

CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745



2018

Environmental, Social
and Governance Report

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This report has been prepared by the management of the China National Culture Group Limited (the “Company”) in accordance with the requirements of the Appendix 27 Environmental, Social and Governance Reporting Guide (“ESG Guide”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In this report, and it presents mainly policies, initiatives and performance of the Company and its subsidiaries (collectively, referred to the “Group”) for the year ended 31 March 2018. It will also highlight material aspects identified from 1 April 2017 to 31 March 2018 (the “Reporting Period”) with the confirmation of the board of directors of the Company that the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

The environmental, social and governance report of the Group (the “ESG Report”) has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society.

The key stakeholders for the Reporting Period are identified by the Group as follows:

- equity shareholders;
- local and central governments of the People’s Republic of China (the “PRC”);
- Hong Kong supervision bodies related to listing compliance;
- employees;
- customers; and
- suppliers/subcontractor.

Environmental, Social and Governance Report

The table below demonstrates the relationship between the ESG Guide and the issues found relevant to the Group:

ESG Guide	Relevant ESG issues of the Group
A. Environmental	
A.1 Emissions	Greenhouse gas emissions Waste management
A.2 Use of resources	Resources consumption Paper usage Water conservation
A.3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B.1 Employment	Labour practices Equal opportunities
B.2 Health and safety	Workplace health and safety
B.3 Development and training	Employee development and training
B.4 Labour standards	Child labour and forced labour
B.5 Supply chain management	Supplier management
B.6 Product responsibility	Customer service Intellectual property and privacy matters
B.7 Anti-corruption	Anti-corruption
B.8 Community investment	Community involvement

ABOUT THE GROUP

The Group was principally involved in provision of advertising media services, e-commerce, film production and distribution business. The visions of the Group are:

- (1) to expand its existing services offerings to different industry and also the geographical coverage; and
- (2) to look for business opportunities that would generate long-term returns to its shareholders.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

The Group always concern the adverse impact of its business activity toward the environment and has promoted and educated all staff to minimise the input of resources for more environmentally friendly atmosphere. As the Group does not involve in use of significant amount of natural resources and most of the services provided are through new media e.g. website, mobile application and electronic social platform, we believe that the exposure of adverse environmental impact is very limited. During the Reporting Period, the Group did not experience any case of non-compliance relating to environmental laws and regulations in the PRC and Hong Kong.

A.1 Emissions

The operation of the Group does not involve in any manufacturing activities and does not have material impact on the environment and natural resources. Nevertheless, the Group generates greenhouse gas emissions through the combustion of fuels, the use of electricity and the production of paper waste in the offices.

Greenhouse Gas Emissions

The Group consumes electricity for its advertising, e-commerce and trading and production of movie business. The emission of carbon dioxide ("CO₂") has been calculated by the quantity of energy consumed multiplied by the emission factors and the emission of CO₂ are used tonne as unit. The emissions of CO₂ are broadly classified into three scopes:

Scope 1 – direct emissions from combustion of fuels;

Scope 2 – energy indirect emissions; and

Scope 3 – other indirect emissions.

The Group consumed 4,356 kWh of electricity which contributed to the emissions of 3.4 tonnes of CO₂ (Scope 2).

Waste Management

The Group has launched a number of waste management programs, including:

- recycling of paper materials, printing cartridges and batteries; and
- to encourage staff to mitigate paper consumption by double-sided printing and reusing paper printed on one side.

The Group strictly complies with relevant environmental laws and regulations towards local laws and regulations on environment in the PRC and Hong Kong.

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A.2 Use of Resources

Resources Consumption

The Group is committed to upholding high environmental standards in order to promote environmental friendliness. During the year ended 31 March 2018, the Group has consumed approximately 4,356 kWh of electricity with an electricity consumption intensity of 335 kWh per staff.

The Group always encourages staff to adopt environmentally responsible habits that mentioned in the environmental management practices to measure and reduce the use of resources, minimize waste and recycle materials.

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to minimize the use of resources, including restriction of room temperature and has encouraged the use of recycle papers in office. Management also encourages and ensures lights and air-conditioning were switched off when not in use.

The Group is committed to performing regular assessment in analysing data in aims to better manage the use of resources. The resources used by the Group from offices relates to electricity and paper consumption.

Paper Usage

The Group encourages staff to communicate through electronic media with clients and co-workers. The Group stated that the consumption of paper was immaterial and has no relevant information of paper usage during the Reporting Period.

Water conservation

Although the operation of the Group consumed only a little water, the Group encourages staff to report all leaking faucets or pipes to relevant departments and turn off all taps when not in use.

A.3 Environmental and Natural Resources

Measures in Reducing Environmental Impact

It is essential that the Group's policy should maintain the daily operation efficiency in order to mitigate the total usage of energy and materials.

All companies within the Group are committed to producing high-quality services while also ensuring that, all business activities in the PRC and Hong Kong, impact the environment positively.

The Group protects natural resources by green purchasing such as recycled paper, toner and cartridge. Trying to reduce the quantity of copying paper, use duplex printing, print on used paper, use copier networking for faxing and document storage. Implemented electronic leave application system.

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B. SOCIAL

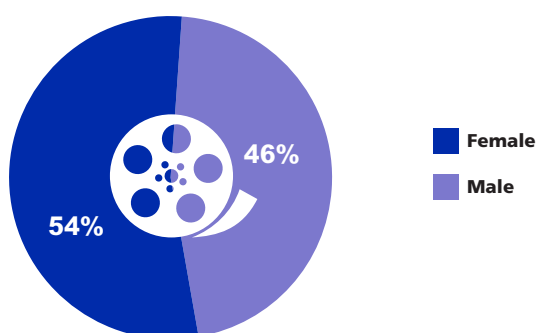
B.1 Employment Labour Practices

Labour Practices

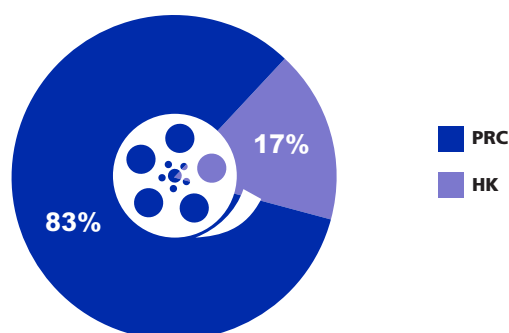
The Group regards employees as one of the most valuable assets of the Group and regards the personal development of its employees as highly important. Staff is the most important asset that drives the long-term development and sustainability of the Group.

As at 31 March 2018, the Group employed 13 (2017: 13) full-time staff and has 5 directors. Due to the operation of the Group is in the PRC, 83% of staff of the Group are situated there. As a whole, the male/female ratio is approximately 1:1.17. Employment in the PRC are subject to the Labour Law and the Employment Contract Law of the PRC 《中華人民共和國勞動法及勞動合同法》. Employment in Hong Kong is subject to the Employment Ordinance, the Minimum Wage Ordinance and the Employees' Compensation Ordinance. During the Reporting Period, the Group has no non-compliance with the above law and regulations.

Gender Distribution



Workforce by Geographical Region



Equal Opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis no matter of what gender they are, thus the rights of female employees are well-protected.

The Group adopts equal employment opportunity policies and treats all the employees equally. Employment, remuneration and promotion are not under the influence of social identities, such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

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B.2 Health and Safety

Workplace Health and Safety

The Group aims to provide a safe and healthy working environment to the employees and promotes the message of “Work happily, Live healthily”. The Group organises recreational activities, such as badminton races and basketball match, for employees regularly. Holding recreational activities not only able to build up the sense of belonging and team spirits among employees, but also promote the message of the importance of work-life balance to all staff.

During the Reporting Period, there were no cases of non-compliance with the laws and regulations in respect of the provision of a safe working environment and the protection of employees from occupational hazards. During the year ended 31 March 2018, no cases of injury have been reported within the Group.

B.3 Development and Training

Employee Development and Training

The Group encourages employees for continuous development and improves their skill set through trainings. The Group provided various internal and external trainings for developing the workforce including but not limited to financing, accounting, corporate governance and others that directly related to the businesses of the Group.

There are budgets per annum for directors and other staff’s training and reimbursed given after the completion of the enrolled programs. To fully develop the workforce, new staff will also be provided with onboard training to help adapt faster to the operations and culture of the Group. Staff’s performance will also be reviewed annually through appraisal to determine if any additional trainings or improvement plans are required for each staff from their performance results.

B.4 Labour Standard

The operation team of the Group require sophisticated training in the field of Finance or extensive exposure to the finance business. Hence the Group does not rely on labour or involve in any labour-intensive work. As such, it is almost certain that the Group would not be involved in child or forced labour. Further, the employment policies of the Group focus on the capabilities of the individual regards of personal traits such as gender or ethnic groups.

Child Labour and Forced Labour

The Group has strictly complied with Labour Contract Law of the PRC 《中華人民共和國勞動合同法》. According to the Employment Ordinance Chapter 57 of the Laws of Hong Kong and the Provisions on the Prohibition of Using Child Labour and the Law of the PRC on the Protection of Minors 《中華人民共和國禁止使用童工規定及保護未成年人法》 and as stipulated by the Labour Law of the PRC 《中華人民共和國勞動法》 in terms of employment management, there is neither child nor forced labour in the Group’s operations.

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To screen job candidates during recruitment, the Group reviews the applicants' application forms and conducts identity card verification. The Group would immediately terminate employment contracts with employee who violates the laws and regulations, and will regularly review and update the Staff Handbook and internal policies to meet the latest regulatory requirements. The Group also has policies to protect staff's labour rights with a complaint system for staff to report their concerns and any violations of labour rights.

Undoubtedly, during the year ended 31 March 2018, the Group is prohibited to employ any staff who has under the legal working age for protecting the young people at work.

B.5 Supply Chain Management

Supplier Management

The Group has a subcontractor management plan to control the selection and supervision of subcontractors and suppliers such that they are up to our strict requirements in safety, environmental and quality performance.

Our evaluation of a subcontractor/supplier includes experience, job references, past performance, statutory licenses and certificates as may be required, financial status, integrity, social responsibility and particular skills, competencies and professionalism of the management teams.

We regard our subcontractors and suppliers as our business partners and work closely with them to warrant that the services are conducted in a manner that meets the highest professional and ethical standard assuring a quality end-product as well as continued confidence of our customers and the public.

B.6 Product Responsibility

Customer Service

The Group has a standard follow up and action plan for handling customer complaints relating to advertising products and product sales over internet. Customer complaints and product recalls will be handled in a consistent and timely manner.

Intellectual Property and Privacy Matters

The Group's intellectual property, including patents, copyrights, trademarks, service marks, research and development achievements, trade secrets, technical data and other related rights. They are not allowed to damage, delete or take advantage of any asset or documents without the Group's approval. Staff Handbook included a data privacy protection clause in which employees are only allowed to use computer, information and software authorized by the Group and the use of internet, intranet and emails shall be strictly for work purposes. Employees shall not disclose any confidential information to any unauthorized personnel or parties. The Group's IT department has system set up for ensuring network security and management. No infringement was identified during the Reporting Period.

The Group has formulated a set of privacy principal in collection, retention, use, security, openness and accessibility of information to ensure all information received is only for its intended purpose and to prevent information leakage by setting access control rights and follow up action when information leakage is found.

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B.7 Anti-corruption

Anti-corruption

The Group believes that honesty, integrity and fair play are the important assets in business and strictly adhered to the laws relating to corruption, bribery, extortion and money-laundering etc. The Code of Conduct (the “Code”) has been prepared, under which all employees are advised that they are prohibited from offering or soliciting advantages in connection with his or her duties and with the business of the Group and that any employee soliciting or accepting an advantage without the permission of the Group commits an offence under the Prevention of Bribery Ordinance.

The Code also states clearly that the Group shall not tolerate any illegal or unethical acts. Offenders will be subject to disciplinary action, including summary dismissal and termination of employment. In cases of suspected corruption or other forms of criminal activities, a report will be made to ICAC or appropriate authorities.

A channel for raising complains is opened to all employees, so that any possible break of the Code or unlawful or unethical conduct can be sent directly to the senior management for an impartial investigation.

During the Reporting Period, no violation of any corruption activity has been detected by the Group and reported by staff.

B.8 Community Investment

Community Involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group’s approaches toward community involvement are as follows:

- fulfils the corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- assesses how to give business activities to the interests of community; and
- commits to the provision of career opportunities to the locals and promotes the development of the community’s economy.