

Jian ePayment Systems Limited

華普智通系統有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 8165

2018

Environmental,
Social and
Governance Report

環境、社會及
管治報告



Environmental, Social and Governance Report

**JIAN EPAYMENT SYSTEMS LIMITED
(8165)**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

31 DECEMBER 2018

DATE: 27 JUNE 2019

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Environmental, Social and Governance Report

JIAN EPAYMENT SYSTEMS LIMITED (8165)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

1. Purpose

This “Environmental, Social and Governance Report” is prepared by Jian ePayment Systems Limited (“the Group”). This report mainly introduces the Group’s vision, policies and measures and reports its performance regarding environmental, social and governance issues for communicating to the internal and external stakeholders.

Scope of coverage

This report covers the Group’s headquarter in Hong Kong and its subsidiary offices in Shenzhen, Wuhan, Zhengzhou and a representative office in Beijing.

Basis of preparation

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) under Appendix 20 of the Rules Governing the Listing of Securities on GEM issued by the Stock Exchange of Hong Kong Limited (the “HKEX”). The content of this report includes two main subject areas, being Area A — ENVIRONMENTAL and Area B — SOCIAL as required by the Guide.

The content of the Report reviewed and reported the core business and offices of the Group and followed the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

Time range

This report is an annual report for the period from 1 January 2018 to 31 December 2018.

Stakeholder engagement

The preparation of this ESG Report, which was supported by management and staffs from the Group’s various offices and departments, and external professional advisors as well as business partners, enabled the top management of the Group to have a clear understanding on our current environmental and social development. The information we gathered and analyzed was not only the summary of the environmental and social works carried out by the Group during 2018, but also the basis for the top management of the Group to make short, medium and long term strategies for sustainable development.

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2. ESG management

Corporate Vision

To deliver services to clients for access to new technology, services and products under intellectual property right (“IP”) protection through proper legal processes and procedures and at reasonable costs; the application of such will ultimately support the enduring and sustainable development of clients and society at large.

Business Goal

To become a leading and forward-looking company on IP right management and licensing of IP right protected technology, services and products.

Corporate Value

Innovation, Professionalism, Integrity and Respect of Human and Rights.

ESG MANAGEMENT VISION

The Group started in 1988 as a software providers, system integrators and equipment manufacturer of IC card applications in the PRC recognized by the Ministry of Construction. It took the brand-new IC card technology as its orientation, network communication technology as its core aspect of development, and the security in information processing, adaptability in use and convenience in operation as its goal, successfully applied the most advanced e-payment technology to city parking management. Its main technology, products and services have been the designing, developing, producing and installing of the “Intelligent Network Parking Management System” for improving the urban static traffic systems. They provide the cities in China with systems and services that give the maximum overall value, and meet their multifaceted requirements in term of safety, reliability and efficiency, and environmental friendliness.

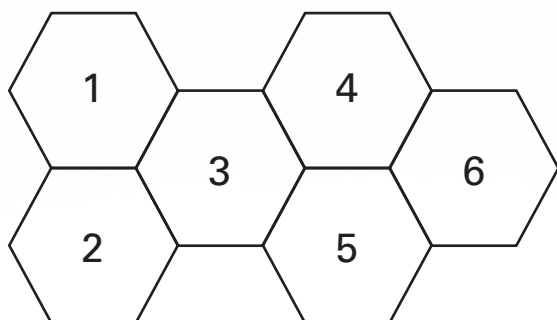
In 2018, the Group has diversified its core business into intellectual property services focusing on activities relating to licensing, operating, and trading of patents and provisions of consultancy services on intellectual property management. This service aims at assisting the clients to access to technology, services and products under intellectual property rights protection with proper legal process and procedures and at reasonable costs.

Since its establishment, the Group has been committed to support the society and the environment by developing technology, services and products with social responsibilities and sustainable development.

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ESG MANAGEMENT VISION, POLICY & APPROACH

The Group's ESG Management Vision, Policy and Approach can be summarized in below:



- (1) Compliance and abiding of a laws, regulations and industry codes of practices with integrity;
- (2) Improving products and services quality, and building strong and harmonious customer relationship;
- (3) Practicing sustainable development and environmentally friendly with the Mother Nature;
- (4) Respecting, protecting and developing employees' rights, physical and mental health and skills;
- (5) Integrating supply chain resources efficiently and achieving mutual benefits; and
- (6) Contributing back to the environment, society, employees and other supporters.

The Group is committed to be a leading and forward-looking operator in its operating fields, complying and abiding of all laws, regulations and industry codes of practices with integrity in the countries we are operating, bringing returns to our investors and business partners, giving a healthy and safe working environment to our employees, and helping to provide sustainable developments of the local communities and the environment.

It is the duty of the Board to examine and address all the environmental and social issues listed in the Aspects and Areas in the Guide. In response, the Board has approved its updated strategies and policies which have incorporated the related environmental and social issues listed in the Guide. The Board has resolved and assigned the various department heads to implement its policies and to report directly to the Group Chief Executive Officer ("CEO"), who has the overall responsibility to ensure that the Board's approved strategies and policies are implemented. The CEO is duty-bound to explore and develop Key Performance Indicators ("KPIs") where appropriate and necessary for future reference and continuing action in line with the Group's visions, policies and goals.

Environmental, Social and Governance Report

ESG MATERIAL AREAS AND ASPECTS, AND KEY PERFORMANCE INDICATOR (“KPIS”)

(A) Environmental responsibility

The Group respects and treasures the environment. We recognize the importance of sustainable environmental development to on-going operation. The Group strictly abides by the relevant laws and regulations of environmental protection, and regularly keeps abreast with the latest national and regional environmental laws and regulations to ensure that the relevant measures of the Group meet the compliance requirements. We enforce environmental protection, comply with the requirements of local regulatory authorities and specific guide in the industry, and are committed to the social responsibility of protecting environment as a responsible corporation. As a responsible corporation supporting the “Green Globe”, the Group has implemented policies and taken measures to ensure our business and operation to be energy, water and resources saving.

In 2018, the Group was not subject to any confirmed violation case relating to emissions and wastes discharges or other environmental issues and having an adverse impact on the Group.

A1. Emissions and wastes

As the Group is mainly an intellectual property rights services provider, our activities have relatively small impact on environment. We operate mostly under normal office environment and do not have manufacturing plants or operations which might result in air pollution emissions or hazardous wastes. Our main emissions during our normal course of business and operation are greenhouse gases, primarily carbon dioxide from official vehicles gas emissions, energy consumption and employee travels.

Therefore, improving the efficiency of our vehicles and reduction of energy consumption are our priorities. Currently, the headquarter and subsidiaries only have very few official vehicles. We unify the purchase of fuel cards, quantitative and regular refueling, and unify the management; establish the registration system of dispatching the vehicles, strictly implement approval procedures for the use of vehicles and coordinate the distribution of vehicles, thus the usage of official vehicles is enhanced. We introduce video and teleconferencing systems to reduce the number of staff traveling for business trip and the carbon emissions caused by traffic arising therefrom.

There had been a small amount of hazardous wastes produced from the Group’s office activities such as toner cartridges, ink boxes and batteries, but measures have been introduced to ensure that they will be collected properly and transferred to qualified organizations for environmentally friendly disposal.

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The office environment performance of Hong Kong Headquarter, subsidiaries in Shenzhen, Zhengzhou, Wuhan and office in Beijing is as follows:

Emissions

Indicators	2018
Sulfur dioxide (kilogram) ¹	0.14
Nitrogen oxides (kilogram) ¹	0.42
Total greenhouse gas emissions (Ton) ²	5.73
Direct discharge (Ton)	5.04
Official car fuel consumption (Liter)	250
Indirect discharge (Ton)	0.69
Purchased electricity (kWh)	15,357
Non-hazardous waste (Ton) ³	1.76
General waste	2.00
Hazardous waste (Ton) ⁴	0.01
Toner cartridge	20

Notes:

- 1 Sulfur dioxide and nitrogen oxide emissions mainly come from official car fuel consumption. The scope of disclosure includes no other direct energy use such as natural gas and diesel oil. The energy consumption of self-owned canteens is electricity consumption. The information on emission of sulfur dioxide and nitrogen oxides is accounted according to the "Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial)" published by the Ministry of Environmental Protection of China.
- 2 The greenhouse gas inventory includes carbon dioxide, methane and nitrous oxide, which are mainly from purchased electricity and fuels. Greenhouse gas accounting is presented based on carbon dioxide equivalence and is based on the "2015 Baseline Emission Factors for Regional Power Grids in China" published by the National Development and Reform Commission of China and the "2006 Guidelines for National GHG Inventory" published by the Intergovernmental Panel on Climate Change.
- 3 Non-hazardous wastes are given to recyclers for disposal, mainly including domestic wastes produced in the office area.
- 4 Hazardous wastes are disposed by third parties or suppliers, including waste toner cartridge and fluorescent tube.

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A2. Use of resources

The Group is committed to building a “low-carbon and green office” and promoting the sustainable development of its activities by raising the environmental awareness of its employees and engaging them in energy efficiency and emissions reduction activities for effective use and recycling of resources.

Electricity is the main source of energy used by our offices in our daily operations. Other resources such as fresh water and paper and printing ink are also consumed.

To achieve low-carbon and build green offices, the Group has implemented various measures to go green and reduce carbon footprint, sewage and wastes production through reduction of energy, fresh water and paper consumptions, and conservation of energy, fresh water and paper resources, including:

Electricity Consumption Optimization (offices):

- Air conditioning usage is at its minimal and controlled at an optimal temperature of 24°C to reduce the consumption of electricity.
- Electronical appliances are required to be unplugged to avoid small amount of power that might still be drawn.
- The monitors are automated to turn off after inactivity of more than 20 minutes. Both monitors and CPU are turned off after work or if the inactivity is longer than 2 hours. Electricity consumption is ideal under such arrangements, as running computer above the guideline consumes more energy than the surge during computer start-ups.
- Use energy saving LED lights, and turn-off lights, air-conditioners, and other electrical appliances in a timely manner.
- Some offices can only purchase energy-consuming equipment with energy-efficiency labeling 2 or above or those with energy-saving product certification mark.

Paper Consumption Reduction:

- Introduces office automation (OA) system to promote automation and paperless office such as storage of documents in electronic version, communications via emails and messages;
- Prints on both sides of papers;
- Reuses stationery such as used envelop and document folder; and
- Uses recycled papers.

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Other Areas:

- Encourages employees to embrace a low-carbon lifestyle by using low carbon means of transportation such as walking, bicycling, public transport and car-pooling;
- On the use of fresh water, promotes fresh water conservation by posting up water conservation signs and increasing the employees' environmental awareness; and
- We encourage the employees to bring their own drinking cups to reduce the use of bottle water;
- On business travelling, encourages employees to reduce unnecessary travels through teleconferencing and other communication means to mitigate environmental impact of business trips.

To allow the management to monitor the effectiveness of the promoted policies and measures, the "Electricity & Paper Consumption" record has been established as a KPI.

In 2018, the average electricity consumption of the Company's headquarter decreased by 6% as compared with 2017.

In 2018, the usage of printing paper of the headquarters decreased by 7% as compared with 2017.

In 2018, the usage of bottle water of the Company decreased by 10% as compared with 2017.

In 2018, the value of office supplies of the Company decreased by 4% as compared with 2017.

Energy and resource consumption

Indicators	2018
Total energy consumption (MWh)	18,044
Direct energy consumption (MWh)	0
Gasoline (MWh)	0
Indirect energy consumption (MWh)	18,044
Electricity (MWh)	18,044
Tap water (ton)	76.5
Print paper usage (ton)	0.33

There is no diesel, coal or other direct energy use in the scope of disclosure. Energy consumption data is converted by factors documented in the general principles of the comprehensive energy consumption calculation (GB/T 2589-2008), which was formulated by the state administration of quality supervision and quarantine of the People's Republic of China and China national standardization management committee.

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A3. *Environment and natural resources*

The Group's businesses and operations have an insignificant impact on the environment and natural resources usage, but the Group still tries to be an environmental responsible corporation.

Electricity, fresh water and paper for normal daily office uses are the only key elements which are considered to have an impact on the natural resource as far as the Group's businesses and operations are concerned. In line with the adopted policies, the Group supports all measures to reduce, reuse, recycle, replace and recovery (as "5R") as far as possible and practicable. The Group is cost conscious and clearly driven by the cost saving incentive to reduce its electricity, water and paper consumption. But, the Group is also constantly on the alert to look for ways and means to accomplish the 5R goals. The methods to achieve this objective is to invest in energy and fresh water saving equipment and tools such as the installation of solar energy system, and to educate, guide and direct the staff and workers to smart uses through promulgation and implementation of our "Green Practice Policy". The Group has constantly reminded the staff and employees to be a "responsible citizen" to act in an eco-friendly manner and to save on water and energy consumption.

(B) **Social responsibility**

B1. *Employment and labour practices*

The Group values highly of its employees as the most important asset for its development and growth, and commits to providing equal opportunity to all staffs on recruitment, promotion, compensation and benefits; promoting a harmonious and respectful workplace. The Group strictly complies with the relevant laws and regulations of the "Labor Law of PRC" 《中華人民共和國勞動法》 and "Employment Ordinances of Hong Kong Special Administrative Region" ("HKSAR"), and has totally forbidden recruitment of child labor and forced labor. The Group strives to strengthen its corporate management with humanistic policies to encourage its motivation and innovation of employees, and effectively protect the interests of the Group and the legal rights of employees, and achieve a convergence of interests of the Group and its employees, through which both development and growth of the Group and employees individual value can be achieved.

The regional offices' Human Resources Administration & Personnel managers report directly to the Group's CEO to implement the Group's human resources strategies and policies, which have been detailed in the Group's **Human Resources Management Rules & Regulations, Labor Contract** for Chinese employees and **Employment Contract** for Hong Kong employees. All the terms and conditions contained therein related to wages and salaries, social insurance, holidays, severance and compensation pay, performance assessment, accidents and injuries, safety and health, communication, etc. are in strict compliance with national and local government labor laws and Employment Ordinances.

The Company's internal constitution expressly provides the working hours, leave entitlements, labor protection, minimum wage, etc. The basic social security fee and housing provident fund are paid by the Company on behalf of our employees according to the law. It also provides its employees with benefits such as supplemental medical insurance and regular physical body checks. In the meantime, audit on the human resources within the Group is conducted through self-inspection and external audit, ensuring that the relevant laws and regulations are strictly complied by the management system.

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The Company places great emphasis on human rights. During the recruitment process, we verify and confirm the identity of our staff to ensure that no child labor is employed. During the year, the Company was not aware of any child labor employment, forced labor or other occurrences violating human rights of employees.

The Company put great importance to the work-life balance of our employees, using internal communication and team building to creating a harmonious corporate culture.

During the year, we conducted related activities including:

- Throughout 2018, “personalized birthday cakes” were given to employees on their birthdays
- Regularly purchased snacks and fruits, in which everybody enjoyed afternoon refreshments
- Arrange sport activities, such as: mountain climbing, hiking, badminton etc.

On employment of employees, the Group adopts a hybrid of external recruitment, internal nomination and job rotation to recruit outstanding personnel and provide more opportunities for employees. All job positions are open to all with equal opportunities, decided with no discrimination on sex, race, religion, gender, age and disability basis, and selected on skill and competency basis. All employments are entered into proper and standardized contract in writing between the respective employee and the Group. The Human Resources Administration and Personnel managers are charged with the prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner.

In accordance with the requirements of the laws of the PRC and HKSAR, where appropriate, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays.

Employees’ remunerations are determined with reference to the prevailing market level in line with their competency, qualifications and experience. Salary will be paid in cash directly to employees’ bank accounts within the prescribed agreed period at the end of the wage period. The Group has honored all obligations including the payment of salaries and wages, holidays and leaves, compensations, insurance and health benefits without disputes with our employees in 2018.

To build a mutually understanding and acceptable working environment, the Group encourages employees to communicate open-heartedly, and has invited employee representatives to meet regularly to discuss about issues relating to working conditions, health and safety and employment terms and conditions. The Group believes that with effective communication, trust can be built and a win-win situation can be established. Currently, no laws and regulations have substantial negative impact on the Group regarding employment.

To have a constant understanding about the Group’s employee situations, an “Employment Record” with breakdown of total number of employees in different sectors, gender and aged groups has been prepared as a KPI, which will be regularly updated.

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B2. Health and safety

The Group insists on the “people-oriented” principle by providing a desirable working environment to employees, safeguarding their health and safety despite the innocuous nature of our businesses and operations.

The Human Resources Management Rules and Regulations, Employment and Labor Contract set out detailed health and safety guidance and measures, which comply with employment ordinance of HKSAR and labor laws and regulations of China, and employees are required to strictly observe.

The Group has taken out National Social Securities and Insurance for all qualified employees in China and Mandatory Provident Funds for employees in Hong Kong in accordance with the statutory requirements of the two places.

The Group has equipped all our offices with all the required safety equipment and facilities, and has passed all the governmental safety inspections. In case of accidents, regardless of minor or serious, employees are required by the in-house rules to notify their superiors immediately or without delays, who will then take appropriate measures to ensure safety is not being compromised. In-house rules require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate. Measures are in place to require corresponding remedial or compensatory actions arising from safety and health issues or work injuries are taken where necessary in accordance with the in-house and national rules. The Group has not recorded any claim disputes on compensation or work related injury investigation by the government officials in the reporting period in Hong Kong & in China during 2018.

B3. Development & training

The Group is committed to provide all employees with opportunities to learn and improve themselves and effective channels to develop and expand their careers. The Group offers different types of training programs regularly and on needed basis for employees to improve their skills and satisfy position needs. The position-taking trainings for newly recruited employees, include topics on the Group’s historical development, structure, regulations, positions and responsibilities, working skills, safety in operation, and career development plan etc., which will assist them to understand the Group and adapt to their positions earlier. The on-the-job and specific trainings for regular employees aim at improving their career development and skills to perform their required job duties in a more competent and capable manner and without risking their health and safety. Meanwhile, the Group encourages employees to actively participate in position-related trainings organized by external institutions in order to enhance individual professional quality and efficiency, the costs of which would be paid by the Group on application and by discretion of the senior management.

The Group has maintained a record on training programs provided internally to and sponsored externally for employees as a KPI to monitor and to review their effectiveness.

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B4. Labor standards

The Group has a comprehensive human resources policy in place regarding recruitment, dismissal, promotion, leaves, holidays and benefits to support our works on manpower resources. The Group stringently complies with the PRC and HKSAR labor laws and employment regulations in the relevant jurisdictions in which it operates, and adopts the respective national standard as its minimum labor standard on labor protection and welfare. The Group also maintains strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labor in different regions. At the same time, all job applicants are required to submit their credentials like academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment.

Operation practices

The Group is an information technology designer, provider and installer especially on car-parking management system, and an intellectual property rights licensing provider in China. The Group adheres to the principle of integrity first and conducts business according to the operation practices which are compliance with the local and international laws, and requires its employees to follow the code of conduct.

B5. Supply chain management

Supply chain management includes management of suppliers, and materials, technology and/or services sourcing and procurement. On licensing of patented technology and products business, the Group has to source and buy such patented technology and products first before sales. The offices also source and procure routine office supplies to maintain their daily operations.

To strengthen the management of sourcing and procurement and to reduce the procurement costs, strict assessment of the suppliers is conducted to ensure that the suppliers are not only committed to the cost and quality of the products produced, but also committed to the compliance of laws, rules and regulations. All suppliers prior to being engaged are requested to submit all basic certifications (e.g. Company Registration Certificate, Tax Registration Certificate, Creditability Report) and supporting documents required for manufacturing (e.g. ISO 9001 Certificate, ISO 14001 Certificate, Product Test Report) to ensure that the suppliers/manufacturers are compliant with the government and meets minimum regulation standards as well as our environmental, social and corporate standard. The Group also encourages and supports their improvement in sustainable development.

The Group conducts its sourcing and procurements on a fair and equitable manner. All purchase transactions are open and transparent. There is a minimum requirement of at least three suppliers to provide quotation during the sourcing stage for comparison and assessment. Procurement department is required to check all the outcomes of products, technology and/or services procured with reference to the procurement requirements, and to periodically obtain quotations from different suppliers not engaged by the Group for selection and assessment purpose. They are subject to the scrutiny of the internal hierarchy supervisions depending on its value and significance and to the overall scrutiny of the external independent audit checks. Many of our sourcing and procurements for general purpose and use are concluded with suppliers in the nearby areas. They encourage and promote local economy in an unspoken manner.

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B6. Product responsibility

The Group is committed to providing legally valid and effective patented technology, products and/or services for licensing.

On the licensing of patented technology, products and/or services, the Group warrants to the buyers that all of the products sold are self-owned with valid and effective legal titles.

There were no product defects, complaints or intellectual property right infringement filed in the year 2018.

The Group has introduced a SALES POLICY to regulate the sales process for significant contracts entered, under which the authority of the delegated negotiators, the internal approval and signature process, and the contract management and maintenance process has clearly stated. The Group firmly believes that its sales policy and process have also complied with the local laws and reduced any malpractices.

The Group has set up a "SALES — RETURNS & COMPLAINTS RECORD", listing out the numbers of complaints and refunds due to quality problems on our products, as a KPI to alert the management to take the necessary remedial actions accordingly.

The Group's business and operation have generated a substantial volume of private, confidential and sensitive information of suppliers, cooperation technical partners including the operation status and financial positions, commercial terms of contracts, etc., and personal background information of the car-parking management system users. These types of information are extremely sensitive and important, and by law, have to cautiously safeguard and protect them. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. The Group's **Human Resources Management Rules & Regulations**, and/or **Labor Contract** for Chinese employees and **Employment Contract** for Hong Kong employees specifically contains **PRIVACY & CONFIDENTIAL** provisions and employees are prohibited to access without approvals and/or to leak the private and confidential information of the Group and its customers and business contacts. Legal actions will be taken on any violation. No privacy and confidential information leakage was reported in 2018.

B7. Anti-corruption

The Group established the "Internal Whistle-blowing Policy" and the "Internal Audit System", under which the audit committee is authorized by the Board to create an environment of anti-corruption and anti-fraud, and conduct regular reviews on internal control system so as to regulate the conduct and behaviour of employees, create an atmosphere of integrity and dedication, and prevent prejudice to the Group's interest. The internal audit department is responsible for whistle-blowing and the follow up actions. The Group also implements a reporting policy under the anti-corruption management policy, in which channels reporting any misconduct, malpractice or illegal behaviours are established. Employee who has a malpractice concern can inform the relevant superiors or take the matter to the Chairman of the Audit Committee directly, or sending the relevant information to an electronic reporting mailbox. All reporting will be treated as confidential and in a sensitive manner. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high Code of Standard especially on the senior management, the Group reported no bribery nor corruption cases in 2018.

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Community

B8. Community investment

As a responsible corporation, the Group has fully considered the impact of its operation on the communities where it runs its business and has always been committed to paying back to society. The Group has carried out its business and operation on an environmental friendly basis, and has contributed to job creation and economic development. The Group also encourages employees to participate and to serve in a wide range of community activities so as to contribute to society, while step up assistance to those in need.

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