



China Smartpay Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)



2022

Environmental, Social and
Governance Report

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

PART 1: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OVERVIEW

About the Report

China Smartpay Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**China Smartpay**” or “**We**”) has prepared this 2022 Environmental, Social and Governance Report in accordance with the latest update of the *Environmental, Social and Governance Reporting Guide* (the “**Reporting Guide**”), which is contained in Appendix 20 to the *Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited* (“**GEM Listing Rules**”) as stipulated by The Stock Exchange of Hong Kong Limited (“**SEHK**”). This report incorporates a statement from the board of directors of the Company (the “**Board**”) and has followed the reporting principles of materiality, quantitative and consistency as well as the reporting boundary in respect of collecting relevant materials, analysing data and reviewing information over the course of its preparation and compilation.

Reporting Period and Boundary

This report focuses on the Group’s environmental, social and governance (“**ESG**”) policies, targets and initiatives from 1 April 2021 to 31 March 2022 (the “**Reporting Period**”). Unless otherwise specified, the businesses covered by the policies, systems, statements and key performance indicator data in this report are consistent with the scope of its financial report.

The Group will continue to refine the scope of its ESG reporting, and may include new topics and expand the depth of its reporting in the future.

Data Sources and Reliability Assurance

The information in this ESG report, including the Group’s policies, initiatives, practices and case studies, come mainly from its internal systems, statistics, reports and records. The Group takes responsibility for the authenticity, accuracy and completeness of the content of its report.

Report Disclaimer

The Board is accountable for the ESG strategy formulation and reporting. This ESG report is published in both Chinese and English versions. Should there be any discrepancies in any of the information, the Chinese version shall prevail. In case of any conflict or inconsistency between this report and the annual report, the annual report shall prevail.

This ESG report is available for downloading on the website of the SEHK (www.hkexnews.hk) and the website of the Company (<http://www.chinasmartpay.com/>).

Confirmation and Approval

Following confirmation by the Audit Committee of the Board, this report was approved by the Board on 19 August 2022.

Environmental, Social and Governance Report

PART 2: ESG STRATEGY AND OVERSIGHT

About the Group

China Smartpay primarily engages in electronic payment business backed by a nationwide payment business permit (“**PBP**”) which authorises the issuance and acceptance of prepaid card and internet payment services in all of the regions in mainland China, as well as prestige benefits business that services credit card and membership reward programmes. The Group also had a 32.5% equity holding in a cross-border merchant acquiring business under its former subsidiary, Oriental Payment Group Holdings Limited, which was disposed of in February 2022.



China Smartpay has firmly established its presence in Beijing’s metropolitan area and a few other cities. Its long established services encompass the issuance of prepaid cards on behalf of merchants, and the supply of multi-purpose prepaid gift cards to companies as employee benefits which is widely accepted by over 1,000 local shops. The Group also provides point of sales (“**POS**”) terminals and maintenance services to all partner merchants.

At the end of 2020, the Group embarked upon a forward-looking business exploration to embrace the new consumption trends and emerging retail models brought about by the internet and mobile applications as well as the recurring waves and outbreaks of the COVID-19. Leveraging the nationwide PBP, the Group expanded its prepaid card business model from signing individual merchants and companies at regional level to entering into nationwide partnership with major commercial and retirement real estate developers, which not only buttressed robust business growth but also opened up avenues for consumer-oriented payment business.

In May 2021, the People’s Bank of China (the “**PBOC**”) further extended the Group’s PBP for another five years. With this cornerstone set and unwavering efforts made to recover business from the COVID-19 pandemic, the Group achieved a promising growth of approximately 447% year-on-year for its prepaid card and internet payment business during the reporting year. The prepaid card business expanded to 15 provinces collaborating with over 1,600 merchants and 11 projects with national retail real estate developers, while the internet payment business signed 196 new merchants. Furthermore, new business opportunities such as payment services for the digital currency electronic payment (“**E-CNY**”) are on the horizon. Since the financial year of 2021-22, the Group has become a working partner of the Digital Currency Research Institute of the PBOC. Focusing on our own sector and the existing business scenarios of different partners, we have established a dedicated E-CNY team and have proactively been exploring pilot programmes by collaborating with a number of E-CNY operators to propel related launches in Hainan and the Guangdong-Hong Kong-Macau Greater Bay Area. Nonetheless, due to the every so often COVID control measures, the prestige benefits business hinged much on social leisure activities has yet to get recovered.

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Statement from the Board

Oversight and Accountability

China Smartpay appreciates the increasing awareness of sustainable business development in society and takes the responsibility of caring for the environment, contributing to the society and building a resilient governance structure. The Board assumes ultimate responsibility for the Group's ESG strategy and performance and has delegated authority to the Audit Committee to take charge of ESG-related matters under four major categories, which are: 1) Identify and establish ESG-related risks and opportunities, as well as impacts on businesses; 2) Formulate ESG strategy, approach and prioritised targets with principles and processes for achieving them, and review relevant progresses made; 3) Integrate ESG into daily operations, in particular the risk management and internal control systems; and 4) Oversee the development and production of the ESG report required by the regulatory body. The implementation of these cascading ESG objectives is led by a cross-functional working group under the supervision of the Audit Committee.

Targets and Measures

The Board has set general directions for the management team as such that the Group will prioritise social- and governance-related ESG factors pertaining to its business, for instance, network and data security, consumer rights protection and compliance. These areas tally highly with the results of stakeholder engagement and materiality process. The Board is keen to work towards more specific qualitative and quantitative targets and climate risk and opportunity analysis in the financial year of 2022-23, and have them incorporated into the day-to-day operations of the business thereafter. Details of these targets and the measures of implementation, including related changes in policy and procedures, and tracking and review mechanisms will be disclosed in our next report.

Materiality Assessment

Maintaining positive relationships with all stakeholders founded on mutual respect and benefit is integral to business success. We are well aware that the decisions we make in our daily operations may have varying degrees of impact on our stakeholders. We are, therefore, committed to engaging in constructive dialogues with our stakeholders, including but not limited to merchants, clients, governments and regulatory bodies, consumers, investors, suppliers and employees via regular and dedicated channels, with the aim of better understanding their views and opinions and soliciting their comments and feedback.

Environmental, Social and Governance Report

Stakeholder Engagement and Communication

Stakeholder Groups	Topics of Concern	Communication Channels
Employees	<ul style="list-style-type: none"> • Service quality • Employee benefits • Training and development 	<ul style="list-style-type: none"> • Face-to-face interviews with employees • Staff meetings • Internal training
Shareholders/Investors	<ul style="list-style-type: none"> • Compliance • Board effectiveness • Anti-bribery and corruption 	<ul style="list-style-type: none"> • Annual General Meetings/investor meetings • Results announcements • Public announcements/press releases • Corporate website/emails
Governments/Regulatory bodies	<ul style="list-style-type: none"> • Compliance • Service quality • Data security 	<ul style="list-style-type: none"> • Compliance reports • Information disclosures • Forums and seminars
Suppliers	<ul style="list-style-type: none"> • Service quality • Compliance 	<ul style="list-style-type: none"> • Supplier daily management • Supplier visits
Clients and Merchants	<ul style="list-style-type: none"> • Customer relationship • Service quality • Data security • Consumer rights • Compliance 	<ul style="list-style-type: none"> • Marketing events • Customer hotlines • Customer visits
Consumers	<ul style="list-style-type: none"> • Service quality • Data security • Consumer rights • Compliance 	<ul style="list-style-type: none"> • Customer hotlines • Mobile apps

Amalgamating the Group's business strategies and priorities with the expectations of external stakeholders collected through daily business dealings, four material topics were identified from a list of 21 ESG topics through this materiality process. They are compliance, data security, consumer rights and protection, and employee wellness and benefits. These four material topics were endorsed by the Board and are presented in the following chapters of this report.

Environmental	Social	Governance
<ol style="list-style-type: none"> 1. Carbon emissions 2. Power consumption 3. Waste recycling 4. Clean energy initiatives 	<ol style="list-style-type: none"> 5. Data security 6. Customer privacy 7. Consumer rights and protection 8. Customer service effectiveness 9. Employee recruitment and development 10. Employee wellness and benefits 11. Diversity and inclusion 12. Response to COVID-19 	<ol style="list-style-type: none"> 13. Board effectiveness 14. Compliance 15. Risk management 16. Business ethics and integrity 17. Anti-bribery and corruption 18. Supply chain ethics

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PART 3: ETHICS AND COMPLIANCE

Regulatory Framework

The core business of China Smartpay hinges on the PBP issued by the PBOC, the main regulatory authority to whom the Group reports. The PBOC supervises the full scope of payment business covering merchant due diligence, transaction management and consumer rights, with a particular emphasis on anti-money laundering (“**AML**”). The Group is also a member of the Payment & Clearing Association of China, under which industry standards and regulations are set forth. Being a player in the payment industry, the Group is subject to intensive regulations and has attached utmost importance to regulatory compliances. All business operations of the Group are conducted in strict accordance with the relevant laws and regulations of the markets where it operates under the supervision of the Compliance and Risk Control Department, which reports to the Compliance Committee of the Board.

Major Laws and Regulations on Payment Business of Non-financial Institutions

- Administrative Measures for the Payment Services Provided by Non-financial Institutions
- Measures for the Deposit of Pending Payments of Clients of Non-bank Payment Institutions
- Administrative Measures for the Online Payment Business of Non-banking Payment Institutions
- Administrative Measures for Prepaid Card Business of Payment Institutions
- Measures for the Supervision and Administration of Combating Money Laundering and Financing of Terrorism by Financial Institutions
- Implementation Measures of the People’s Bank of China for Protecting Financial Consumers’ Rights and Interests

The Compliance System

For over a decade, the Group has accumulated solid experiences of compliance practices and established a comprehensive yet practical system to ensure that business activities are fully aligned with regulatory requirements. The Group’s compliance system is built on three pillars – policy and procedure formulation, operation review and approval as well as communication with the authorities concerned. Over 30 compliance-related policies have been established and put in place to guide every aspect of the business.

Policies and procedures	Operation	Communication
<ul style="list-style-type: none">> Formulate and adapt internal policies and procedures according to the latest regulations> Ensure compliance checkpoints are weaved into operation procedures	<ul style="list-style-type: none">> Conduct merchant due diligence> Identify and handle irregular transaction activities> Review and approve new product requests from compliance perspective> Conduct compliance trainings	<ul style="list-style-type: none">> Maintain close contact with the authorities> Discuss evolving product needs and apply for new feature approvals with the authorities concerned> Report compliance practices

In May 2021, the Group received an extension of the PBP together with a general Notice of Rectification from the PBOC. Led by the Compliance Director of the Group, a cross-departmental task force was immediately formed to take forward areas suggested in the notice. Upon approval of the Board, more stringent rules were introduced to merchant due diligence, verification of customer identification, magnetic strip card supplier management and sales activities in the prepaid card business. Rigorous scrutiny over merchants and transactions were set forth for internet payment business.

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The *Rules for the Acquisition and Onboarding of Prepaid Merchants and the Risk Management Rules for Prepaid Card Business* of the Group prescribe counterparty risk and operational risk management steps taken throughout the entire prepaid card business from merchant due diligence, card issuance to acceptance and third-party management. As for internet payment business, the *Measures for the Administration of Internet Merchants and the Risk Management Guidelines for Internet Business* are implemented to identify and handle potential fraudulent online activities such as card cash-out, money laundering, fraudulence and account information leakage.

This compliance system covers not only payment-related field but also finance and taxation, information disclosure, intellectual property rights, labour practices, production safety and environmental protection, etc.

Anti-money Laundering

In 2021, the Group further reviewed its *Measures for the Administration of Customer Classification and Rating Rules for Money Laundering and Terrorism* and released an updated version in December the same year. To generate data and reports that better suit regulatory inquiries and investigations, a qualified third-party AML IT system has been deployed, managing all customer and transaction data needed for reporting and providing risk ratings for each of the Group's merchants. All merchants are managed according to five AML risk levels, where different monitoring and review procedures are set and implemented correspondingly.

The *Management Measures for AML Training and Promotion* was also updated in December 2021, with the topic of information security integrated into the AML training. During the reporting year, two AML trainings were organised for a total number of 32 employees, including five senior management staff and nine new joiners.



Anti-corruption

Anti-bribery and anti-corruption have been the Group's founding principles. Alongside continuous efforts to fight against fraudulent payment activities, safeguarding high standards of business ethics is of paramount importance. In this respect, the Group has the *Measures for the Administration of Employee Integrity* in place, which effectively regulates business handlings and defines actual and potential corruptive deeds and behaviour. Channels for reporting unethical behaviour in full confidentiality have also been established for both employees and any concerned parties. Regular anti-corruption trainings are organised by the Human Resources Department, and all employees are required to sign the "Staff Integrity Pledge". Furthermore, it is obligatory for all merchants to sign the "Anti-Bribery Agreement" when entering into a business contract with the Group.

During this reporting year, all seven members of the Board took part in the anti-corruption training. The Group received zero complaint with regard to unethical behaviour of the Group or its employees.

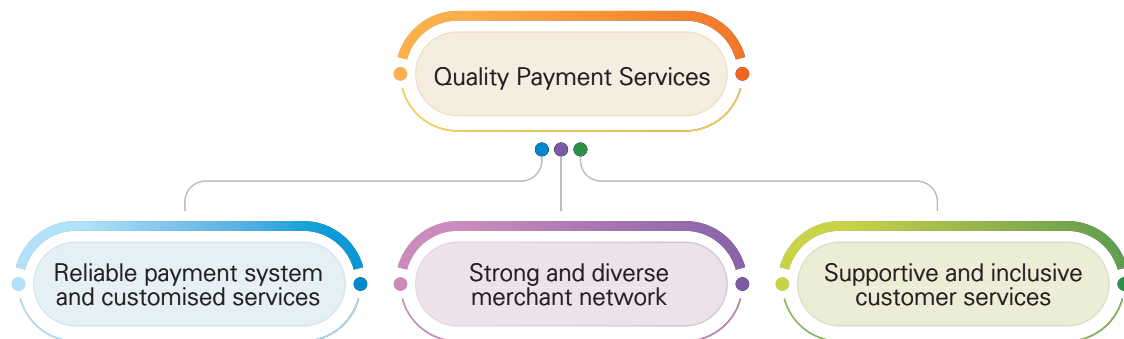
Environmental, Social and Governance Report

PART 4: VALUE CREATION BUSINESS

China Smartpay provides internet payment services and issuance and acceptance of prepaid card services for online and offline merchants and shopping complex management agencies, as well as prepaid gift cards as employee benefits for companies and organisations. As at the end of this reporting year, the Groups successfully established a network of over 3,000 merchants and clients, an increase of more than 30% from last year. With the recent business development in partnership with major commercial and retirement real estate developers, the Group has made foray into the consumer-oriented payment service market, which shall lead to a transformation of the operation as the customer base grows.

Service Quality

In both enterprise and consumer markets, the Group has rested upon the provision of effective payment services for its continuous success, which are buttressed by its professional teams of research and development, merchant development and customer services.



The Group has strived to provide the most secure and reliable payment services as possible to all customers. The research and development team, which accounts for about 30% of the entire staff establishment, is highly professional and dedicated to improving transaction experience and customising services to cater to different needs and scenarios.

To offer prepaid card holders with increasing merchant options and convenience, the Group has worked ceaselessly to expand its merchant network including supermarkets, convenience stores, neighbourhood restaurants, local shops and retail chains.

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Open channels for soliciting customer and consumer feedbacks are in place and have played a significant role in the Group's business operation. The call centre, for instance, handles general enquires and complaints primarily from consumers in accordance with the *Policy for the Management of Customer Service Centre*, the *Workflow and Procedures for Customer Service Centre* and the *Measures for the Administration of Customer Rights Protection*. Designated account managers are delegated to take care of enterprise customers by way of both traditional communication channels and instant group chats via messaging apps, which enables direct and timely access to a support team with capabilities of procedure handling, technical support and coordination. Requests and issues raised by the customers are tackled promptly with communication staying open 24/7. For a better understanding of consumer needs, the Group routinely works with merchants and business customers to collect concerns and requests of their consumers by helping them run consumer surveys approaching each holiday season.

During this reporting year, the Group received a total of 11,542 enquiries and 336 complaints, with an average handling time of three and one working day(s) for internet payment and prepaid card businesses, respectively.

China Smartpay values all information received from communication channels and surveys as business insights and ways to continuously improve its services. In response to increasing enquiries about prepaid card balance from consumers, the Group also established a mobile channel to facilitate transaction history and balance checking in addition to the original balance check website. A mobile app was launched in 2021 for multi-purpose prepaid card holders, providing all-round consumer support together with a selection of value-added services. Consumer suggestions are also given a priority when shortlisting new merchants to be recruited. It is the Group's greatest pleasure to incorporate consumer endorsed merchants into our network.

In the course of service development, the Group always pays particular attention to inclusiveness. This ever-evolving digital era undoubtedly poses challenges to senior citizens in various ways. The Group, as a payment service provider, is committed to ensuring that all its services are as convenient to the senior citizens as to the youngsters by incorporating elderly friendly measures into its service development and sales and customer service activities. These include prioritising complaint handling for the elderly and making home visits to the elderly as and when appropriate to explain the service and their consumer rights. The *Policy for the Management of the Provision of Elderly Friendly Services* was reviewed and updated in June 2021.



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Consumer Rights

Consumer rights protection is an integral part of the Group's business approach. Every aspect of consumer rights has been taken into consideration and measures for its safeguarding have been incorporated into relevant operational procedures. Six consumer rights policies and seven customer privacy policies were established and have strictly been followed in daily business dealings. In 2021, a further policy review was carried out and 11 aforesaid policies were updated subsequently introducing more stringent yet customer-friendlier management measures and handling procedures.

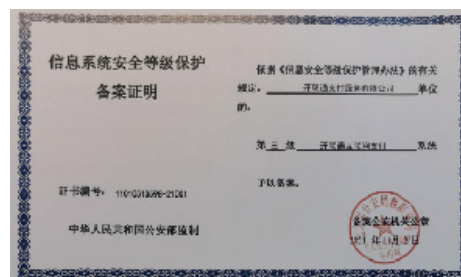
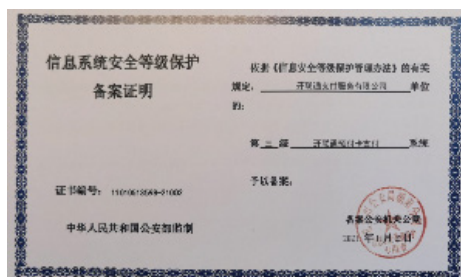
Consumer Rights	Our Measures
Right to be informed	<p>Service Charter, Service Agreement and relevant service updates are publicly available on the company website.</p> <p>Customers can access to all necessary account information after logging in their accounts and make further enquiries through various customer service channels.</p>
Right to choose	<p>Customers can opt for and terminate any service at their request in accordance with the agreed service terms and conditions.</p>
Right to privacy	<p>Customer information is kept strictly confidential and not to be shared with any third parties with the only exception of government investigation upon official request.</p> <p>Collection and use of customer data follows the principle of "to a minimum" and is only conducted upon customer's consent.</p>
Right to be heard	<p>Telephone, website and mobile communication channels are in place to listen to the voice of the customers.</p> <p>All complaints are handled according to the <i>Policy for the Management of Customer Service Centre</i> with a service-level agreement.</p>
Right to personal and property safety	<p>The funds will not be used for any purpose other than the customer's payment instructions.</p> <p>Investigation is conducted by the Group immediately upon receiving reports of personal safety concerns or property damage.</p> <p>The Group also actively cooperates with the authorities concerned in resolving disputes in a fair manner through litigation when necessary.</p>
Right to redress	<p>Assist consumers in claiming compensations from merchants as and when appropriate.</p>
Right to fair treatment	<p>All services provided shall abide by the principles of free choice, equality, fairness and honesty.</p> <p>Business activities are conducted with full respect to the customers regardless of their background or ethnicity.</p> <p>The same service standards and terms are applied to all customers equally.</p>

Environmental, Social and Governance Report

Data Security

Providing secure payment services and information free from fraud and unauthorised access are the core of China Smartpay's business. The Group's data security measures are in strict compliance with the new *Data Security Law of the People's Republic of China* which was brought into force on 1 September 2021. The IT system deployed and IT solutions developed for related services fully meet all requirements and standards set by the industry and authorities governing e-commerce and internet activities, and have obtained the technical certification for payment business facilities of non-banking payment institutions issued by relevant certification agency.

In November 2021, the Group passed the inspection and obtained the Level Three Certification of the Graded Protection of Information Security, the highest level of security certification for non-banking payment institutions granted by the Public Security Bureau. Additionally, the Information Security Technology — Baseline for Information System Cryptography Application (GB/T 39786-2021) was released in May and took effect in October 2021. To meet the specifications set by this new national standard, the Group has launched a system upgrade, which is expected to be fully completed in August 2022 in view of the ongoing COVID control measures in Shanghai.



During this reporting year, no incident of data breach was reported by the team.

Supply Chain Management

The Group's business operation primarily relies on its own sales team, technical team and operation team. Besides general office supplies and services, the Group's third-party procurement is limited to magnetic strip cards, POS terminals, and a few IT solutions such as the AML data management system. To ensure the quality of the procured products and services, the Group selectively works with well recognised companies in the industry with ISO 7810 certification. The magnetic card provider the Group engages is a partner of top tier banks in China and certified by China UnionPay and five major international credit card companies. Implementing the quality first procurement strategy with emphasis on supply reliability, the Group has developed long-term partnerships rather than switching suppliers for short-term economic gains. During this reporting year, the Group had business dealings with a total number of 196 suppliers, which are all located in mainland China. The Group acknowledges its responsibilities of promoting environmentally friendly business practices and is eager to make extra steps to realise these as its business grows further.

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Environmental Impact

China Smartpay's business activities revolve around IT development and sales and office work, which consume mainly electricity from power grid as well as municipal water. The Group owns four small-sized petrol vehicles for commuting, which is the only measurable source of direct greenhouse gas ("GHG") emission generated by the Group. The Group also implements recycling policy in its offices, with about half of the wastes effectively turned into reuse purposes.

During this reporting year, electricity consumption remained virtually flat as compared with that of the prior year. However, adjustments in emission factors for electricity led to a decrease in Scope 2 GHG emissions this financial year. Together with a satisfactory growth in revenue for core businesses and a modest reduction in total energy consumption, the GHG emission intensity lowered significantly for the year as compared with the year of 2020-21.

Environmental Performance Data

Energy Consumption	Unit	FY2021-22
Petrol	KWh	23,308
Electricity	kWh	102,687
Total Energy Consumption	kWh	125,995
Energy Consumption Intensity	kWh/Revenue (HKD million)	680
GHG Emissions	Unit	FY2021-22
Scope 1: Company Vehicles	Tonne carbon dioxide equivalent (CO ₂ -e)	6.40
Scope 2: Purchased Electricity	Tonne carbon dioxide equivalent (CO ₂ -e)	63.25
Total Emissions — Scope 1, 2 and 3	Tonne carbon dioxide equivalent (CO ₂ -e)	69.64
Emission Intensity	Tonne carbon dioxide equivalent (CO ₂ -e)/ Revenue (HKD million)	0.38
Air Pollutants	Unit	FY2021-22
Nitrogen Oxides (NO _x)	Gram	1,494
Sulfur Oxides (SO ₂)	Gram	35
Particulate Matter (PM)	Gram	110
Water Consumption	Unit	FY2021-22
Water Consumption	Tonne	165
Water Consumption Intensity	Tonne/Revenue (HKD million)	0.89
Non-hazardous Wastes	Unit	FY2021-22
Office Waste	Tonne	39.87
Recycled Office Waste	Tonne	19.92
Non-hazardous Waste Intensity	Tonne/Revenue (HKD million)	0.22

Calculation description:

1. The calculation of GHG emissions is based on *How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs* issued by the SEHK.
2. The calculation of energy consumption is based on *How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs* issued by the SEHK, and the *Energy Statistics Manual* issued by the International Energy Agency.

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PART 5: EMPLOYEE EMPOWERMENT

Corporate Culture

Our commitment to our core values starts with people. China Smartpay works to nurture a supportive culture that fosters the sense of belonging and enables the best of its employees on every level, aligning individuals' personal growth with organisational goals and aspirations. The Group encourages collaborations across teams and facilitate opportunities for its employees to engage with each other and their stakeholders. The Group strives to build a team of competitive talent by way of employee empowerment, making a difference through continuous system improvement, solid execution and corporate responsibility in this highly turbulent and rapidly changing environment.

COVID-19 Measures

In the financial year of 2021-22, the COVID-19 situation remained challenging for almost every business in the world as waves of outbreaks continued to rage on. With remote and hybrid work being called for time and again in our mainland China and Hong Kong SAR offices as a result of the pandemic, China Smartpay focused much energy and resources on putting its employees' safety, health and wellbeing first and, at the same time, made certain that the normal operation would not be compromised. While precautionary measures such as routine temperature testing, robust cleaning services, personal face masks and hand sanitation resources were supplied as usual in the workplace, the Group also equipped its employees with necessary technical support to ensure their work from home capabilities as well as daily necessity backing amid tight supplies and transportation in different regions. Additionally, the Group sought after dynamic ways to support enhanced virtual communication such as emails, social networking groups and morning and weekly meetings between management and employees to keep people motivated and connected.

Talent Management

China Smartpay abides by all applicable laws and regulations in the labour- and employment-related practices in the markets where it operates, including the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests* and the *Provisions on the Prohibition of Using Child Labour* in mainland China and the *Employment Ordinance*, the *Mandatory Provident Fund Schemes Ordinance*, the *Employment Compensation Ordinance*, the *Occupational Safety and Health Ordinance*, the *Sex Discrimination Ordinance*, the *Disability Discrimination Ordinance*, the *Race Discrimination Ordinance*, the *Family Status Discrimination Ordinance* and the *Employment of Children Regulations* in Hong Kong SAR.

China Smartpay's workforce is the engine powering its mission of creating value for businesses and users with compliance and innovation. As the Group's business has grown and evolved, the need to recruit talent with the right skills and specialisations to advance its business goals and priorities is becoming more paramount than ever.

With people being the source of competitive advantage, the Group makes every effort to build a talented team of diverse backgrounds and give all an equal opportunity to champion throughout their careers. This guiding notion underpins the Group's approach to formulating its talent management strategy and creating a supportive culture within the organisation in today's business landscape.

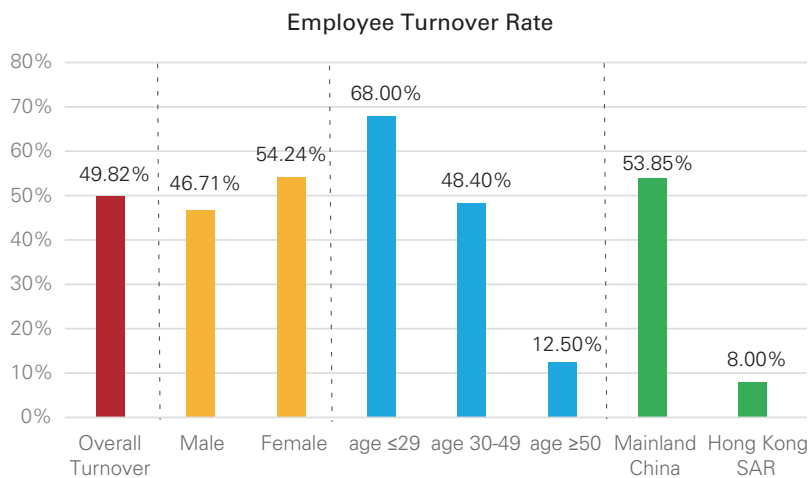
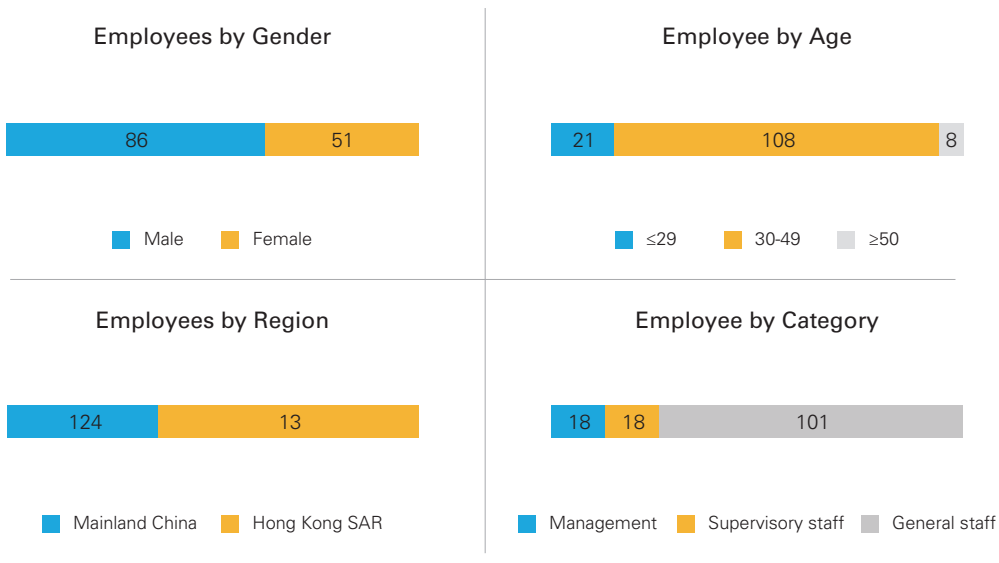
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China Smartpay's employment policy upholds the principles of fairness, openness, and merit- and skill-based selection. The Group is committed to ensuring that all its employment practices are free of any form of discrimination and harassment based on race, gender, religion, age, marital status, sexual orientation or other differences. Individuals with required professional qualifications, experience and skillsets shall have equal opportunity for appointment. Special process is implemented to ensure the elimination of underage or forced labour when hiring.

The Group offers competitive wages with a focus of providing a balanced mix of pay and benefit packages for all new hires and employees, which will be reviewed on an annual basis by taking into account both the market and employee performances. The Group also rewards outstanding business performance in tandem, and takes integrity and ethical behaviour into consideration of overall performance appraisal.

During this reporting year, the Group's focuses remained on growing talent in its recruiting pipeline and from within despite the COVID-19 pandemic. Talent recruitment was implemented through a mix of face-to-face and virtual process to ensure the Group's hiring practices reflect its commitment and values. The Group revisited its staffing deployment and prioritised its recruitment needs according to urgency and importance in the light of the pandemic circumstances while providing opportunities for continual growth to retain its skilled existing talent.

China Smartpay had a workforce of 137 people as at 31 March 2022, with a turnover rate of 49.82%. Apart from the permanent staff establishment, there were six contract posts of supernumerary nature involving research, design and programming functions.



Environmental, Social and Governance Report

Learning and Development

People enablement is vital to the success of any company. China Smartpay endeavours to foster a culture of growth and resilience by providing resources that empower employees to achieve their full potential. The Group supports employees' career advancement and makes learning and development a focus of its corporate culture.

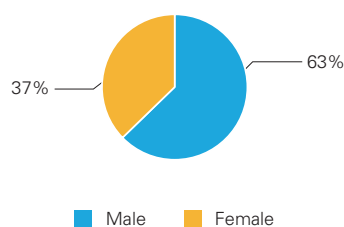
The Group's annual workforce planning led by the Human Resources Department in the beginning of each financial year helps identify who is needed, what skills are needed and when they are needed.

In the financial year of 2021-22, the Group's training offerings were conducted primarily via online channels, covering induction programmes for full time new joiners to the workforce as well as targeted trainings for existing employees in the aspects of corporate culture assimilation, business thinking and planning and work-based skills enhancement, etc.

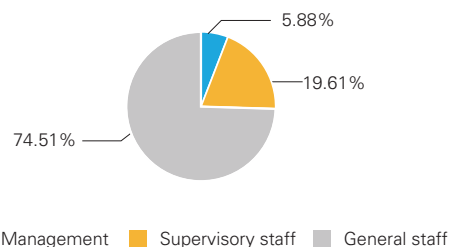
Selected Training Courses at a Glance

Courses	Duration (hrs)	No. of Participants
Anti-bribery and corruption for the board of directors	6	7
Anti-money laundering	4	9
Compliance review on new products, new businesses and new systems	3	8
Open Union Payment's prepaid card system	2	5
Payment and settlement business	2.5	12
Prepaid card business process	2	5
Prepaid card merchant acquisition and onboarding	2	5
Prepaid system know-how	2	6
Price management methods	3.5	5
New joiner induction	1	70

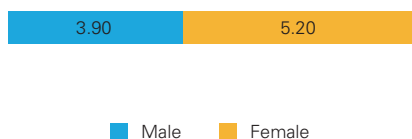
Trained Employees by Gender



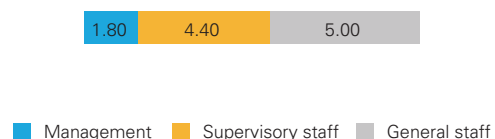
Trained Employees by Category



Average Trained Hours by Gender



Average Trained Hours by Category



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On top of the development programmes, the Group has in place communication channels to listen to its workforce which encompass face-to-face interviews, social networking groups, staff meetings, seminars and emails to help manage performance, track retention and promote workforce wellness.

Health and Safety

In addition to being compliant and ensuring the continued safety of employees during the COVID-19 pandemic, China Smartpay spares no effort to make the office work environment as safe and comfortable as possible. While carrying out regular occupational health risk identification and assessment based on the nature of the business, in the financial year of 2021-22, the Group further engaged an external traditional Chinese medicine physiotherapy team to conduct employee health checks and advise on health management plans, following up on the physical condition of each employee in a holistic way.

During the reporting year, the Group reported zero work-related fatalities or major injuries. There was zero loss of working days due to work-related injuries.

Community Engagement

Aligning with the business development of the Group and the evolving payment trends in the market especially among the younger generations, the Group is currently reviewing its community engagement opportunities with the local communities in the markets where it operates for the betterment of society as a whole.

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APPENDIX: HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
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 GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Part 4 -> Environmental Impact
KPI A1.1	The types of emissions and respective emissions data.	Part 4 -> Environmental Impact
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Part 4 -> Environmental Impact
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Part 4 -> Environmental Impact
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Part 2 -> Statement from the Board
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.	Part 4 -> Environmental Impact

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Part 4 -> Environmental Impact
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).	Part 4 -> Environmental Impact
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Part 4 -> Environmental Impact
KPI A2.3	Description of energy use efficiency target(s) and steps taken to achieve them.	Part 2 -> Statement from the Board
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.	Not applicable
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Not applicable
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable
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.	Part 2 -> Statement from the Board
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.	Part 2 -> Statement from the Board

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
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.	Part 5 -> Corporate Culture Part 5 -> COVID-19 Measures Part 5 -> Talent Management
KPI B1.1	Total workforce by gender, employment type (e.g. full- or part-time), age group and geographical region.	Part 5 -> Talent Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Part 5 -> Talent Management
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.	Part 5 -> Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	Part 5 -> Health and Safety
KPI B2.2	Lost days due to work injury.	Part 5 -> Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Part 5 -> Health and Safety

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Part 5 -> Learning and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Part 5 -> Learning and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Part 5 -> Learning and Development
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.	Part 5 -> Talent Management
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Part 5 -> Talent Management
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Part 5 -> Talent Management
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Part 4 -> Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Part 4 -> Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Part 4 -> Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Part 4 -> Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Part 4 -> Supply Chain Management

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
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.	Part 3 Part 4 -> Service Quality Part 4 -> Consumer Rights Part 4 -> Data Security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of product- and service-related complaints received and how they are dealt with.	Part 4 -> Service Quality Part 4 -> Consumer Rights
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Part 3 -> The Compliance System
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Part 4 -> Consumer Rights Part 4 -> Data Security

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Subject Areas, Aspects, Disclosures and KPIs	Description	Sections/ Declaration
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.	Part 3 -> Anti-corruption
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.	Part 3 -> Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Part 3 -> Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Part 3 -> Anti-corruption
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.	Part 5 -> Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Part 5 -> Community Engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Part 5 -> Community Engagement