

The cover features a central graphic with a large yellow circle containing the year '2017'. Below it, the text 'ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT' is written in blue. The background is a blurred image of a crowd of people. Various icons are scattered around, including a green handheld payment terminal, a smartphone displaying a QR code, a laptop with a line graph, a Wi-Fi symbol, a padlock, a cloud, a gear, a globe, a keyboard, a rocket, and a red square with a white QR code. A dotted line connects several of these elements.

2017

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



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)

* For identification purpose only
僅供識別

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About This Report

Hi Sun Technology (China) Limited (“the Company” or “Hi Sun”, and together with its subsidiaries, collectively “the Group”) is principally engaged in the provision of payment processing solutions, provision of financial solutions, sales of electronic power meters and solutions, sales of information security chips and solutions and provision of platform operation solutions.

This is our second Environmental, Social and Governance Report (“Report”), which mainly describes the sustainability approach, strategy and performance of the Group. The reporting period of this Report is from 1 January 2017 to 31 December 2017 (the “Reporting Period”). Unless otherwise stated, this Report covers the key subsidiaries of our major business segments including 隨行付支付有限公司 (“VBill”) of payment processing solutions; Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) of financial solutions, Hangzhou PAX Electronic Technology Limited (“Hangzhou PAX”) of electronic power meters and solutions, Megahunt Microelectronics Technology (Beijing) Company Limited (“Megahunt”) of information security chips and solutions, and Hunan Hisun Mobile Pay IT Limited (“Hunan Hisun”) of platform operation solutions. In preparation of this Report, we have adhered to disclosure requirement of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“HKEX”), to disclose information on our material and relevant sustainability issues during the Reporting Period.

This report has been reviewed and approved by the board of directors of the Company.

Being a responsible corporate citizen, we are devoted to integrating sustainability considerations into our decision making process as well as our daily operation. We welcome stakeholders’ feedback and suggestions about this Report and our sustainability performances. Please contact us at info@hisun.com.hk.

About Hi Sun

Hi Sun Technology (China) Limited, a leading integrated solutions provider for payment, finance and telecommunication in the People’s Republic of China (the “PRC”), provides cutting-edge services for a spectrum of clients including merchants, banks, financial institutions and telecom operators by leveraging technology know-how in finance and telecom sectors. Hi Sun is a constituent stock of following Hang Seng Indexes:

- Hang Seng Composite Index (“HSCI”)
- Hang Seng Composite MidCap & SmallCap Index (“HSMSI”)
- Hang Seng Composite SmallCap Index (“HSSI”)
- Hang Seng Global Composite Index (“HSGCI”)
- Hang Seng Composite Industry Index - Information Technology (“HSCIIT”)
- Hang Seng Internet & Information Technology Index (“HSIII”)

Turnover by Business Segments*					
	2017	2016	2015	2014	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Payment Processing Solutions	1,979,939	1,050,313	511,178	472,904	399,521
Financial Solutions	295,328	348,079	382,096	406,987	271,532
Electronic Power Meters and Solutions	250,960	258,239	164,582	281,081	273,365
Information Security Chips and Solutions	177,224	56,539	45,278	45,585	37,559
Platform Operation Solutions	206,527	208,067	273,712	305,809	301,076
Total	2,909,978	1,921,237	1,376,846	1,512,366	1,283,053

*Turnover from external customers

Business Structure

Payment Processing Solutions

- A leading payment and transaction processing institution in China
- Holder of 3 payment licenses and 1 financial license
- Providing solutions for nationwide bank card, Internet payment, mobile payment and online-offline small loan business
- Serving more than 2 million active merchants

Financial Solutions

- A leading supplier of core banking system and related solutions in China
- Provision of safe, stable, reliable and accurate financial solutions
- Serving China's "Big 5" banks, joint-equity banks and their overseas branches

Electronic Power Meters and Solutions

- Specializing in the development and manufacture of electronic power meters and provision of metering system solutions for the State Grid and provide information system consulting services
- Products including electronic power meter (smart power meters, concentrators, collectors, AMR metering systems) and the mag-stripe card security decoder

Information Security Chips and Solutions

- Leading design and R&D capabilities in China
- Serving major domestic E-Payment Terminal manufacturers

Platform Operation Solutions

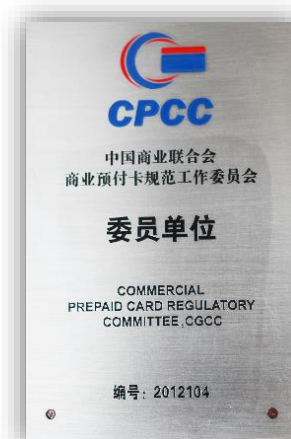
- A strategic partner of China Mobile, providing integrated telecommunication and payment platform solutions, including mobile payment, voice value-added business and supporting services for operation of animation platform

Awards and Recognitions

- 2017 Financial Technology Leading Brand Award - co-organised by leading financial mass media
- Annual Outstanding Integrated Third-party Financial Institution - The Economic Observer
- Outstanding Organisation Award - Paynews.net
- Excellent Brand Value Award - China Business Journal
- Exterior Design Patent Certificate - State Intellectual Property Office of the People's Republic of China
- Outstanding Data Reporting Unit - Payment & Clearing Association of China
- Annual Financial Technology Leading Brand Award –China Finance Summit
- Excellent Financial Technology Solutions Innovation Award 2017 - Financial Computerising Magazine
- The Most Competitive Enterprises of China's Inclusive Finance 2017 - Zhongguancun Internet Finance Forum 2018

Memberships

- China Instrument Manufacturer Association, the 7th Council Executive Member
- Commercial Prepaid Card Regulatory Committee, CGCC– Member Unit
- Member of Payment & Clearing Association of China



Our Approach to Sustainability

Leveraging innovative technology and research development, the Group is committed to enhancement of product and service quality with an aim to bring positive impacts and create long-term value to our stakeholders and the community at large. We believe that sustainability not only encompasses the core values of the Group but also underpins our pursuit of excellence and our relationships with our employees, customers, shareholders, suppliers and business partners. Being a responsible corporate citizen, the Group is devoted to integrating sustainability principles into business development, considering the social and environmental impacts of our businesses and require our employees and business partners to uphold ethical standards and strictly comply with laws and regulations. The Group's "Environmental, Social and Governance Policy" aims to promote and manage social responsibilities such as environmental protection, health and safety, ethical behaviors and compliance with laws and regulations.

Stakeholder Engagement

Stakeholder engagement is a key component of our strategy to predict, changes in the business environment, formulate contingency strategies and make corresponding adjustments to maintain the steady growth of our business and society. Our key stakeholders include customers, business partners and suppliers, employees, shareholders and investors, local governments and the communities. Regular communication through various communication channels with our stakeholders enables us to understand and respond to their needs, and build business intelligence to make informed decisions, mitigate risks and strengthen key relationships. In our daily operations, we actively communicate with stakeholders through an array of communication channels, including meetings, consultations, group discussions, survey site visits, workshops, trainings, websites, emails and social media platforms. Details of their environmental, social and governance concerns are disclosed in this Report.

Corporate Governance

Integrity Management

We strictly abide by the principle of "compliance, integrity and justice" in our business operations, prohibit any unethical business practices such as corruption, bribery, fraud, extortion and money laundering, formulated the anti-corruption and anti-bribery policies in accordance with the applicable laws, including the "Anti-Unfair Competition Law of the People's Republic of China", "Criminal Law", "Provisional Regulations on the Prohibition of Commercial Bribery", and "Anti-Unfair Competition Law".

On the other hand, the Group endeavors to raise employees' awareness of ethical standards, integrity and anti-corruption. We adopt a zero-tolerance approach towards corruption, bribery and other unethical acts. Relevant provisions and anti-corruption terms are clearly set out in employee handbook and the contracts signed with core suppliers and customers. Apart from setting up a surveillance team accountable for ethical governance and anti-corruption, we have conducted relevant training to further strengthen employees' awareness in these regards. During the Reporting Period, the Group was not aware of any incidents of corrupted practices being brought against the Group.



Case sharing - Promotion of anti-money laundering knowledge

VBill has always attached great importance in promoting anti-money laundering since its operation. During the Reporting Period, "Anti-money Laundering Leading Group" was set up and a series of publicity campaigns were launched, enhancing the public awareness of anti-money laundering and prevention through different ways, such as the publication of brochures, posters and on-site events.

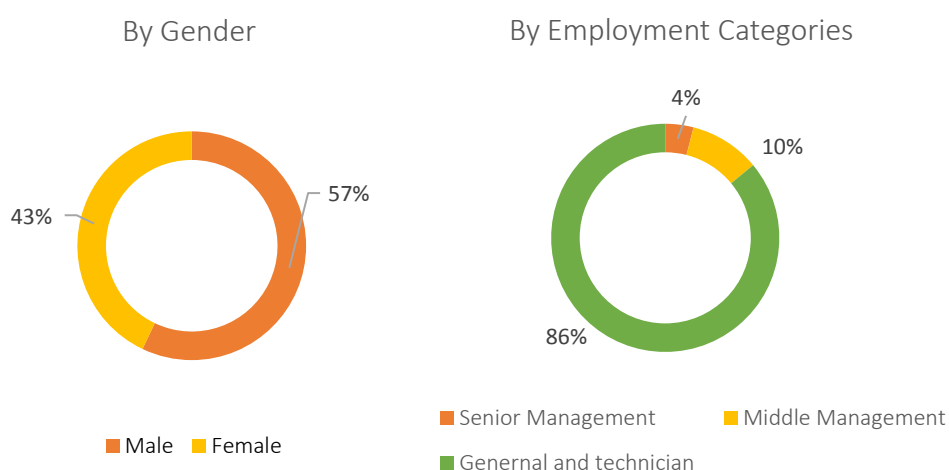
VBill also set up the "Month of Financial Literacy" to provide anti-money laundering training to the employees. Employees are required to attend to the risk of money laundering, join efforts to combat money laundering, terrorist financing and tax evasion, thus raising the awareness of the employees as a whole.

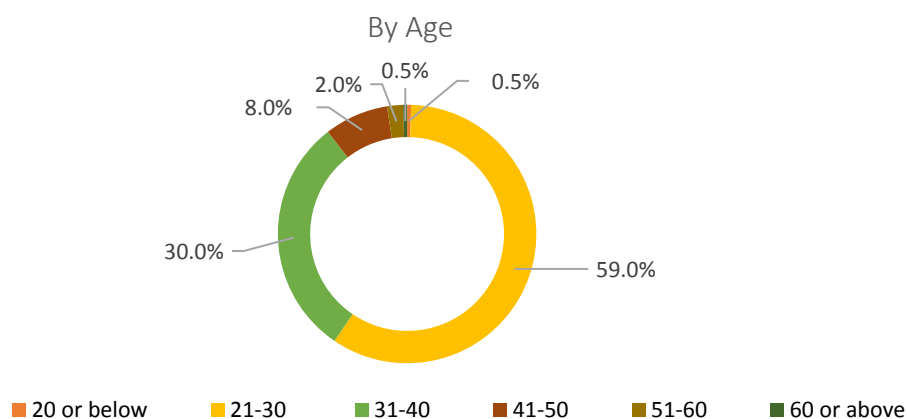
Value Created for Employees

Employees are our valuable assets. We believe that the success of our business depends on attracting, retaining and developing our staff. We are dedicated to providing our employees with a safe working environment, attractive remuneration packages, adequate training and fair career advancement, continuously benchmarking and refining our current mechanism with the market and standards, so that every employee can grow with us. We strictly abide by local labour laws and regulations, including but not limited to the “Labour Law of the People's Republic of China”, the “Labour Contract Law of the People's Republic of China” and the “Social Insurance Law”. Moreover, we devise a comprehensive human resources management mechanism, including the formulation of “Human Resource Management Regulations” and “Employee Handbook” to provide employees with a clear understanding of our employment system in respect of rest periods, benefits, welfare, working hours, resignation and dismissal details, etc.

Staff Overview

We are convinced that success depends entirely on the enthusiasm and excellence of our staff. As of December 31, 2017, the Group employs a total of 2,179 employees, mainly from the PRC. Detailed classifications are as follows:





Talent Recruitment

The Group adheres to the principle of fair competition and meritocracy. We believe that it is of utmost importance to provide equal opportunities to employees based on the principles of fairness and justice. Age, gender, marital status, race, religion or nationality will not be relevant factors to employment and promotion opportunities. During the recruitment process, candidates are selected based on their personal knowledge, skill level and work attitude through written tests and interviews. We also promoted talented staff based on their performance, experience and ability.

In addition, based on our respect for human rights, the Group adopts a zero-tolerance approach to issues such as gender discrimination, racial discrimination, disability discrimination, child labour, forced labour and workplace harassment.

Employee Welfare

The Group's compensation system is strictly in compliance with the "Labour Contract Law", the "Labour Law" and other relevant laws and regulations. The compensation plan encompasses basic salaries, commissions, performance bonuses, bonus and allowances with reference to the individual industry and business nature of our various subsidiaries. At the same time, we regularly adjust employees' remuneration package according to their performance and skills, as well as the industry norms, to ensure both external competitiveness and internal fairness. We ensure timely payment of social security contributions, including pension, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund. Employees are entitled to paid annual leave, marriage leave, maternity leave, breastfeeding leave, bereavement leave and other statutory holidays in observance of their fundamental rights. The Group also provides employees with a variety of benefits such as holiday gifts, birthday gifts and maternity gifts according to practical situations. The Group is committed to promoting a healthy lifestyle. During the Reporting Period, the Group organised a number of leisure activities to help employees in striking work-life balance, such as birthday parties, special feast for Women's Day on 8th March, annual leisure trip, Lunar New Year Annual Dinner, Children's Day parent-child event, etc. We believe employees can develop team spirit and enhance their sense of belonging to the Group through the above-mentioned activities.

In addition, the Group has established a comprehensive incentive system, apart from awarding the "Continuation of Service Award" to employees who have continuously served the Group and made accountable contributions, "Management Award" and "Outstanding Employee Award" are also presented to outstanding employees as an encouragement for their persistent efforts, new achievements and breakthroughs.

Case sharing – Reading corner

During the Reporting Period, Hangzhou PAX constructed a reading corner to create a relaxing and casual reading space. Employees are encouraged to read during their spare time to raise their cultural quality, cultivate their temperament and thus reaching work-life balance. The library holds more than 2,000 books, comprising different genres from professional skills, administration, etiquette, to newspapers and magazines, etc. Employees are welcome to read or borrow books from the reading corner.

Occupational Health and Safety

The Group attaches great importance to employees' physical, mental, and occupational health, enrolling personal accident insurance, critical illness insurance and supplementary medical insurance for all employees annually as additional coverage to social security. Meanwhile, various sports activities are organised from time to time to promote employees' physical and mental health. To meet the statutory requirements in relation to fire control safety and precautionary measures, all employees are required to attend fire control safety training and regular fire drills. Employees' health and safety are top priorities since our business involves manufacturing. The Group's manufacturing is certified by the national standards of the PRC "Occupational Health and Safety Management System" (GB/T28001-2011), with equivalent standards to the requirements of Occupational Health and Safety Assessment Series of the International "Occupation Health Safety Management System" (OHSAS 18001:2007), to shield employees from occupational hazards, enhance their awareness of manufacture safety and ensure the safety of production. At the same time, we also send employees to attend safety management training in order to strengthen and standardise the safety education and training, hence, improve the safety quality of employees, prevent casualties and reduce safety risks.

Training and Development

The Group pays close attention to the employees' career development. We understand that improving the overall quality and professional skills of our staff enhances not only the staff's own ability but also the Group's overall competitiveness. We have established an employee training system collaboratively managed by the human resources department and business units to provide diversified trainings through on-site training, face-to-face classroom training, media training, live training and business seminars, so as to progressively improve employees' skills and quality, meet their occupational needs at different stages and consolidate their career paths. For new employees, we provide them with orientation and induction programs to familiarize them with and integrate them into the corporate culture, adapt and understand the operations of various departments efficiently. With reference to the existing skill sets of the Employees and the requirements of training courses, the human resources department will formulate the company's annual training plan, assess the training efficiency and evaluate the trainers to ensure that training resources are efficiently allocated to suit the needs of the Group.

In order to maintain the market competitiveness of the Group, we accentuate professional development of our staff in the aspect of research and development. On one hand, we provide staff with internal courses such as courses related to management by objective, business presentations and cybersecurity. On the other hand, staffs are assigned to attend external courses such as training and academic conferences organised by professional organisations.

Case sharing – Internal lecturer recruitment program

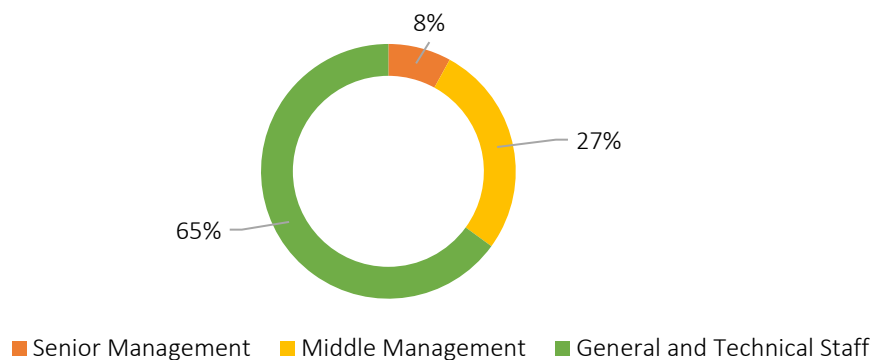
During the Reporting Period, in order to create a learning atmosphere and improve the staff expertise, the internal lecturer recruitment program "We Talk@VBill" was held to invite company's management and outstanding employees to become internal training lecturers. During the Reporting Period, we have selected and trained a total of 22 lecturers.

Employees who have successfully become internal lecturers could receive course development fees, lecturing fees and training from professional trainers (TTT - Training the Trainer to Train). Courses offered by internal trainers cover payment and settlement business processing, big data application, fraud trading and data encryption courses, etc.



Training Ratio by Employment Categories

By Employment Categories



Listening with Care

We are committed to creating a nice working environment and encouraging management to conduct two-way communication with employees operating at all levels. For example, we use social media like WeChat to release our latest developments news in order to increase the sense of belonging from our employees. The company provides employees with an open platform for communication. Employees can voice out their opinions to the management directly through e-mails and the president's mailbox. The human resources department will communicate with the employees from time to time to understand the employees' needs through forums, e-mails and questionnaires, and report to the president if necessary.

We actively create an equal and diversified and discrimination free working environment, with a clear employee complaint system. During the Reporting Period, we did not receive any relevant complaint from our employees.

Value Created for Customers

The Group upholds the core values of "customer-oriented" in each of its business areas. As one of the industry leaders of payment, financial and communications integrated system solutions providers in China, we have committed to providing excellent services and products for years, focusing on research and innovation, looking for breakthroughs based on users' needs, developing new products to meet the needs of different customers and creating superior customer experience. Through building our quality management system, improving production processes, providing adequate training and conducting thorough product testing and monitoring, we ensure our products and services shall meet our customers' requirements in order to achieve perfection.

Pursuing Excellent

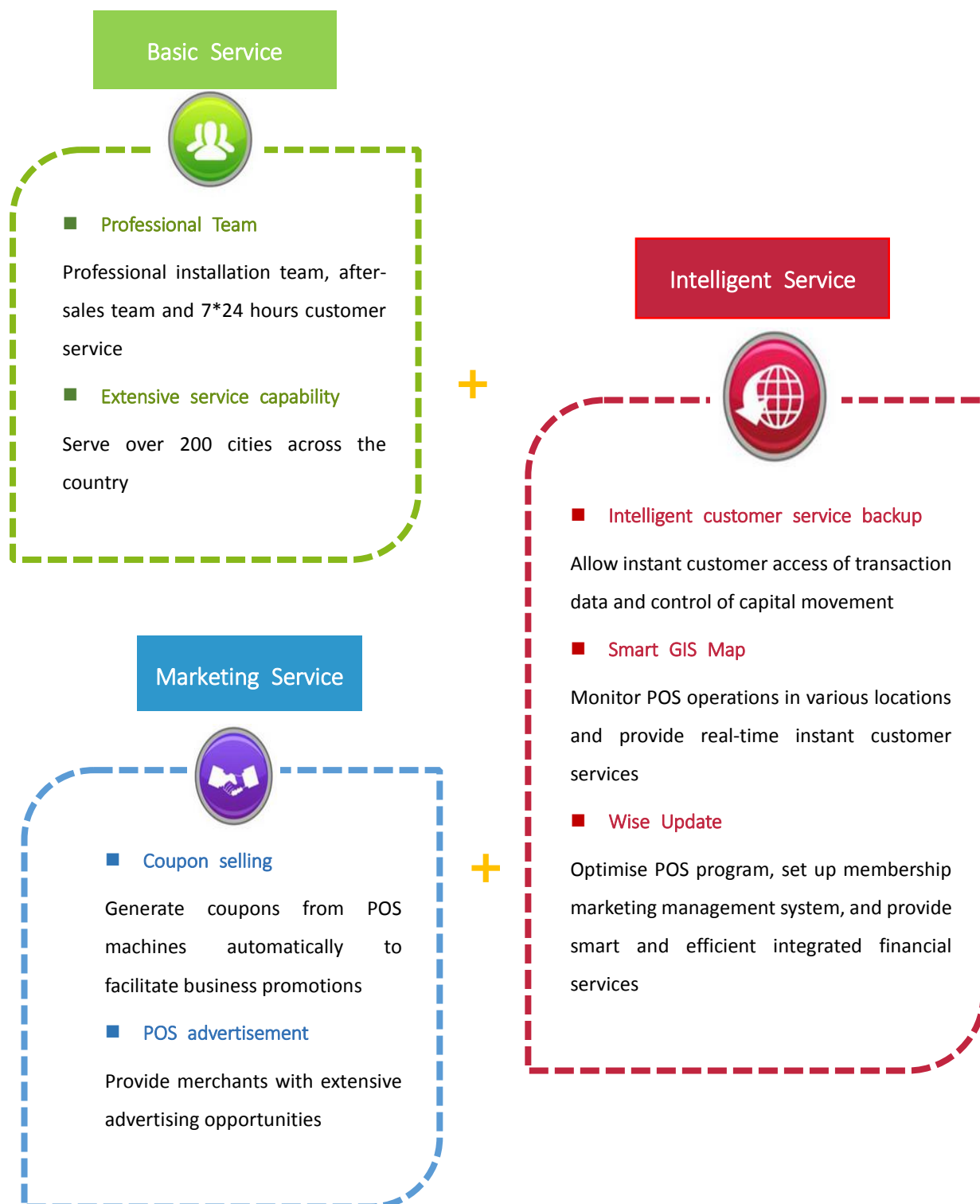
Pursuing high quality is our core value and also the competitive advantage of the Group and it has a profound influence on every business segments of the Group.

Payment processing solutions

Our business segment of providing payment processing solutions strictly complies with "Law of the People's Republic of China on the People's Bank of China", "Administrative Measures for the Payment Services Provided by Non-financial Institutions", "Measures for the Administration of Bank Card Business", "UnionPay Card Merchant Risk Management Rules" and "UnionPay Card Merchant Risk Management Guide" issued by People's Bank of China. Meanwhile, we are monitored by Central Bank, China UnionPay, Payment & Clearing Association of China to ensure the compliance of the business operation process. As the leading third-party payment institution in China, we have obtained the "Payment Business Permit" and three major payment licenses, including (i) National Bank Card Acquiring License, (ii) Internet Payment License and (iii) Mobile Phone Payment License, to provide diversified payment services to different clients such as bank card acquiring, offline payment, mobile payment and Internet payment services.

Service Innovation

Our core bank card acquiring services has launched "Service +", integrating the three main modules: basic services, intelligent services and marketing services, creating a unique seamless service model for POS-end marketing and acquiring system and provides reliable payment services for micro-enterprises.



Case sharing - Promoting financial technology innovation



云闪付APP

During the Reporting Period, VBill (one of the non-bank payment institutions in China) joined hands with China UnionPay, together with commercial banks and payment institutions, etc. to jointly release a banking industry unified application (“APP”) “UnionPay” (“雲閃付”). UnionPay was jointly developed, maintained and operated by various commercial banks and “UnionPay” under the guidance of the People's Bank of China. Bringing together efforts of the industry in creating unified mobile payment portals, “UnionPay” allows users to bind and manage various types of bank accounts, enjoy the mobile payment services and offers from multiple banks, not only unifying user experience but also representing a major innovation in China’s mobile payment development.

Data and Trading Security

We are dedicated to providing users with secure, stable and efficient trading system, in terms of transaction security system architecture and risk prevention, to fully protect the financial transactions security. At system architecture level, we have established a security defense system all the way through system process, personnel requirements, network security, system reinforcement, application development process, security coding, data security storage and transmission, security testing to vulnerability management to put into practice transaction security. At risk prevention level, through the "Anti-DDOS Security Architecture", we can block risky transactions arising from system or security loopholes. In addition, our 24-hour duty staff to safeguard the security of merchants and cardholders' fund transactions through the "7x24 intelligent data monitoring".

Our payment system has passed the compliance assessment of the Payment Card Industry Data Security Standard (PCI-DSS) and obtained the PCI certificate issued Security Standards Council (SSC). We impose stringent safety requirements on all organisations involved or engaged in credit card information, including security management, strategy, process, network architecture, requirement list of software design in order to ensure transaction security.

We are certified by the Account Data Security Standard (ADSS) to strengthen the user information security management on bank card acquiring service, further clarify and refine the participants' requirements on information security management, as well as avoiding the risk of account information leakage. In order to control the trading risk, we have established a comprehensive trading risk management system, covering the risk classification mechanism, 7/24 duty handling system, emergency response mechanism, industry blacklist sharing mechanism, banks, UnionPay and public security linkage mechanism, systematic risk monitoring and daily risk monitoring, etc.

Our employees required to follow integrity and confidentiality principles and handle all customer information. We have confidential agreement in place with our employees and set up guidelines on the collection, use, disclosure, transmission and maintenance of customer information. We also adopt a series of precautionary measures to ensure data confidentiality, such as data room access rights restriction, installing monitoring systems for staff access, prohibiting downloading of design-related data by system designers, etc. Visitors must be accompanied by duty staff upon access to data rooms and strictly abide by the rules of data room management.

In the future, we will continue to improve the security level of the payment systems. Through the smart data management system, we empower comprehensive defense and interception of various kinds of data risks to ensure the security of fund trading platform by offering a stable and efficient trading system, creating a secure and reliable payment environment for merchants and consumers.

Case sharing - Smart POS

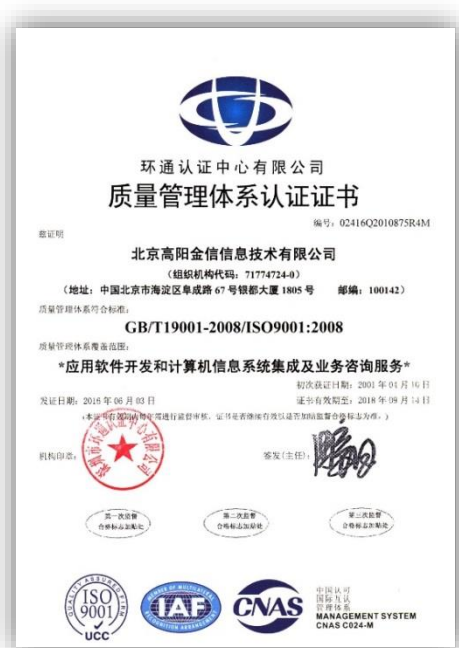
During the Reporting Period, we launched a self-developed "Smart Payment Platform" and introduced smart POS machines ("Smart POS") and related hardware. Smart POS can intelligently identify and co-ordinate more than 20 kinds of mainstream payment methods, regardless of card swiping, card waving, phone waving, watch waving, UnionPay QR code, Alipay or Wechat QR code waving, supporting instant responses, hence enhancing operational efficiency.

Distinctive from traditional POS. Smart POS not only provides basic payment functions, its design also offers optimized marketing for merchants. The machine is equipped with membership marketing management system, which enables membership management, customer marketing, data analysis, and merchants' other upgrading needs. When bundled with the operation of our Smart Payment Platform, our Smart POS can provide customers of all industries with intelligent and efficient integrated financial services.

In order to protect merchants and consumers' privacy and account security and minimise privacy leakage and economic loss, Smart POS has obtained various hardware and software certification, for example, Secure Sockets Layer (SSL) Certificate, Payment port MDS certification, 256-bits Advanced Encryption Standard, etc. It encrypts and hides data transmission for the comprehensive protection of users' fund security.

Financial solutions

Our financial solutions business mainly provides software development, system integration and consulting services based on customer requirements. We are awarded the Quality Management System (ISO9001: 2008) certification in "Application Development and Computer Information Systems Integration and Business Consulting Services". Based on the ISO9001: 2008 standard, we have established a set of comprehensive quality management policies including "Quality Manual" and 12 quality management system "Policies and Procedures" documents covering internal audit management, customer satisfaction management, customer requirement process management, product and service process management, customer complaints management, defective product management, human resources management, management review, quality records management and quality improvement management, and supportive documents that provide concrete measures for implementation such as Hi Sun Project Management Guidebook - "Software Development Volume", "System Integration and Consulting Services Volume", "Sales Representative Volume", "Research & Development Volume", and "Project Management Process Reference Map", "Project Documentation Specifications" and "Project Quality Management Specifications (Cases)".



The “Quality Manual” specifies the quality policies and objectives of ABS and stipulates that all departments shall strictly follow the relevant requirements of the policy documents and quality management in order to achieve the respective goals. Among them, "Process Management Procedures for Products and Services" stipulates that the project manager shall be responsible for defining the responsibilities and authorities of the relevant project personnel, planning the design and development of the entire project, phase review, verification and validation prior to the project implementation. (Software development is generally divided into the stages of requirement analysis, outline design, detailed design, coding, system testing and acceptance; whereas system integration and consulting services are generally divided into stages of requirements confirmation, implementation review against contractual requirements and final acceptance.) The project manager shall also develop the project implementation plan and revise from time to time based on the progress. Before delivery of software products, system integration or consulting services to clients, the project team shall monitor and control, perform tests and checks on the product to ensure compliance with contractual requirements.

Case sharing – Customer satisfaction management

In order to understand our client's satisfaction level with our services and to continuously improve our products and customer services, "Customer Complaint Management Policy" and "Customer Satisfaction Management Policy" have been established for our financial solution business. We are committed to improving our customer satisfaction level, and enhancing the quality of products and services based on their feedback and suggestion. We have set our annual overall quality target and followed up with a customer satisfaction survey subsequent to the end of the year. During the Reporting Period, ABS' customer satisfaction level was 91%, which is above our target without receiving any customer complaints.

Electronic power meters and solutions

As our business involves manufacturing, product quality management remains our core duty. Our product warranty is 10 years. Our main production plants have obtained the Quality Management Systems (ISO9001:2008) certification. While implementing the quality standard, we proactively learn from the advanced experience in the industry, both locally and abroad to constantly improve our quality management and strictly control the entire process from product design, development, production, installation to after-sales services. Meanwhile, we also developed a comprehensive management system based on the Measurement Management Systems (ISO 10012:2003), Safety and Electromagnetic Compatibility Certification Rules for Information Technology Equipment (CQC12-045670-2009), European Union Measuring Instruments Directive (2004/22/EC) and other relevant regulatory requirements. The aforesaid Measurement Management Systems specifies the general requirement of the measurement process, measuring equipment and metrological validation management, which provides for product quality enhancement. We also apply for the "Metrology Certification License" pursuant to the "Metrology Law of the People's Republic of China" so as to ensure that our production facilities, factory inspection conditions, personnel technology and other related aspects shall meet the national requirements.

Our products are manufactured according to the "Single-Phase and Third-Phase Intelligent Watt-hour Meter Model" formulated by State Grid Corporation of China, where the key process of electronic power meters production involves product verification, components commissioning, circuit boards welding and electrical connections. Therefore, we have incorporated different types of testing into the production process, such as welding repair and pressure testing to ensure the product quality. In addition, in order to ensure proper display of specified symbols on the meters, we apply the "Electricity Metering Equipment (AC) – Particular Requirements" (GB/T 17215.352-2009) standard in marking identifying the characters and symbols displayed on our electromechanical or static AC power meters. Meanwhile, we also carry out sampling tests, using the AC measuring equipment standard as basis for the inspection of and examination of products characteristic, such as voltage effects, frequency effects and electrostatic discharge immunity. During the Reporting Period, we have been awarded the certificate issued by the National Standards Technical Committee for Electrical Measuring Instruments and met the "Electricity Metering Equipment (AC) – Equipment Acceptance Specification (GB/T17215.831)".

With our continuous endeavour over the years, we have received different recognitions and certifications both locally and internationally. Our product “three-phase remote smart electricity meter” is awarded the National Metrology Institute of Germany (PTB) certification¹ and our “single-phase remote smart electricity meter” is awarded the Holland KEMA certification², which is a globally renowned quality certification symbol of safe and reliable electrical energy products.

Case sharing - Quality centre

Hangzhou PAX has established its quality center which is responsible for raw material check, quality supervision of product manufacturing, management of quality issues and inspection for finished product. In order to further enhance our quality supervision, we also establish an internal testing laboratory to monitor our product performance and efficacy based on the “General Requirements for the Competence of Testing and Calibration Laboratories” (ISO/IEC 17025).

¹ PTB is a globally-renowned metrology and testing research institute, which sets up the testing standard for measuring instruments.

² KEMA is the global authority for consulting, testing and certification in the energy sector. It provides services for the entire energy chain.

Platform operation solutions

As the leading subsidiary of our platform operation solution business, Hunan Hisun is a strategic partner of China Mobile Group Electronic Commerce Co., Ltd. and has established a comprehensive internet and mobile payment product systems, aiming to provide to individual customers products like B2C payment, quick payment, phone data value addition, credit card repayment, fund transfer, collection and payment agency, whereas to corporate clients products like B2B payment solutions, capital collection solutions, terminal sales payment solutions and marketing services platform.

We focus on research and software development. Our research and development (“R&D”) team has excel in R&D and is constantly advancing our technology and quality of services. We have established procedures for each phase of software development, including requirements analysis, initiation, design, development, implementation, system testing and production. These procedures define the duties of various departments at each stage of the project, so as to ensure the successful carrying out and completion of the software development process.

To enhance the quality and efficiency of project development, our platform operation solution business has developed various management procedures, such as quality assurance procedures, process management procedures, configuration management procedures, project management procedures and review procedures in order to monitor different stages and standardise our quality assurance work. Quality assurance engineers will develop tailor-made quality assurance checklists for each project, which will be further customized by the Engineering Process Group before further reviewed by the project manager and the Quality Assurance Department. The Quality Assurance Department will then conduct quality assurance inspections at each stage of the project development based on the quality assurance checklists. Regular review of the work products of the whole development process and each key phase will also be conducted to ensure the project is implemented in accordance with the specified procedures. Quality assurance engineers will conduct analysis and provide suggestions for project quality improvement based on any issues identified and the project manager will be responsible for tackling relevant issues. Quality Assurance Department will also perform weekly follow up until the issues are resolved.

Data and System Security

In order to eliminate transmission of undesirable contents and protect customers' sensitive information, we strictly abide by the "Decision of the Standing Committee of the National People's Congress on Preserving Computer Network Security", "Regulation on Telecommunications of the People's Republic of China", "Regulation on Internet Information Service of the People's Republic of China", "Regulations of the People's Republic of China for Safety Protection of Computer Information Systems". Meanwhile, we require our partners to guarantee information security and establish internal risk control mechanism in accordance with the safety requirement of "China Mobile Third-party Safety Management" and "Hunan Mobile Client Information Protection Management", bringing information security management to the operation and management of Hunan Hisun and implementing information security work in a responsible way.

We have always focused on the confidentiality and privacy of our customers' data, and are committed to strictly protecting information provided by our customers. In order to standardise the safety management procedures of the server room and ensure secure and reliable operation of our systems, a series of measures have been undertaken, including the establishment of "Rules for Managing Physical Security of Server Room" and "Rules Governing the Entry and Exit of Core Server Room", review of server room entry authorisation application and regular inspection of the server room environment and fire safety facilities.

To avoid leakage of customers' data, we specifically adopt the two-way authentication mechanism and SSL international standard algorithm to ensure trading security. Meanwhile, we support personalised dynamic key updates and by placing the master key in the secure memory chip of the mobile Near-field communication ("NFC") phone card, users are required to conduct transactions through a secret key system. We also adopt a three-level secret key management system, namely the master key, key-exchange key and data key. We use the hardware encryption machine for encryption and establish a key management platform between the application system and the hardware cipher device, to assure end-to-end transaction security through the integration of a variety of cipher devices and secret key mechanisms.

Advertisement of Products and Services

With regard to marketing of our products and services, the Group strictly complies with relevant applicable laws and regulations including “Advertisements Law of the People's Republic of China” to eliminate improper statements in protection of customers’ rights and interests.

Customer Privacy

The Group strictly implements the confidentiality policy on customer information and privacy to ensure that customers’ rights are strictly protected. To prevent loss or leakage of customer information, the Group has a sound regulating system and relevant provisions are incorporated into written contracts with customers. Apart from providing detailed guidelines and employee handbooks, the Group organises regular seminars and training sessions for employees on data privacy-related issues.

After-sales Service Management

The Group highly emphasises on customer satisfaction and after-sales services. We understand our customers’ needs and collect their opinions and suggestions via questionnaires and customer satisfaction survey which are continuously conducted to better understand our customer experience and improve our products and services.

In addition, we set up complaint handling procedures in each of our businesses to handle customer complaints. Customers can voice out their opinions by phone, e-mail, letters and websites. Once we receive any complaints, we will immediately commence investigation and arrange direct communication with the client until satisfactory resolution of the problem, followed with review and implementation of preventive measures to prevent recurrence of such problems.

Intellectual Property Rights

The Group attributes its success to R&D and innovation. Our products are developed by our R&D to meet the needs of the market. To safeguard the efforts and achievements of our R&D team, we apply for patents and registration of copyrights from the National Copyright Administration in accordance with relevant local laws and regulations, such as “Patent Law of the People's Republic of China” and “Rules for Implementation of the Patent Law of the People's Republic of China”. Each subsidiary has formulated relevant policies based on its respective business, such as “Regulation on Protection of Intellectual Property Rights”. The following are the principal patents and copyrights owned by the Group:

Patents

- Tester (SIM card) design patent

Copyrights

- VBill cross-border remittance system V1.0
- VBill online payment system V2.0
- VBill POS background management system V1.0
- MPOS mobile sales terminal management system V1.0
- One-card system V1.0
- Hunan Hisun fund withholding platform V1.0
- Hunan Hisun merchant integrated merchandising management system V1.0
- Hunan Hisun marketing resources management platform V1.0
- Hunan Hisun reward platform system V1.0
- mobile Internet mobile payment plugin (Android version) software V1.0
- Hunan Hisun IVR-SP service system V1.0
- Hunan Hisun fund payment platform system V1.0
- Data usage integrated management platform
- Hunan Hisun electronic coupons mall platform system V1.0
- Hunan Hisun cash loan platform
- ABS performance appraisal system V2.0
- ABS software integrated services system V4.0
- ABS information handling system
- ABS bank's core service software V5.0

Value Created for Environment

With the escalating attention to environmental issues like sustainability development, green economy and climate change, everyone should be accountable for environmental protection responsibility. Therefore, the Group strictly complies with “Environmental Protection Law of the People's Republic of China”, committing to energy saving, mitigation measures and strengthening environmental management. As far as environmental impact is concerned, since Hangzhou PAX is engaged in the business of electronic power meters and solutions which is involved in mass production, therefore by business nature, its environmental impact is relatively material amongst the subsidiaries of the Group. Its production plant is certified by Environmental Management System (ISO 14001) and its environmental impacts are minimised through the implementation of relevant environmental policy and the standardization of mitigation measure.

Emission Management

Air Emission

Concerning the business of electronic power meters and solutions, qualified environmental monitoring organisation is appointed to conduct sampling test at the exhaust for analysis, to ascertain the air emissions are compliant with the permissible levels pursuant to “Integrated Emission Standard of Air Pollutants (GB16297-1996)”.

Greenhouse Gas Emission

The Group reported the Greenhouse Gas (“GHG”) Emission in accordance with “The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard”, published by World Resources Institute and World Business Council for Sustainable Development, as well as the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong”, published by the Environmental Protection Department, HKSAR. The emissions cover Scope 1 (Direct Emissions) and Scope 2 (Indirect Emissions).

Key Environmental Data

Environmental Performance	Unit	
Air emissions		
Nitrogen Oxides (NO _x)	kg	24.69
Sulphur Oxides (SO _x)	kg	0.54
Particulate Matter (PM)	kg	1.97
Total GHG emissions	tonnes of CO ₂ e	1472.61
Direct emissions (Scope 1)	tonnes of CO ₂ e	96.61
Indirect emissions (Scope 2)	tonnes of CO ₂ e	1,376
Total GHG emissions per million of revenue (Scope 1&2)	tonnes of CO ₂ e/HK\$000'000	0.63
Total energy consumption	kWh	2,313,933.06
Total energy consumption per million of revenue	kWh/HK\$000'000	988.86
Total water consumption	m ³	14,476
Total water consumption per million of revenue	m ³ /HK\$000'000	6.19
Total hazardous waste produced	tonnes	0.05
Total hazardous waste produced per million of revenue	kg/HK\$000'000	0.02
Total non-hazardous waste produced	tonnes	1.75
Total non-hazardous waste produced per million of revenue	kg/HK\$000'000	0.75
Total packaging material	tonnes	8.76

Waste Water Discharge

Our electronic power meters and solutions business has obtained the Hangzhou Water Pollution Control Permit based on the actual operational needs, to ensure legal sewage discharge. In addition, qualified third party environmental laboratory was appointed to collect sewage samples at sewage and rainwater discharge to test for chemicals and suspended solid. In addition, samples are collected at various soldering exhaust to check the air pollutant concentration and discharge rate to ensure that the discharge concentration would not exceed the prescribed limit.

Resource Utilization and Mitigation Measures

The Group is devoted to building a low-carbon and green office, actively encouraging staff to carry out energy-saving and emission-reduction activities, utilising and recycling resources efficiently, exhibiting green concepts, and fostering sustainable development. For the sake of energy saving, we have implemented a variety of mitigation measures, such as reducing the number of light tubes from three to two, posting notices of energy saving tips, adjusting the air conditioning systems to the optimum temperature and arranging patrolling in office buildings to switch off unnecessary electrical appliances after working hours, so as to establish a comfortable environment without wasting energy. In terms of water consumption, we have enhanced the daily maintenance and management of water drainage system, timely repair damaged water supply network and facilities, perform regular checks on faucets, pipeline valves, flushing valves and so on.

Waste Management

The Group complies with the applicable laws and regulations governing solid waste management and has devised waste management policy in order to utilise resources appropriately.

Hazardous Waste Management

Concerning the business of electronic power meters and solutions, qualified independent hazardous waste collector is appointed to handle the hazardous waste pursuant to “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes” and “Interim Measures on Management of Harmful Solid Wastes in Hangzhou”. We also affix labels in compliance with the Standard for Pollution Control on Hazardous Waste Storage (GB18597) on the packaging containers’ surfaces, and collect, transport, store and dispose of them in accordance with the relevant procedures, transportation and properly transfer hazardous waste to qualified collectors for further handling.

Other Non-hazardous Waste

In order to effectively manage the general refuse generated in the canteen, we put up posters on “reducing food waste” to remind our staff to cherish food. At the same time, we also assign staff to monitor the waste volume. All general disposal and food waste are handled by approved waste management companies.

Furthermore, the Group has introduced Office Automation (“OA”) system to execute operation automation and paperless office, encouraging staff to communicate via online medium like email and duplex printing to minimize paper consumption. The Group regularly uploads information to its website for public browsing. Necessary printings such as the Group’s Annual Report and Interim Report are printed on paper certified by the Forest Stewardship Council (“FSC”) and using soy ink.

The Environment and Natural Resources

Apart from the environmental issues mentioned above, noise pollution is one of the pollution sources which we concern. Regarding the noise which may be generated during our production, we have appointed a qualified environmental monitoring organisation to conduct inspections so as to ensure compliance with the standard prescribed in the “Emission Standard for Industrial Enterprises Noise at Boundary” (GB12348-2008).

Value Created for Supply Chain

As our Group's products, services as well as reputation are largely depends on the way of cooperation with the supply chain, we are committed to building long-lasting and mutually beneficial partnership with our suppliers. When it comes to the operation process, the Group strives to fulfill its environmental and social responsibilities. We also expect our suppliers to share common beliefs, upholding integrity, treating employees fairly and being legally compliant. We are confident that positive influence could be brought to our supplier chain through clear expression of the Group's expectations for sustainable development. We formulate the "Supplier Code of Conduct" and "Code of Ethics" applicable to different business sectors, stating our performance requirements in business ethics, human rights and labor rights, health and safety, to environmental protection aspects.

Regarding subsidiaries that involve in massive procurement, mainly Hangzhou PAX and Megahunt engaging in electronic power meters and solutions and sales of information security chips and solutions respectively, procurement management system will be made based on actual needs. They assess suppliers comprehensively based on factors such as quality, cost, services, technology and environmental protection. To ensure the quality of products and services of suppliers meets the required standard, on-site inspection and verification of product quality certification will be conducted when necessary. Regular on-site inspection at production plant and periodic assessment of suppliers are also performed after entering into of the supply contract to ensure the supplies meet the Group's quality requirements.

Case sharing- Green procurement

The products sold by our electronic power meter and solutions are made up of materials and components from suppliers. As a move to foster environmental protection, we have formulated the "Green Procurement Guidelines" based on the principle of reducing environmental impact and as a prerequisite for the selection of raw materials, auxiliary materials and components. The suppliers should sign the "Declaration on the Chemical Substances Contained in Products", undertaking that the materials they supply do not contain any prohibited substances will cause adverse effects on the environment and human body. We implement a stringent audit on the production materials. Effective testing and verification are carried out at various stages can prevent unqualified material being used in the production process and ensure procurement is also in compliance with the requirements. Procurement of relays as an example, our "Relay Inspection Instructions" requires employees to specifically check the Restriction of Hazardous Substance ("RoHS") material safety certification mark with reference to the material characteristic table to enhance material safety.

Value Created for Community

As a responsible corporate citizen, we actively participate in various charity and social welfare affairs to care for the disadvantaged. During the Reporting Period, we participated in “Sowers Sending Love” and “Heartwarming clothes”, donating clothing and quilts to children who live in hill areas. Also, we participated in the “Rotary Hong Kong Ultramarathon 2017” (co-organised by the Rotary District 3450 and the Hong Kong Amateur Athletic Association) to promote healthy lifestyle and social services.

We also assisted “Food Angel” with the recycling of vegetables and food packages through joining their “Food Rescue & Assistance Program”. “Food Angel” aims to reduce food waste, alleviate hunger and relieve poverty. They also collect and cook surplus edible food to reduce food waste, provide food assistance to the people in need, and alleviate the burden on landfills.

Apart from participating in different charity services, we focus on ecology protection and enhance staffs’ awareness on environmental protection. During the Reporting Period, we arranged numerous environmental protection events, such as “Upcycling” & “Recycling of Abandoned Packing Boxes Campaign”. We aim to contribute to the environment through recycling, reducing emission and reusing. By taking part in “Low carbon, Commute by bicycle” organised by Mobike, we encouraged our staff to reduce their carbon emission by riding bicycle instead of driving. Through participating in “Green Power Hike”, we encourage employees to recognise and appreciate nature and promote local ecological culture. To deliver a green hiking experience for the participants, “Green Power Hike” is committed to integrating environmental elements into the event, as well as participating in waste separation and recycling, and reducing the use of resources.

To advocate the corporate culture of “Taking from society, repaying to society”, each year, we recruit university students as interns to provide them with internship experience. The human resources department will assign them into different positions according to their specialty and guidance are provided to advance their industry knowledge and professional knowledge. Some interns will join our team and become a member of us after graduation.

We encourage our staff to participate in volunteer activities and give helping hands to the disadvantaged. Looking ahead, we will allocate more resources to organise and participate in community activities so as to dedicate our success to the society.

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