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

2023

Content

About This Report

Purpose and Objective

This is the eighth Environmental, Social and Governance ("ESG") Report (the "Report") for Hi Sun Technology (China) Limited ("Hi Sun Technology" or "the Company", together with its subsidiaries, collectively known as "the Group" or "We"). This Report aims to provide our key stakeholders with a disclosure and overview of the Group's sustainability management approach, strategy, measures and performance.

Reporting Period and Scope

Unless otherwise stated, the reporting scope of this Report covers the five core businesses operated by key subsidiaries of the Group situated in the People's Republic of China (the "PRC") from 1 January 2023 to 31 December 2023 (the "Reporting Period"), accounting for approximately 91% of the total revenue for the Group, as listed below:

(I)   Payment and Digital Services - 隨行付支付有限公司 (VBILL OPCO) ("VBILL");

(II) Fintech 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");

(III) Platform Operation Solutions - 湖南高陽通聯信息技術有限公司 (Hunan Hisun Mobile Pay IT Limited) ("Hunan Hisun");

(IV) Financial Solutions - 北京高陽金信信息技術有限公司 (Beijing Hi Sun Advanced Business Solutions Information Technology Limited) ("ABS"); and 深圳高陽寰球科技有限公司 (Shenzhen Hi Sun Fintech Global Company Limited) ("Hi Sun Global"); and

(V) Others - 杭州百富電子技術有限公司 (Hangzhou PAX Electronic Technology Limited) ("Hangzhou PAX").

The scope of this Report is determined based on the corresponding materiality of each operating business to our business and operation, as well as its sustainability impact.

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Reporting Standards

This Report is prepared in accordance with the latest requirements in Appendix C2 Environmental, Social and Governance Reporting Guide (the "ESG Guide") to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx").

Starting from this reporting year, we have referenced the framework recommended by the Task Force on Climate-related Financial Disclosures ("TCFD") progressively for our climate-related disclosures. Please refer to the "Environment - Climate Change and Resilience" section for more information.

Reporting Principles

In the preparation of this Report, the Group has adhered to the four reporting principles set out in the ESG Guide, to ensure that the content of this Report is material, quantitative, balanced and consistent, with significant matters on sustainability being covered.

Reporting Principle	Description	The Group's Application
Materiality	The issues covered in this Report should reflect the Group's significant impact to the environment, society and governance. Materiality represents the threshold at which ESG topics determined by the board are sufficiently important to investors and other stakeholders that they should be reported.	The Group communicates with various stakeholders through different channels to understand their concerns and opinions. Materiality analysis and assessment are conducted on an annual basis to identify material sustainability topics relevant to the Group, investors and other stakeholders. The materiality of the topics is reviewed and confirmed by the Board of Directors of Hi Sun Technology (the "Board"), to ensure that relevant sustainability impact is disclosed in this Report. For details of the assessment process and results, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment."

Quantitative	This Report should disclose the measurable data or comparative data of the Group's historical key performance indicators ("KPIs"), and calculate the relevant data in a quantitative manner. The Group should set targets (including directional targets) to ensure that the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	We disclose quantitative environmental and social KPIs, and where applicable, include historical annual performance comparison in this Report, enabling stakeholders to have a better understanding of our sustainability performance and progress in reducing a particular impact. By formulating four priority pillars in our sustainability strategy, corresponding goals and targets in environmental and social areas are set out for evaluating our ESG performance in a more effective manner.
Balance	This Report should provide an unbiased picture of the performance of the Group and the challenges it faces, for the purpose of avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader.	We present our environmental and social-related impacts and performance in a balanced manner. This Report makes a comprehensive disclosure of achievements, challenges and areas for improvements disclosed with comprehensive data and KPIs.
Consistency	The Group should consistently compile this Report in accordance with the data calculation methodology set out in the ESG Guide of the HKEx to facilitate meaningful comparison in reports in the coming years.	Unless otherwise stated, we adopt consistent methodologies for the calculations of environmental and social KPIs to allow a fair comparison of our performance over time, and include historical annual performance comparison in this Report.

Data Collection Method

The information cited in this Report is extracted from the official documents and statistical data of the Group. The Board has reviewed and approved this Report in March 2024.

Access to This Report

This ESG 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

We welcome feedback and suggestions on this Report and the Group 's sustainability performance and approach. Please share your feedback at ir@hisun.com.hk.

Sustainability Approach and Highlights

Sustianability At A Glance 2023

Environment

Total GHG (Scope 1&2) emissions intensity

↓ **6%**

Total hazardous waste intensity

↓ **26%**

Employee

Average employee training hours

4.26 hours

Male to female employee ratio

7 : 4

Value Chain

Obtained

35

Intellectual properties*

0

Corruption cases

Community

Contributed

60,000

RMB for **charitable donations**

Contributed over

57 hours

of **volunteering hours**

*Including patents, copyrights, trademarks and R&D achievements. For further details, please refer to the "Sustainability Management Approach and Strategy" section.

🏆 Major Awards and Recognitions

2022 "Golden Pine Award" FinTech Enterprise Public Welfare Award

"iResearch Consulting Group Outstanding Performer in the Chinese Third-Party Payment Industry"

Our Sustainability Management Approach and Highlights

Sustainability Management Approach and Strategy

Sustainability has been the core of our business and will continue to be integrated into our business operations, reflecting our unwavering commitment to creating long-term value for stakeholders. In pursuit of this vision, we have formulated and updated our sustainability framework throughout the Reporting Period. Built upon four priority pillars- **Environment**, **Employees**, **Value Chain** and **Community** – our sustainability framework sets specific goals and targets for each priority pillar in sustainability. The Board has approved our sustainability framework, guiding each stride in our sustainability journey towards a more promising and resilient future.

Guided by our sustainability vision and framework, we supported and joined the universal call of the United Nations Sustainable Development Goals ("UNSDGs"), to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030, during the Reporting Period. There are 17 UNSDGs which form a comprehensive set of objectives and targets for implementing sustainability initiatives. We have identified 11 out of the 17 UNSDGs to align with and for our business to contribute to. Details of our contribution towards specific UNSDGs will be disclosed in the corresponding sections of this Report.

Environment – Pursuing decarbonisation for a greener Future

Goal*:

To accelerate climate action and reduce our environmental footprint for building a climate-resilient eco-operation

FY2023 Key Actions and Achievements:

↓6% total greenhouse gas ("GHG") emissions (Scopes 1 and 2) intensity compared to the previous year

↓5% total energy consumption intensity compared to the previous year

↓40% total water consumption intensity compared to the previous year

↓1% total non-hazardous waste intensity compared to the previous year

↓26% total hazardous waste intensity compared to the previous year

Strengthened our climate disclosures progressively with reference to the **TCFD Recommendations**

Enhanced climate-related risk and opportunity assessments to address climate change management

Initiated **product life cycle carbon emission assessment** at Hangzhou PAX to reduce embodied carbon in our products

Conducted **regular emission inspections** at our factory to ensure regulatory compliance

Introduced **green initiatives** to our operating locations

＊Please refer to the section headed "Environment" for our green targets.

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Employees – Curating a decent and people-centric for our talents

Goal:

To foster a workplace that embraces talent development, diversity and inclusion as well as employee health and well-being

FY2023 Key Actions and Achievements:

Average training hours **4.26 hours** per employee

Employee training ratio of **36%**

Male to female employee ratio of **7:4**

Organised **ESG**-related training programmes for directors and employees

Offered **attractive benefits and recreational activities**

Introduced a series of **occupational health and safety initiatives with training sessions** at offices and factory

Maintained **0** work-related injuries during the Reporting Period

Empowered our people to perform and **supported diverse talent development** through ongoing training programmes and **mentorship programmes**

Partnered with universities to **launch internship programmes** to nurture the leaders of tomorrow

Value Chain – Elevating customer experience by putting customers first

8 DECENT WORK AND ECONOMIC GROWTH | **12 RESPONSIBLE CONSUMPTION AND PRODUCTION** | **16 PEACE, JUSTICE AND STRONG INSTITUTIONS**

Goal:

To leverage innovation with quality and innovative products and services for customers

FY2023 Key Actions and Achievements:

Platform Operation Solutions **obtained 8** software copyrights

Financial Solutions **obtained 27** software copyright certifications

Actively **expanding into new markets**

Strengthened **payment security** by strictly monitoring payment activities

Engaged in close communication with our customers, consumers and other stakeholders

Addressed **sustainable procurement** among suppliers by integrating **ESG considerations** into our procurement processes

Maintained **0** legal cases regarding corruption practices

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Community — Enriching communities through care and nurture

Goal:

To spread love to the community through shouldering corporate social responsibilities and engaging ourselves in community contributions

FY2023 Key Actions and Achievements:

Contributed a total of RMB **60,000** for charitable donations

Contributed over **57 hours** of volunteering hours

Encouraged employee participation in **community service activities**

Our Awards and Recognitions

In our continuous pursuit of sustainability, we are delighted to announce that our ongoing efforts have been widely recognised in the industry, earning us many awards and recognitions during the Reporting Period.

Categories of Awards:

● Business and Service   ● Environment   ● Health and Safety   ● Social

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Tencent Cloud Database – TDSQL Product Strategic Partner

- ABS

Golden Pine Award - 2022 "Golden Pine Award" FinTech Enterprise Public Welfare Award

- VBILL

The PRC's High and New Technology Enterprise

- Hi Sun Global

Vice President of the Association for Yan Huang Culture of China

- VBILL

Technology Partner of the Year of Alibaba Cloud

- Hi Sun Global

iResearch Consulting Group Outstanding Performer in the Chinese Third-Party Payment Industry

- VBILL

Our Certificates and Accreditations

We have earned numerous certificates and accreditations in our business segments to integrate sustainability considerations in our product development practices and operations.

CMMI Level 5 Optimising Certification

- ABS

ISO14001 Environmental Management System Certification

- Hangzhou PAX

CMMI Level 2 Optimising Certification

- Hi Sun Global

ISO45001 Occupational Health and Safety Management System

- Hunan Hisun
- Hangzhou PAX

ISO 27001 Information Security Management System Certification

- Hi Sun Global

- Hunan Hisun

The PRC's Information System Security Protection Level 3 certification

- VBILL

ISO 9001 Quality management system Certification

- Hi Sun Global

- Hangzhou PAX

- ABS

First-Level Capability Requirement certification of Communication Network Security Service Capability Assessment Certificate

- Hunan Hisun

Payment Card Industry Data Security Standard Certification

- VBILL

Information Technology Service Operation and Maintenance Standard Compliance Certificate
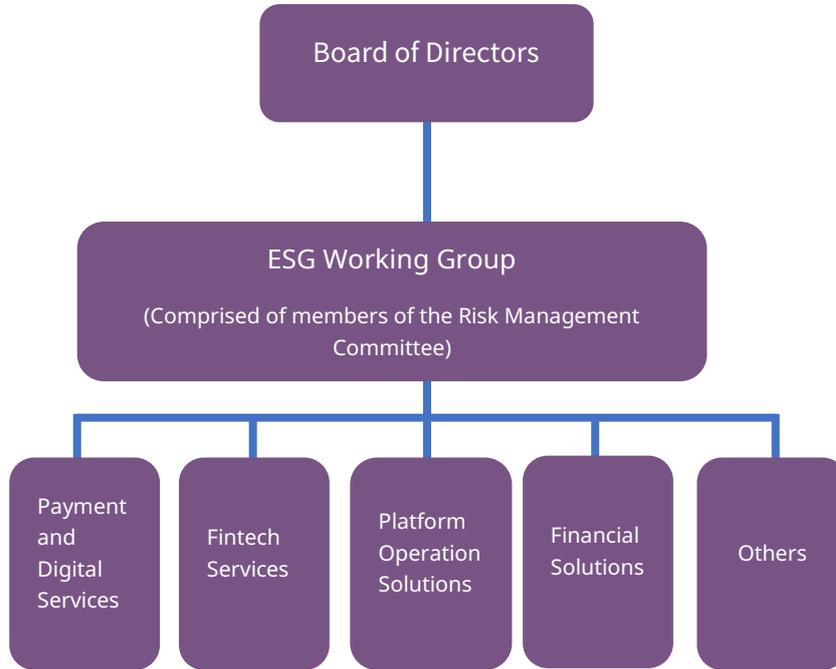
- Hunan Hisun

Sustainability Governance and Board's Oversight

Sound sustainability governance is essential for our long-term business success. The Board has the overall responsibility for the Group's overall ESG strategy and reporting while overseeing ESG issues with an emphasis on the Group's long-term development and positioning.

The ESG Working Group of the Group (the "ESG Working Group"), delegated by the Board and chaired by our Risk Management Committee, is responsible for overseeing the Group's ESG management approach and strategy. It also drives and manages the planning and implementation of ESG matters related to the Group. The ESG Working Group advises the Board on matters including but not limited to the below on a regular basis:

- Formulation and review of the Group's ESG management approach, strategy and policies;

- Identification, prioritisation and management of ESG-related risks and opportunities (including but not limited to climate-related risks and opportunities, and environmental and social risks along the supply chain) and formulation of mitigation measures;

- Evaluation and prioritisation of sustainability issues for identifying material issues to the Group, and establishment of long-term ESG strategic direction;

- Formulation of ESG-related goals and targets based on material sustainability issues related to the Group's business nature, as well as review of the progress on a regular basis;

- Formulation and monitoring of the implementation of the Group's sustainability-related initiatives;

- Coordination with employees of core businesses to implement ESG-related matters in daily operations; and

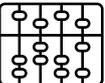- Compilation of the Group's annual ESG report for approval by the Board.

Our Sustainability Governance Structure

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                    ┌─────────────────────────┐
                    │   Board of Directors     │
                    └─────────────────────────┘
                                 │
            ┌────────────────────────────────────────┐
            │           ESG Working Group             │
            │ (Comprised of members of the Risk       │
            │        Management Committee)            │
            └────────────────────────────────────────┘
                                 │
   ┌──────────┬──────────┬──────────┬──────────┬──────────┐
┌────────┐ ┌────────┐ ┌────────┐ ┌────────┐ ┌────────┐
│Payment │ │        │ │Platform│ │        │ │        │
│and     │ │Fintech │ │Operation│ │Financial│ │Others  │
│Digital │ │Services│ │Solutions│ │Solutions│ │        │
│Services│ │        │ │        │ │        │ │        │
└────────┘ └────────┘ └────────┘ └────────┘ └────────┘
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For details of the corporate governance of the Group, please refer to the section headed "Corporate Governance Report" in the Annual Report 2023 of the Group.

Sustainability Risk Management

In response to the dynamic market environment and to advance our sustainability efforts, the Group has implemented a robust mechanism for managing sustainability risks. Our ESG Working Group, appointed by the Board, is responsible for monitoring the Group's sustainability risk management, while the Board retains ultimate responsibility for oversight of the Group's sustainability risk management. Our sustainability risk management process primarily consists of the following four steps:

Step	Process
	1. Identification We identify sustainability risks relevant to the Group's business based on the latest market and industry trends (including but not limited to climate-related risks and opportunities, as well as environmental and social risks along the supply chain). In response to the increasing concerns of stakeholders, we have identified and disclosed climate-related risks and opportunities in this Report.
	2. Evaluation We evaluate the potential impact and likelihood of sustainability risks.
	3. Prioritisation We prioritise significant sustainability risks by considering their risk levels in terms of potential impact and likelihood.
	4. Management Our ESG Working Group assists the Board in managing and monitoring identified sustainability risks, formulating corresponding control measures, and regularly submitting a risk assessment report to the Board for discussion. As part of its oversight responsibility, the Board regularly reviews the effectiveness of control measures and provides recommendations for improvement when necessary.

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ESG Policy

The Group's ESG Policy reinforces our dedication to responsible operations, covering extensive environmental and social issues such as operational practices, environmental protection, community engagement and corporate governance. This commitment facilitates the integration of sustainability and climate-related considerations into our business operations and decision-making processes, ensuring long-term sustainable growth and meeting stakeholder expectations.

We regularly review and update the ESG Policy as appropriate to align with shifts in operational dynamics and community needs. During the Reporting Period, we enhanced our performance and management across key areas, including climate change, use of resources, employee well-being and community investment, by updating the ESG Policy.

Environment
- Climate Change *Updated*
- Green Operations *New*
- Green Procurement
- Use of Resources (including energy, water, etc.) *Updated*
- Waste Management *Updated*

Employees
- Equal Opportunity and Diversity *Updated*
- Occupational Health and Safety
- Training and Development *New*
- Employment Practices and Labour Standards
- Freedom of Association *Updated*
- Cybersecurity *Updated*

Value Chain
- Service and Product Quality *Updated*
- Environmental and Social Risk Management in Supply Chain
- Business Ethics and Integrity

Community
- Community Engagement and Investment *Updated*

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Stakeholder Engagement

The Group highly values the opinions of stakeholders and consistently addresses their concerns. We actively engage in open communication with both internal and external stakeholders through diverse channels, seeking their input in the decision-making and strategy formulation processes. Below are the significant stakeholders we identified during the Reporting Period.
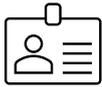
Employees

- Social media platforms
- CEO mailbox and online message board
- Staff training
- Annual dinner and staff activities

Customers

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

Shareholders and Investors

- Shareholders' meetings and annual general meetings
- Investor relations website
- Investor conference and teleconference

Suppliers and Business Partners

- Site visits
- Regular review
- Suppliers' websites

Government and Regulatory Bodies

- Meetings and interviews
- Qualification assessment
- Disclosures and announcements

Community and General Public

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

Materiality Assessment

We regularly review sustainability topics relevant to our business to ensure the integrity of our sustainability strategy and reporting. With the assistance of an independent third-party sustainability consultant, we conducted a materiality assessment during the Reporting Period to identify sustainability topics that significantly influence both stakeholders and the Group and to gain insights into stakeholder expectations. The materiality assessment process primarily involved the following three steps:

Step 1:	**Identify relevant sustainability topics** • A total of 33 sustainability topics that relevant to the Group's business were identified based on the Listing Rules, prior results of stakeholder engagement, major industry trends and business nature
Step 2:	**Evaluate and prioritise material topics and stakeholder engagement** • With the assistance of an independent third-party sustainability consultant, we invited diverse stakeholder groups to complete an online questionnaire, rating the materiality of the 33 sustainability topics and understanding the significance to the Group and our stakeholders • We conducted materiality analysis and evaluation based on the results of the questionnaire and with reference to the opinions of the management, and presented the results in the form of a materiality matrix
Step 3:	**Review the results** • The Board reviewed and determined the results of the materiality matrix

The matrix below illustrates the relative materiality of 33 sustainability topics to stakeholders (y-axis) and the Group (x-axis). A total of 15 topics in the first tier of the matrix have been prioritised as the most material for us to address and report on in this Report.

Materiality Matrix
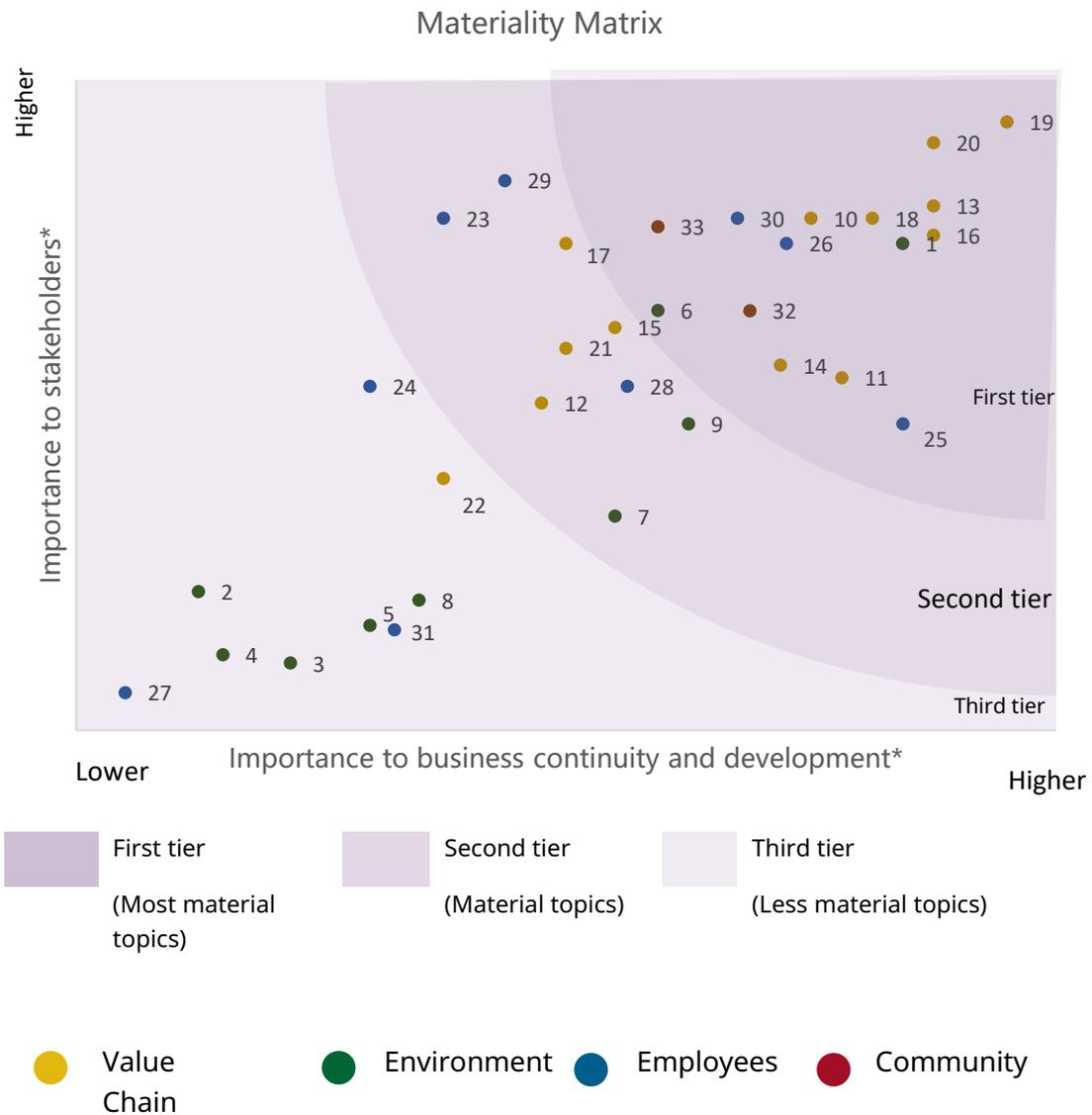
*Importance to stakeholders is determined by external stakeholders' rating of the material topics in terms of their importance to the society/environment and their relevance to us. Importance to business continuity and development is determined by internal stakeholders' rating of the likelihood and level of potential impact of the topics affecting the Group's business continuity and development.

Issues	Section	Page
First tier: most material topics		
1 Climate change	Climate Change and Resilience	P.36-40
6 Energy conservation	Air Emissions and Greenhouse Gas Emissions	P.40-41
10 Fair operation and fair competition	Business Ethics and Compliance	P.61-62
11 Anti-fraud and anti-corruption	Business Ethics and Compliance	P.61-62
13 Compliance with laws and regulations	Significant Laws and Regulations	P.101-104
14 Supplier management	Building a Sustainable Supply Chain	P.63-64
16 Intellectual property protection	Observing and Protecting Intellectual Property Rights	P.86
18 Compliance of products and services	Value Chain	P.59-87
19 Cybersecurity and system safety	Value Chain	P.59-87
20 Data and privacy protection	Value Chain	P.59-87
25 Anti-discrimination and equal opportunities	Workplace Diversity and Labour Rights	P.51
26 Occupational health and safety	Occupational Health and Safety	P.52-54
30 Training and development	Training Activities and Development	P.55-57
32 Participation in volunteering activities	Community	P.89-91
33 Charitable donations	Community	P.89-91
Second tier: material topics		
7 Use of resources		
9 Green procurement		
12 Anti-Corruption training		
15 Suppliers' environmental and social risk management		

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Issues	Section	Page
(17) Reliable products and services		
(21) Advertising and promotion		
(23) Employee relations and communications		
(28) Disaster contingency plan		
(29) Employee benefits and compensation		
Third tier: less material topics		
(2) Greenhouse gas emissions		
(3) Air emissions		
(4) Wastewater emissions and handling		
(5) Recycling and renewable energy		
(8) Waste Handling		
(22) Customer satisfaction and complaint handling		
(24) Participation of recreational activities		
(27) Epidemic prevention and control		
(31) Child and forced labour		

Connecting with our Stakeholders

By fostering an open dialogue with our stakeholders, the Group not only values their feedback but also turn it into meaningful action.

Stakeholder Feedback

To enhance employee benefits.

Our Response

We are committed to enhancing our ESG governance and continuously providing competitive welfare and benefits packages for our employees. For detailed policies and measures, please refer to the "Our Sustainability Management Approach and Highlights" and "Employees" sections.

Stakeholder Feedback

To understand the Group's sustainability strategy.

Our Response

We continuously refine our sustainability strategy and conduct disclosure in this Report. For details, please refer to the "Our Sustainability Management Approach and Highlights" section.

About Hi Sun Technology

About Hi Sun Technology
Business Overview

As a leading integrated solutions provider for payment, finance and telecommunications in the PRC, the Group is principally engaged in five core business segments:

Payment and Digital Services	Fintech Services	Platform Operation Solutions	Financial Solutions	Others

Leveraging our strong businesses, we endeavour to always provide diverse range of customers with innovative, convenient and high-quality products and services.

Mid and small sized merchants	Banks	Financial institutions	Telecom operators	Payment industrial chains

Below shows the summary and latest development of our current five core business segments:

Payment and Digital Services

- Principally engaged in the provision of payment processing services and related digital products and solutions

- Launched our digital service product for second-hand car trading, "Jiexingchejia", to help second-hand car dealers realize closed-loop management of digitized automobile assets

- Continue to improve our intelligent decision-making products catering for the retail industry, including launching digital management products for fresh food, short shelf-life goods and non-standardised fresh commodities and intelligent visualization display, etc.

- Our business expanded into new regional markets such as South America and the Czech Republic during the Reporting Period

Fintech Services

- Principally engaged in the provision of microlending, supply chain financing, factoring business, credit assessment services and related products and solutions

- Suixin Cloud Chain FinTech Service Platform launched digital inclusive financial services to the existing platform, meeting the financing needs of micro, small and medium-sized enterprises at different stages of production and operation

- Completed our support for the systems for the acceptance of new generation bills and supply chain bills business during the Reporting Period to meet the payment and financing needs of small and medium-sized enterprises

Platform Operation Solutions

- Principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services, offering customers in the telecommunications, payment, and e-commerce industries with high-quality technical products and services

- Continued to provide product development and business operation related technologies and business operation support services for China Mobile Financial Technology Co., Ltd. ("CMFT"), the Interactive Voice Response ("IVR") Base of China Mobile Ltd. ("China Mobile") and the Animation Base of China Mobile

Financial Solutions

- Principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks

- Provided a local bank in Hong Kong and IT application innovation enterprise in the PRC with core system upgrade services during the Reporting Period, facilitating the industry's digital transformation

- Actively carried out market expansion and research and development of new products and new technologies, as well as improving overseas service capabilities

Others

- Mainly comprising of the electronic power meters business and various new business projects in development stage
- Equipped with modernised production lines and smart monitoring systems, providing unique and high-quality products and solutions

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Environment

Environment
Pursuing decarbonisation for a greener future

Goal:

To accelerate climate action and reduce our environmental footprint for building a climate-resilient eco-operation

Most Material topics covered in this chapter:

- Climate change

- Energy conservation

UNSDGs addressed in this chapter:

| 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION |

Our Highlights of the Year:

Product Life Cycle Carbon Emission Assessment

During the Reporting Period, Hangzhou PAX initiated a comprehensive carbon footprint assessment for smart energy meters based on the ISO 14067 standard for Greenhouse Gases - Carbon Footprint of Products (Requirements and Guidelines for Quantification) as well as the criteria outlined in the PAS 2050:2008 Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services. This in-depth assessment provides valuable insights into the environmental impact and carbon emissions throughout the life cycle of our products, from resource development to the manufacturing processes.

Championing Sustainable Product Design

Our products incorporate **recycled materials** and we prioritise **durability** and **recyclability** at the design stage, aiming to minimise the environmental footprint throughout the entire product life cycle.

Enhancing Climate Change Management and Climate Resilience

We are enhancing our climate resilience management through progressive climate-related risk and opportunity assessment and disclosures with reference to the **TCFD recommendations** starting this reporting year.

Strategy and Management

Our dedication to reducing environmental footprint is centred around our sustainability strategy as a pathway to operational excellence. Our ESG Policy guides our efforts in improving environmental performance, efficient use of natural resources and energy efficiency, emission and waste reduction and raising stakeholders' environmental awareness. An ISO 14001-certified environmental management system is established in our business segment[1]. We also strictly adhere to environmental laws and regulations that have significant impact to the Group[2]. During the Reporting Period, we were not aware of any material non-compliance with environmental laws and regulations within the Group and its subsidiaries.

Environmental Management System

We have put in place our Environmental Management System certified to ISO 14001 in our business segment[1], with an Environmental Management Manual clearly defining the management framework, objectives, emergency plans, monitoring and supervision, training, and other relevant aspects of environmental management, as a guide for employees in implementing effective environmental management measures.

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[1] During the Reporting Period, Hangzhou PAX held the ISO 14001 Environmental Management System certification.

[2] Please refer to the "Significant Laws and Regulations" section of the Report for the list of relevant environmental laws and regulations that are significant to the Group's business operations.

Product Life Cycle Carbon Emission Assessment

During the Reporting Period, we conducted a life cycle carbon emission analysis of smart energy meters based on the ISO 14067 standard for Greenhouse Gases - Carbon Footprint of Products (Requirements and Guidelines for Quantification) as well as the criteria outlined in the PAS 2050:2008 Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services. This assessment covered stages throughout the life cycle of our products, from raw material extraction, product manufacturing, energy usage, transportation to other phrases, helping us understand and mitigate the environmental impact of our products.

To foster a culture of green practices across all levels of our business, we have set specific green targets as detailed below. We regularly review the progress made against these targets and implement corresponding measures[3] to achieve them.

Aspect	Green Target	Progress
Emissions	Actively reduce air emissions and GHG emission intensity arising from the daily operations	In Progress →
Waste	Reduce the amount of hazardous and non-hazardous waste generated by strengthening waste management	Achieved ✓
Energy use efficiency	Actively improve energy efficiency and reduce the energy consumption of our operations	Achieved ✓

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[3] Please refer to the "Air Emissions and Greenhouse Gas Emissions", "Waste and Packaging Material Management" and "Water Resource Management" sections of this Report for detailed measures.

Water use efficiency	Implement various water-saving measures to reduce the water consumption intensity of our offices and factories	Achieved ✓

Climate Change and Resilience

As climate change intensifies, we are accelerating to address climate-related challenges to build a sustainable future and safeguard the safety of our employees. During the Reporting Period, the Group reviewed and updated its climate-related policies, encouraging stakeholders to implement emission reduction measures to enhance climate resilience:

Mitigating Climate Change

- Implementing various environmental protection measures, actively achieving emission reduction targets and implementing low-carbon operations to achieve effective control and reduction of GHG emissions

Adapting to Climate Change

- Strengthening climate risk response measures and integrating them into daily operations and future business development to improve the adaptability to climate change

We strengthened our climate-related disclosures through progressive climate-related risk and opportunity assessment and disclosures with reference to the TCFD recommendations during the Reporting Period. Below details our management approach on climate change for the four core elements (Governance, Strategy, Risk Management, as well as Metrics and Targets).

Governance | Strategy | Risk Management | Metrics and Targets

Board Oversight

The Board takes ultimate responsibility for the oversight of climate-related risks and opportunities. The Board, with the assistance of the ESG Working Group, is responsible for overseeing the Group's climate change policies and the management of climate-related risks and opportunities.

Management's Role

Under the supervision of the ESG Working Group, the management of the Group is responsible for assessing and managing climate-related risks and opportunities, the design and implementation of climate-related measures, as well as reviewing climate-related policies. These enable that climate considerations are incorporated into our daily operations.

Governance | **Strategy** 💡 | Risk Management | Metrics and Targets

The Group identifies and manages physical and transition climate risks as well as climate-related opportunities through our sustainability risk management mechanism. A summary of the key identified climate-related risks and opportunities, their potential impacts to our business and our response actions are presented in the table below. We will also continue to explore opportunities for conducting climate scenario analysis where feasible in the future.

Climate-related Risks	Potential Impacts	Our Response Actions
Physical Risks		
• **Acute risks**	• Extreme weather events such as typhoons and heavy rainfall could potentially affect business operations and supply chain continuity, causing damage to assets and/or equipment, and increase employee's health and safety risks, etc.	• Establish an emergency response mechanism, including emergency plans and drills, to ensure that employees are aware of crisis management measures • Arrange flexible working hours according to weather warning to prevent accidents • Remind employees of safety issues and work arrangements related to extreme weather
• **Chronic risks**	• Climate pattern changes, such as prolonged high temperatures, could potentially increase employees' health and safety risks	• Insure factories' machinery and inventory to avoid revenue loss • Maintain strong supplier relationships to manage delays caused by extreme weather • Implement response measures to safeguard employees' health during extreme weather conditions

Transition Risks		
• **Policy and Legal Risks**	• More stringent climate-related policies could potentially impact the financial performance and reputation of the Group	• Continuously assess, monitor and manage climate transition risks • Closely monitor changes in relevant laws and regulations, government's policy trends, technological developments and market trends
• **Market Risks**	• Failure to meet market demands for low-carbon products and services could potentially impact the Group's financial performance and reputation	• Closely monitor market trends
Climate-related Opportunities		
• **Products and Services**	• Providing customers with low-carbon products and services that meet market demand could increase the Group's revenue	• Hangzhou PAX assessed the carbon emissions of smart energy meters from resource development to the manufacturing processes, in order to understand the product environmental impacts • Prioritise local suppliers to reduce carbon footprint
• **Resource Efficiency**	• Improving resource efficiency in daily operations could reduce operating costs	• Encourage the use of electric vehicles for employee shuttle buses to reduce carbon emissions • Adopt LED lighting whenever possible to enhance energy efficiency • Reduce daytime lighting and maximise the use of natural light

| Governance | Strategy | **Risk Management** ⚙ | Metrics and Targets |

The Board acknowledges the overall responsibility for designing and implementing the risk management system. Supervised by the ESG Working Group, we have conducted sustainability risk assessments on climate-related risks and opportunities to identify, assess and manage the risks in terms of their potential impacts and likelihood. Mitigation measures will be formulated based on the assessment results for better resilience planning.

| Governance | Strategy | Risk Management | **Metrics and Targets** 🎯 |

Our key climate-related metrics, such as Scope 1 and Scope 2 GHG emissions as well as energy consumption, are available on our annual ESG Report. We have set specific green targets, and will report the progress made against metrics and targets to the Board every year to continually monitor our environmental performance.

The Group's direct and indirect energy consumption, as well as Scope 1 and Scope 2 GHG emissions are available in the "Environmental - Air Emissions and Greenhouse Gas Emissions" section of this Report. We will continue to explore the opportunities to collect and disclose Scope 3 GHG emission data in the future.

Air Emissions and Greenhouse Gas Emissions

The Group's air emissions and GHG emissions are primarily derived from the use of purchased electricity and the fuel consumption by company vehicles, and our operations that involve production emit a small amount of exhaust during the factory operation. To mitigate the environmental impact, we conduct regular air emission tests to ensure compliance with regulatory requirements, and we have also implemented a range of green operation measures.

Green Operation Measures

- Encourage employees to take public transport instead of private vehicles

- Adopt electric vehicles for employee shuttle buses to reduce emissions

- Adopt LED lighting whenever possible to enhance energy efficiency

- Reduce daytime lighting and maximising the use of natural light

- Actively use video conferences instead of business trips

- Require employees to switch off electrical appliances when leaving

- Set air-conditioning at office at designated temperature to reduce electricity consumption

- Promote green procurement and prioritising appliances with Grade 1 energy label

- Actively support the use of green energy sources

- Prioritise local suppliers to reduce carbon footprint

Waste and Packaging Material Management

The non-hazardous waste we generate mainly includes general office refuse, waste papers and office supplies, while small amounts of hazardous waste, such as batteries, tin ash and circuit boards, is produced by the Group's factory operations. To reduce waste generation, we have implemented a series of waste management measures:

Waste Separation

- Separate non-hazardous waste and hazardous waste

- Collect non-hazardous waste including general office refuse and wasted office supplies, which will be disposed by authorised organisations

- Collect batteries, tin ash, circuit boards and other hazardous waste separately and store them in designated sealed containers which will be handled by certified recyclers

Recycling and Reuse

- Adopt dual printing and reuse paper

- Place paper recycling boxes in office

- Use reusable bags instead of single-use plastic bags

Source Reduction

- Reduce the use of single-use disposable items, such as plastic bags

- Adopt e-communications to replace paper where possible

When selecting packaging materials, we consider their environmental impact and avoid the use of plastics. Our packaging materials are recycled by qualified recyclers.

Water Resource Management

To conserve water resources, the Group has implemented various water management measures to actively reduce water consumption of our operations.

Water Saving Measures

- Adopt dual and automatic flush system in toilets to conserve water

- Conduct regular maintenance of faucets, pipes and equipment such as valves and flush to improve water use efficiency

- Repair or replace damaged equipment in a timely manner to avoid water wastage

- Set up water conservation reminders in conspicuous locations and near equipment to raise employee awareness

During the Reporting Period, the Group did not encounter any issues in sourcing water.

Reducing the Environmental Impact on the Surroundings

To ensure the health of our employees and minimise nuisance to the surrounding environment, we conducted assessment on industrial noise generated by our factory operations during the Reporting Period to ensure compliance with environmental noise emission standards defined for industrial enterprises.

Green Procurement

To promote environmentally preferable products and services when selecting suppliers and during the procurement process, the Group's green procurement policy outlines green procurement principles for employees, as well as encourages suppliers to adopt sustainable procurement practices, including:

- Prioritising the use of environmentally friendly paper, such as FSC® paper

- Prioritising the procurement of electrical appliances with energy labels

- Prioritising products with less packaging or using environmentally friendly packaging materials

- Prioritising suppliers in neighbouring operating areas to reduce the carbon footprint

- Selecting suppliers and materials based on the principle of "reduced environmental burden"

- Monitoring and assessing suppliers' environmental performances, 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, etc.

Product and Production Sustainability

As stakeholders' awareness of environmental issues continues to rise, the Group is actively working to reduce the adverse impact of its daily operations on the environment and natural resources, incorporating environmental elements from the design and production of products to their disposal.

1. Durability and Eco-design

In addition to cost considerations, we consider the environmental impact during manufacturing, usage and disposal of products throughout the product design phase, and prioritise product **durability, reusability and reparability** to minimise waste generation

2. The Use of Recycled Materials and Lead-free Solder

- Prioritise the use of **recycled materials** and **lead-free solder** and choosing plastics **without halogen flame retardants** to prevent emission of toxic gas when using flame retardants and reduce the use of raw materials

- Require raw material, component and semifinished product suppliers to sign the relevant statements in the **RoHS**, ensuring that their supplies do not contain forbidden hazardous chemicals or the concentration of chemicals contained does not exceed the regulatory level, to prevent our products from causing material pollution to the environment

- Avoid using conflict minerals

4. Facilitate Recycling to Reduce Waste

Adopt design elements that **favour disassembling** and **recycling** during product design when possible for the sake of easier recycling during product disposal, mitigating the burden on landfills

Design → Product Manufacturing Process → Raw materials → Production → Disposal
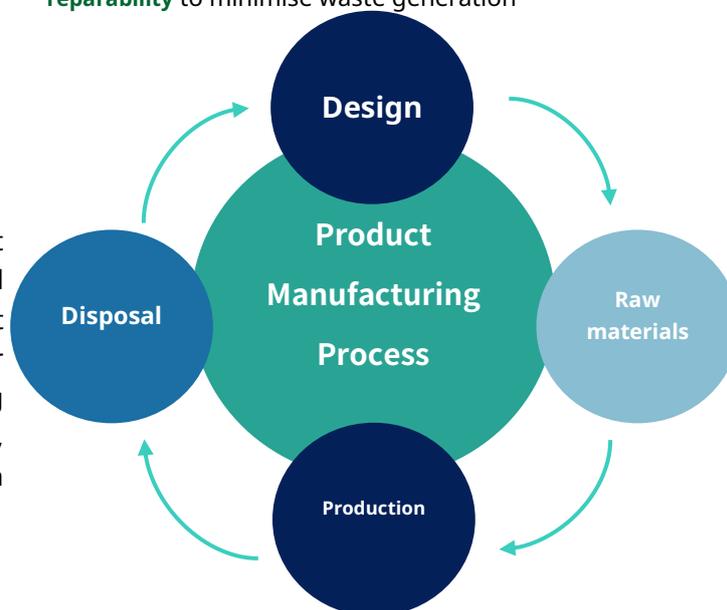
3. Ensuring Compliance of Pollution

Engage third-party testing organisations yearly to conduct inspection on wastewater, air emissions and noise generated during the production process to ensure that the emission concentration complies with the **standard limits**[4], to avoid emissions from causing material pollution to the surroundings

[4] Integrated Wastewater Discharge Standard (污水綜合排放標準), the Indirect Discharge Limitation of Industrial Wastewater Containing Nitrogen and Phosphorus (工業企業廢水氮、磷污染物間接排放限值), the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準) and the Emission Standard for Industrial Enterprises Noise at Boundary (工業企業廠界環境噪聲排放標準) and other requirements.

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Employees

Employees
Curating a decent and people-centric for our talents

Goal: To foster a workplace that embraces talent development, diversity and inclusion as well as employee health and well-being	Most Material topics covered in this chapter: - Anti-discrimination and equal opportunities - Occupational health and safety - Training and development

UNSDGs addressed in this chapter:

3 GOOD HEALTH AND WELL-BEING   5 GENDER EQUALITY   8 DECENT WORK AND ECONOMIC GROWTH   10 REDUCED INEQUALITIES

Our Highlights of the Year:

Internship Programmes to Nurture Exceptional Talent

During the Reporting Period, Hangzhou Pax introduced an internship programme, providing students with **a practical learning environment** to experience our daily operations within an organisation, fostering their professional development and growth.

Strengthening Safety Awareness through Training

During the Reporting Period, we conducted a variety of **safety training sessions and drills** to enhance our employees' awareness of safety.

Caring for Employee Well-being with Family-Friendly Arrangements

Our office is equipped with facilities such as a library, employee lounge, pool area, beverage and snack vending machines and a cafeteria. As part of our **family-friendly arrangements**, we offer amenities such as breastfeeding room, flexible working hours and parental leaves. During the Reporting Period, we organised events such as festival dinners, annual celebrations and Women's Day celebration to create a relaxed and enjoyable atmosphere for our employees.

Elevating Awareness of Sustainability

During the Reporting Period, we invited sustainability consultants to conduct **specialised seminars on ESG topics** for our directors and employees, enhancing their knowledge of sustainability.

Strategy and Management

Employee well-being and safety are paramount to the success of our business. The Group continuously refines our compensation and benefits system, providing competitive benefits and work conditions to build an outstanding team. We adhere strictly to local laws and regulations relating to employment, health and safety and labour standards[5]. Our policies and commitments on topics such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, as well as development and training, are detailed in our Employee Handbook, Human Resources Policies and other policies related to human resources. During the Reporting Period, we were not aware of any material violations of laws and regulations relating to employment, labour standards, and related to providing a safe working environment and protecting employees from occupational hazards within the Group together with its subsidiaries.

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[5] Please refer to the "Significant Laws and Regulations" section of this Report for the list of relevant laws and regulations significant to the Group's business operations.

Attracting and Retaining Talents

We are committed to attracting and retaining exceptional talent. We have developed a comprehensive talent recruitment and development programme that utilise various channels such as internal transfers, internal referrals, recruitment fairs, and online recruitment to recruit, attract, and retain diverse talents. We offer competitive compensation and benefits to our employees, and regularly review and adjust based on research reports, industry trends, etc., to ensure fair and preferential treatment for our employees in terms of salary and benefits. The following outlines the benefits we provide for our employees:

Holiday Management

Annual leave, marriage leave, bereavement leave, maternity leave, paternity leave, parental leave

Additional Allowance

Meal allowance, transportation allowance, telephone allowance, offsite allowance, shift allowance, computer allowance, additional meal allowance

Recognition Award

Attendance award, excellent staff award, excellent supervisor award, excellent team award

Caring Benefits

Provide festive gift cards, birthday gift cards, marriage and childbirth red packets, festive gifts, fruits, subsidies for high temperature, snacks and overtime meals, hand cream and warming packs, transportation services, etc.

Furthermore, we organise a variety of employee activities to demonstrate our care for our staff and promote their physical and mental well-being, including annual dinners, birthday parties, holiday celebrations, team-building activities, and sports clubs, etc.

Caring for Employee Well-being and Mental Health

We are dedicated to creating a sustainable office environment. For instance, our VBILL office is equipped with facilities such as a library, employee lounge, pool table, beverage and snack vending machines and a cafeteria, providing employees with spaces to relax within the workplace.

To support female employees in taking care of their children, we offer flexible working arrangements during the breastfeeding period and provide lactation rooms in the office, ensuring a comfortable and private space for childcare.

To promote an open feedback culture to assist the continuous improvement of our management policies within the Group, we have established various communication channels to facilitate interaction between employees and the management. These channels include:

Communication channels

- Emails
- Bulletin boards
- Intranet message board
- Employee publications
- "CEO's Mailbox"

Workplace Diversity and Labour Rights

Creating a diverse, caring and inclusive workplace is a priority for us. To ensure the well-being of our employees, we have implemented a series of measures, including but not limited to:

- In our pursuit of recruiting diverse talent and promoting workplace diversity, we make decisions regarding recruitment, promotions and compensation based on the competencies, performance and experience of candidates and employees

- We treat each employee equally and respect their rights. We have established a code of conduct that emphasises mutual respect and prohibits any form of discrimination based on gender, sexual orientation, age, marital status, family and pregnancy status, disability, race, nationality and religious beliefs

- We provide diversity-related training and guidance for new employees

To eliminate child labour and illegal labour practices, our Human Resources Department will conduct detailed verification of the age, employment records and identification documents of candidates. In cases where the employment of child labour is identified, we will promptly terminate the employee and escort them from the workplace. We will also initiate an investigation and report the incident to law enforcement authorities. Our human resources-related policies provide detailed guidelines on labour arrangements such as working hours, rest periods, overtime arrangements, holidays and dismissals to ensure that employees enjoy sufficient rest days to prevent instances of excessive or forced labour. Our Human Resources Department regularly reviews the effectiveness of the human resources management system and employment practices. During the Reporting Period, the Group was not aware of any instances of child labour or forced labour.

Occupational Health and Safety

To ensure a safe and healthy work environment and protect employees from occupational hazards, we have established a comprehensive Occupational Health and Safety Management System, while ensuring strict compliance with all relevant laws and regulations[6]. We have obtained the ISO 45001 certification for occupational health and safety management systems in our business segments[7].

Occupational Health and Safety Management System

Under the ISO 45001-certified Occupational Health and Safety Management System, we have developed a safety management manual. We implement various measures, set objectives and establish contingency plans to mitigate occupational health and safety risks.

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[6] Please refer to the "Significant Laws and Regulations" section of the Report for the list of relevant laws and regulations relating to health and safety that are significant to the Group's business operations.

[7] During the Reporting Period, Hangzhou PAX and Hunan Hisun held the ISO 45001 certification for the Occupational Health and Safety Management Systems.

Occupational Health and Safety Training

During the Reporting Period, we provided employees in our business segments with diverse occupational health and safety training sessions. These sessions covered topics such as safe production practices, emergency first aid knowledge and skills, occupational health and safety management systems and fire safety. The aim was to enhance employee awareness and understanding of occupational health and safety.

Additionally, we have established emergency plans in our business segments for fire incidents, electric shock accidents, emergency evacuations, etc., enabling employees to analyse the degree of incidents and hazards according to relevant procedures, execute emergency procedures, and conduct investigations in the event of an accident. The Group has implemented a series of occupational health and safety measures in our business segments and has assigned delegated staff to monitor the implementation of these measures to reduce the risk of occupational injuries and safeguard the health of our employees:

Safeguarding Employees' Health

- Arrange regular health check for employees to monitor their wellbeing

- Purchase additional medical insurance for employees that covers employees' family and children

- 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 regularly and conduct safety inspections to ensure that all firefighting equipment is well-maintained
- Provide employees with protective equipment such as face masks and anti-static gloves
- Set up anti-static floor and anti-static mats in server rooms and product-testing areas in certain offices to reduce employees' risk of electric shocks and accidents
- Conduct power crisis identifications, check for abnormalities or aging conditions in distribution boxes and electrical wiring, and replace aging electrical equipment promptly to prevent the risk of fire due to short circuits and power failure

During the Reporting Period, the Group did not record any lost days due to work injuries (2022: 0). At the same time, we have recorded no work-related fatalities in each of the past three years (including the Reporting Period).

Training Activities and Development

The Group has introduced a series of training initiatives to ensure employees acquire essential knowledge and skills, offering ample opportunities for their development and advancement. Our training framework involves formulating training plans and conducting regular assessments of their effectiveness to guarantee the delivery of sufficient and effective training for our workforce.

Training System

- Provide orientation training, on-the-job training, specialised training, internal and external training, etc., to improve staff's knowledge and skills for discharging duties at work

- Business departments formulate annual training plans, including training objectives, course plans and processes, to enable staff from different positions and duties to fulfil their job requirements and career development

- Collect satisfaction scores and feedback from employees after the training, and provide training summary and recommendations to the management to assist them to improve the effectiveness of training courses

- Regularly summarise and review the annual training plan and provide recommendations, as well as incorporate improvement plans into the future training plan

During the Reporting Period, our business departments initiated and provided a variety of training activities and programmes to assist employees in realising their potential. The following are the training categories covered during the Reporting Period:

Training Categories

- ESG

- Data Security

- Occupational Health and Safety

- Fire Safety

- Business Knowledge

- Anti-Corruption

Empowering Students Through Internship

We aspire to enrich students' professional growth by sharing our experiences and knowledge. For instance, during the Reporting Period, we launched an internship programme in Hangzhou PAX where students were provided with first-hand experience of our day-to-day operations to foster their career development and growth.

Deepening Understanding of ESG Knowledge

During the Reporting Period, we invited sustainability consultants to conduct specialised seminars on ESG topics for our directors and employees. These sessions covered relevant ESG-related regulations and concepts as our ongoing efforts to strengthen sustainability governance.

Fostering Self-learning Culture

To promote a culture of self-learning, we have created online learning platforms for employees, featuring the establishment of "CoGoLinks Academy". This platform provides diverse learning content and assessments, showcasing employees' performance and rankings for an engaging and interactive learning experience.

Our Mentorship Programmes For New Hires

We have implemented mentorship programmes for new employees to assist them in adapting their roles and the work environment. For example, at VBILL, every new hire is assigned a mentor who provides guidance and support throughout their onboarding process.

We conduct performance appraisals for employees every year on their work performance, achievements, skills, knowledge, management capability, communication skills, work attitude, interpersonal skills, discipline, etc., to determine their promotion opportunities and remuneration packages.

Value Chain

Value Chain

Elevating customer experience by putting customers first

Goal:	Most Material topics covered in this chapter:
To leverage innovation with quality and innovative products and services for customers	- Fair operation and fair competition - Anti-fraud and anti-corruption - Compliance with laws and regulations - Supplier management - Intellectual Property Protection - Compliance of products and services - Cybersecurity and system safety - Data and privacy protection

UNSDGs addressed in this chapter:

Our Highlights of the Year:

Our Presence Highlight at the Huawei Intelligent Finance Summit 2023

Hi Sun Global made an impressive appearance at the **Huawei Intelligent Finance Summit 2023** during the Reporting Period, where we showcased cutting-edge **core banking system and mainframe migration technology**. Our demonstration highlighted advancements contributing to intelligent and efficient banking solutions.

Strategic Partnership with Tencent

ABS has become a strategic partner for Tencent's TDSQL product, collaborating closely to deliver comprehensive **distributed database solutions**.

Recognition as the Technology Partner of the Year of Alibaba Cloud

During the Reporting Period, Hi Sun Global is honoured to have once again secured its position as the **Alibaba Cloud Technology Partner of the Year**, recognising the success of our efforts in driving **digital transformation**.

Driving Sustainability in the Supply Chain

During the Reporting Period, we conducted **an assessment of ESG risks in our supply chain** to ensure our alignment with sustainability approach.

Enhancing Public Awareness on Anti-money Laundering

During the Reporting Period, the Beijing Payment Institutions' Anti-Money Laundering Industry Cooperation Workshop (北京市支付機構反洗錢同業合作研討會), with VBILL as one of the members, conducted joint **anti-money laundering awareness campaigns** to raise public awareness.

Strategy and Management

Ensuring exceptional value chain management is of paramount importance to the long-term strategy of the Group. Our dedication is centred on delivering customers high-quality, comprehensive and trustworthy payment, financial as well as communication solutions and services. We guarantee that our operations align with ethical and sustainability standards. The Group adheres to product responsibility and anti-corruption related laws and regulations [8] ,ensuring compliance and product quality.

During the Reporting Period, the Group was not aware of any material non-compliance of applicable laws and regulations relating to health and safety, advertising, labelling, privacy matters of its products and services, as well as laws and regulations relating to bribery, extortion, fraud and money laundering.

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[8] Please refer to the "Significant Laws and Regulations" section of this Report for the list of relevant laws and regulations relating to product responsibility and anti-corruption that are significant to the Group's business operations.

Business Ethics and Compliance

Anti-corruption

We have established a series of anti-corruption policies and systems in our business segments. We mandate employees and suppliers to adhere to the highest standards of business ethics when conducting business, prohibiting all forms of corruption, such as bribery and fraud. To mitigate the risk of money laundering in payment transactions, VBILL has set up an anti-money laundering working group and relevant internal control systems. These preventive measures ensure the effective implementation of procedures related to anti-money laundering, including the review of customer information, regular investigation of suspicious transactions and reporting of any violations.

To ensure that our employees have a comprehensive understanding of the Group's ethical standards and to enhance their awareness of anti-corruption measures, our orientation training covers content on anti-corruption and business ethics. We conducted anti-corruption training sessions for directors and employees during the Reporting Period, which covered topics such as business ethics, anti-corruption, fraud prevention and anti- money laundering.

During the Reporting Period, the Group was not aware of any concluded corruption lawsuits brought against the Group and its employees (2022: Nil).

Whistleblower Mechanism

Our business segments have established a comprehensive whistle-blowing system to encourage employees and suppliers to report any suspected incidents of corruption or other violations:

Reporting

- We encourage employees and suppliers to report to the management or directly to the Audit Committee

Follow-up

- We actively follow-up and investigate reported cases

- We strictly maintain the confidentiality of the whistleblower's identity to prevent any form of retaliation or harassment

Action

- Warnings or dismissals for non-compliant employees or business partners will be conducted based on the severity of the incident, and take legal action as necessary

- We conduct compliance audits to monitor and assess the effectiveness of preventive measures and systems

Fostering Exchange, Sharing Experiences and Public Awareness in Anti-money Laundering Efforts

To facilitate the exchange and learning of anti-money laundering efforts within the payment industry, VBILL and other payment institutions have established the Beijing Payment Institutions' Anti-Money Laundering Industry Cooperation Workshop (北京市支付機構反洗錢同業合作研討會). Through collaborative seminars and experience-sharing activities, we aim to foster collaboration within the industry. During the Reporting Period, VBILL, in collaboration with other institutions, conducted joint public awareness campaigns on anti-money laundering to enhance public awareness of such illegal activities.

Building a Sustainable Supply Chain

Building a sustainable supply chain plays a crucial role in implementing the Group's sustainability approach and strategy. Our procurement policies and the ESG Policy include policies related to responsible supply chain management. We also adhere to a series of supplier engagement practices, and continuously monitoring the implementation and effectiveness:

1. Supplier selection	• Prior to including suppliers and outsourced suppliers into the qualified supplier list, we conduct rigorous assessments and on-site inspections (where applicable). The evaluation includes, but is not limited to, the following criteria: ➢ Company background, qualifications, and credit records ➢ Service capabilities ➢ Cooperation history ➢ Operational status ➢ Reputation
2. Ensuring suppliers' sustainability performance	• Suppliers collaborating with us are required to establish quality agreements and ethical standards and business conduct agreements and fulfil ethical and business conduct requirements, including but not limited to the following requirements: ➢ Provide products that meet environmental and safety standards ➢ Implement robust quality management measures ➢ Adhere to principles of openness, fairness and integrity, prohibiting all forms of corruption ➢ Comply with local laws and regulations as well as guidelines set by the Group ➢ Comply with local labour requirements, prohibit the illegal use of child labour and forced labour, and provide fair compensation, benefits and welfare for employees

3.	Continually monitoring suppliers' performance	• To ensure that existing suppliers and outsourced suppliers meet the Group's standards, we conduct regular assessments and on-site inspections of existing suppliers to ensure continual compliance with the Group's requirements, covering aspects such as company background and qualifications, service attitude and quality, and occupational health management
		• We conduct regular environmental and social risk assessments on suppliers and outsourced suppliers on aspects including but not limited to the below to monitor the performance of suppliers, identify environmental and social risks along the supply chain and ensure their compliance with sustainability standards:
		➢ Environmental management systems, qualifications and facilities
		➢ Management of environmental pollution and hazardous substances
		➢ Employee environmental awareness
		➢ Chemical and hazardous material management
		➢ Prevention of child labour and forced labour
		➢ Anti-discrimination and employee welfare
		➢ Workplace safety and health conditions

During the Reporting Period, the Group engaged 265 suppliers and applied the aforementioned supplier engagement practices to all major suppliers.

Excellent Customer Experience

We consistently adhere to the philosophy of satisfying our customers. Through five core business segments, we persistently bring long-term benefits to our customers and create shared value.

Payment and Digital Services

Regarding payment as the portal to provide reliable smart payment solutions to small and micro enterprises

Fintech Services

Launching diversified and efficient micro-lending, supply chain financing, factoring and credit assessment services

Platform Operation Solutions

Providing system development and operational support services for telecommunication and mobile payment platforms

Financial Solutions

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

Others

Providing competitive electronic power meter business

During the Reporting Period, the Group did not receive any material complaints [9] about products and services] (2022: 0), and there were no products sold or shipped subjected to recalls for safety and health reasons (2022: 0).

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[9] Material complaints are defined as those that would result in long-term significant impact on our customers, or a failure to deliver agreed-upon service requirements.

Payment and Digital Services

VBILL, a subsidiary of the Group responsible for the Payment and Digital Services business, is an offline smart payment platform in the PRC, providing small and micro enterprises with reliable payment and financial services, including offline acquiring, mobile payment, internet payment, cross-border payment, QR code payment, etc.

Business Segments

Providing merchants with integrated digital solutions covering both payment and operational aspects tailored to various industries and scenarios.

随行付 www.vbill.cn   天阙会生活

Smart Payment

Offering intelligent support to merchants through smart marketing, product selection, automated replenishment, and other intelligent features.

点三三   结行车加

Smart Operation

Providing a professional global payment platform, with operations covering value-added services such as payment services for mainstream global cross-border e-commerce platforms, B2B payment collection, taxes, financing, storefront setup, and payment card top up services.

CoGoLinks 结 行 国 际

Cross-border Payment

Leveraging technologies such as blockchain, big data, cloud computing, and artificial intelligence, addressing the financing challenges faced by small and medium-sized enterprises along the industrial chain.

随信云链 sxychain.com

Industrial Finance

Business Highlights

- Holds the National Bank Card Acquiring License, Internet Payment License, Mobile Phone Payment License and RMB Cross-border Payment License

- The technology of VBILL has received the Payment Card Industry Data Security Standard ("PCI DSS") certification

- Continuously building upon four core capabilities: large-scale transaction handling and operation capabilities, data-driven intelligent application capabilities, comprehensive construction capabilities in offline scenarios and efficient channel sinking capabilities

- With business operations across various countries and regions, including the PRC, Hong Kong, the USA, Japan, Singapore, South America, South Korea, and the Czech Republic

Innovation and Development

To maintain a leading position in the payment industry in the PRC, the Group actively promotes innovation and development by continuously offering necessary support and resources to the research and development ("R&D") team. The Fintech Services segment has an experienced R&D team dedicated to developing products and services that satisfy market demands. Our team is continually committed to enhancing data security and payment safety, ensuring the interests of all customers.

R&D Team

Demand Analysts

Data Analysts

Developers

Test Analyst

Robust Team of Over 230 Professionals

Team members include individuals with doctoral and master's degrees

Payment Security

As a payment and digital services provider, safeguarding payment security and protecting consumers' benefits are our top priorities. To enhance the security of payment information, we continue to improve our products through innovation and development. Employees of VBILL are provided with internal systems related to risk management, emergency response and internet security management to enable them identify risks such as suspicious transactions, fraudulent transactions, bank errors, and warnings form external institutions, as well as implementing remedial measures and mechanisms in the event of an accident. We also regularly provide employees with data security evaluations and assessments to equip all employees with relevant response abilities.

New Merchant Assessment	• Strict scrutiny of the operation, licensing status, and qualifications of new merchants • Qualified merchants are required to sign service agreements, privacy policies, etc., ensuring their operations comply with payment security standards

Merchant Training	• Conduct business training after signing contracts with merchants, and carry out regular continual training based on the operational characteristics of special merchants, covering areas such as bank card acceptance, risk prevention, and abnormal transactions handling

Merchant Inspection	• Conduct regular on-site inspections to assess merchants' transactional and operational status, identifying any potential risks associated with abnormal transactions • Classify merchants based on risk levels and conduct more frequent inspections for high-risk merchants, including merchants dealing in easily realisable products like jewellery, watches, computers, etc., merchants who have had suspicious transactions, suspected of fraudulent transactions or suspected of assisting card holders to cash out funds through transactions, etc. • Upon discovering significant risks such as abnormal transactions, money laundering, or illegal business activities, relevant risk coordination procedures and actions will be initiated, including terminating the payment transaction function of accounts with capital loss or material risks, freezing the accounts of merchants, suspending transactions, withholding payments, deferring settlements and adjusting transaction limit, etc.

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Consumer Data Protection and Internet Security

To safeguard the interests of customers and consumers, VBILL has obtained the PRC's Information System Security Protection Level 3 certification (中國信息系統等級保護三級認證). We implement a series of data and internet security measures throughout our operations and payment processes:

Protection and Storage of Customer and User Information

- General information and confidential information from customers would be stored separately. Confidential information would be encrypted to prevent leakage, and we employ technologies such as dedicated line transmission, encrypted transmission, secret key encryption and data medium isolation during data transmission

- In terms of the server room in operation locations, we only open access rights to Internet Protocol Address ("IP Address") verified by our internal office network and block all external internet visitors

- In case of any catastrophic event that results in business disruption, we would synchronise the core data in the major server room to the core database in the disaster recovery centre in real time to back up the data and prevent the loss of important data

- A variety of data security devices and systems, including bank-level back-office support system, external network firewall, external network Distributed Denial of Service ("DDoS") device, Intrusion Prevention System ("IPS") device, Web Application Firewall ("WAF") device, database firewall, bank access zone firewall and other data security equipment have been set up

- We provide users with a privacy policy that outlines the collection, storage, and usage methods of information

Online Payment Network Security

We have developed a set of "Capital Monitoring System" covering the functions of "prior warning notification", "verification in-between the event" and "post-notification", and equipped with the payment information interception and UnionPay abnormality call-back warning technology, which acts as a major barrier to hacking activities such as network attacks and payment information pampering. The main functions of the "Capital Monitoring System" include:

- Check for consistency of payment information on receipts and settlement bills;

- Cross-checking the information subsequent to a successful payment;

- Retrieval and cross-checking of the payment reconciliation documents from UnionPay every hour; and

- Establish payment limits and conduct aggregation and monitoring of transaction amounts.

Merchant-oriented

As one of the most trusted financial and payment platforms for merchants, we have served more than 3 million merchants over the years. We devote efforts to build trusted and long-term relationships with customers, by communicating with and collecting feedback from them, through a variety of channels such as applications, websites and surveys.

VBILL Payment Application

Official Website of the Group

Online Customer Service

Telephone Hotline
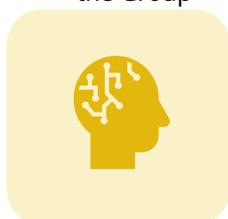
Artificial Intelligence ("AI") Customer Service

Customer Survey

Upon receipt of the comments and feedback from customers, we would handle them by referring to the procedures and standards in the Customer Complaint Management System, and make improvements based on customer feedback to ensure customer satisfaction. We adopt both reactive and proactive customer service approaches to ensure the satisfaction of all customer needs.

Reactive Customer Service

Focused on solving customer service issues

Proactive Customer Service

Enhancing service quality to increase the number of returned customers

To safeguard the rights of financial consumers, VBILL has established the Regulations on the Protection of Financial Consumer Rights and Interests and has formed the Financial Consumer Protection Committee and the Personal Financial Information Protection Working Group. The committee and working group is established to ensure strict compliance with legal requirements in the collection, storage, and utilisation of personal financial information. Effective measures are also implemented to strengthen the protection of personal financial information.

Fintech Services

The Group's "Fintech Services" segment primarily provides supply chain financial technology, micro-lending and factoring services to large banks, core corporate suppliers, corporate financial platforms and bill-holding enterprises, covering micro-lending, supply chain finance, factoring business, credit assessment services, etc.

Business Highlights

- Launched digital inclusive financial services to the existing Suixin Cloud Chain FinTech Service Platform to meet the financing needs of micro, small and medium-sized enterprises at different stages of production and operation

- Completed the support for the systems for the acceptance of new generation bills and supply chain bills business during the Reporting Period to further suit the payment and financing needs of small and medium-sized enterprises

Product and Service Management

To ensure compliance and enhance product and service standards, we have established a committee comprising multiple departments to review and manage risks within our operations. We have also implemented a series of business and risk management Policies and procedures, including the Credit Business Management Policy and the Supply Chain Financial Business Risk Review Policy to assist in identifying and addressing risks in our operations.

Listening to Customers

Customer feedback is crucial for enhancing the quality of our fintech services. We collect customer feedback through customer service hotlines, emails, online groups and customer satisfaction surveys, etc. Upon receipt of customer complaints, we would take the initiative to contact the customer, and we will also conduct a thorough investigation and take remedies and rectifications to enhance customer satisfaction.

Protecting Customer Personal Information and Data

Our fintech activities involve the collection of a substantial volume of customer data, such as personal information, identity card number, financial information, credit rating and other sensitive information. To protect customers' privacy and rights, our Fintech Services segment formulated personal information protection policies and privacy policies, etc. The policies clearly explain the purpose of personal data and collection details to customers. Meanwhile, we have established a data protection system and implemented data security measures that meet industry standards, including but not limited to:

- Conducting regular data reviews to monitor abnormalities of data

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

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

Additionally, to prevent network security risks such as cyberattacks, our Fintech Services segment has formulated the Cybersecurity Emergency Response Plan to provide guidance for employees on the response procedures. We also regularly arrange training courses regarding security and customer privacy protection to enhance employees' awareness of data security.

Platform Operation Solutions

Hunan Hisun is a leading payment platform and telecommunications solutions provider in the PRC, principally engaged in providing professional services to support activities including business operation, product development, and system maintenance in areas ranging from third-party payment, mobile internet, internet finance, information security, risk control and beyond.

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

Social media

Financial Services

Financial management services

Business Highlights

- The PRC's High and New Technology Enterprise ("HNTE"), Software Enterprise of Hunan Province Economic and Information Technology Committee (湖南省經濟和信息化委員會), ISO 9001 Quality Management System certification, Capability Maturity Model Integration ("CMMI") Level 5 Optimising 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一級能力要求認證) issued by the China Association of Communications Enterprise 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), etc.

- Remain in cooperation with CMFT in building and operating integrated mobile platform and continue to provide support services for the Interactive Voice Response IVR Base of China Mobile and the Animation Base of China Mobile

- We will actively expand into more markets and plan to increase resources allocated to areas such as AI and marketing

Project Quality

We have consistently improved the quality of our payment platform and telecommunications solutions through R&D and quality monitoring. Hunan Hisun obtained 8 new software copyrights during the Reporting Period, with a total of 76 software copyrights. We have developed a series of policies and project control procedures to ensure strict monitoring of all stages from product R&D to production.

R&D Procedure	• Ensure strict assessment and procedures during demand analysis, design and development stages • Perform unit testing, System Integration Testing ("SIT") and User Acceptance Testing ("UAT") to ensure that only projects that have met the standards can be put into production
Assessment Procedure	• Established procedures and requirements for reviewing the source code, testing samples, detailed plan of the project, etc., during all stages of product development
Quality Assurance Procedure	• Established a quality assurance procedure, incorporating processes such as reviews, inspections, issue resolution, etc.

In addition to ensuring product quality throughout the product development process, we address technical issues encountered during daily operations, such as system failure, abnormalities in voice payment and cash shortage. We follow the Daily Application and Maintenance Operation Manual in handling these issues. During the collaboration with China Mobile, we maintain close communication with our customers to meet their requirements in our joint operations and product development. We also conduct regular internal quality assessment under China Mobile's supervision, rating the platform stability, successful rate of transactions, handling of system failure, server room management, data security and system maintenance. During the Reporting Period, the review of the integrated mobile platform application software optimisation and improvement project of China Mobile reached an average score of 99.35, while the performance of the system maintenance service gained an average score of 100.

Data Security

To protect customer information, Hunan Hisun's Information Security Management System has obtained the ISO 27001 certification to ensure that data security risks in the development, operation and maintenance of software are effectively addressed. We have implemented a range of data security measures under our Information Security Management System, including:

- Routine network equipment inspection (including routers, firewalls, 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 is a subsidiary of the Group mainly engaged in solutions, products and services in the financial industry, focusing on the development of Innovative Banking Suite ("IBS"). ABS provides all-rounded financial solutions such as financial industry advisory services, solution design and implementation for its major customers (including large state-owned banks, commercial banks in the PRC, etc.).

Business Highlights

- Boasting professional financial business experts, technical experts, and an R&D team equipped with professional techniques and innovative ideas

- Closely monitoring the emerging developments 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 and Virtual Bank Core Systems ("VBANK")

- Provided core system upgrade services during the Reporting Period to local banks and information technology application innovation industries in the PRC, contributing to the industry's digital transformation

As one of the Group's major subsidiaries, Hi Sun Global focuses on financial technology and system implementation to deliver turn-key solutions and digital transformation services for the financial services industry, including providing core banking, e-banking, customer management, lending, payments, banking engines and other systems and solutions to retail banks, corporate banks, private banks, virtual banks, lending institutions, and payment providers and merchants.

Business Highlights

- We have enjoyed many successful cases in the PRC and has developed over 30 overseas projects. Our remarkable achievements and long-term position as an industry leader have resulted in our consistent ranking amongst the top 100 leading IT solution providers in the PRC

- Actively engaged in market expansion and the R&D of new products and technologies, while enhancing overseas service capabilities

- We will focus on the business opportunity of overseas IBM mainframe migration, and carry out further technological research and development

- Collaborated with Alibaba Cloud during the Reporting Period to provide a comprehensive core migration solution

Technology Partner of the Year of Alibaba Cloud

Hi Sun Global has become the Technology Partner of the Year of Alibaba Cloud for the second consecutive year, further solidifying our collaboration with Alibaba Cloud. By leveraging our expertise, we aim to accelerate the digital transformation of industries in Singapore and other regions through collaborative initiatives.

During the Reporting Period, the Financial Solutions business segment obtained 27 new software copyrights, with a total of more than 128 software copyrights and innovation achievements.

Product Quality Assurance and Safety

During the Reporting Period, ABS obtained Level 5 certification of CMMI. Furthermore, the Financial Solutions segment has established the Quality Manual based on the requirements of the international standard ISO 9001, specifying the stringent procedures including product requirement evaluation, design, development, and control of disqualified products. We have also formulated annual quality targets, including targets on customer satisfaction, etc.

Set Quality Standards	• Define the requirements of business functions, technical indicators, project engineering evaluation, project testing, technical documents, etc.
Product Testing and Assessment	• Conducted product reviews to ensure compliance with relevant requirements. • Conduct technical tests such as safety tests, stress tests and system anomalies
Rectification	• Rectify the problem in accordance with the Quality Improvement Management Procedures and conduct investigation to determine the cause of the problem
Product Recall	• If the products are found to be below par after being provided to customers, we would recall and suspend the products, make corrections to the unqualified products and verify whether the products meet the quality standard

Data Security

Hi Sun Global has established our Information Security Management System in accordance with the international ISO 27001 standard. To prevent data leakage and loss of customer information in our systems, we have formulated information security policies and implemented preventive measures, including but not limited to:

- Establishing an information network security team;

- Installing anti-virus software and firewalls on computer devices and servers;

- Setting access rights to servers and websites;

- Reviewing website data with senior management;

- Storing and backing up data on our internal servers;

- Providing cybersecurity training to employees; and

- Conducting regular Internet information security training and assessments for relevant personnel.

Response to Clients' Opinions

We have formulated a series of customer satisfaction-related policies for our business segments to understand and respond to customer feedback. At ABS, we collect customer feedback through the Project Stage Acceptance Report and the Client Service Record Form. Clients from development projects and maintenance projects are also regularly invited to fill in the Customer Satisfaction Survey to evaluate their satisfaction with the work attitude of project personnel, technical level, project status, fault handling, etc. At the same time, we also collect customer feedback through face-to-face visits, telephone hotlines, emails, letters or websites. In response to customer complaints, our employees are instructed to follow up with the complaints in a professional and timely manner. Employees are required to report to the relevant departments and develop improvement plans in accordance with the Client Complaint Management Procedures. They are also required to report the progress and remedial measures adopted to the customer. Once the complaints are resolved, we will continue to follow up with the customers to ensure satisfaction.

Others

Hangzhou PAX is a national-level high-tech enterprise integrating R&D, manufacturing and sales to manufacture electronic power metre equipment and provide all-rounded solutions. We have successfully developed hundreds of electronic power meter products, terminals and systems. Products include 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, residential centralised meter reading system, etc., bringing diverse electronic power metering products and solutions to our customers.

Business Highlights

- We are actively following up with the research and construction work of the latest national standard specification for electronic power meters issued by the State Grid Power Research Institute

- Our products comply with multiple national and industry standards, including the Metrology Law of the PRC (中華人民共和國計量法), Electricity Metering Equipment (AC) Particular Requirements (交流電測量設備特殊要求), Specifications of Third phase Intelligent Electronic Power Meter (三相智能電能表型式規範), Specifications of Single phase Intelligent Electronic Power Meter (單相智能電能表型式規範), etc.

During the Reporting Period, we held a total of 14 effective patents and over 50 software copyrights certifications.

Quality and Safety

Hangzhou PAX's production and quality system has obtained the ISO 9001 Quality Management System Certification. Automation equipment has also been adopted in the production process to ensure that the production quality is effectively controlled. We monitor and control the quality and safety levels of our products during the stages of R&D, goods receipt, production and after-sales according to our quality control procedures.

R&D	
R&D	• Our R&D Management System outlines the procedures and standards of the entire R&D process, including design concept, planning and design, development and testing, verification, and release • We conduct regular project reports and meetings to follow up the progress of R&D projects, and identify and solve existing problems • All products are required to pass unit, integration, model and performance tests before being put into production
Goods Receipt	• After purchasing raw materials and components from suppliers, we conduct inspections on the appearance, performance and functions of the supplies based on the GB／T2828 Counting and Sampling Inspection Procedures (GB／T2828 計數抽樣檢驗程序) • When we allocate part of our products to be manufactured by outsourced contractors, we will conduct regular sample checks to ensure safety and product quality
Production	• We conduct routine inspections on the appearances and functions of products regarding products certified by China Quality Certification Centre ("CQC") • We inspect material product components such as transformers, relays and chips every year. Only products that have passed the inspections can be packaged • If any defective products are identified, we will conduct analysis and propose improvement plans • We perform inspection before product delivery and record the results in the 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 international standards can be delivered to clients
After-sales	• If any defective product is identified among chips sold, we would take the initiative to contact the customer, conduct analysis of the defective product, propose countermeasures, and arrange returns or refunds on a case-by-case basis

Customer Service

Hangzhou PAX's customer service centres provide one-stop services for customers to inquire before purchasing products and make appointments for maintenance or other after-sales services. Hangzhou PAX has set up customer service centres across the country and provides a 24-hour customer service hotline to customers. If there is a problem with the customer's product, we will also provide on-site service and repairs. To understand customer feedback and needs, we invite customers to fill in the Customer Satisfaction Survey every year to provide valuable feedback on product quality, product functions, technical capabilities, service attitude, etc. Customers' feedback helps us to make improvements.

Protecting Customer Privacy

We have established privacy policies and procedures to ensure that all employees prudently handle sensitive information with care. Employees are forbidden to disclose any customer information to third parties without prior consent. We also require our business partners, outsourced suppliers and merchants to protect the privacy of client information and sign the Confidential Agreement to prevent data breaches.

Observing and Protecting Intellectual Property Rights

The Group respects intellectual property rights and strives to safeguard our innovative R&D achievements. To prevent infringement of intellectual property rights, we strictly abide by the relevant laws and regulations[10], and also apply and register for patents and software copyrights for our R&D achievements to protect the interests of the Group.

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[10] Please refer to the "Significant Laws and Regulations" section of this Report for the list of relevant laws and regulations relating to product responsibility that are significant to the Group's business operations.

Advertising and Product Labelling

The Group ensures the authenticity and accuracy of advertising, promotional, and product labelling content to safeguard our reputation. In this regard, we strictly comply with relevant laws and regulations[11] and conduct rigorous reviews of our advertising content according to internal assessment processes. We ensure that the content does not contain any false information and statements to protect the rights and interests of consumers and enable consumers to make appropriate decisions. Our product labels are strictly reviewed before product delivery to ensure compliance with all relevant standards.

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[11] Please refer to the "Significant Laws and Regulations" section of this Report for the list of relevant laws and regulations relating to product responsibility that are significant to the Group's business operations.

Community

Community

Enriching communities through care and nurture

Goal:	Most Material topics covered in this chapter:
To spread love to the community through shouldering corporate social responsibilities and engaging ourselves in community contributions	- Participation in volunteering activities - Charitable donations

UNSDGs addressed in this chapter:

Our Highlights of the Year:

Caring for the Community

During the Reporting Period, we focused on areas such as **poverty alleviation**, **promoting sport culture**, and **raising public awareness of anti-corruption and anti-fraud** in community contributions.

2022 "Golden Pine Award" FinTech Enterprise Public Welfare Award

VBILL was honoured with the **2022 "Golden Pine Award" FinTech Enterprise Public Welfare Award** during the Reporting Period, recognising our contributions to the community.

Strategy and Management

Fulfilling social responsibility is an integral part of our sustainability strategy. In our ESG Policy, we encourage employees to participate in community activities. We consistently support the community through donations and engaging in volunteer activities to assist those in need. During the Reporting Period, our community initiatives focused on poverty alleviation, promoting sport culture and raising public awareness of anti-corruption and anti-fraud. With a total of RMB 60,000 donated for charitable purposes and 57 hours of volunteer services.

Poverty Alleviation

To revitalise rural economies and assist impoverished populations in improving their quality of life, the Group provided financial support to Lu Hai Village in Sanhe Town, Haiyuan district during the Reporting Period. The funds were allocated to support the local bean product processing project, including the purchase of machinery and equipment and market expansion, to help local residents enhance their economic income and improve their living standards.

Promoting Sport Culture

During the Reporting Period, employees of the Group actively supported the 19th Asian Games in Hangzhou. Many of them joined volunteer teams to assist in the preparation for the Asian Games, contributing to the promotion of sport culture.

Raising Public Awareness of Anti-corruption and Anti-fraud

As a responsible payment service provider, we are committed to using our knowledge and experience to safeguard the interests of the public and consumers. We share cases, short videos and comics on social media platforms to raise consumer awareness of payment security, covering topics such as preventing telecommunication network fraud, personal information security and anti-money laundering.

Looking Forward

The Group acknowledges the significance of sustainability for the long-term business operations. Aligned with our sustainability strategy and management approach, we are dedicated to empowering employees, enhancing customer well-being, advocating for low-carbon operations, increasing climate resilience, and embracing social responsibility. We remain committed to advancing sustainability, creating enduring value to the environment, employees, value chain and the community.

Performance Data Summary[12]
Environment[13]

	Unit	FY 2023	FY 2022
Emissions			
Nitrogen oxides (NOx)	kg	**19.04**	18.01
Sulphur oxides (SOx)	kg	**0.47**	0.45
Particulate matter (PM)	kg	**1.40**	1.33
Total GHG emissions (Scopes 1 and 2)[14]	tCO2e	**1,155.98**	1,222.56
– Scope 1: Direct emissions	tCO2e	**84.15**	81.85
– Scope 2: Energy indirect emissions	tCO2e	**1,072.29**	1,141.17
Emissions reductions from tree planting (Scope 1)	tCO2e	**0.46**	0.46
Total GHG emissions (Scopes 1 and 2) intensity	kgCO2e/m2	**45.45**	48.23

[12] Totals may not be the sum of the figures shown in this section due to rounding.
[13] Unless specified, the density indicators in this chapter are calculated based on the gross floor area of the business operations within the reporting scope in the respective reporting year.
[14] 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.

	Unit	FY 2023	FY 2022
Energy			
Total energy consumption	MWh	**2,045.65**	2,150.42
– Purchased Electricity (indirect energy consumption)	MWh	**1,757.57**	1,870.46
– Unleaded Petrol (direct energy consumption)	MWh	**288.08**	279.96
Total energy consumption intensity	kWh/m2	**80.43**	84.84
Waste			
Total hazardous waste generated	tonnes	**0.12**	0.16
Total hazardous waste intensity	g/m2	**4.64**	6.31
Total non-hazardous waste generated	tonnes	**92.38**	92.69
– Total waste disposed of	tonnes	**92.35**	92.65
– Total waste recycled	tonnes	**0.03**	0.04
Total non-hazardous waste intensity	kg/m2	**3.63**	3.66
Packing materials			
Total packing materials (Paper)	tonnes	**1.41**	1.21

	Unit	FY 2023	FY 2022
Water [15]			
Total water consumption	m3	**7,665.36**	12,623.00
Total water consumption intensity	m3/m2	**0.30**	0.50

[15] As certain property management companies were not able to provide water consumption records of individual users, the total water consumption does not cover the headquarter of VBILL, the office of 北京銀企融合技術開發有限公司 in Beijing, the office of Nanchang VBill, the office of Commercial Factoring, the office of ABS in Beijing, and the office of ABS in Shanghai.

Social

	Unit	**FY 2023**	FY 2022
Employee Overview[16]			
By Gender			
Male	Person	**1,649**	1,737
Female	Person	**989**	1,045
By Age Group			
Below 21	Person	**0**	9
21—30	Person	**1,020**	1,241
31—40	Person	**1,181**	1,167
41—50	Person	**335**	278
51 or above	Person	**102**	87
By Employee Category			
Senior Management	Person	**160**	156
Middle Management	Person	**214**	208
General and Technical Staff	Person	**2,264**	2,418

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[16] Employee distribution covers employee data of the Group's major business segments in the PRC and the Hong Kong office.

	Unit	**FY 2023**	FY 2022
By Employment Type			
Full-time	Person	**2,631**	2,779
Part-time	Person	**7**	3
By Geographical Region			
The PRC	Person	**2,598**	2,745
Hong Kong	Person	**38**	37
Others	Person	**2**	0
Turnover rate			
By Gender			
Male	%	**44**	30
Female	%	**46**	23
By Age Group			
Below 21	%	**0**	33
21—30	%	**65**	36
31—40	%	**33**	21
41—50	%	**11**	6
51 or above	%	**11**	9

	Unit	**FY 2023**	FY 2022
By Geographical Region			
The PRC	%	**45**	27
Hong Kong	%	**0**	0
Others	%	**0**	0
Occupational Health and Safety			
Lost days due to work injury	days	**0**	0
Work-related fatalities	Case	**0**	0
Development and Training[17,18]			
Percentage of Employees Trained			
By Gender			
Male	%	**66**	61
Female	%	**34**	39

[17] The calculation of the number and percentage of employees trained by gender and employee category only included the number of employees trained in the Group's major business segments in the PRC (including the data on those who left), to present an accurate reflection of the percentage of employees trained by gender and employee category.

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

	Unit	**FY 2023**	FY 2022
By Employee Category			
General and Technical Staff	%	**73**	87
Middle Management	%	**22**	11
Senior Management	%	**5**	2
Average Training Hours Completed			
By Gender			
Male	Hours	**4.54**	9.75
Female	Hours	**3.80**	14.10
By Employee Category			
General and Technical Staff	Hours	**3.32**	11.44
Middle Management	Hours	**13.42**	12.96
Senior Management	Hours	**9.80**	5.43
Number of Suppliers by Geographical Locations			
The PRC	Suppliers	**265**	251
Hong Kong and Taiwan	Suppliers	**0**	6

	Unit	**FY 2023**	FY 2022
Product Responsibility			
Material complaints about products and services	Case	**0**	0
Products sold or shipped subjected to recalls for safety and health reasons	%	**0**	0
Anti-corruption			
Concluded corruption lawsuits	Case	**0**	0
Community Investment			
Charitable donations	RMB	**60,000**	2,900,000
Volunteer service hour	Hours	**57**	Not Applicable

Significant Laws and Regulations

Aspect	Significant Laws and Regulations
Aspect A: Environmental	• Environmental Protection Law of 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《中華人民共和國固體廢物污染環境防治法》 • The Law of the PRC on the Prevention and Control of Water Pollution《中華人民共和國水污染防治法》 • The Law of the PRC on the Prevention and Control of Atmospheric Pollution《中華人民共和國大氣污染防治法》 • The Law of the PRC on the Prevention and Control of Pollution from Environmental Noise《中華人民共和國環境噪聲污染防治法》

Aspect	Significant Laws and Regulations
Aspect B1: Employment **Aspect B4: Labour Standards**	• Labour Law of the PRC《中華人民共和國勞動法》 • Labour Contract Law of the PRC《中華人民共和國勞動合同法》 • Social Insurance Law of the PRC《中華人民共和國社會保險法》 • Regulations on Prohibition of Child Labour《禁止使用童工規定》 • Regulation on the Administration of Housing Accumulation Funds 國務院《住房公積金管理條例》
Aspect B2: Health and Safety	• Law of the PRC on Occupational Disease Prevention and Control (《中華人民共和國職業病防治法》

Aspect	Significant Laws and Regulations
Aspect B6: Product Responsibility	- Civil Code of the PRC《中華人民共和國民法典》 - Advertising Law of the PRC《中華人民共和國廣告法》 - Patent Law of the PRC《中華人民共和國專利法》 - Copyright Law of the PRC《中華人民共和國著作權法》 - 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》 - Measures for the Administration of Bank Card Business《銀行卡業務管理辦法》 - UnionPay Card Merchant Risk Management Rules《銀聯卡收單機構商戶風險管理規則》 - Law of the PRC on the Protection of Customer Rights and Interests《中華人民共和國消費者權益保護法》 - Personal Information Protection Law of the PRC《中華人民共和國個人信息保護法》 - Data Security Law of the PRC《中華人民共和國數據安全法》 - Metrology Law of the PRC《中華人民共和國計量法》

Aspect	Significant Laws and Regulations
Aspect B7: Anti-corruption	• Anti-Unfair Competition Law of PRC《中華人民共和國反不正當競爭法》 • Criminal Laws of the PRC《中華人民共和國刑法》 • Interim Provisions on Prohibition of Commercial Bribery《關於禁止商業賄賂行為的暫行規定》 • 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》

HKEX ESG Reporting Guide Content Index

Indicator		Chapter/Disclosure	Pages
A. Environmental			
Aspect A1: Emissions			

General Disclosure Information on:
 	
(a) the policies; and
 	
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
 	
relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
 	
Note: Air emissions include nitrogen oxides, sulfur oxides and other pollutants regulated by national laws and regulations.
 	
  Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.
 	
  Hazardous waste are to those defined by national regulations.
		Environment
		
		Significant Laws and Regulations
			P.33-45
			
			P.101

KPI A1.1	The types of emissions and respective emissions data.	Performance Data Summary-Environment	P.93
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary-Environment	P.93

Indicator		Chapter/Disclosure	Pages
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e. g. per unit of production volume, per facility).	Performance Data Summary –Environment	P.94
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e. g. per unit of production volume, per facility).	Performance Data Summary –Environment	P.94
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment Air Emissions and Greenhouse Gas Emissions	P.35 P.40-41
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment Waste and Packaging Material Management	P.35 P.42
Aspect A2: Use of Resources			
General Disclosure **Policies on the efficient use of resources, including energy, water and other raw materials.** **Note: Resources can be used in production, storage, transportation, buildings, electronic equipment, etc.**		Air Emissions and Greenhouse Gas Emissions Water Resource Management Product and Product Sustainability	P.40-41 P.43 P.45
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary –Environment	P.94

Indicator		Chapter/Disclosure	Pages
KPI A2.2	Water consumption in total and intensity. (e.g. per unit of production volume, per facility).	Performance Data Summary –Environment	P.95
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment Air Emissions and Greenhouse Gas Emissions	P.35 P.40-41
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment Water Resource Management	P.36 P.43
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Performance Data Summary –Environment	P.94
Aspect A3: The Environment and Natural Resources			
General Disclosure **Policies on minimizing the issuer's significant impact on the environment and natural resources.**		Reducing the Environmental Impact on the Surroundings Product and production sustainability	P.43 P.45
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Reducing the Environmental Impact on the Surroundings Product and production sustainability	P.43 P.45

Indicator		Chapter/Disclosure	Pages
Aspect A4: Climate Change			
General Disclosure **Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.**		Climate Change and Resilience	P.36-40
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change and Resilience	P.36-40
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.**		Employees Significant Laws and Regulations	p.47-57 P.102
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Performance Data Summary – Social	P.96-97

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Indicator		Chapter/Disclosure	Pages
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary – Social	P.97-98
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.**		Occupational Health and Safety Significant Laws and Regulations	P.52-54 P.102
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety Performance Data Summary – Social	P.52-54 P.98
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety Performance Data Summary – Social	P.54 P.98
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	P.54

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Indicator		Chapter/Disclosure	Pages
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.**		Training Activities and Development	P. 55-57
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Summary – Social	P.98-99
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary –Social	P.99
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.**		Workplace Diversity and Labour Rights Significant Laws and Regulations	P.51 P.102
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Workplace Diversity and Labour Rights	P.51
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Workplace Diversity and Labour Rights	P.51

Indicator		Chapter/Disclosure	Pages
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure **Policies on managing environmental and social risks of the supply chain.**		Green Procurement Building a Sustainable Supply Chain	P.44 P.63-64
KPI B5.1	Number of suppliers by geographical region.	Performance Data Summary – Social	P.99
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Building a Sustainable Supply Chain	P.63-64
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Building a Sustainable Supply Chain	P.63-64
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Green Procurement	P.44

Indicator		Chapter/Disclosure	Pages
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 Chain Significant Laws and Regulations	P.59-87 P.103
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Value Chain Performance Data Summary-social	P.65 P.100
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Value Chain Performance Data Summary-social	P.65 P.100
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Observing and Protecting Intellectual Property Rights	P.86
KPI B6.4	Description of quality assurance process and recall procedures.	Value Chain	P.59-87
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Value Chain	P.86

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Indicator		Chapter/Disclosure	Pages
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.**		Business Ethics and Compliance Significant Laws and Regulations	P.61-62 P.104
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.	Business Ethics and Compliance Performance Data Summary – Social	P.61 P.100
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics and Compliance	P.62
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics and Compliance	P.61

Indicator	Chapter/Disclosure	Pages
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.**	Community	P.89-91
KPI B8.1 Focus areas of contribution. (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Performance Data Summary – Social	P.89-91 P.100
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Performance Data Summary – Social	P.89-91 P.100

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