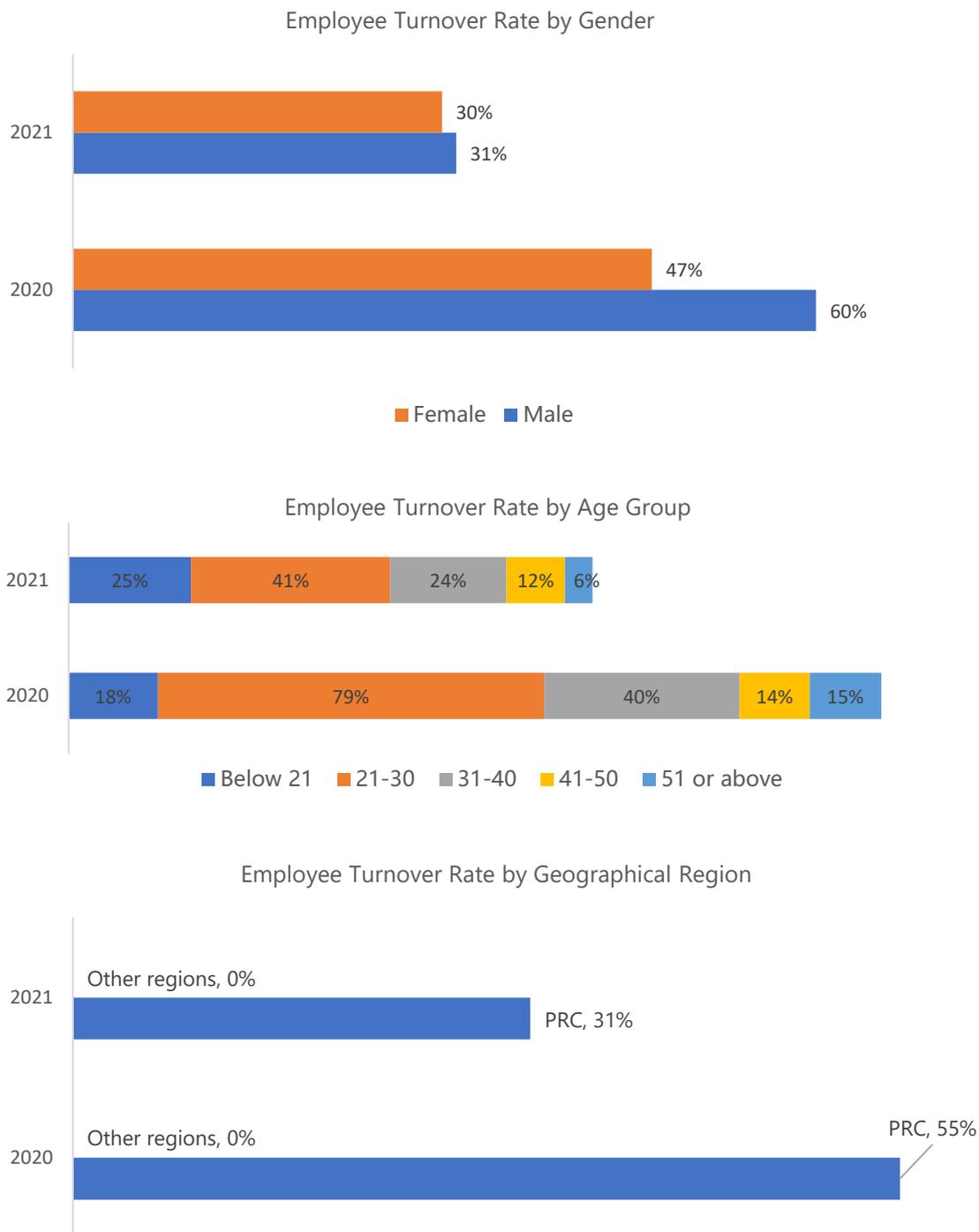
As of 31 December 2021, the Group employed a total of 2,759 full-time employees in the PRC and Hong Kong, from various business segments. The following sets out the total number of employees by gender, employment type, age group and geographical region:

	2021 ²	2020
By gender		
Male	1,684	1,511
Female	1,075	964
By age group		
Below 21	14	13
21 - 30	1,259	1,129
31 - 40	1,155	1,036
41 - 50	259	232
51 or above	72	65
By employment type		
Senior management	77	2,116
Middle management	323	290
General and technical staff	2,359	69
By geographical region		
PRC	2,736	2,452
Hong Kong	23	23

² It covers the employee data of the Group's major business segments in PRC and the Hong Kong office.

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The following sets out the employee turnover rate by gender, age group and geographical region³:

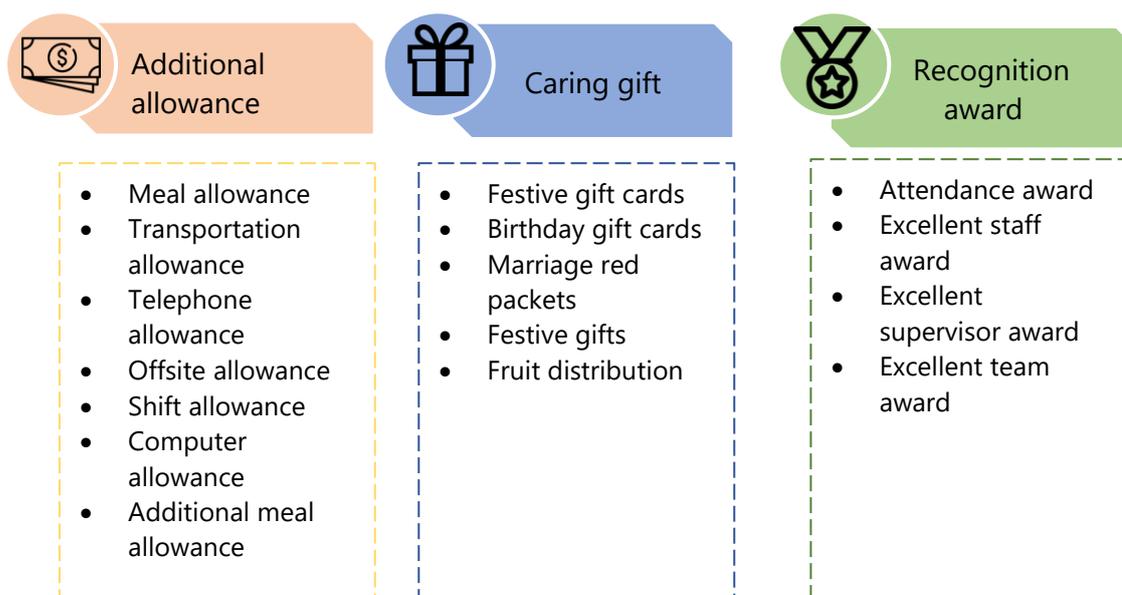


³ Due to the adjustment of the reporting scope during the Reporting Period as explained in note 1 of p. 22, the statistic of two years cannot be compared directly.

Attracting and Retaining Talents

The Group has been committed to the "people-oriented" principle and regards employees as the key to sustainable business development. Therefore, our talent recruitment channels include internal transfer, internal referral, recruitment fair, online recruitment, etc.. We provide competitive and attractive remuneration and welfare packages to employees, and conduct regular review of and adjustments on remuneration packages to keep up with labour market trend. In addition, 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 various paid leave, such as annual leave, marriage leave, maternity leave, bereavement leave, paternity leave and breastfeeding leave, etc.. Meanwhile, our employees across the various business segments also enjoy various benefits, such as implementation of a series of subsidies to promote a friendly working culture of mutual assistance, giving festive and birthday gifts to express care for employees, distribution of fruits to advocate healthy diet, and launching excellent staff award to motivate employees to make continuous improvements, etc., in a view to create a better and harmonious working environment.



We pay attention to work-life balance for the staff, and continue to organise various company-level and employee-level events on a regular basis, including annual dinner, staff birthday parties, holiday celebrations, team building activities, ball sports competitions, etc., to help employees develop their interests and promote a healthy lifestyle.

Holding puzzle games and competitions to enable employees to enjoy the harmonious atmosphere of the Mid-Autumn Festival



Decorating the office into a "fair" where employees can enjoy the fun of homemade marshmallows

Organising several sport competitions, by which employees can get relaxed with their work partners during breaks or after work, and keep fit



Exciting team building activities help employees cultivate teamwork spirit and strengthen mutual trust in the team

Furthermore, building trust and constant communication with employees is key to retaining talent and supporting sustainable business development. Employees have been encouraged to express their opinions or submit suggestions through various communication channels, including email, bulletin boards, intranet message board and employee publications. A "CEO's mailbox" has also been set up to create a greater spirit of open dialogue, allowing employees to have the opportunity to communicate directly with the management. We listen to our employees and carefully consider their opinions, deal with and follow up with relevant issues in a timely manner, in the hope to create a positive and harmonious working environment.

Building an Inclusive Workplace

The Group acknowledges the importance of diversity and inclusion, and actively fosters a diverse and positive team by advocating equal opportunity. We adhere to the principle of equal opportunity in labour-related matters such as recruitment, determination of remunerations, promotion and training opportunities, and provide equal opportunities to all employees. Any discrimination act against employees shall not be allowed for any reason, including gender, sexual orientation, age, marital and family status, pregnancy, disability, race, nationality and religion.

We respect and defend human rights, and strictly prohibit any child or forced labour. We comply with labour standards, and labour arrangement concerning working hours, rest periods, overtime work arrangement, leave and dismissal are clearly specified in our Employee Handbook and Human Resources Policies, to ensure that employees enjoy sufficient rest days, while avoiding excessive or forced labour, thus protecting their rights and interests. In order to ensure compliance with laws and regulations including but not limited to the Labour Law of the PRC (中華人民共和國勞動法) and the Regulations on Prohibition of Child Labour (禁止使用童工規定). during the recruitment process, our Human Resources Department would conduct detailed verification of the application information of candidates, including but not limited to age and employment information, and require them to produce valid identity documents to avoid any child or forced labour. We will immediately implement remedial measures in case any child labour under the legal working age or forced labour is discovered at the operating site, who will be promptly terminated from working and escorted from the workplace. We will also investigate and implement corrective plans to ensure that the loopholes are plugged, thus effectively reducing operational risks. During the Reporting Period, the Group was not aware of any child or forced labour.

The disabled are welcomed to be part of our team to ensure that they can integrate into the team and build a workplace culture of diversity and mutual respect.

Safeguarding Employees' Health and Safety

The Group actively undertakes the responsibility of an employer to provide a safe and harmless working environment for its employees, so as to protect their health and wellbeing. To this end, the Group has not only strictly complied with the relevant laws and regulations including but not limited to the Labour Law of the PRC (中華人民共和國勞動法) and Law of the PRC on Occupational Disease Prevention and Control (中華人民共和國職業病防治法), but also established an occupational health and safety management system in Hangzhou PAX and Hunan Hisun, which has obtained the OHSAS18001: 2007 certifications. Under such international management system, we adhere to strict safety standards and formulate strict safety management manuals and measures to reduce and eliminate risks of occupational injury, thus ensuring that employees work in a safe environment. In order to improve employees' awareness in occupational health and safety, we regularly hold health lectures and safety training for them, and formulate safety systems and emergency contingency plans related to production procedures to strengthen employees' responses to safe operations and emergencies and consciousness of procedures. In addition, the Group remains vigilant in potential hazards at workplace and has implemented a series of occupational health and safety measures, and assigned delegated staff in major businesses to monitor the measures implemented and reduce the risk of occupational injury:



Safeguarding Employees' Health

- Arrange regular health check for employees to monitor their wellbeing
- Purchase additional medical insurance to employees to satisfy their medical and healthcare needs
- Cooperate with a gymnasium and subsidise employees to allow employees' access to designated gym rooms for fitness equipment to improve their physical and mental health



Safety Supervision

- Conduct fire drills and regular inspections on a regular basis, to ensure all firefighting equipment is well maintained
- 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 and reduce accidents
- Conduct power crisis identifications, 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

During the Reporting Period, the Group recorded 3 lost days due to work injuries. In light of the above, we promptly took corresponding measures to provide the employee involved with appropriate care, and assist such employee resume work as soon as practicable, and also conducted a detailed investigation into the accident to avoid the recurrence of similar incidents, so as to protect the health and safety of employees. At the same time, we have recorded no work-related fatalities in each of the past three years (including the Reporting Period). During the Reporting Period, we were not aware of any material non-compliance with laws and regulations related to providing a safe working environment and protecting employees from occupational hazards.

Response to the Risk of Novel Coronavirus Infection

In the past two years, the coronavirus disease 2019 (the "COVID-19") outbreak has exerted ongoing effects on the locations where we operate and places around the world. Despite such severe challenge, the Group is well prepared to review and update existing epidemic prevention measures in response to the latest developments in the epidemic, allowing us to minimise the chance of our employees infecting with the virus.

In the business segment, we not only conduct comprehensive disinfection and temperature checks for employees, but also implement a number of safety measures to fight the COVID-19 epidemic together with employees.

- Maintain good communications: provide staff with new epidemic prevention regulations and clear guidelines, including testing and quarantine requirements, vaccination guidelines, and business travel notification measures, etc., to reduce the infection risk of staff. We also update employees with the epidemic developments, relevant government regulations and epidemic prevention information through various channels, such as the establishment of an internal "Epidemic Prevention Working Group" and preparation of promotional videos, posters and WeChat articles, to raise employees' awareness.
- Take preventive measures: educate employees to check body temperature before work, wear face masks in the office area and upon customer contacting to prevent spread of virus. Regularly sanitise office area and public area to maintain hygiene. Purchase and stock epidemic prevention materials such as disinfectant, alcohol, masks, waterless hand sanitizers, thermometers and gloves etc.. Designate a take-away and delivery station at office entrance to prevent the delivery staff from entering office area. Require people entering the office area to show their health QR code and travel QR code for contact tracing purposes.

Cultivation and Development of Talents

As a "people-oriented" enterprise, we believe that the continued success of the Group depends on the employees' ability to give full play to their strengths to strive for the enterprise. To this end, we support the professional and personal development of the team and formulate effective training systems and performance management systems to help employees achieve their career goals.

In addition to the provision of training for new recruits to introduce our daily operations, each major business and department formulates an annual training plan based on the employees' learning needs and the future business development of the Group, and tailors appropriate training and development plans for existing employees to meet their needs of career development. We also encourage employees to continue to learn and develop, and participate in internal trainings, external seminars, sharing sessions, exchange meetings, etc..

During the Reporting Period, each business department initiated and provided various trainings, covering customer service, personal growth, management training, professional development, etc., so as to comprehensively improve the skills and knowledge of employees and help them achieve their potential.



Customer Service

- Business etiquette
- Communication skills
- User experience study



Personal Growth

- Corporate culture
- Quality enhancement
- Business email compilation
- Basic networking knowledge
- Industry skill improvement



Management Training

- Fire safety management
- Food safety management
- Project management practices
- Anti-corruption and compliance management

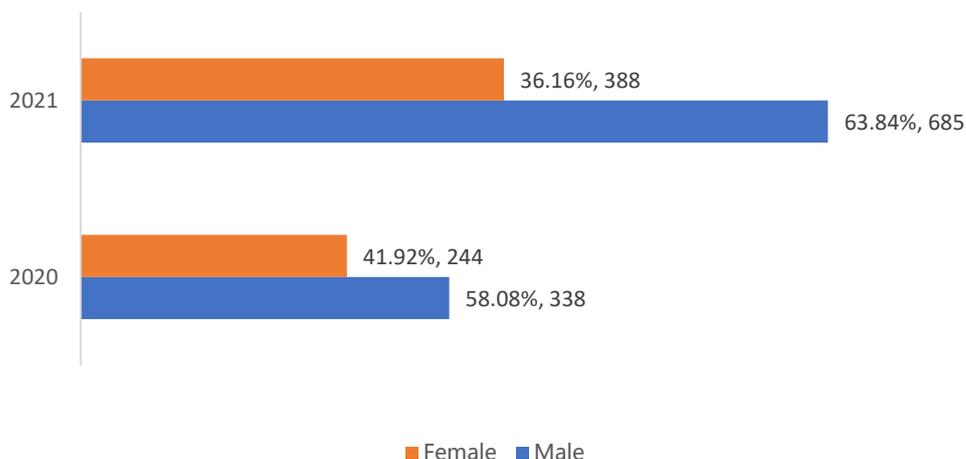


Professional Development

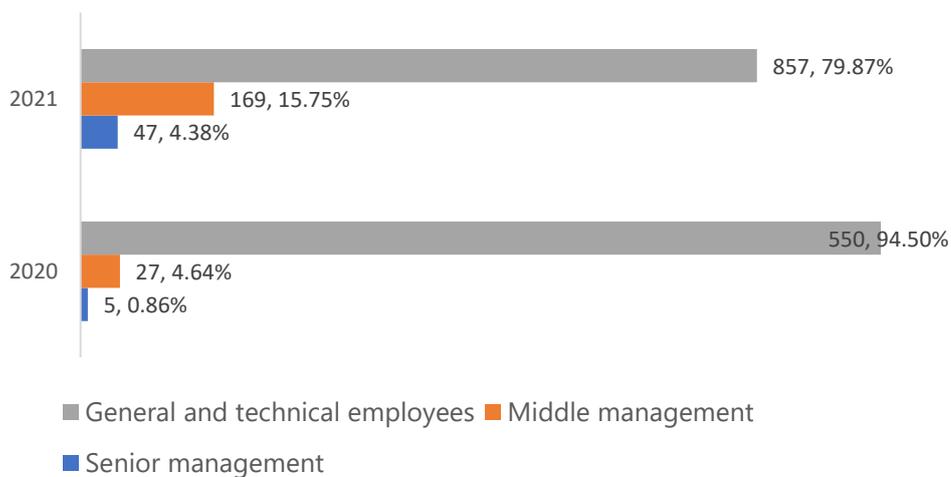
- Power engineering technology
- Risk management expertise
- Electronic power meters
- Operating system basis
- Cybersecurity

The following graphs reveal the number and percentage of employees trained by gender and employment category⁴:

Number and percentage of trained employees by gender

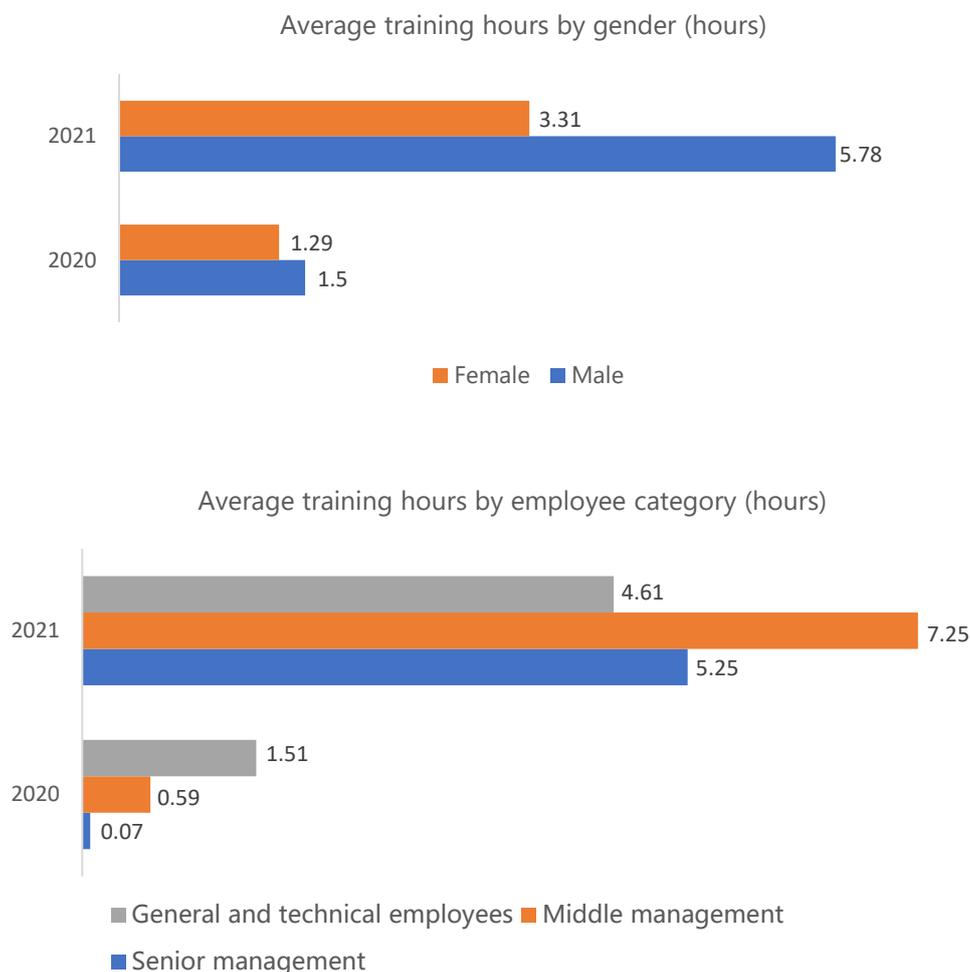


Number and percentage of trained employees by employee category



⁴ The calculation of the number of employees trained and training rate by gender and employee category during the Reporting Period only includes the number of employees trained in the Group's major business segments in the PRC (including the data on those who left during the Reporting Period), to present an accurate reflection of the ratio of employees trained by gender and employee category.

The following sets out the average training hours by gender and employee category⁵:



The Group also supports its employees to release their capabilities in accordance with their personal development needs through continuously optimising the career development ladder, in a view to cultivate talents at all levels. We conduct regular performance appraisal for employees every year, by assessing their yearly performance to determine their promotion opportunities and review remuneration packages. The performance appraisal covers: work performance, skills, knowledge, management capability, communication skills, work attitude, interpersonal skills and discipline, etc..

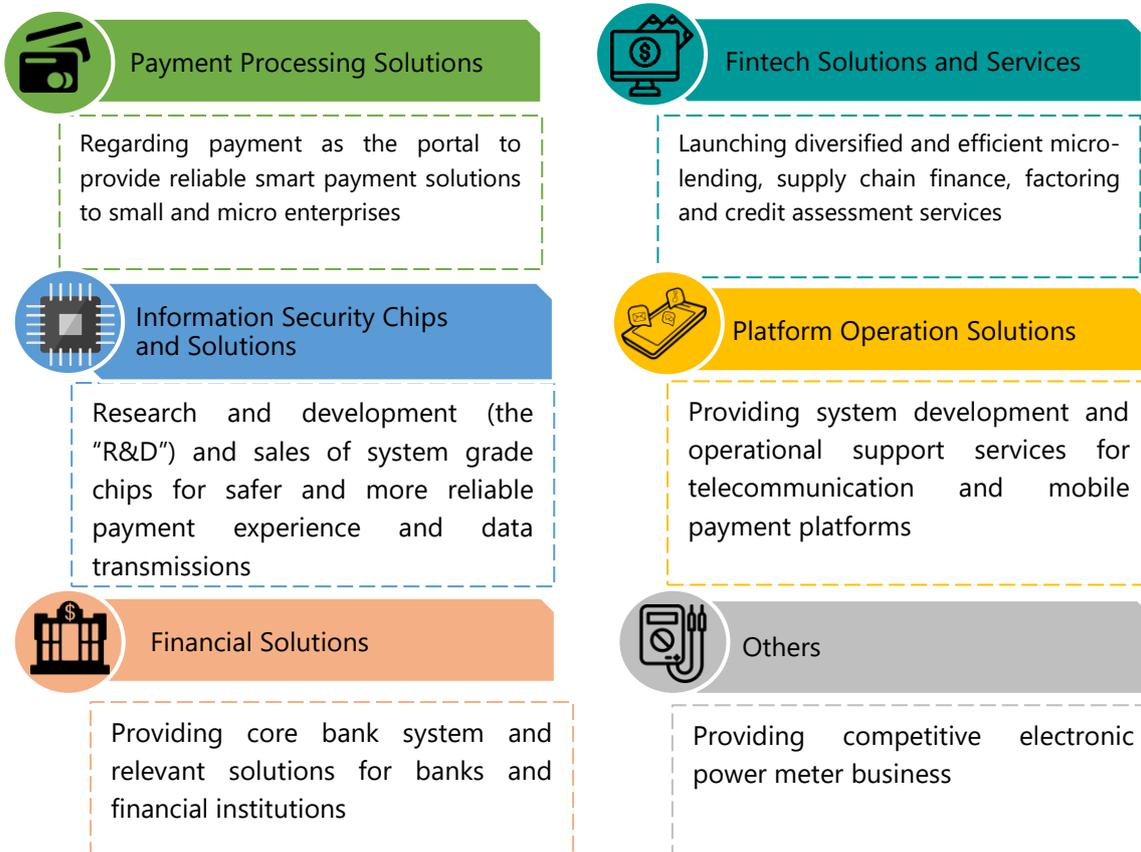
⁵ The calculation of the average training hours by gender and employee category during the Reporting Period includes the average training hours in the Group's major business segments in the PRC (including the data on those staff who left during the Reporting Period), to present an accurate reflection of the training resources invested by the Group during the Reporting Period.

Value Created for Customers

We understand that our customers are of great importance to sustainable business development. To ensure business compliance, the Group complies with all local laws and regulations and industry regulatory standards related to privacy, health and safety, intellectual property, advertising and labelling relating to products and services provided, 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), thereby creating long-term values for customers. During the Reporting Period, the Group was not involved in any violations of laws and regulations related to privacy, health and safety, intellectual property, advertising and labelling that have material impact on the Group.

Although we received 42 complaints concerning our products and services during the Reporting Period, we had taken remedial measures and recorded relevant cases for timely rectification and improvement. We did not recall any sold or shipped products for safety and health reasons. Details on product quality management and how to deal with complaints are available in this section.

With commitment to putting our customers first, we will strive to bring long-term benefits to our customers and create shared value through Group's business segments:



Payment Processing Solutions

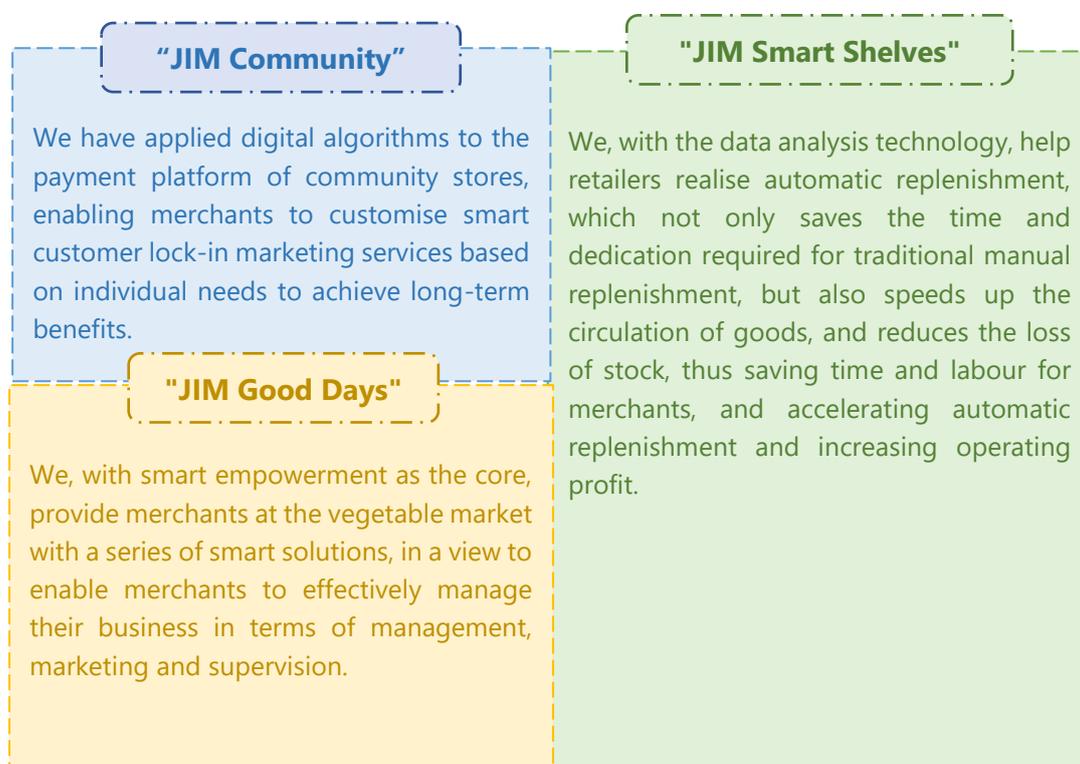
VBILL, a subsidiary of the Group responsible for the payment processing solutions business, is the pioneer of offline smart payment platform in the PRC. It has obtained a number of payment licenses and industry certifications, such as the National Bank Card Acquiring License, Internet Payment License, Mobile Phone Payment License, RMB Cross-border Payment License and the Payment Card Industry Data Security Standard ("PCI DSS") Certification.

Currently, VBILL has engaged with the most offline small and micro enterprises among all acquiring organizations, and ranks amongst top ten bank card acquiring organizations. It also owns a huge pool of merchants by having served over 3 million merchants, 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, with handling transactions valuing over RMB1,000 billion a year.

With its large-scale transaction handling and operation capabilities, data-driven intelligent application capabilities, comprehensive construction capabilities in offline scenarios and efficient channel sinking capabilities, VBILL continues to provide high-quality payment services for small and micro enterprises, including offline acquiring, mobile payment, internet payment, cross-border payment, QR code payment, etc.. During the Reporting Period, VBILL also launched a series of innovative services, such as "JIM Community" for smart customer lock-in marketing solution, "JIM Smart Shelves" for automatic replenishment solution, and all-round smart solutions "JIM Good Days", etc., to satisfy customers in an all-round way in terms of customer acquisition, marketing, operation and decision-making, so as to meet the increasing needs of customers. In order to improve operational efficiencies of merchants, we have been maintaining close relationship with more than 1,000 SaaS service providers by promoting innovative services, assisting merchants in the digital transformation of their operations to lower operating costs and increase overall profits, and building a complete smart payment business system.

Payment Innovations and Safety

The Group believes that forward looking and innovation are the keys to maintaining the leading position of VBILL in payment industry in the PRC. In addition to active innovation and cultivation of a professional R&D team, we also focus on the safety of transactions to protect the information provided by customers. In order to continuously support innovation and development, we have been providing the R&D team with required support and resources. During the Reporting Period, we additionally obtained 5 software copyright certifications, with a total of over 50 software copyrights and 5 patents. We assisted our merchants in the digital transformation in terms of customer acquisition, marketing, operation and decision-making, to reduce their operating costs and enhance operational efficiencies:



We will also closely monitor industry trends and incorporate such consideration into the product development. For example, the payment safety risk is a topic of great concern to many merchants, we therefore plan and implement corresponding measures to enable merchants to enjoy convenient services with reassuring and greatly improve information security. Furthermore, we have established a number of internal systems for employees of VBILL, including Integrated Risk Management Plan, Emergency Response Plan, Emergency Drill plan, and Internet Security Management System, to provide them with guidance on ways to identify risks such as suspicious transactions, transaction fraud, bank errors, and warnings from external institutions, as well as reporting mechanisms and remedial measures. We also conduct regular data security assessment and appraisal for our employees to raise their awareness. In order to strengthen our internal ability to handle risks, we have divided risk events into 4 levels and specified the response time of each level, to minimise the impact of such risk.



Merchant Examination

- We 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 on-site inspection to check the transaction situation of merchants
- We would identify risks, and conduct inspection on high-risk clients, especially those 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 (the "PBOC"), Payments and Clearing Association of China, the Ministry of Public Security of the PRC, UnionPay, other banks 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., to minimise the related risks and negative impact on the Group



Data Security

- Store general information and confidential information from customers separately, and use encryption technology to handle their confidential information
- In terms of the server room in operation locations, we only open access rights Internet Protocol Address ("IP Address") verified by our internal office network and block all external internet 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
- Set up 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

Response to Cybersecurity Risks

As the increasingly frequent online commercial crimes and hacking incidents bring potential crises to merchants, consumers and even the Group, the management of transaction security risks has become crucial to our business operations. To ensure settlement security and reduce hacking risks, we have developed the "Capital Monitoring System", which covers the functions of "prior warning notification", "verification in-between the event" and "post-notification". The system is equipped with the payment information interception and UnionPay abnormality callback warning technology, which acts as a major barrier to hacking activities, such as network attack and payment information tampering. Major functions of the "Capital Monitoring 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 and the imposition of guarantee limit in the settlement system as compared with the original prescription of the daily single transaction limit per account, to enhance security through limit interception in the settlement system;
- 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 aggregates the transaction amounts on a 1-minute basis, and monitors the total transaction amount in an all-round way. 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; and
- 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.

Merchant-oriented

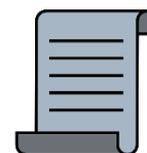
We have served more than 3 million merchants over the years, and we give our top priority to customer satisfaction. Through a variety of electronic platforms and customer service hotlines, we provide professional, friendly and efficient after-sales service to merchants and other customers, directly collect their opinions and handle their inquiries.



VBILL Payment Application



Official Website of
the Group



Online Customer
Service



Telephone Hotline



Artificial Intelligence
("AI") Customer
Service Hotline



Customer Survey

In order to improve customer experience, our after-sales service personnel handle merchants' concerns by referring to the procedures and standards in Customer Complaint Management System.

Our customer service team will regularly visit special merchants to know their usage of POS, and provide timely assistance to make transactions smooth, and check different aspects, including: use of terminals, transaction process, merchants' operation situation, authenticity of transactions and abnormalities of transactions etc., to enhance the operational efficiencies of merchants. In addition to regular inspections, we would also arrange trainings for merchants, such as on-the-job training for merchants' cashiers, to ensure that they have sufficient knowledge on the way to operate bank cards and prevent transaction risks.

Fintech Solutions and Services

In order to promote business efficiency and sustainable growth, the Group reorganised the "Payment Processing Solutions" segment during the Reporting Period, and spun off the "Fintech Solutions and Services" segment. Such business segment involves various fintech services provided to big banks, core enterprise suppliers and enterprise financial platforms, and bill-holding enterprises, covering micro-lending, supply chain finance, factoring business, credit assessment services, etc.. Currently, more than 14 large banks are in co-operation with us, serving more than 2,860 suppliers and helping suppliers at all levels to raise more than RMB9 billion in total. We have gained deep trust from customers at all levels.

Besides, we have achieved outstanding performance in the supply chain finance sector. We have launched products, including "Suixin Cloud Chain", which mainly serves core enterprise suppliers, and "Bank-Enterprise Chain", which connects core enterprise financial platforms and banks, and "Sui Quick Bill Discounting", which has been widely used in the bill-holding enterprises and banks connector. We will continue to create and launch products that facilitate customers' business and enhance customer experience.

Improve Customer Experience

In order to enhance customers' experience of our fintech segment, we not only support innovation, but also remain concerned about customer needs and the latest developments in the market to create more efficient and convenient products for customers. Meanwhile, we continue to improve the quality of our business, such as setting up a committee comprising of multiple departments, enabling employees to review daily business through regular meetings, and properly manage potential business risks, thus creating long-term value for our customers. Among them, we attach great importance to establishing long-term and good partnerships with customers, and implement a unified system and management process, such as the management requirements, project inspection, customer relationship management of factoring business, to ensure that we achieve the same high level of quality.

Listening to Customers

We firmly believe that regular communication with customers and attentively listening to their inquiries or opinions will help us to continuously improve the quality of our services and products, and promote long-term mutual trust. In light of this, we provide various convenient communication tools, such as customer service hotline, email, online groups, etc., to collect opinions from customers. If we receive any complaint from customers during the communication process, we will follow up such complaint in a professional and prompt manner, by not only taking the initiative to update the customer with the progress of complaint handling, but also conducting a thorough investigation and subsequently taking appropriate remedial measures, in a view to improve customer satisfaction with us. To gain a better understanding of customer needs, we will conduct customer satisfaction survey to create better services and products.

Protecting Customer Information

Our business involves fintech activities, such as borrowings of customers, and its system platform processes a substantial volume of consumers' data, such as personal information, identity number, financial information, credit rating and other sensitive information. Therefore, we not only establish a data protection system, but also undertake data security protection measures in line with industry standards to protect the rights and interests of customers:



Conducting regular data review to monitor abnormalities of data access



Establishing an access authority mechanism to ensure that only authorised persons have an access to customer information



Using encryption technology to keep data confidential and store sensitive customer information in an encrypted way

Meanwhile, we regularly arrange training courses regarding security and customer privacy protection to enhance employees' awareness and protect customer data privacy.

Faced with cybersecurity risks such as cyber attacking, we provide guidance to our employees to promptly take corresponding remedial measures pursuant to the Cybersecurity Emergency Response Plan, and contact the relevant department heads to minimise the impact on customers.

Information Security Chips and Solutions

Information security chips and solutions represent the designer and developer of chips for payment scenarios of the Group, including POS chips, providing safe and reliable data transmission and payment experience. As a leading enterprise in the semiconductor and integrated circuit design industry, Megahunt possesses advanced research capabilities that help us design and develop safe and efficient central processing unit ("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. Moreover, the safety and health of our products have reached international standards. Our chips have obtained the security test of Brightsight, an international information and communication security assessment and verification agency, and 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), which enable us to ensure the safety of our payment terminals and other application scenarios, thus guaranteeing customer safety and building customer confidence in us.

Currently, with our strong R&D capabilities and emphasis on product safety, we have provided chips for over 100 million POS terminals all over the world and become one of the leading POS chips suppliers in the PRC.

Product Quality and Safety

In order to maintain the Group's leading position in the information security chip industry, we believe that quality assurance is a key factor in winning the trust of our customers. Therefore, we have quality assurance and safety assurance measures in place, covering the whole process from product development to after-sales service.

 Development

Newly developed chips shall be strictly tested by the quality control system, such as energy consumption, voltage, heat and cold resistance, compatibility, risk of power leakage, etc., to ensure that their functions, capacity and reliability meet the standards before they are put into mass production.

 Goods Receipt



Although our chips are mainly manufactured by our outsourced suppliers, we require them to conduct inspections on the quality of chips according to the test specification after receiving the products, including functional safety tests such as short circuit, current, driving capability, frequency, voltage, etc.. We would also record the situations and ratios of defective products, and design improvement and preventive measures to avoid resource waste and reduce defective products.

 After-sales



If any disqualified product is identified among chips sold, we will promptly take necessary steps, including conducting analysis of the defective products, proposing response measures, proactively contacting customers involved, and arranging recalls if necessary, to ensure that sufficient remedial measures have been taken to enhance customer satisfaction.

Protecting Intellectual Property

Being an enterprise with a focus on R&D and innovation, the Group acknowledges its responsibility to protect the achievements of the R&D team. To this end, we have formulated prudent systems and measures. For example, new employees are required to install the computer system and download specific security software under the instructions of the Installation Operation Manual. On the occasion that information in the computer is leaked out, the software can turn any data into garbled data, avoiding the data breach of the Group's R&D details, thus protecting intellectual property. In addition, with an aim to effectively manage the risk of R&D data and information leakage, we have not only installed monitoring equipment and alarm device, but also additionally installed a series of protective facilities in the office, including 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, and requiring the use of two-way access card verification at the entrance, core server room, storeroom, core office area and R&D area, to ensure that the efforts of our R&D team will not be stolen or leaked, and strengthen intellectual property protection.

High-quality Customer Service

For the Group, product responsibility is not limited to quality and safety, but also includes provision of high-quality customer service. During delivery of finished product, in addition to the product acknowledgement and user manual, customers can also participate in trainings to learn how to use the product in a safe and proper way, and can acquire product information through communication channels such as email, telephone hotline and fax. After listening to customers' opinions on new products or services, our professional customer service team will not only confirm receipt of customer inquiries, but also ensure the satisfactory resolution of the issue as soon as possible. We conduct regular review and a thorough investigation on customer inquiries to establish improvement plans, in order to ensure better services received by customers. At the same time, we regularly conduct customer satisfaction survey every year, and invite them to rate on several product-related categories, such as product quality, product stability, service attitude, timeliness of instant response, timeliness of product delivery, and repair quality, enabling us to gain better understanding of our customers' experience on products or services.

Platform Operation Solutions

As a leading payment platform and telecom solutions supplier in the PRC, the Group's platform operation solutions segment is equipped with outstanding capabilities to support clients in telecommunications, payment and ecommerce fields by providing them with excellent technical products, business operation services and relevant solutions, and support over RMB 1 trillion of transaction amount. Currently, we continue to cooperate with China Mobile in jointly building and operating CM Pay Platform (和包), a comprehensive mobile platform, and continue to jointly develop products, conduct business operations, system maintenance and other technical services of China Mobile Financial Technology Co., Ltd. ("CMFT"), capable for supporting various activities on the mobile application for over 100 million of users, including payment, shopping, communications, social media, transportation as well as financial services. Over the years, we have obtained several international and national certifications, such as National High-tech Enterprise, Changsha Technical Small and Medium Enterprise and Software Enterprise of Hunan Province Economic and Information Technology Committee (湖南省經濟和信息化委員會), GB / T19001 2016 / ISO 9001 : 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), which contribute to enhancing customer trust, thus enabling us to continue to play a leading role in the platform operation industry.



Transportation

Subway, train, doctor consultation registration



Payment

Paying electricity and water bills and social insurance



Shopping

Online and offline shopping



Communications

Paying phone bill, mobile top-up, money transfer



Social Media

CM Pay Name Card, CM Pay Orchard, red packets



Financial Services

Financial services including "Hezuibao" (和聚寶) and CM Pay Financing

Project Quality

Innovation represents an important element of the Group's corporate culture. We keep up with market trends and develop advanced technologies and innovative functions to meet customer needs and increase their satisfaction. With our unremitting efforts, we have newly obtained 5 software copyrights, with a total of 61 software copyrights during the Reporting Period.

In terms of the R&D process, we have introduced a series of quality control procedures for the entire project process, ranging from demand analysis, product design and development, system test to publication, capable to ensure the safety and reliability of processes and products, and improve efficiency. Among them, R&D personnel are required to conduct strict inspections according to the "Quality Assurance Procedures" to ensure all requirements and standards have been met at each stage of the project, and conduct review on the work done during the project, including technical design, coding, testing samples and detailed plan of the project according to Review Procedures. Further, we regularly perform strict quality control system test, including unit testing, System Integration Testing ("SIT") and User Acceptance Testing ("UAT"), to ensure only projects that have met the standards can be put on production, thus protecting customer safety.

In order to continuously monitor the quality of the project, once the project is determined to be put into production, relevant personnel would follow the procedures established in the Daily Application and Maintenance Operation Manual to handle possible technical problems, such as system failure, abnormality in voice payment and cash shortage. This is conducive for us to make quick and effective response to emergencies and return to normal as soon as possible.

We will also maintain active communications with our partners, especially China Mobile, to further discuss their requirements for project quality, so that we are capable to cooperate in joint operation and product development to enhance customers' experience of the Group's brand. We hold regular meetings and a series of internal quality reviews. Among them, China Mobile will be responsible for supervising the review process and evaluating our performance throughout the project quality management, by rating various items such as platform stability, successful rate of transactions, handling of system failure, server room management, data security and system maintenance, to jointly create high-quality projects. During the Reporting Period, the review of the CM Pay platform application software optimisation and improvement project of China Mobile reached an average score of 98.4, while the performance of the system maintenance service gained an average score of 99.8.

Data Security

With the expansion of our business, our system handles a large amount of data, and an increasing amount of customer data is stored in our system or online, including their personal information, payment transaction information and other sensitive information. In order to reduce the risk of user data leakage and maintain the customers' trust in the Group, we prudently manage activities involving information security management, and have built an information security management system with GB/T 22080-2016/ISO/IEC 27001:2013 certification to effectively handle data security risks in the course of software development, operation and maintenance. Under such management system, we formulated stringent data security management measures for the employees in order to maintain the safety of data transmission:



Routine network equipment inspection (including routers, firewalls and switches etc.)



Data back-up



Access restriction of server room



Scan on network security vulnerabilities



Two-way authentication



Three-level key management system and cryptographic device

Financial Solutions

ABS focuses on developing Innovative Banking Suite (“IBS”), providing all-rounded financial solutions (such as financial industry advisory services, solution design and implementation etc.) for major customers (including large state-owned banks, commercial banks, asset management companies, insurance companies, securities companies and fund companies in the PRC etc.). Thanks to our professional R&D team comprising of professional financial business expert, technical expert and R&D personnel equipped with professional techniques and innovation ideas, ABS is one of the most influential financial solution providers in the PRC. Currently, ABS is still striving for breakthroughs, actively exerting its innovative spirit, paying close attention to the emerging development of the financial market and launching diversified business systems, including 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 (“VBANK”), thus enhancing customer experience and satisfaction with our financial business systems. During the Reporting Period, our financial solutions business has newly obtained two software copyrights, counting to a total of over 60 software copyrights.

As an enterprise focusing on innovation, we attach great importance to the downshift of business systems. During the Reporting Period, we actively improved the downshift process of the business in the industry, and produced the tools required in the process to satisfy the client's demand. Apart from that, we seized the opportunities of the banking business in the Greater Bay Area, and initiated the R&D of high-quality Cross-boundary Wealth Management products during the Reporting Period, to create superior customer experience.

Downshift process

With the downshift trend of the core systems of various types of commercial banking business and the transfer of business systems with the downshift of mainframes, we have engaged with the advancement of the downshift process, the tools needed in the process, and introduced the "maximising the inheritance of application assets" solutions to satisfy the market demand.

Cross-boundary Wealth Management

In order to promote the common development of the capital markets in the mainland and Hong Kong, in September 2021, the PBOC and the Hong Kong Monetary Authority ("HKMA") launched the "Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area" ("Cross-boundary Wealth Management"), allowing individual retailer to open and operate cross-boundary investment accounts directly for the first time. We engage in the product development of Cross-boundary Wealth Management scheme, and we are in the process of developing an efficient and practical "Cross-boundary Wealth Management system".

Product Quality and Safety

Under the principle of “Quality First and Striving for Excellence”, we provide high-quality financial solutions on best effort basis. We have obtained Level 3 certification of Capability Maturity Model Integration, CMMI of the Institute of Software Engineering in the USA and Level 2 certification of the Computer System Integration Qualification of the China Information Technology Industry Federation for our products with excellent quality. In addition, we have established a quality management system based on ISO 9001:2015 international standard and obtained the certification of ISO 9001. Besides, we have established “Quality Manual” based on the requirements of the certification, specifying the stringent procedures (including product requirement evaluation, design, development and control of disqualified products) and ensuring our stringent standards during the process of R&D, innovation and provision of products and services. We have also formulated the quality targets for the coming year such as handling customer complaints rate and customer satisfaction. Moreover, we established quality standards under “Project Quality Management Standards” during product development, to define the requirements including the business functions, technical indicators, project engineering evaluation, product testing and technical documents. We conduct a series of tests such as user acceptance tests, covering technical tests such as safety tests, stress tests and system anomalies. If we identify any problems with the product or software during the process, remedial actions are set out in our “Quality Improvement Management Procedures” to rectify the problems immediately. We will also conduct an investigation to determine the cause of the problem, and formulate corresponding preventive measures to avoid the recurrence of such problem, so as to ensure that the customers can enjoy our high-quality products in a safe manner.

Our systems handle massive data, including clients’ personal data, financial data and other confidential information. As such, in order to prevent the system from being attacked and reduce the risk of external leakage of clients’ data, we have outlined the responsibilities of employees for data protection in “Data Security System”, and the corresponding procedures and measures to be taken in daily operations. Such relevant defensive measures include: installing anti-virus software and setting up firewalls in computer devices, setting access rights for server and website, requiring the senior management to approve all information on the website before publishing. In addition to upgrading the IT infrastructure, we save data on internal servers and back up data in at least two different locations, to ensure that we can quickly recover data even in the event of an unfortunate cyber-attack or data loss, minimising the risk of network system security. We also promote an internet safety to employees and users through security training and education to raise their security awareness.

Response to Clients' Opinions

We believe that connecting with our clients is the key to understanding and satisfying their needs to create the best brand experience. We invite clients to express their opinions through Project Stage Acceptance Report and Client Service Record Form, so that we have the opportunity to improve the quality of our projects and services. In addition, we regularly invite clients of development projects and maintenance projects to express their opinions and fill in the Customer Satisfaction Survey, to assess client satisfaction in various areas, including: technical level of project personnel, smoothness of communications and project status. We also set up various communication channels, such as face-to-face, telephone hotline, email, letter or website, to obtain client inquiries or suggestions. If we receive complaints from clients, we will instruct our employees to contact the clients and follow up the complaints in a professional and prompt manner in accordance with the Client Complaint Management Procedures. Meanwhile, they will record the details of the complaints, report to the relevant departments and establish relevant improvement plans. Then, they will report the progress and the remedial measures taken to the clients. After the complaints are handled, our employees will continue to follow up the relevant cases with the clients, properly respond to the clients and thereby enhance the clients' confidence and satisfaction in us.

Others

The electronic power meter business of the Group integrates R&D, manufacturing and sales, and is equipped with innovative automatic equipment including automatic placement production line, automatic online tester and machine prevision function automatic inspection system, together with Enterprise Resource Planning (“ERP”) and automatic production information system. We also have a professional R&D team who has developed various 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 centralized meter reading system etc., providing diversified electronic power meter business for clients. During the Reporting Period, we have newly obtained 3 invention patents among a total of 11 effective patents and over 54 software copyright certifications. Currently, we are actively following up research and construction work of national standard specification for electronic power meters of the State Grid Power Research Institute. Our products have met multiple national and industrial regulations, such as: 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), Specifications of Single phase Intelligent Electronic Power Meter (Q/GDW 355-2009) (單相智能電能表型式規範), to ensure that our products are maintained at the highest level.

Quality and Safety

The Group continues to focus on the quality and safety of products. In addition to obtaining internationally recognised system certification and product certification, including ISO 9001 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 Power Safety Quality Certification issued by Keuring Van Elektrotechnische Materialen and Measurement Instrument Directive (“MID”) of the European Union, we also have a series of complete business chain for R&D, goods receipt, manufacturing and after-sales services to ensure product quality and safety.



R&D

During the entire R&D process, including design concept, planning and design, development and testing, verification and release, we have established "R&D Management System" to regulate the procedures and standards of the entire R&D process. Our R&D personnel will monitor the status of an R&D project, identify and address existing problems through regular project reports and 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 raw materials and components, 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. We will allocate part of our products to be manufactured by our outsourcing contractors. We would also conduct regular sample check on the products of such outsourcing contractors to ensure the production process can be proceeded in a safe manner.



Production

We conduct routine inspections regarding products certified by China Quality Certification Centre ("CQC"). Appearances and functions of products will be inspected. Each year, we also inspect material product components such as transformers, relays and chips. Only products that have passed the inspections can be packaged. If any defective products are identified, we will conduct analysis in order to propose improvement plans. We also conduct inspection before product delivery and record the results on "Delivery Inspection Report". The functions, appearances and packaging 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.



After-sales

If any defective product is identified among chips sold, we would act quickly, including conducting analysis of the defective product, proposing countermeasures, actively contacting such client and arranging returns or refunds on a case-by-case basis, to ensure that sufficient remedial actions have been taken to raise the clients' satisfaction with us.

Customer Service

In addition to our commitment to providing high quality and safe products and services, we also attach great importance to the relationship with our clients. Therefore, we provide one-stop service at our customer service centres. Clients can inquire before purchasing the product, and can make an appointment for maintenance or other after-sales services. Clients can visit any customer service centre throughout the PRC, or raise their opinion or enquiries through 24-hour customer service hotline. We also accept on-site service or repair as requested by the clients. We will carefully review comments from clients and respond as soon as possible. At the same time, in order to understand their expectations, we invite clients to participate in our Customer Satisfaction Survey each year regarding product quality, product function, technical support, and service attitude, to ensure that we can provide them with high-quality service experience in various fields.

Protecting Customer Privacy

Our daily operations involve a large amount of client information. We have established stringent privacy protection policies and procedures for our operation team. We prudently manage activities involving sensitive information. All employees are forbidden to disclose any client information to third parties without prior consent. We firmly require our business partners, outsourced suppliers and merchants to protect the privacy of client information and sign the "Confidential Agreement" to avoid the risk of client information leakage and enhance client confidence.

Protecting Intellectual Property

The Group attaches great importance to R&D and innovation, and is also responsible for safeguarding the achievements of our R&D team. Therefore, 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 the R&D achievements of the Group, to defend the intellectual property rights of the Group.

Advertising and Product Labelling

For the Group, we believe that reliable advertising and proper product labelling are critical to the business continuity. As such, in addition to the 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), we review the advertising and promotional materials to verifying their authenticity. We also provide accurate and reliable promotions materials, to make sure that clients can make appropriate decisions while also being able to protect their right-to-know and interests.

In terms of product labelling, since the business of Megahunt and Hangzhou PAX are involved in product manufacturing and sales respectively, we would verify the labels on products carefully before product delivery, to ensure that clients can enjoy products that meet the standards.

Value Created for Environment

The Group adheres to our philosophy of sustainable development. While steadily developing diversified businesses, we also make unremitting efforts to promote green operations, reduce emissions and wastes generated in the natural environment during operations, and respond to climate change. In order to further integrate the green concept into each business segment and daily operation process, in addition to reducing our environmental footprint and making good use of resources, we have also established an environmental management system according to international standards such as ISO 14001, and organised environmental education for employees, suppliers, customers and the public to raise their relevant awareness. In addition, we ensure that our business operations comply with the laws and regulations related to environmental protection in the operating segment, and strictly abide by 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 of the PRC (中華人民共和國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-related laws and regulations regarding the Group.

Considering the looming climate change crisis, the Group has set environmental targets during the Reporting Period. Through the adoption of a series of measures and regular review of the effectiveness of the measures, the long-term target of emission reduction will be achieved.



Target of reducing the emission derived from business

We will actively reduce the negative impact on the environment during our business operations, and strive to maintain or gradually reduce the air emissions, greenhouse gas emissions, waste transported to landfills, water consumption etc..



Target of improving the resource management performance

We will make good use of resources such as energy, water and raw materials, and pay attention to resource reuse and recycling to strengthen waste management.

In the long run, we will continue to promote green operations at the core of our business development, seek room for improvement, and create a green future.

Tackling Climate Change

With rising global temperatures and the frequent occurrence of extreme weather events such as floods and typhoons, they have brought unprecedented challenges to the world. The Group is aware of the increasing severity of climate change. It has not only threatened the safety of our employees and may damage the Group's infrastructure, disrupting our business and resulting in loss of revenue, but also has irreversible impacts on the ecological environment. In this regard, as a responsible enterprise, the Group identified the climate change issues which have impacted or may impact the Group, took proactive actions to address climate change such as actively seeking opinions from stakeholders on climate change issues during the Reporting Period. The Group has also conducted proactive research and incorporated measures in the areas of product and service design and daily operations to combat climate change , and encouraged employees, clients, the public and other stakeholders to jointly create a better ecological environment.

We are currently addressing the climate challenges with the following approaches:



Mitigating Climate Change

- Implementing various environmental protection measures, actively achieving the target of emission reduction and implementing low-carbon operations, to achieve effective control and reduction of greenhouse gas emissions



Adapting to Climate Change

- Strengthening the climate risk response measures and integrating them into daily operations and future business development, to improve the ability to adapt to climate change
- Keeping abreast of the latest development of carbon reduction policies in each operating location and taking corresponding measures

Effective Management of Carbon Footprint

In order to mitigate the continued rise in global temperature, the Group regards reducing air emissions and greenhouse gas emissions from operations and improving energy management performance to have efficient use of energy as key matters. Our air emissions and greenhouse gas emissions are primarily derived from the use of electricity in our operations, as well as unleaded petrol used in company vehicles. In order to establish an energy-conserving culture to achieve emission reduction targets, we have implemented a series of green systems and corresponding measures, educated employees on the importance of environmental protection and reducing carbon footprints to mitigate and address climate challenges.



During the Reporting Period, employees were arranged to participate in environmental protection seminars held by the community, so that they can understand how to contribute to the protection of the natural environment in their daily work and daily life.

Energy Conservation and Emission Reduction Measures

- Advocating planting in office to improve indoor air quality
- 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 labelled appliances
- Placing energy conservation notices to raise employees' awareness in energy conservation

The Group's energy consumption and air and greenhouse gas ("GHG") emissions data⁶ during the Reporting Period and year 2020 are listed below:

	Unit	2021	2020
Emissions			
Air emissions			
Nitrogen oxides (NO _x)	kg	31.68	27.42
Sulphur oxides (SO _x)	kg	0.45	0.44
Particulate matters (PM)	kg	2.55	2.26
Total GHG emissions ⁷	tonnes of CO ₂ e	1,252.36	1,152.27 ⁸
Direct emissions (Scope 1)	tonnes of CO ₂ e	81.09	79.43
Indirect emissions (Scope 2)	tonnes of CO ₂ e	1,171.27	1,072.84
Total GHG emissions per floor area (Scope 1 & 2)	tonnes of CO ₂ e/sq. meter	0.05	0.03
Energy consumption			
Total energy consumption	MWh	2,197.40	2,030.39 ⁸
Purchased electricity	MWh	1,919.79	1,758.47
Unleaded petrol	MWh	277.61	271.92
Total energy consumption per floor area	MWh/sq. meter	90.44	57.62

⁶ The management considers that the business of Hunan Hisun – Chongqing JIM Mobile Business Co., Ltd ("Chongqing JIM"), Hunan Hisun – JIM Chengdu Office ("JIM Chengdu") and VBILL (Beijing) Financial accounted for a relatively small proportion of the business of Hunan Hisun and the fintech solutions and services business during the Reporting Period. Hunan Hisun – JIM Changsha Office ("JIM Changsha") was deregistered at the end of 2020. Therefore, taking into account of materiality, the environmental data of Chongqing JIM, JIM Chengdu, VBILL (Beijing) Financial and JIM Changsha will not be included this year. The relevant data cannot be directly compared with data from previous years.

⁷ 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.

⁸ The purchased electricity data in 2020 has been adjusted, and the indirect GHG emissions (Scope 2) and energy data have been recalculated accordingly.

Strengthening Waste Management

Different kinds of wastes are generated in each business segment of the Group: non-hazardous waste, such as general office refuse, waste papers and office supplies are generated in our office operations, while hazardous waste, such as batteries, tin ash and circuit boards, are generated in our businesses involving manufacturing. Therefore, we continue to seek opportunities to reduce the generation of unnecessary waste and actively take various measures. We perform waste emission management through waste separation, recycling and reuse and source reduction, waste is converted into usable resources while the amount of waste sent to landfills is reduced, thus achieving the target of reduction.



Waste Separation

- Separate non-hazardous and hazardous waste
- Collect non-hazardous waste including general office refuse and wasted office supplies which will be transported by authorised organizations
- Collect hazardous waste including batteries, tin ash and circuit boards separately and store them in designated sealed containers which will be handled by certified recyclers



Recycling and Reuse

- Dual printing and reuse of paper
- Use reusable bags instead of one-off plastic bags



Source Reduction

- Reduce the use of plastic bags
- Adopt e-communications to replace paper where possible

The following outlines the waste emission data of the Group during the Reporting Period and year 2020⁶:

	Unit	2021	2020
Emissions			
Total hazardous waste generated	tonnes	0.20	0.16
Total hazardous waste produced per floor area	g/sq. meter	8.23	4.54
Total non-hazardous waste generated	tonnes	31.07	107.07 ⁹
Total waste disposed	tonnes	31.04	104.59
Other general refuse	tonnes	30.50	85.49
Paper	tonnes	0.53	17.33
Wood ¹⁰	tonnes	0.01	1.77
Total waste recycled	tonnes	0.03	2.48
Paper	tonnes	0.03	2.48
Total non-hazardous waste generated per floor area	kg/sq. meter	1.28	3.04

Responsible Management of Water Resources

The Group also understands the importance of cherishing water resources. Therefore, we endeavour to conserve water and ensure the efficient use of water resources. We are not only dedicated to closely monitoring water consumption in offices and factories, but also provided internal guidelines and implemented a number of measures, to enhance employees' awareness of water conservation and effective management of precious water resources:

- Adopt dual flush system in toilets to conserve water;
- Regular maintenance of faucets, pipes and equipment such as valves, flush and valves to improve efficiency;
- Repair or replace damaged equipment in a timely manner to avoid water wastage; and
- Post water conservation reminders in conspicuous locations and near equipment to raise employee awareness.

⁹ The non-hazardous waste data collection method has been optimised in 2020 to better reflect the actual amount of waste generated.

¹⁰ Wood generated in the Reporting Period and 2020 came from - materials from the transportation of maintenance servers.

During the Reporting Period, the Group did not encounter any problem in sourcing water. The Group will also strive to gradually reduce water consumption in the future. In the course of our business, we also reduce the consumption of packaging materials such as paper boxes and protective materials. The total consumption of water and packaging materials data during the Reporting Period and year 2020⁶ are listed below:

	Unit	2021	2020
Use of Resources			
Total water consumption	m ³	15,828.45	14,879.79 ¹¹
Total water consumption per floor area ¹²	m ³ /sq. meter	0.65	0.42
Total packaging material	tonnes	2.10	1.00
Paper	tonnes	2.10	1.00

¹¹ Due to the change in statistical method of water consumption data in 2020, the data is recalculated accordingly.

¹² 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, Nanchang VBill, Commercial Factoring, ABS – Hisun Beijing office and ABS – Hisun Shanghai office.

Promotion of Green Production

The Group actively mitigates the negative impact of daily operations on the environment and natural resources. We have established an internationally recognised ISO 14001 certified environmental management system in our business sector, and manage the operating procedures of product design, procurement, production and scrapping in a positive and stringent manner. At the same time, we continue to seek rooms for improvement and build sustainable green operations.



Value Created for Community

The Group believes that connecting with the community is the core driver for sustainable business development. As such, we actively fulfill corporate social responsibility. In addition to donations of materials and money, we also support and encourage our employees to participate in community projects and volunteer activities, work together to understand the needs of the communities and contribute to our community, and create meaningful value for the entire society.

Taken into consideration the communities' interest, our community activities focused on protecting the environment, poverty alleviation, nurturing young talents, spreading history and culture and other aspects during the Reporting Period, to jointly build a harmonious community and continuously improve the well-being of the community and various major stakeholders. During the Reporting Period, we donated a total of RMB 1.6 million to contribute to the community.

Protecting the Environment

Climate change accelerates global warming and brings more frequent and destructive extreme weather events. As a responsible enterprise, Hi Sun Technology actively engages the public and the entire community to raise their awareness of environmental protection, and takes actions to address climate challenges. Therefore, during the Reporting Period, we led our employees to participate in a week-long community-organized environmental campaign, teach the public the proper ways to sort and recycle waste, promote source reduction and encourage recycling, reduce pressure on community landfills, and work together towards a green community.



Our employees actively participate in community-organised waste handling and recycling activities, and educate the community on environmental protection knowledge in front of collection points

Poverty Alleviation

The Group has always cared about the disadvantaged groups, especially the grassroots, children and the elderly who lack resources in the society. During the Reporting Period, we actively contacted various social welfare organisations to understand their service targets and objectives, looking forward to helping those in need through financial assistance to improve their livelihood.

We are devoted to and enthusiastic about nurturing the younger generation. During the Reporting Period, we donated to the Happy Reading Program of China Children and Teenagers' Fund, to provide books and other materials for economically disadvantaged children and teenagers in mainland China, so that they can gain more knowledge and promote their personal development.

Moreover, we continue to contribute to the community where our operating segments are located. Among them, during the Reporting Period, we made contact with Beijing Shijingshan Red Cross and provided financial assistance, responded to its poverty alleviation work with concrete actions, and cared for those in need in the community. In addition, we continued to support the infrastructure and development of the community during the Reporting Period, including donation to help the residents of Chongqing build citrus orchards and build infrastructure to improve the quality of life of residents in the district. During the Reporting Period, we also provided assistance to those with financial difficulties through charitable funding, including support for medical expenses, assistance in schooling, and improvement of the quality of life of families.

Nurturing Young Talents

The Group focuses on the future development of the community and actively liaises with various tertiary institutions to assist in promoting educational development. During the Reporting Period, we donated to the China and World Research Centre established by the School of International Studies, Peking University, to support academic and research development, benefiting approximately 1,000 students of the faculty, improving the learning environment for young students and enhancing the teaching quality of the faculty, and contributing to cultivation of the future masters of the society.

Spreading History and Culture

Conservation of traditional culture is one of the treasured aspects of the Group. We continue to work with different institutions to promote history and culture. During the Reporting Period, we also donated to the Association for Yan Huang Culture of China, to support its efforts in inheriting traditional Chinese culture.

Outlook

As a leading high-tech company, the Group not only develops a number of innovative products, but also continues to experiment on the journey of sustainable development, such as setting environmental targets. At the same time, we have obtained numerous awards and technical certifications in the areas of society, business and quality, showcasing our encouraging achievements. Looking ahead, we will keep our commitment to sustainable development, shoulder corporate social responsibility, make improvements in terms of ESG, and seek for opportunities to stand out and continue to create maximum value for various substantial stakeholders.

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B. Social				
Employment and Labour Practices				
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. 23-32
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employee Overview	P. 23-24
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Overview	P. 23-24
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' Health and Safety	P. 28-29
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safeguarding Employees' Health and Safety	P. 28-29
	KPI B2.2	Lost days due to work injury.	Safeguarding Employees' Health and Safety	P. 28-29

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	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safeguarding Employees' Health and Safety	P. 28-29
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		Cultivation and Development of Talents	P. 30-32
	KPI B3.1	The percentage of employees trained by gender and employee category.	Cultivation and Development of Talents	P. 30-32
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Cultivation and Development of Talents	P. 30-32
Aspect B4: Labour 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 labour.		Building an Inclusive Workplace	P. 27
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Building an Inclusive Workplace	P. 27
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Building an Inclusive Workplace	P. 27
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		Corporate Governance	P. 19-22
	KPI B5.1	Number of suppliers by geographical region.	Corporate Governance	P. 22

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	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Corporate Governance	P. 19-22
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Corporate Governance	P. 19-22
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Corporate Governance	P. 19-22
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. 33-56
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Value Created for Customers	P. 33-56
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Value Created for Customers	P. 33-56
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Value Created for Customers	P. 33-56
	KPI B6.4	Description of quality assurance process and recall procedures.	Value Created for Customers	P. 33-56

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	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Value Created for Customers	P. 33-56
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.		Corporate Governance	P. 19-22
	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.	Corporate Governance	P. 19-22
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance	P. 19-22
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Maintaining Business Integrity	P. 19-20
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. 65-66
	KPI B8.1	Focus areas of contribution.	Value Created for Community	P. 65-66
	KPI B8.2	Resources contributed to the focus area.	Value Created for Community	P. 65-66

高陽科技(中國)有限公司*
HI SUN TECHNOLOGY (CHINA) LIMITED

Website 網址 : www.hisun.com.hk

