



China e-Wallet Payment Group Limited
中國錢包支付集團有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 802)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

** For purpose of identification only*



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ESG Reporting Statement

Year Ended 31 December 2018

SCOPE AND REPORTING PERIOD

This is the third Environmental, Social and Governance (“ESG”) report by China e-wallet Payment Group Limited (the “Company”, together with its subsidiaries, collectively the “Group”), reviewing and disclosing its ESG performance pursuant to Appendix 27 – the ESG Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“Internet and Mobile’s Application and Related Accessories” is the Group’s main business. The Group operates the business from its headquarters in Malaysia and specialized in providing programming and advertising solutions in mobile platform with branch office in Hong Kong, Shenzhen and Shanghai. The programming teams of the Group have extensive experience on developing mobile application and interactive virtual reality technologies for well-known companies in Hong Kong and overseas. The Group is also engaged in the business of distribution of computer-related and mobile-related electronic products and accessories. This ESG report covers the Group’s overall environmental and social performance of its Malaysia, Hong Kong and China business operation, from 1 January 2018 to 31 December 2018 (the “Reporting Period”).

THE GROUP’S VISION, COMMITMENTS AND ACTIONS

The Group envisions to be a successful developer and provider in our business segments, as well as a socially and environmentally responsible corporation. We are committed to promoting sustainable development, which is extremely important to create long-term value for the Group’s shareholders, clients, supporters, employees, other stakeholders, general public as well as the natural environment.

The Group firmly believes that the ESG areas and aspects listed in the ESG Reporting Guide are significant considerations for the long-term operations of its business. We strive to operate our business with the objectives to: lessen the impact on the environment; provide a safe, pleasant and growing working environment to the employees; comply with legal and regulatory requirements; adhere to high ethical standards, and repay back to the community.

The Group values opinions and views of its stakeholders. The Group has assigned the board members and senior management to constantly review and to communicate with its stakeholders including but not limited to its employees, investors, suppliers, business partners to gain insights on ESG material aspects in the Reporting Period. The Group identified the following material aspects and have managed them strictly in accordance with the Group’s policies and guidelines and in compliance with the relevant legal and regulatory standards.

- Employment;
- Working Conditions and Environment;
- Employee Development and Growth;
- Quality of Products and Services;
- Privacy Information Protection; and
- Anti-corruption.

The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner, and continues to care about the impact of its daily operation on the environment and society, and to make efforts to meet the interests of all stakeholders, economy, environment, society and corporate governance, and does its best to achieve a fine balance.

(A) Environmental

As the Group's business activities mainly include research, design and integration of hardware and software, and supervision of purchases and sales under totally normal office environment, the Group does not have any manufacturing plants which might result in polluted air emissions or hazardous wastes/discharges. However, as a responsible corporation, the Group abides by the local environmental laws and regulations and is committed to environmental protection. The Group has implemented policies and taken measures to ensure our operation to be energy, water and resources saving, and to minimize adverse impact on the environment.

A1 Emissions – Policies and Compliance with Relevant Laws

(i) Air Pollutant Emissions

Given the special nature of our business operation, the Group produces no hazardous and polluted air emissions, solid wastes and water, and only generates indirect greenhouse gas of carbon-dioxide (CO₂) through daily electricity power consumption. The Group does not own and operate a transport fleet and we therefore do not directly produce any greenhouse and hazardous gases from cars used.

(ii) Hazardous Wastes

During the Reporting Period, the major hazardous wastes were printer toner cartridges, batteries and obsolete computer and printing machines. All these hazardous wastes were collected by qualified collectors for further handling.

(iii) Non-hazardous Wastes

The Group only generated domestic waste from staff daily living and recyclable waste (including paper, cards, packaging materials for goods sold and purchased) from daily operation, and the amount was not substantial. Both of them are non-hazardous and were collected and discharged separately.

(iv) Mitigation Measures on Emission and Results

Given our business activities, the Group does not produce any hazardous and non-hazardous emissions. As a responsible corporation, we integrate eco-friendly measures to reduce the environmental impact of our daily operation. We encourage the economic and efficient use of resources, while enhancing our recycling efforts to prevent the waste of resources. We have taken the following special measures to reduce the emission of air and greenhouse gas, discharges into water and land, and generation of hazardous and non-hazardous waste, as well as to save energy in our daily operations:

- Encourage the establishment of a waste-classification system and the practice of recycling used papers and double-sided printing in workplace;
- Reduce unnecessary business trips and promote the use of information technology such as video conference;
- Encourage our staff to take public transportation and minimize the use of private vehicles and taxi;

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- Adjust the temperature of our offices appropriately and switch office equipment to energy-saving mode, such as the automatic power down of printers and computers after a period of inactivity, to economize the use of electricity; and
- Encourage water-saving habits of our staff.

For the Reporting Period, despite an increase in business turnover, the indirect greenhouse gas emission of CO₂ as a result of electricity consumption was approximately 6.51 tonnes, which was lower than last reporting period, which evidenced the preliminary effectiveness of our energy saving and energy efficiency measures.

For the Reporting Period, the Group did not receive any warning or fine notice related to air, water or waste emissions and discharges from any environmental agencies in 2018 as well as 2017.

A2 Use of Resources – Policies on Efficient Use of Resources

The Group only uses electricity, fresh water and paper for our activities in the offices. The Group does not consume significant amounts of raw materials in the manufacturing of our final products as we buy ready-made computer-related and mobile-related electronic products and accessories and integrate them with our technologies, and thereafter sell them to our customers.

Although the Group's activities and operation do not generate any environmental hazards, we are committed to act environmentally responsibly and aim at minimizing the impact on the environment. We promote smart usage to reduce consumption of electricity, fresh water, and paper through the introduction of various measures disclosed in last year's ESG reporting.

(i) Electricity Consumption

For the Reporting Period, 10,312 KWh of electricity was consumed for our offices operation, which was lower than the last reporting period. The decrease evidenced a remarkable achievement of our energy saving measures taken, which the Group will continue to implement.

(ii) Water Consumption

Water is supplied from the city central water system and there is no problem on its supply. The use of fresh water in the offices is for staff general living purpose, and the amount should be insignificant. The consumption record was not available as it was managed by the central management office of the buildings. Our staff, however, has been constantly reminded to save on water consumption.

(iii) Paper and Packaging Materials Consumption

Given the business nature, the Group does not use much paper and packaging materials. Paper is used only for printing and writing purposes only and the usage amount is quiet small. However, the Group still promotes and implements measures to reduce paper usage at source including using papers from sustainable sources, encouraging recycling of paper, replacing paper records by electronic records, and reducing the use of paper by writing on whiteboards during presentations and meetings.

A3 The Environment and Natural Resources – Policies on Minimizing Significant Impacts

As discussed above and in our last ESG report, the Group's activities and operation do not generate any environmental hazards nor use much of the natural resources, but as a responsible corporation, we have introduced and implemented eco-friendly practices to reduce and conserve energy, fresh water and other natural resources, and to minimize the impact on the environment directly or indirectly. We have not polluted any air, water and land, and have complied with all the environmental laws and regulations of the regions which we have operations. We cooperate with the local government agencies and support environmental organizations' activities to build a "green" society.

(B) Social

Employment and Labour Practices

B1 (i) Employment – Policies and Compliance with Relevant Laws

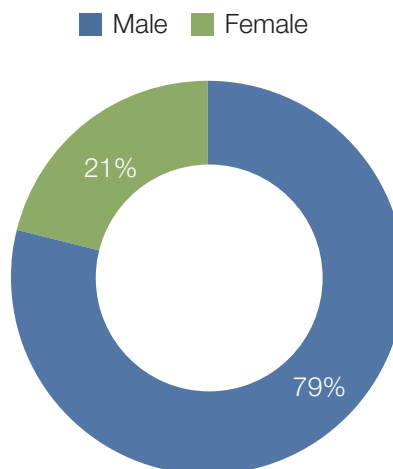
The Group recognizes its success depends highly on the skills, passion and commitment of its employees. We ensure employment and labour practices are implemented according to labour laws and the employment ordinance. We provide equal employment opportunities for all without discrimination in hiring, promotion, dismissal, remuneration, benefits, training and development.

Our recruitment process is standard as per normal practices in our industry. We specify the requirements of the vacancies, and will advertise as well as head-hunt through employment agencies. The selection process will be standard and positions will be decided after background checks, tests and interviews by our human resources manager as well as the related departmental head. Senior managers will be decided by the CEO.

As at 31 December, 2018, the Group employed a total of 52 employees working on full time basis in Malaysia, Hong Kong and China offices, and the employment characteristics can be summarized below:

(a) Distribution of Employees by Gender

EMPLOYEES BY GENDER



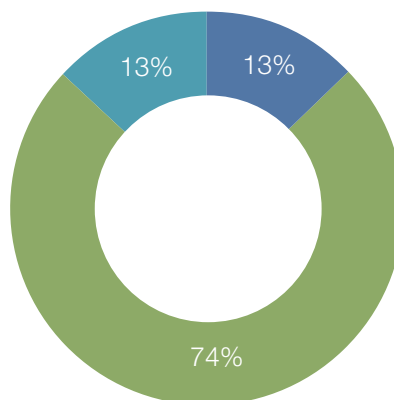
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(b) Distribution of Employees by Skills

EMPLOYEES BY SKILL LEVEL

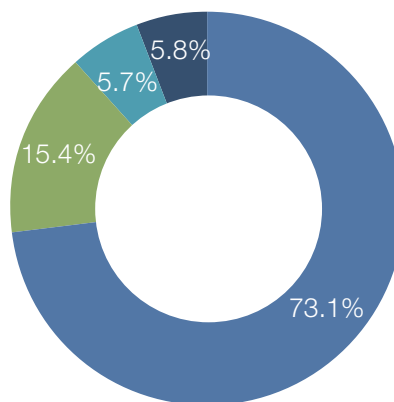
■ Managerial Level ■ Operational Level ■ General Level



(c) Distribution of Employees by Age Group

EMPLOYEES BY AGE GROUP

■ Under 30 ■ 30-40 ■ 41-50 ■ 51-60



Comparing with the previous year ended 31 December 2017, the Group's managerial and general level employees' numbers remained unchanged and only the operational level had an increase of 6 employees to support the expansion in business activities. The compared numbers reflected that the Group had a stable employment condition.

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(ii) Employee Compensation and Benefits – Policies and Compliance with Relevant Laws

As mentioned before, one of the major material ESG aspects raised by the Group's employees was salary and compensation packages. The Group addresses salary and compensation packages in a transparent manner by disclosing its salary benchmarking exercises to employees.

All employees are required to sign a contract with the Group, which contains terms and conditions according to the local labour laws and employment ordinances. Regulations, policies and standards regarding recruitment, employment and promotion, compensation and dismissal, salaries and wages, working hours, holidays, benefits, insurance, equal opportunity, diversity, anti-discrimination, and other welfare are well documented and executed accordingly. Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of industry practices and market conditions, and will be reviewed on an annual basis. Senior management staff and directors' remuneration is determined with reference to his/her duties and responsibilities with the Group, the Group's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual performance as well as the Group's performance.

For the Reporting Period, the total employees' costs (excluding share-based payment) was HKD3.5 million, which was 8% less than the 2017 reporting period. The saving was attributable to the Group's continuous efforts to reduce its overheads and re-allocate the project resources by increasing collaboration with third party partners. Despite the saving, no disputes and conflicts nor early termination of employment contracts with the employees was resulted as the Group diverted the employees to other positions.

To build a harmonious employees' relationship, the Group's senior management regularly organised meetings with the employees to listen to their concerns and thereafter to take appropriate actions, and also arranged social and sport events in which the employees could participate with their families and friends and relax.

Same as the year 2017, the Group did not have any employment related legal disputes on record in the year 2018.

B2 Health and Safety – Policies and Compliance with Relevant Laws

The Group is committed to provide a safe, healthy and pleasant working environment to the employees. We have equipped the offices with adequate equipment and facilities to ensure safety and convenience to employees. All permanent staff have been covered with social, medical and accidental insurance as required by laws. All employees are also requested to strictly observe the health and safety policies and to follow safety rules at work and to place safety as their priority during work at all times.

There were no fatalities, work injury, occupational health and safety hazard cases recorded for years 2018 and 2017.

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B3 Development and Training – Policies on Improving Employees Knowledge and Skills

The Group does not have published policies regarding development and training. However, the Group is aware of the value and contribution of its employees, and is willing to invest and to offer training and development courses for them to enhance their capabilities. Training needs are identified through regular appraisal conversations to ensure training and guidance provided are catered to employees' needs. The Group frequently arranges senior staff to provide directional advice and guidance and short-term training to junior staff, and sponsors employees to attend external training programs relevant to their work to improve their skills and knowledge which will be beneficial to their career development.

Records on the training and development programs organized and sponsored have been maintained to monitor that the training offered and sponsored have been productive and objectives have been achieved.

B4 Labour Standards – Policies and Compliance with Relevant Laws

The Group has applied and not violated any provisions of the local labour laws and employment ordinances in our operation in Hong Kong, China and Malaysia. The Group has honoured all of its obligations towards its employees and has built a safe, healthy and pleasant working environment for the employees. No child or forced labours have been employed. Equal opportunities have been given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees have not been discriminated against or deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. No labour dispute was recorded for both years 2018 and 2017.

Operating Practices

These aspects include management of sourcing, procurement, products quality assurance, sales, intellectual property rights and anti-corruption.

B5 Supply Chain Management – Policies on Managing Environmental and Social Risks

Supply chain management in the ESG Guide mainly refers to management of sourcing and procurement. The Group procures the computer-related and mobile-related electronic products and accessories from the suppliers and integrates with our technologies and sells the integrated products packed to the clients.

On procurement, the Group attaches importance to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. We take a fair and open principle on procurement of materials and services. We co-operate only with the suppliers that share common moral values and standards with us. The Group supports and encourages the suppliers to promote efficient use of resources and environmental protection and fulfil corporate social responsibility. We maintain a list of suppliers who have track records in dealing with us or in the market. Regular assessments on the suppliers including requests to provide basic certifications, licenses and product catalogues will be conducted to ensure that the suppliers are not only committed to the cost and quality of the products supplied, but also have not violated any laws and practices.

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To ensure effective and fair procurement, our purchase department will invite at least 3 suppliers to quote during the first stage of purchase for comparison and assessment. Afterwards, site inspections, product sampling tests and negotiations by responsible officers from our departments of purchase, technology development, legal and finance will be carried out. Purchase contracts will be signed only if all the involved department officers have agreed and approved the contract. This well managed and regulated process ensures that the purchases will be in the best interests of the Group in term of costs and quality and will also eliminate the chance for a single party to conduct malpractice or illegal process.

During the Reporting Period, our operation bases mainly in China procured all hardware, accessories and services from 10 local suppliers, who ensured us efficient and timely supplies at competitive prices.

B6 Product Responsibility – Policies and Compliance with Relevant Laws

The sales of the Group's products depend on their sophistication, safety, reliability and quality. The Group has to invest substantially on new technology research, development and innovation to continuously improve and enhance our products and services to meet the needs and satisfaction of our customers. The Group has strict product tests prior to any sales. The Group guarantees the quality, safety and reliability of delivered products and services under contracts. The Group also makes sure that the products and services comply with related laws, guidelines and standards. The sales department will provide after-sale services to ensure product performance and quality.

During the research and development of our own software programs and products, the Group insists on respecting and constantly reminds our software engineers not to infringe on intellectual property rights of other parties.

There was no product returned or intellectual property right infringement filed against us during years 2018 as well as 2017.

The Group's business operation has generated large volumes of private, confidential and sensitive information of suppliers, co-operation technical partners including the operation status and financial positions, commercial terms of contracts, etc., and background information of the buyers. These types of information are extremely sensitive and important, can only be used for our own business purposes, not for other unrelated purposes, and by law, we have to cautiously safeguard and protect such information. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information. Our employees' employment contracts specifically contain confidential provisions and employees are prohibited from accessing information without approval and/or leaking private and confidential information. All employees are trained to handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law. Legal actions will be taken against any violation. No complaint from regulatory bodies regarding customer privacy was recorded in 2018, same as 2017.

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B7 Anti-corruption – Policies and Compliance with Relevant Laws

As mentioned earlier, the prevention of bribery, extortion, fraud, and money laundering under this anti-corruption section is a material aspect to all the stakeholders. The Group adopts a ZERO tolerance approach to bribery, extortion, fraud and money laundering. Detailed policies and measures have been disclosed in and implemented since the 2017 ESG Reporting. In daily work, the directors, management and staff must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. All employees not only have responsibility to understand and comply with the above regulations, but also have the obligation to report violations. Any person, who contravenes the regulations, will be subject to disciplinary sanction. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high code of conduct especially in our senior management, the Group reported no bribery nor corruption cases in 2018, same as 2017.

Community

B8 Community Investment

The Group understands that community participation is important for its long-term development. The Group organizes, facilitates and supports its staff to take part in volunteer services such as regularly visiting the poor who need help and arranging outdoor activities for disadvantaged groups. Internally, the Group focuses on providing job opportunities to new employees, improving the working environment and skills of employees by investing on facilities and training. The Group also endeavours to provide employment opportunities for the disadvantaged, to hire the disabled who have completed retraining courses, and give priority to purchasing from the suppliers who hire disabled persons.



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