

Research on the Impact of ESG Disclosure on the Financial Performance of Hundsun Electronics

Zixin Chen^{1,a}, Huan Chen^{1,b}

¹Zhanjiang University of Science and Technology, Guangdong, Zhanjiang, 524096, China
^ahizuichen@126.com, ^b2987917118@qq.com

Keywords: ESG Disclosure; Financial Performance; Hundsun Electronics

Abstract: Against the backdrop of global economic integration and increasing demand for sustainable development, environmental, social, and governance (ESG) concepts have become a key factor in measuring a company's long-term competitiveness and sustainable development capabilities. More and more researches found that, ESG disclosure not only helps to enhance a company's social image and market trust, but also significantly affects its financial performance. This paper selects Hundsun Electronics as the research subject to deeply explore the impact of ESG disclosure on its financial performance. The findings reveal that Hundsun Electronics has significantly improved its market competitiveness and financial performance through high-quality ESG disclosure, manifested in steady growth of operating revenue and profit, improvement of asset operation efficiency, and optimization of financial structure. Based on these findings, we propose recommendations for enterprises to further refine ESG disclosure content, to establish a regular ESG performance evaluation system, and to promote green office measures, aiming to support better corporate development.

1. Introduction

As an emerging concept of sustainable development, ESG has rapidly gained prominence on the international stage and has become a key indicator for assessing corporate sustainability strength. ESG disclosure not only enhances a company's social image but also significantly boosts market trust. Additionally, relevant studies indicate that ESG disclosure has a correlational impact on financial performance metrics such as profitability, efficiency, solvency, and growth capacity[1]. This paper will examine Hundsun Electronics' financial data, exploring the relationship between ESG disclosure practices and changes in key financial indicators to understand the influence of ESG disclosure on corporate financial performance.

2. The Connotation of ESG Disclosure

ESG is the acronym for the three English words "Environmental", "Social" and "Governance", primarily reflecting the impact of enterprises on the environment, society, and corporate governance in their business activities. Among them, environmental factors include whether the company complies with environmental regulations, conserves energy, reduces wastewater, emissions, and

carbon footprint, etc. Social factors encompass whether the company fairly distributes employee benefits, respects human rights, contributes to community relations, etc. Governance factors involve whether the corporate governance structure is standardized, business operations are transparent, and regulatory laws are adhered to, etc.[2].

ESG disclosure is an investment philosophy and corporate evaluation standard that focuses on a company's performance in environmental, social, and governance aspects, rather than solely on financial performance. ESG measures a company's sustainability capabilities in non-financial indicators through these three dimensions, providing a comprehensive sustainability assessment framework for corporate development and investment projects[3]. ESG performance, as a mirror reflection of a company's environmental, social, and governance risks, is highly correlated with long-term strategy and has a positive impact on value creation[4]. Several studies have shown that strong ESG performance can significantly enhance a company's market value and financial performance[5], which implies that by actively fulfilling environmental, social, and governance responsibilities, companies can effectively improve their market value and financial performance[6].

3. The Current Status of ESG Disclosure by Hundsun Electronics

Hundsun Electronics was founded in 1995 in Hangzhou, Zhejiang, and listed on the Shanghai Stock Exchange in 2003. As a leading enterprise in China's fin-tech sector, Hundsun Electronics focuses on providing IT software products and services to financial institutions, covering diverse fields such as securities, futures, funds, insurance, and banking. It has deeply deployed cutting-edge technologies like cloud computing, big data, and artificial intelligence, forming a proprietary fintech product system. The company has been consecutively ranked in the IDC FinTech Rankings Top 100 for years, with its market competitiveness recognized by international authorities.

Hundsun Electronics has deeply integrated the concept of sustainable development into its corporate strategy, forming a practical path highly aligned with long-term growth[7]. Since the first release of its Corporate Social Responsibility Report following its brand upgrade in 2018, the company formally incorporated sustainable development into its agenda. In 2020, it further adopted the Environmental, Social, and Governance (ESG) Reporting Guidelines as the basis for report compilation, initiating the annual release of the Environmental, Social, and Governance (ESG) Report and Corporate Social Responsibility Report. This marked the full embedding of sustainable development principles into the entire management chain. Since then, Hundsun Electronics' ESG practices have entered a phase of systematic deepening: In governance, the Board of Directors established a dedicated Sustainability Committee to oversee long-term strategy formulation and supervision, issuing a series of policy statements to comprehensively enhance ESG governance capabilities. In environmental dimensions, the company evolved from proposing green office and energy-saving concepts in 2020 to setting clear carbon neutrality goals by 2023. It optimized resource utilization efficiency through digital energy management and leveraged SaaS cloud services and blockchain technology to assist clients and supply chains in carbon reduction, achieving a systematic leap in low-carbon practices. In social dimensions, governance priorities expanded from compliance, information security, and product quality to areas like data privacy protection and anti-fraud mechanism improvement, strengthening institutional safeguards for sustainable development governance.

Hundsun Electronics' ESG practices in recent years has been guided by the core principles of 'empowering finance, technological innovation, people-oriented approach, and low-carbon environmental protection,' with a focus on four key dimensions: customers and industry, products and business, organization and team, and capital and finance[8]. These initiatives not only enhance the company's sustainable development capabilities but also set a benchmark for the industry.

4. Analysis of the Impact of Hundsun Electronics' ESG disclosure

This study selects key financial data from Hundsun Electronics' financial statements between 2017 and 2023 as samples to comprehensively analyze the company's profitability, operational efficiency, solvency, and growth potential. It covers a critical phase in the development of Hundsun Electronics' ESG disclosure, fully demonstrating its financial performance and ESG practice outcomes under varying economic conditions.

4.1. Profitability Analysis

Table 1 Changes in Profitability of Hundsun Electronics (2017 - 2023)

Year	2017	2018	2019	2020	2021	2022	2023
Net sales (0.1 billion CNY)	26.66	32.63	38.72	41.73	54.97	65.02	72.81
Net profit (0.1 billion CNY)	4.63	7.01	15.28	14.41	15.11	11.24	14.52
Profit margin	17.38%	21.49%	39.47%	34.54%	27.49%	17.29%	19.94%

Table 1 shows that the profit margin increased from 21.49% in 2018 to 39.47% in 2019. Moreover, in 2023, Hundsun Electronics achieved a record-high net sales of 7.28 billion CNY, which is closely related to the product quality improvements advocated by ESG principles.

Since its inception, Hundsun Electronics has established clear quality objectives based on its product competitiveness model and integrated ESG principles into this model to ensure product reliability and reduce failures and defects. In 2023, the product quality of Hundsun Electronics continued to improve, with the number of quality incidents decreasing by 18.8%. This sustained focus on and enhancement of quality has strengthened customer trust in Hundsun's products, contributing to greater market competitiveness and customer loyalty, thereby driving the growth of operating revenue. At the same time, Hundsun Electronics ensures the stable operation of financial institutions' systems through a well-structured customer service organization, systems, and management framework, thereby improving customer satisfaction. In 2023, the customer satisfaction score reached 88.39, an increase of 1.38 points compared to the previous year, while customer complaints decreased by 15.9%, and the resolution rate of customer complaints was as high as 98%[9]. Higher customer satisfaction can foster customer loyalty and word-of-mouth promotion, increasing repeat purchases and attracting new customers, thereby enhancing their reliance on Hundsun Electronics' services. This helps Hundsun Electronics stand out in the highly competitive market.

4.2. Efficiency Analysis

Table 2 Changes in Efficiency of Hundsun Electronics (2017 - 2023)

Year	2017	2018	2019	2020	2021	2022	2023
A/R turnover ratio	1.32	18.07	19.79	10.94	8.55	7.72	7.32
Current assets turnover ratio	1.00	1.10	1.04	0.87	1.09	1.18	1.21
Total assets turnover ratio	0.51	0.54	0.53	0.46	0.50	0.52	0.53

Table 2 shows that over the six years from 2017 to 2023, Hundsun Electronics' total asset turnover ratio remained generally stable, fluctuating within a range of approximately 10% around 0.5. In terms of the current asset turnover ratio, it reached a recent peak of 1.21 in 2023, with a growth rate of 39% over the past five years. However, the accounts receivable turnover ratio has shown a declining trend during the same period, suggesting that the improvement in current asset turnover is likely more closely tied to liquidity factors.

Over the past five years, Hundsun Electronics has intensified its governance controls, with the

latest requirements tailored to the company's actual circumstances. The "Investor Relations Work System of Hundsun Electronics" has been revised accordingly. This initiative has standardized investor relations management while significantly elevating the company's governance standards. The Board Office of Hundsun Electronics also established a "Monthly Investor Relations Work Report" system, enabling timely feedback from investors to management. This has improved communication between the company and investors, reduced information asymmetry, and strengthened investor confidence. Additionally, Hundsun Electronics actively conducted performance briefings, including the 2022 Performance Briefing, the 2023 Semi-Annual Performance Briefing, and the 20th Anniversary Investor Exchange Day. These events demonstrated the company's strategic plans and confidence in sustainable development, reinforcing the relationship between the company and its investors. These effective measures not only enhance the company's governance level and market transparency but also strengthen investors' trust in the company, promote the flow and recovery of corporate working capital, thereby improving Hundsun Electronics' current asset turnover ratio.

4.3. Solvency Analysis

Table 3 Changes in Solvency of Hundsun Electronics (2017 - 2023)

Year	2017	2018	2019	2020	2021	2022	2023
Debt to total assets	38.38%	42.55%	48.55%	49.48%	41.46%	45.17%	43.85%
Current ratio	1.16	1.14	0.92	1.09	1.43	1.08	1.20

Table 3 shows that from 2017 to 2023 Hundsun Electronics' long-term and short-term solvency exhibited fluctuations. For long-term solvency indicators like the asset-liability ratio, it peaked around 2019 at 49%, then declined to 43.85% by 2023. Regarding short-term solvency, the current ratio remained relatively stable at approximately 1.1 across most years, except for a higher value of 1.43 in 2021. This demonstrates that Hundsun Electronics' long-term and short-term solvency has generally remained stable.

From 2017 to 2020, the increase in Hundsun Electronics' asset-liability ratio was primarily driven by the company's expansion of short-term and long-term borrowings to support business growth and technology R&D, alongside increased liabilities from investments in green projects. By 2023, with the introduction of the "dual carbon" goals, Hundsun Electronics continued its commitment to green and low-carbon operations, gradually reducing reliance on debt financing through green initiatives and low-carbon practices, leading to decreases in both short-term and long-term borrowings.

4.4. Development Capability Analysis

Table 4 Changes in Development Capability of Hundsun Electronics (2017-2023)

Year	2017	2018	2019	2020	2021	2022	2023
Growth rate of net sales	22.85%	22.38%	18.66%	7.77%	31.73%	16.87%	18.30%
Growth rate of total assets	28.66%	6.22%	34.48%	19.28%	21.15%	7.47%	7.66%

Although Hundsun Electronics' development capability has been unstable in recent years, the overall growth momentum remains relatively evident (Table 4). The peaks in the growth rates of Hundsun Electronics' net sales and total assets occurred between 2019 and 2021, which is closely related to the company's ESG disclosure efforts.

In 2019, the company conducted extensive "whole-team co-creation," which had a positive impact on various aspects, from team building and organizational development to strategic planning and talent cultivation. These practices not only enhanced employee motivation and loyalty but also attracted outstanding talents to join the company, playing a significant role in its development.

Additionally, the company completed the departmental setup of its business center and data center, launched its first-generation products, and implemented applications across multiple industries. These technological innovation measures brought new growth opportunities to the company and drove the increase in total assets.

In 2021, Hundsun Electronics invested a total of 2.139 billion yuan in R&D expenditures, accounting for 38.92% of its operating revenue. The company continuously enriches its pool of top-tier industry talent and has established a relatively comprehensive R&D, product system, and team[10]. This complete research system demonstrates a strong focus on research and technological innovation, enabling the company to continually introduce new products and services that meet market demands. The successful promotion of these products has satisfied customers and contributed to the growth of the company's core business revenue, with the growth rate of core business revenue also increasing accordingly.

5. Research Conclusions and Recommendations

Hundsun Electronics has set industry benchmarks in empowering finance, technological innovation, people-centric approaches, and low-carbon environmental protection. Over the years of deepening its ESG disclosure efforts, the company has earned the trust of investors and stakeholders, enhanced its market competitiveness and customer satisfaction, and thereby driven continuous growth in operating revenue and profits. The company's corporate governance strategies have improved its governance capabilities and provided investors with confidence, leading to overall favorable asset operations. Although Hundsun Electronics' core business revenue and total asset growth rates have experienced fluctuations, they have generally maintained a positive trend, demonstrating strong development potential. This shows that while ESG-related initiatives may increase certain costs for the company, they can have a relatively positive impact on financial performance and contribute to multifaceted sustainable development in the long run.

Therefore, ESG disclosure is also an inevitable requirement for corporate development. It is significant to improve and perfect ESG disclosure. In this regard, this paper proposes the following recommendations for Hundsun Electronics: First, further refine the disclosure content in ESG reports, particularly in environmental and social responsibility aspects, by providing more quantitative data and specific cases to enhance transparency and credibility. Second, enterprises need to establish a regular ESG performance evaluation system, dynamically adjust ESG strategies based on evaluation results, proactively collect stakeholder feedback, continuously optimize the quality of information disclosure, and ensure the company steadfastly moves toward sustainable development goals.

The conclusions of this study are primarily based on data from 2017 to 2023, and the research scope is not sufficiently comprehensive. Future research could expand the sample range to include other fin-tech companies and listed firms across different industries, thereby improving the universality and applicability of the findings. China's ESG system is still in the process of continuous improvement. In the future, we need to further develop and refine an ESG system with Chinese characteristics, tailored to the country's actual conditions, which will help enhance the competitiveness of Chinese enterprises in the international market.

References

- [1] Bahaaeddin A.A., Allam H. (2020) *ESG Impact on Performance of US S&P 500-Listed Firms. Corporate Governance: The International Journal of Business in Society*, 7, 1409-1428.
- [2] Wang Bangjiang, Huang Jianhua. (2020) *Construction of Corporate Sustainable Development Evaluation System — Based on Environmental, Social, and Governance Factors. Finance and Accounting Monthly Journal*, 9, 109-118.
- [3] Wang Linlin, Lian Yonghui, Dong Jie (2022) *Research on the Impact Mechanism of ESG Performance on*

Corporate Value. Securities Market Herald, 5, 25-36.

[4] Friede G., Busch T., Bassen A. (2015) *ESG and Financial Performance: Aggregated Evidence from More Than 2000 Empirical Studies*. *Journal of Sustainable Finance & Investment*, 5, 210-233.

[5] Ademi B., Klungseth N.J. (2022) *Does It Pay to Deliver Superior ESG Performance? Evidence from US S&P 500 Companies*. *Journal of Global Responsibility*, 13, 421-449.

[6] Zhang Lin, Zhao Haitao (2019) *Does Corporate Environmental, Social, and Governance (ESG) Performance Affect Corporate Value? — An Empirical Study Based on A-Share Listed Companies*. *Wuhan Finance*, 10, 36-43.

[7] Zhou Ziteng. (2023) *EVA Performance Evaluation of Hundsun Electronics*. *Cooperative Economy & Science*, 24, 140-142.

[8] Cui Tongshan. (2020) *Analysis of Profitability of High-Tech Enterprises—A Case Study of Hundsun Electronics Co., Ltd. Management & Technology of SME (Late Ten-Day Issue)*, 01, 156-157.

[9] Liu Shufeng. (2024) *2023 Hundsun ESG Report*. <https://www.hundsun.com/report>

[10] Li Li. (2023) *Research on Accounting Treatment of R&D Expenditures of Listed Companies in the Software Development Industry—A Case Study of Hundsun Electronics*. *Jiangsu Commercial Forum*, 5, 88-91+94.