



祖龙娱乐有限公司 Archosaur Games Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 9990



2020

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

環境、社會及管治報告

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Environmental, Social and Governance Report

ABOUT THIS REPORT

This environmental, social and governance (“ESG”) report (the “Report”) is the first ESG report of Archosaur Games Inc. (the “Company”) and its subsidiaries (“the Group” or “we”), which sets out the Group’s initiatives, plans, performance and achievements in ESG areas such as operating management, employment, and labor practices, environmental protection and community investment, concentrates the discussions concerning to stakeholders, and demonstrate the Group’s commitment to sustainable development.

This Report has been reviewed by the board of directors (the “Board”). In the process of writing, the Group communicated fully with stakeholders and strived to meet the four reporting principles of materiality, quantitative, balance, and consistency in the information covered in this Report. The Group will continue to expand the scope of the disclosure in order to improve its performance and transparency of information on sustainable development.

Reporting Scope

This Report will reflect the ESG performance and contribution of the Group’s main business operations in a balanced manner. The ESG key performance indicators (“KPIs”) data are gathered from operations under the Group’s direct operational control. The scope covers the Group’s offices in Beijing, Chengdu, and Changchun in China, which are the main operational locations of the Group. When the Group’s data collection system becomes more mature, we will consider an expansion in the scope of the disclosure in the future.

Reporting Period

This Report details the Group’s activities, challenges, and measures in ESG aspects from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

Reporting Framework

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

For the Group’s corporate governance practices, please refer to the Corporate Governance Report on pages 54 to 64 of the 2020 Annual Report.

Contact Us

The Group welcomes opinions and suggestions from stakeholders. You may provide opinions on this Report or our sustainability performance through the following methods:

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ABOUT THE GROUP

Archosaur Games is a leading mobile gaming company in China with more than twenty years of research and development experience. Our mission is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience. As at 31 December 2020, we have launched 15 mobile games with over 70 regional versions available in more than 170 regional markets in 14 languages.

During the Reporting Period, following the successful launch of Dragon Raja (龍族幻想) in mainland China, the Group had successfully launched four new regional versions of Dragon Raja (龍族幻想) in Europe and the Americas, Japan, Southeast Asia and Vietnam with outstanding results. In particular, the Japanese version became the first Chinese mobile MMORPG to top the Top Free Games Charts of both iOS App Store and Google Play in Japan. Once again, this reflected our core competitiveness in the MMORPG genre. In the future, we will continue to provide mobile MMORPG with multiple styles, including OPEN WORLD (開放大世界) and turn-based mobile MMORPG. Launched by the Group in October 2020, Under the Firmament (鴻圖之下) was our first attempt to make inroads into the new genre of SLG from our MMORPG products with a competitive advantage. The successful launch of Under the Firmament (鴻圖之下) made possible an important move to expand our SLG genre, with the unanimous endorsement and acclaims of the gaming industry. In the future, the Group plans to maintain the core competitive edge of our MMORPG products on this foundation, upon which we will enrich and extend the array of products and genres, including SLG, female-oriented and other genres to facilitate our sustainable launch of high-quality games.

The continuous research and development input of the Group has built a solid foundation for future products development. During the Reporting Period, 458 new employees joined the Group, approximately 85% of them being research and development personnel, and we will continue to enlarge inputs on research and development personnel in 2021. The Group also possesses strong intellectual property (“IP”) creation and operating strengths to attract international IPs and enhance global presence. As at 31 December 2020, the Group had seven original IP mobile games and four licensed IP mobile games in operation. For further details on research and development and IP operations, please refer to “Research and Development” and “Intellectual Property Protection” respectively.

On the other hand, the Group integrates research and operation as one into our self-publishing system to support global publishing in a swift, viral and expansionary manner. Dragon Raja (龍族幻想) and World of Kings (萬王之王) were among the products we have self-published overseas with outstanding results. More specifically, Dragon Raja (龍族幻想) has achieved remarkable results and World of Kings (萬王之王) has a stable long-term performance in the genre of MMORPG of the markets outside of mainland China. In 2020, we won the Top Publisher Awards (年度中國廠商出海收入飛躍獎) issued by App Annie. In addition, we are still strengthening our self-publishing system domestically with a view to forming a team with excellent capabilities for self-publishing home and abroad, and striving to achieve great results in 2021. Currently, the Group continuously undertakes the effort to expand and improve the self-publishing team and its publishing capabilities in order to provide a succession of high-quality products to game players from different countries and regions and build the brand of Archosaur Games globally, so as to build our widespread reputation in the global market.

Given the above-mentioned core advantages, we have strengthened our influence in the overseas gaming market and we will be more proactive in this area in 2021.

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Sustainable Development Governance Structure

The Group incorporates work on environmental and social responsibility into its daily management work plan under the overall supervision and guidance of the Board. The Board has full responsibility for the decision-making and reporting regarding the work on environmental and social responsibility. The Board's duties include assessing the risks on the Group's environmental and social responsibility, ensuring the establishment of appropriate and effective risk management and internal control systems, and regularly inspecting and evaluating the implementation of the Group's Environmental and Social Responsibility Policy. The management is responsible for reporting the effectiveness of the ESG system to the Board, assisting in the identification and evaluation of the Group's ESG risks, and inspecting and evaluating the performance of different ESG aspects such as environmental, employment, and product responsibility.

STAKEHOLDERS ENGAGEMENT

The Group adopts two-way communication with the stakeholders to achieve mutual growth. Therefore, the Group values the opinions of different stakeholders on our operations and ESG matters. In order to fully understand, respond to and address the core concerns of different stakeholders, we have been working closely with key stakeholders, including but not limited to shareholders and investors, employees, players of our games, suppliers, as well as the society and public.

Through different stakeholder engagement and communication channels, we will incorporate their expectations into our operations and ESG strategies. The communication channels for key stakeholders and their expectations and concerns for the Group are as follows:

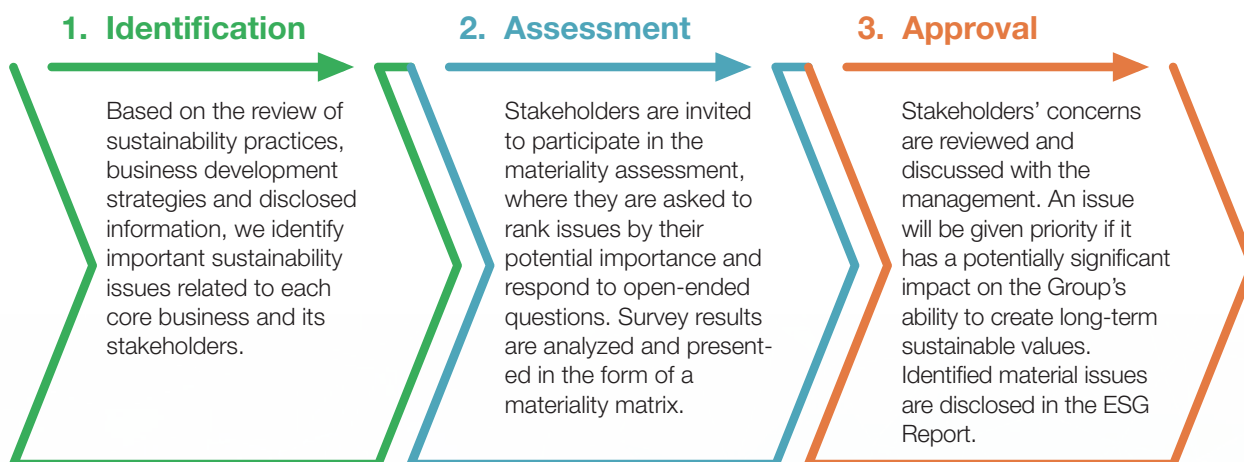
Stakeholder	Communication channels	Expectations
Shareholders and investors	<ul style="list-style-type: none">• Annual general meeting and other shareholders' meetings• Financial reports• Investor relations activities• Announcement and circular	<ul style="list-style-type: none">• Financial performance• Corporate Transparency• Sound risk management and internal control• ESG Issues
Employees	<ul style="list-style-type: none">• Training and seminars• Regular performance evaluation• Employee suggestion box• Fraud report email• Internal announcements and communications	<ul style="list-style-type: none">• Career development• Competitive remuneration and benefits• Equal opportunities• Healthy and safe working environment
Players	<ul style="list-style-type: none">• Customer service email, telephone and QQ account• Official game forum• Company website• In-game online customer service system	<ul style="list-style-type: none">• High-quality games and services• Customer privacy protection• Anti-cheating and fair game• Healthy gaming experience

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Stakeholder	Communication channels	Expectations
Suppliers	<ul style="list-style-type: none"> Email Conference call 	<ul style="list-style-type: none"> Responsible supply chain management Business ethics and reputation Fair and open competition
Society and public	<ul style="list-style-type: none"> Company Webpage-News Center ESG reports 	<ul style="list-style-type: none"> Implement green operation Provide job opportunities Support public welfare Open and transparent information

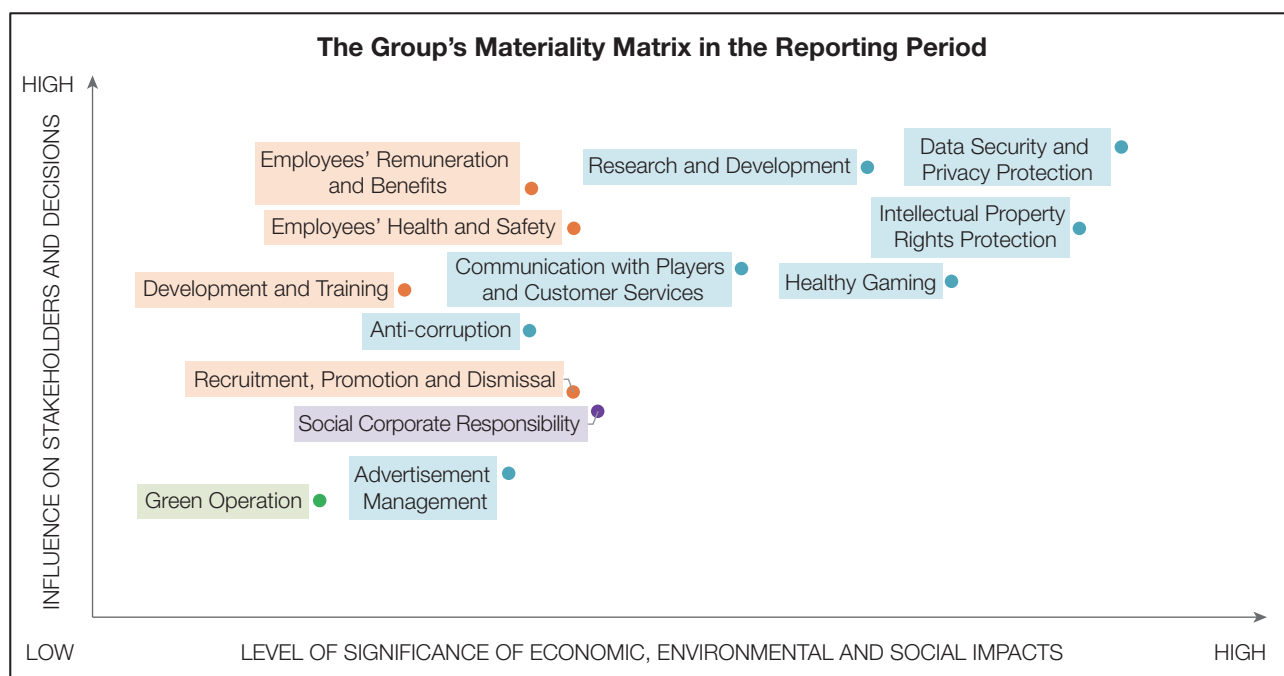
MATERIALITY ASSESSMENT

In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, we do not only consider the business development strategies and the industry practices but also conduct an annual materiality assessment in the form of questionnaires. Relevant stakeholders of the Group are invited to participate in the materiality assessment and rate potential material topics to identify the most material issues related to sustainable development in the core business considered by stakeholders.



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Results of the materiality assessment are analyzed in the form of a materiality matrix. Material issues identified and stakeholders' concerns will be reviewed and discussed with the management and disclosed in this Report. During the Reporting Period, the Group's materiality matrix is as follows:



● Environmental Protection ● Employment and Labor Practices ● Operation Management ● Social Responsibility

The most important issue of the Group's concern is data security and privacy protection. The Group regards the materiality assessment results as important indicators for future planning and policy formulation in ESG aspects and has formulated a series of goals to strengthen the Group's ESG strategies and promote sustainable development.

OPERATION MANAGEMENT



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PRODUCT RESPONSIBILITY

Providing users with a good gaming experience is the Group's most important product responsibility, and also the key to attract and retain game users. The vision and mission of the Group is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience. We are committed to providing the best user experience and are highly focused on the quality of our products and services. When launching new games, we must anticipate and catch changes in player interests and preferences as well as the ever-changing competitive environment in the mobile game industry. We must also try to effectively promote new games and game upgrades to strengthen regional penetration. In addition, we continue to upgrade our technology and infrastructure to minimize downtime and maintain system stability in our games.

During the Reporting Period, the Group's companies and products have won various awards, which recognize the quality of our games. Awards and recognitions include:

Awardee	Name of the Award	Awarding unit
Archosaur Games Inc.	2020 Top 10 Go Global Games Award	Game United
Tianjin Loong Technology Co., Ltd. ("Tianjin Loong")	2020 Top 10 Oversea Publishing Games Award" of the 2020 Beijing Award	China Audio-video and Digital Publishing Association (CADPA)
Hai'nan Loong Technology Co., Ltd.	2020 China's Top 10 Game R&D Team Award	CADPA
Game Product "Dragon Raja"	Best Competitive Game of Google Play 2020 in Indonesia and Thailand	Google Play
	2020 China's Top 10 Game R&D Team Award	CADPA
	Was nominated for 2020 China's Top 10 New Game Award	CADPA
	Top 10 Oversea Publishing Games Award" of the 2020 Beijing Award	Baijingapp (白鲸出海)
Game Product "Under the Firmament"	the GameUnited 2020 "Top 10 Go Global Games Award"	Game United
	2020 China "Game of the Year" Award	Epic Games 2020 Unreal Open Day (UOD) Online
	2020 Best Technology Breakthrough Award 2020 Best Strategy Game Award	GameLook GameLook
Game Product "The New World"	Yon Ding Jiang 2020 The Most Anticipated Game of the Year	APG (遊聯社)

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The Group upholds the legal compliance of the development and operation of game products, continues to optimize game functions, and protects the legitimate interests of game players. The Group has formulated the Environmental and Social Responsibility Management Policy to ensure that the Group's business activities such as research and development, operations, and marketing meet the national standard and the requirements of industry-related services, and effectively improve product quality and service standard. The Group strictly complies with the laws and regulations relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress, including but not limited to the Advertising Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Product Quality Law of the People's Republic of China, Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, and Copyright Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any significant non-compliance of laws and regulations related to the health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress that could have a significant impact on the Group. In addition, the Group does not have any products recalled for safety and health reasons.

Data Security and Privacy Protection

As a mobile gaming company, the Group receives, transmits, and stores personally identifiable information related to the players' personal identity and the data generated during its operations. Therefore, the Group firmly believes that adequate maintenance, storage, and protection of user data and other related information is the key to our continuous business development. We have implemented relevant internal procedures and control measures to ensure that user data is protected and to avoid leakage and loss of related data. For example, the Environmental and Social Responsibility Management Policy stipulates that usage or resell of partners', game players', and suppliers' personal data and materials for profit without authorization and permission is strictly prohibited. During the Reporting Period, the Group did not encounter any serious leakage or loss of user data.

To ensure data security, our experienced operation and maintenance team is responsible for ensuring that the use, maintenance, and protection of user data comply with our internal rules and applicable laws and regulations. The operation and maintenance team is provided with regular training and discusses any issues and the latest situation. All game data collected by the Group will be processed, transmitted, and stored by multiple encryption and firewall protection. To avoid any data loss and ensure data control, all data collected by the Group on the leased cloud server is backed up on real-time basis and stored in accordance with local laws and regulations. In order to avoid any internal data leakage, the Group implements security measures and implements multi-layer access monitoring based on employee levels and functions to restrict data access. Any changes to the system and database must be specifically authorized by the system administrator for good reasons. All access activities and changes to data systems and databases will be automatically retained and subject to routine inspections.



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Research and Development

As a mobile game company with the ability to develop high-quality mobile games and a good market reputation, the research and development of games is particularly important to the long-term development of the Group. The Group counts on its industry-leading research and development capabilities as a driving force to propel us forward, along with constant technology upgrades, continuous enrichment and expansion of product genres, and our core advantage of integrating operation and research, and development to enhance our industry reputation. In the process of game development and operation, the Group always takes user experience as the highest standard, and meticulously crafts every detail, so that the game has outstanding performance in various aspects such as graphics, combat, and interaction. Whether in the field of online games or mobile games, the Group has always maintained its advantages with its spirit of fine craftsmanship, and through continuous innovation, it has created excellent game products of international quality. The Group was awarded the annual “Most Powerful Game Research and Development Enterprise” award issued by APG (遊聯社) in 2016, which is regarded as the industry’s recognition of the Group’s concept of fine craftsmanship.

All of our games are in-house developed. The Group had a research and development center that primarily focuses on designing new games, optimizing existing games, innovating gameplay, originating game content, and enhancing players’ experience. In order to maintain a competitive edge, our games have undergone a rigorous process of research, appraisal, development, and testing. During the Reporting Period, 458 new employees joined the Group, approximately 85% of them being research and development personnel, and our total full-time employees increased from approximately 900 in 2019 to approximately 1,200. The employees in the research and development center accounted for approximately 87% of the total employees as at 31 December 2020. In 2021, the Group will continue to enlarge inputs on research and development personnel, which includes offering competitive salaries and different forms of employee incentives, in order to recruit and retain research and development personnel as the foundation for expanding our professional team steadily and continually. In terms of the regional layout of research and development talents, aside from Beijing, Chengdu, and Changchun, a new research and development center was established in Shanghai at the end of 2020, encompassing the eastern part of China as a core city and the peripheral regions of Jiangsu, Zhejiang, and Anhui, to attract high-end gaming talents in order to further reinforce our gaming research and development strengths. Presently, Beijing is the epicenter of the Group’s regional spread of research and development talents. We will gradually expand our recruitment to various parts of China and will continuously do so to absorb high-end technical personnel. On the whole, our constant inputs in research and development will provide us with a strong manpower pool for our new business endeavors. In 2020, the successful publishing of new game genre like the SLG product, Under the Firmament (鴻圖之下), could be credited to our sustainable research and development inputs, along with efforts to raise our research and development capabilities, deepen technology innovations, and extension of our line of product genres. In the future, we will inject fresh energy and dynamism into the development of other gaming genres and products, including the mobile MMORPG, Noah’s Heart (諾亞之心) characterized by OPEN WORLD (開放大世界) with a “Seamless Sphere-Shaped Map” (“球形無縫大地圖”) gaming experience as well as female-oriented products, which are noted for fashion diversity and fashionwear by veteran artist to perfection. We expect to launch three new games in 2021, including The New World (夢想新大陸) which was launched in January 2021, covering the genres of MMORPG and SLG. We have the confidence and stamina to build our next-generation games pipeline with constant efforts to boost our research and development strengths.



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In order to improve product quality and standardize the work on decision-making, the Group has formulated the Project Development Management Policy. This policy specifies the management issues in the project development process, including the management department of the work on research and development, project approval process, version number application, the internal testing process, etc., to ensure the coordination and cohesion of each development process. The game development team must carry out continuous testing of the game during the development phase in accordance with the Pre-release Testing Policy System, such as internal and public testing, to eliminate the defects and design flaws of the game project and ensure the quality of the game.

Intellectual Property Protection

IP rights are fundamental to our business and we dedicate significant time and resources to their development and protection. A significant portion of our IP is internally created. Development with our original IP allows us to promote our distinctive style to increase player engagement. The Group relies on strong IP creation and operational capabilities to strategically support our future layout, actively accelerates expanding our IP reserve and attract world-renowned IPs from international IP holders. As at 31 December 2020, the Group had seven original IP mobile games and four licensed IP mobile games in operation, which have not only been verified in the market but also recognized by major partners. In order to maintain the efforts made by the development team, we actively apply for patents for suitable products and technologies. Reinforcing the original IPs, new game products such as The New World (夢想新大陸) that was launched in early 2021 and Noah's Heart (諾亞之心), which is scheduled to be launched in the near future highlight our continuous exploring in original IPs. Deepening our involvement in authorized IPs, we have taken a further step to establish a longer-term collaborative relationship with the IP holder of Dragon Raja (龍族幻想), which has been widely endorsed and supported by global game players since it was launched, and we have obtained exclusive right to adapt the entire dragon product series for the production of MMORPGs for a seven-year period. With regard to attracting international IPs, we will collaborate with an entertainment company of blockbusters with a box office record of over US\$1.5 billion to launch a new mobile MMORPG. The production and development of this game is in steady progress. Without doubt, it is expected to mark another important milestone in our global market drive and significantly accelerate the global presence.

The Group adopts various precautionary measures to avoid the third parties to obtain and use, without our consent, the IP owned or authorized by us. Save as copyrights, trademarks and other IP law, the Group has employment contracts which set out IP rules that safeguard the inventions created by us, commercial secrets, development projects and enters into contracts for confidentiality and authorization, in order to secure our IP.

The Group also specifies in the Code of Business Conduct for Employees that employees shall not, without the authorization of third parties and consent of the Group, apply the proprietary information or other information with IP into the Group's business to respect the IP of individuals.

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Healthy Gaming

Mobile game companies are obligated to fulfill the social responsibility of concerning the health of players, which is also part of providing profound gaming experience for players. The Group understands that players in different regions have different cultural differences, so operating teams in each region will strictly compile with the laws and regulations on healthy games in the place of operation and in the app store according to the legal requirements of different countries.

The Group has a dedicated team within our in-house legal team responsible for ensuring compliance of our online game operations with the relevant rules and regulations. Users' experience of gamers is carefully monitored by the Group and in case of our network service system is found to be manipulated for transmission of any vulgar, obscene, fraudulent or harmful content to minors, or other violations such as transactions of virtual currencies, recharge through abnormal channels, theft of accounts and use of plug-ins, punishment will be imposed on offenders in accordance with the Punishment System for Violations by Players.

Preventing Minors from Indulging in Online Games

In order to comply with the Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games ("Notice") and to secure a healthy environment for our game players, our Group has implemented a real name registration system and an addiction prevention system in all of our self-publishing games in Mainland China. These two systems include the following measures:

- (i) All online game users to register their gaming accounts with valid identity information. Under the guest experience mode, real names are not required for registration, top-up and trading with cash are not available;
- (ii) Any forms of gaming services are not provided for minors during 22:00 to 08:00 every day. The accumulated gaming time is limited to less than three hours per day on PRC statutory holidays and less than 1.5 hours per day during other times;
- (iii) Minor users under the age of 8 shall not be provided with paid services; and
- (iv) Consumption limits for minors have been implemented as required by the Notice.

To conclude, the Group stringently abides by the relevant law requirements, prioritizing social benefit, and protects underage players in our online games.

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Communication with Players and Customer Service

The Group offers game players with a wide range of player services and technical support, not only committed to satisfying the needs of our players, but also aimed at understanding the expectations of target customers through communication with players so as to constantly optimize our games. The Group has designated player service representatives who are dedicated to answering queries, resolving technical issues, offering consultation on gameplay and account maintenance. Players may contact our player service representatives through a variety of channels, including instant messenger, email, telephone, and in-game consultation system. The Group also outsources player services to third-party service providers, such as local service representatives, who are engaged to tackle language problems in communicating with local game players, and telephone operators, who are engaged to answer and direct calls to our internal representatives. The Group has policies in place for responding to complaints to ensure proper handling of complaints and recommendations raised by game players, and practically safeguard the rights and interests of game players.

Meanwhile, the Group has a survey team that actively solicits players' feedback and collects information from online public forums such as Baidu Tieba (百度贴吧). A data analysis system is used to evaluate players' satisfaction with our games, calculate and analyze player retention rates and other operating indicators, the games will then be redesigned or optimized based on the analysis.

Advertisement Management

The Group markets its games worldwide through a diverse spectrum of advertising and promotional programs. We have a dedicated team which works closely with our publishing and operation team to design and implement marketing and promotional programs catering to the demographics and characteristics of our target groups of game players. According to the target audience's preferences, the Group carries out different online advertising forms such as feeds, online video commercials, loading screen commercials and in-app commercials, and applies artificial intelligence and big data to monitor the quality of the content and commercial effectiveness. Through analyzing our game player demographics and behavior data, we may also select our offline marketing and promotion activities to achieve optimal publicity with commercial efficiency. In addition, the Group participates in various industry expos and conferences to promote our games and achieve maximum exposure.

The Group has established guidelines related to advertising and labelling to regulate product advertising and labelling issues. We strictly review the products and services we provide as well as related sales, marketing and advertising strategies and materials to ensure that no false publicity is involved and they comply with applicable laws and regulations, including the Advertising Law of the People's Republic of China and Interim Measures for the Administration of Internet Advertising, etc. We strictly conduct legal marketing and consciously resist illegal acts and vulgar marketing.

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ANTI-CORRUPTION

The Group believes that a corporate culture of high integrity is the key to its business success. Therefore, it attaches high importance to its anti-corruption work and system establishment and is committed to building an incorruptible, open and transparent corporate culture. As one of the core values, the Group expects every employee to adhere to the principles of honesty and integrity in all aspects of work. The Group requires all employees to abide by the code of business ethics, and undertake that there will be no corruption and bribery, nor will they engage in any fraud, extortion and money laundering activities.

In order to enhance governance and internal control of the Group, the Management System for Anti-fraud and Anti-money Laundering stipulates the work conduct required for employees by defining various areas relating to the work of anti-fraud and anti-money laundering, so as to avoid behaviors and circumstances which endanger the interests of the Group and Shareholders or violate the recognized ethical norm of the society, and minimize risk exposure of the Company. As the highest regulatory body, the Board is responsible for overall examination and supervision of anti-fraud measures. By offering regular and irregular personnel trainings and performing background check for recruitment of key positions, the human resources department exercises the related function of fraud prevention. Each year the Group conducts a comprehensive risk assessment, including the assessment of risks of fraud, and exercises regular control of the implementation of countermeasures.

In addition, the Code of Business Conduct for Employees stipulates the expectation of the Group on the employees regarding anti-corruption and prohibits behaviours involving risks of bribery, extortion, fraud and conflicts of interests. All staff in discharge of duties on behalf of the Group should abide by various requirements in terms of the Code of Business Conduct for Employees and uphold honesty and integrity. For staff violating such code, their employment contracts will be terminated and will be liable to corresponding punishment.

The Group strictly complies with the laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, including but not limited to the Criminal Law of the People's Republic of China, Company Law of the People's Republic of China and Anti-Unfair Competition Law of the People's Republic of China. During the reporting period, the Group was not aware of any significant non-compliance with the laws and regulations which may have significant impact on the Group relating to the prevention of bribery, extortion, fraud and money laundering, and has not filed and concluded corruption lawsuits against the Group or its employees.

The Group has established a strict and safe reporting mechanism to cultivate and maintain a clean and transparent culture of the Group. Through internal policy and mailbox for whistle-blowing provided in the company website, our stakeholders, including employees and the public, may report any suspected fraud cases. Whistle-blowers may choose to report anonymously or with real names. The Group strictly keeps confidential of the identities of whistle-blowers except in cases where public authorities request access in accordance with the law. For the reported information received, the internal audit department is responsible for acceptance and preliminary verification in accordance with formal operating specifications and procedures. For cases showing signs of fraud, investigation will be organised and implemented, with the results and opinion published and reported to the Board.

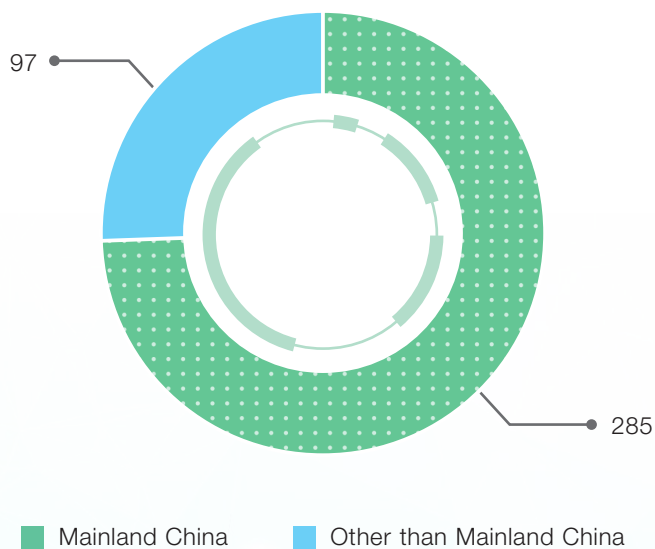
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SUPPLY CHAIN MANAGEMENT

The Group's suppliers primarily include third-party distribution channels from our integrated game publishing and operation business, intellectual property holders and marketing service providers. In order to standardize, proceduralize and systemize the procurement management process, the Group has established the Supplier Management System to regulate the Group's procurement management and reduce the risks arise from procurement. The procurement process is carried out under conditions of openness, fairness and justice. Evaluation is made according to the supplier's performance in various areas such as product quality, product price, purchased amount, scale and after-sales service of the supplier, and the evaluation results are reviewed by the management. The Group would not give discriminatory treatment to any supplier. Employees and other individuals who have a relationship for common benefit with the relevant supplier will not be allowed to participate in relevant procurement activities. The benchmark for purchase price ratio is standardized by the relevant system. The purchasers will choose 2-3 suppliers for quotation and comparison, and select the supplier who meets the procurement requirements. The Group also shows concern about the integrity of suppliers and partners, has zero tolerance to bribery and corruption, and strictly prohibits suppliers and partners from obtaining procurement contracts or partnerships through any form of transfer of benefits.

During the Reporting Period, the Group had a total of 382 suppliers from different locations, details of which are as follows:

Number of Suppliers by Geographical Location



EMPLOYMENT AND LABOR PRACTICES



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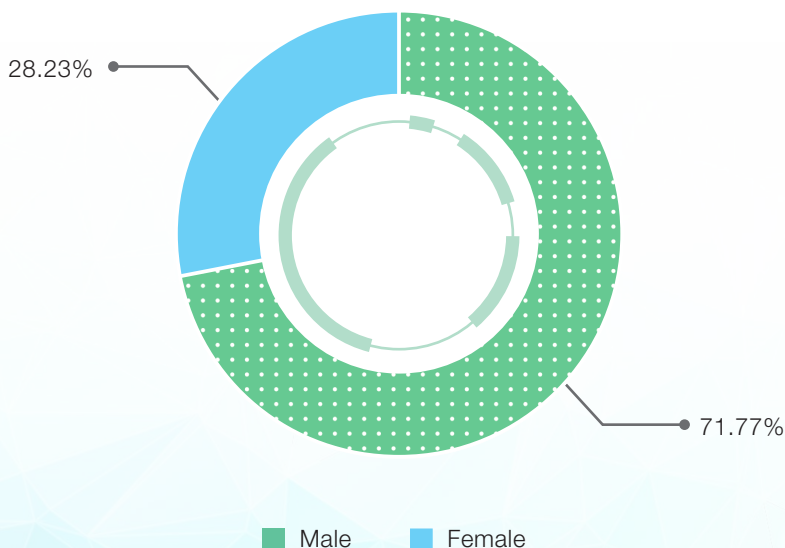
EMPLOYMENT

Employees are the Group's largest and valuable asset and the core of its competitive advantage, and at the same time provide the Group with the driving force for continuous exploration and innovation. The Group firmly believes that talents are the top priority of the Group's sustainable development strategy. We respect and protect the legitimate rights and interests of every employee. We have implemented comprehensive employee policies including the Employee Handbook, Code of Business Conduct and Attendance Management Policy, and distributed them to all employees. The policy contains internal rules and guidelines on best business practices, professional ethics, anti-fraud mechanisms, negligence and corruption. We provide employees with regular training and resources, and explain the guidelines contained in the Employee Handbook. Through these policies, the Group is committed to protecting the occupational health and safety of employees, safeguarding the vital interests of employees. The group fully respects and attaches great importance to stimulating employees' enthusiasm, initiative and creativity, and devoted to building harmonious labor relations.

The Group strictly complies with the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any major non-compliance of laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that may have a significant impact on the Group.

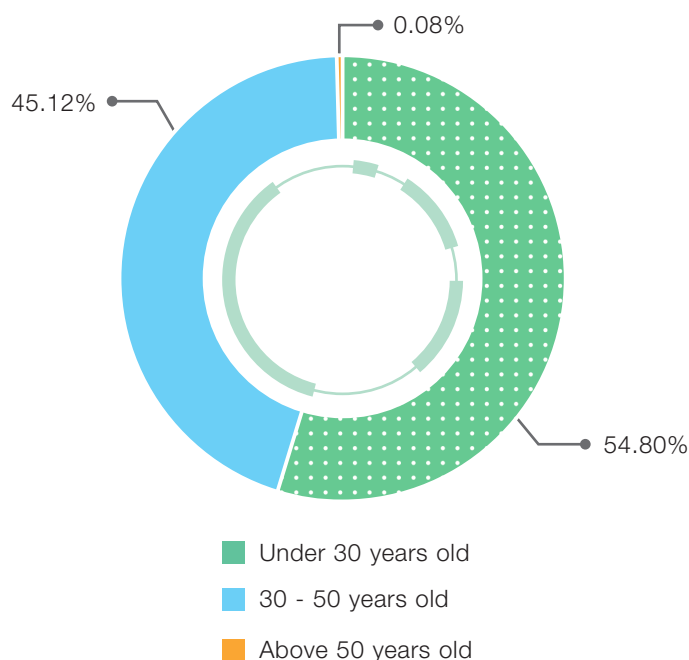
As at 31 December 2020, the Group has employed approximately 1,200 full-time employees, which are breakdown is as follows:

Percentage of Employees by Gender

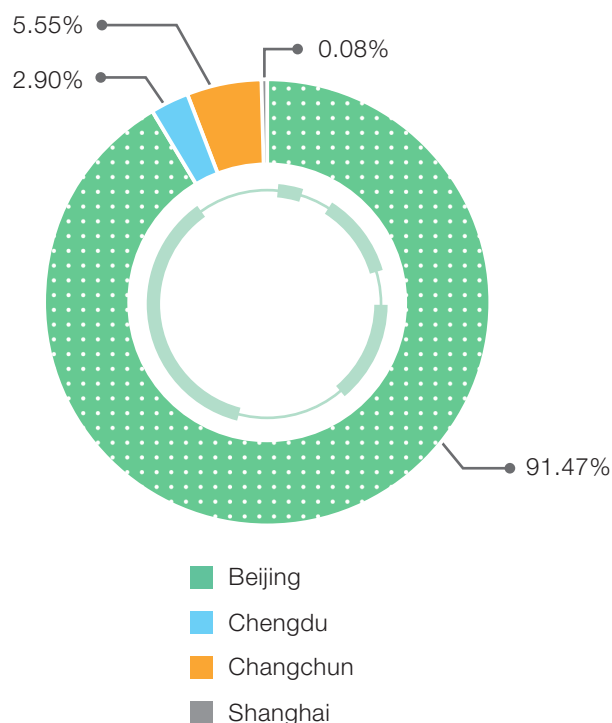


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Percentage of Employees by Age Group



Percentage of Employees by Geographical Location



Employee Remuneration and Benefits

The Group is committed to establishing a competitive and fair remuneration and welfare system to attract and retain outstanding talents. To ensure employees receive a competitive remuneration packages; we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. The Group has formulated the Remuneration Management Policy and implemented confidential remuneration. The remuneration of employees usually includes basic salary, performance bonus and year-end bonus. By adopting an equity incentive plan, the Group rewards directors, senior management and employees for their contributions to the Group and attract, motivate and retain skilled and experienced talents for the future development and expansion of the Group as well. The Group also has a salary adjustment mechanism. We conduct monthly performance evaluations to provide employee performance feedback, and conduct quarterly selection to affirm and encourage outstanding employees.

The Group has also formulated Archosaur Welfare Management Policy to specify the content of employee benefits. The Group has signed and performed labor contract with employees according to the Labor Contract Law of the People's Republic of China. With accordance to the law, we provide social insurance welfare (i.e. pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund), to ensure that employees enjoy social insurance benefits. In addition, the Group also regularly organises free medical examinations for employees to ensure their health and well-being, and to bring sustainable development and achievements to employees and the Group.

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The Group also complies with the requirements of the national and local laws and regulations such as the Labor Law of the People's Republic of China, to effectively protect the legitimate rights and interests of labor and respect their rights to rest and take vacations, and regulates the employees' rights to various holidays in accordance to the Employee Handbook.

Work-life Balance

Apart from caring staff at workplace, the Group also aims to provide employees with a work-life balance lifestyle. During festivals such as Mid-Autumn Festival, Dragon Boat Festival, Christmas, Chinese Valentine's Day, the Group will organise various activities for our staff to send them sincere festive blessings.



Environmental, Social and Governance Report

Recruitment, Promotion and Dismissal

The Group has formulated a transparent Recruitment Management Policy to attract and select trial talents and enhance the business competitiveness. The Group's recruitment follows the principle of equal opportunity. When there is a job demand, the Group's employees have the same opportunities as external applicants, and the principles of fair competition, merit-based admission and probation shall be ensured. All recruitment needs to be jointly inspected by the employing department and the Human Resources Department in terms of knowledge, ability, morality, health, and job competence. At the same time, we focus on the skills capability and integrity that closely related to the Group's strategy, culture, and business. The Human Resources Department of the Group is not only responsible for the implementation of recruitments, selections, interviews, but also responsible for consolidating the recruitment needs from various departments, in accordance to the existing plans and business development. It is also responsible for compiling annual staff recruitment plans and decomposing monthly recruitment plans, and improving the Group's recruitment system and process.

The Group has established a Performance Management Policy to guide, evaluate, develop, motivate and reward employees' performance in a systematic manner. The policy also regulates the promotion and career development of employees. For employees with outstanding performances, the Group will provide more opportunities in training, promotion and career development.

The Group has formulated the Resignation Management Policy to regulate the resignation management of the employees, clarify the operation procedures of resignation, and ensure the legitimate rights and interests of the resigned employees.

Equal Opportunity

The Group is committed to creating an equal corporate culture and providing employees with an equal, diversified and non-discriminatory working environment. The Group strictly abides by the laws and regulations of the nation and the local government, and adopts a fair, impartial and open in the recruitment process. We are committed to providing equal opportunities in respect of employment, maintaining a workplace at which nobody is differentially treated, excluded or given preference out of their race, color, age, family background, gender, religion, ethnicity, or social origin. In the process of recruitment, training and promotion, we treat all candidates equally to protect their rights and interests, which creates and maintains an inclusive and collaborative workplace culture.

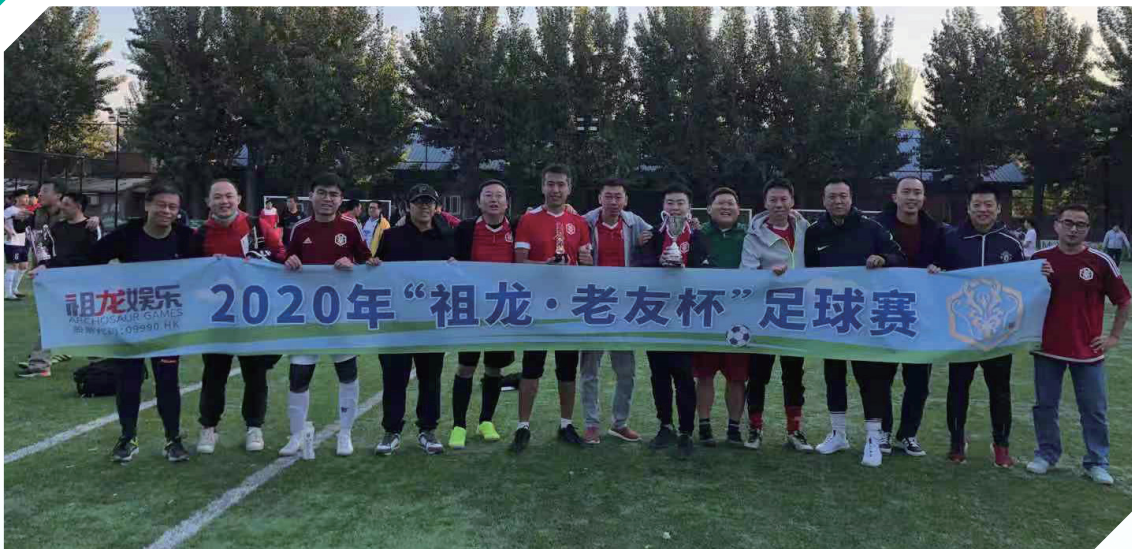
Environmental, Social and Governance Report

EMPLOYEES' HEALTH AND SAFETY

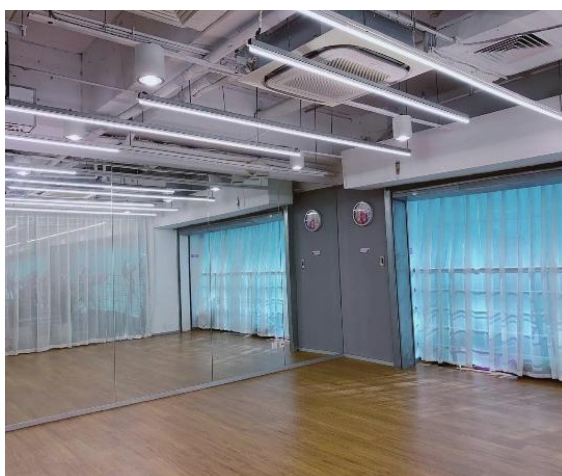
As a mobile game company, our employees do not involve in any significant health and safety risks in daily operation. Nevertheless, the Group attaches great importance to the health and safety of employees. The Group has also formulated relevant policies to ensure a healthy, safe and comfortable working environment for employees.

The Group strictly complies with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards, including but not limited to the Labor Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Fire Protection Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that may have a significant impact on the Group. There were no work-related fatalities and lost days due to work injuries.

At the same time, the Group cares for its employees and values their mental health, and encourages employees to achieve a balance between work and life and maintain their physical and mental health. The Group has established various clubs for employees, including clubs for ball games, board games, handicrafts, photography, dances, etc. At the same time, the Group also sets up dance studios, reading areas and other equipment for employees. It aims to enhance the sense of belonging of employees and the cohesion of the team through social activities, relieve work pressure, and create a good working atmosphere.



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Also, the Group provides healthy lifestyle and safety information to employees to enhance their own health awareness. Apart from regular free medical examinations for employees, the Group also provides gym rooms and table tennis rooms for them, to fully show our care for the health of employees.



In response to the outbreak of the Coronavirus Disease (“COVID-19”) in 2019, the Group strictly abides by and implements the guidelines and announcements of the Chinese Centre for Disease Control and Prevention on epidemic prevention. We remind employees of the importance of maintaining personal hygiene to protect their health and to minimize our operational risks. During COVID-19 pandemic, the Group implements remote office, and relevant departments have ensured that the standard of our system is sufficient to meet the requirements, such as implementing cyber security measures, establishing a basis for authority, and setting up approval procedures. The Group has also adopted anti-epidemic measures in the office, such as conducting temperature checks before entering the office, requiring employees to wear masks throughout the work, and distributing anti-epidemic supplies including masks and disinfectants to ensure the health of employees, the Group’s internal safety as well as business continuity.

DEVELOPMENT AND TRAINING

The Group attaches great importance to the professional development of employees. We integrate “continuous learning” into our corporate culture, and provide regular and specialized training tailored to the needs of employees in different departments. The Group has a training center which regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest which employees can vote on. The training institution, managed by the heads of our human resource and administration departments, schedules regular training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. The training courses cover various aspects of business operations, including overall management, project execution and technical knowledge. We constantly review the training content and follow up with employees to evaluate the effectiveness of the training.

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The Group also provides regular training to the information technology team and organizes workshops from time to time to discuss any issues and necessary updates. Throughout the training, we help our employees to understand the latest development of the industry, skills and technology, in order to strengthen the skills and knowledge of the employees and to meet customer needs.

During the Reporting Period, the total accumulated training hour of the Group is 864 hours. The trained employees are accounted for 28% of total employees and the employees achieved an average training hours of 0.72 hours, details of which are as follows:

	Number of employees trained (Percentage)	Average training hour
By Gender		
Male	267 (79%)	0.73
Female	70 (21%)	0.68
By Employment Category		
Staff from Research and Development Center	319 (95%)	0.81
Staff from Publishing and Operational Center	3 (1%)	0.03
General Management Staff	15 (14%)	0.14

LABOR STANDARDS

The Group strictly complies with the laws and regulations relating to preventing child and forced labor, including but not limited to the Labor Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Minors, and Provisions on the Prohibition of Using Child Labor. During the Reporting Period, the Group was not aware of any non-compliance with the laws and regulations related to the prevention of child labor or forced labor that may have a significant impact on the Group.

The Group strictly prohibits the employment of any child labor. To prevent child labor in our operation, the Group requires candidates to provide true and accurate personal information. The recruiters strictly review the candidates' information, such as identity card, bank account and other information in order to further confirm the qualifications of candidates. If there is any case of child labor detected, the Group will immediately terminate the contract and contact his parents or legal guardians. The Group will also arrange the return of the child labor to the original place of residence promptly and bear all the related expenses.

In addition, the Group has clearly stated the standardized working hours and overtime management policy in the Employee Handbook to prevent the case of forced labor and protect the rights and interests of employees. Employees need to follow the principle of voluntariness for overtime work and submit overtime applications as required to avoid the violation of labor standards. If any violations are found, the Group will immediately carry out relevant investigations and transfer them to the relevant judicial authorities.

ENVIRONMENTAL PROTECTION





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GREEN OPERATION

As the environmental threats occasioned by climate change are imminent, the society increasingly urges for concerted efforts to take emergency actions by all walks of lives. The Group attaches great importance to sound environmental management and undertakes to provide necessary labor, logistics, technical and financial support for environmental protection work in order to fulfill the Group's social responsibility. In accordance with the national rules on environmental protection and resource conservation, and in line with its actual operational needs, the Group has established an environmental protection and resource conservation system, as described in the Environmental and Social Responsibility Management Policy, to control the greenhouse gases ("GHG") generated and energy consumption during operation as to ensure compliance with all relevant requirements from environmental protection laws, rules and regulations. We regularly assign designated personnel to examine the implementation of the environmental protection system, rectify behaviors that do not observe the Company's environmental protection system, and adopt corresponding remedial measures. We have also taken the initiative to introduce our environmental protection business practices to our operation to raise our employees' awareness of environmental protection.

Emissions

The Group, being a mobile gaming company, the emissions of which are insignificant, mainly consisting of GHG emissions and non-hazardous waste caused by purchased electricity. As set out in the Environmental and Social Responsibility Management Policy, the Group would adopt environmentally friendly technologies whenever possible, such as designs dedicated for energy-saving and waste reduction. The Group would also continue to increase staff awareness of environmental protection and resource conservation through effective means such as propaganda and education, for instance, encouraging our employees to take public transport to lower the generation of daily GHG emissions.

The Group strictly complies with the laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China in the Prevention and Control of Atmospheric Pollution and the Water Pollution Prevention and Control Law of the People's Republic of China, etc. During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that may have a significant impact on the Group.

Exhaust Gas Emissions

Due to our business nature, we are not involved in industrial production or owning any vehicles, therefore the Group's operations will not generate a large amount of exhaust gas emissions.

GHG Emissions

The major source of the Group's GHG emissions is the energy indirect GHG emissions (Scope 2) arising from consumption of purchased electricity. Since the Group does not own any vehicles, it does not involve direct GHG emissions (Scope 1).

The Group proactively adopts electricity saving and energy saving measures to reduce GHG emissions, including strict control on the usage of air-conditioning, lighting facilities and office appliances. The specific measures will be described in the section "Electricity Management". Under the influence of the above measures, employees' awareness of carbon reduction has been improved.

Environmental, Social and Governance Report

During the Reporting Period, the Group's GHG emission are as follows:

Indicator ¹	Unit	Emissions
Direct GHG emissions (Scope 1)	tCO ₂ e	–
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	819.73
Total GHG emissions (Scope 1 and 2)	tCO₂e	819.73
GHG emission intensity ²	tCO ₂ e/million revenue	0.68

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards issued by the World Resources Institute and the World Business Council for Sustainable Development, How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, and the newly released baseline emission factor for China's regional power grid and the global warming potential of the Fifth Assessment Report issued by the IPCC.
2. During the Reporting Period, the total revenue of the Group was RMB1,208.8 million. This data will also be used to calculate other density data.

Sewage Disposal

Since our business activities do not consume a large amount of water, our business activities do not generate a large amount of sewage discharge. In addition, the wastewater discharged by the Group will be sent to the regional water purification plant through the municipal sewage pipe network, so the water consumption of the Group is equivalent to the amount of sewage discharged. The Group's water consumption data will be described in the section headed "Water Management".

Waste Management

The Group adheres to the principles of waste management and is committed to the proper treatment and disposal of all waste generated by our business activities. We identify, classify, as well as centrally store and treat the waste. The Group sets up unified collection boxes for classification, assigns responsible personnel to handle waste in a timely manner, and maintains the environmental sanitation around the collection boxes. All our waste management practices are in compliance with relevant environmental laws and regulations.

Hazardous Waste

Due to our business nature, the Group does not use toxic or hazardous substances, hence no hazardous waste is generated during the operation. In the unlikely event that any hazardous waste is generated, we will engage a qualified chemical waste recycling company for handling such waste under the compliance with relevant environmental laws and regulations.

Environmental, Social and Governance Report

Non-hazardous Waste

Due to our business nature, the major non-hazardous waste generated during the Group's operation is office paper. The Group adheres to the 4Rs principle and strives to properly manage and dispose of the non-hazardous waste generated from its operations. In order to minimize the use of paper, we have regularly monitored the consumption of paper and implemented the following measures and regulations to reduce waste:

- Set up waste paper recycling bins;
- Reduce paper consumption in the workplace through double-sided printing;
- Encourage employees to utilize electronic means of communication to promote a "paperless office"; and
- Recycle waste paper, cardboard boxes, envelopes and binders.

With the above-mentioned waste reduction practices and measures, the staff's awareness of waste management has been improved.

During the Reporting Period, the non-hazardous waste disposal of the Group performance is as follows:

Type of non-hazardous waste	Unit	Disposal
Paper ³	kg	1,181.91
Paper Disposal Intensity	kg/million revenue	0.98

Note:

3. Total paper disposal is equivalent to 1.18 tonnes.

Environmental, Social and Governance Report

Use of Resources

The Group considers active promotion of efficient use of resources as its mission. It has formulated energy conservation policies to ensure that the use of resources in its business operations are reasonable and highly efficient, to promote a green operating environment and minimize the environmental impact of the Group's operations. The Group's employees coordinate with these policies and consciously cherish electricity, paper and water resources. The Group's Environmental and Social Responsibility Management Policy regulates the operational process to carry out energy saving and emission reduction responsibilities, actively utilize energy-saving products, develop a circular economy, and improve resource utilization, so as to reduce the consumption of water, electricity, paper and other resources.



Environmental, Social and Governance Report

Energy Management

The Group actively implements the concept of energy conservation and emission reduction. In addition to reducing the unnecessary electricity, the Group is also committed to fulfilling its corporate responsibility for energy conservation and emission reduction and building a green and environmentally friendly working environment. The Group actively reduces electricity consumption by managing the use of air-conditioning, lighting facilities and office computers to achieve energy conservation. In order to reduce electricity consumption, the Group actively adopts advanced lightings that is more environmentally friendly, requires our employees to turn off or lower the lights under sufficient sight condition. In addition, in order to minimize excess energy, the Group has formulated clear management measures for air conditioners and office appliances. These include but are not limited to:

- The air-conditioning cooling temperature setting in summer is not lower than 26 degrees, and the heating temperature setting in winter is not higher than 18 degrees;
- Turn off the air conditioner 30 minutes before leaving the office;
- When using the computers, adjust the screen to an appropriate brightness to avoid excessive brightness;
- Turn off the screen when the person leaves the seat for more than 5 minutes;
- Turn off the computers in the office before leaving; and
- Keep ventilation around the computer chassis of the office computers to avoid accumulation of debris that affects the heat dissipation of the equipment.

Through the above measures, employees' awareness of energy saving has been improved.

During the Reporting Period, the Group's performance on energy consumption is as the follows:

Type of Energy	Unit	Consumption
Direct energy consumption	kWh	—
Indirect energy consumption (purchased electricity)	kWh	871,197.00
Total energy consumption	kWh	871,197.00
Energy consumption intensity	kWh/million revenue	720.71

Environmental, Social and Governance Report

Water Management

The water consumed by the Group is mainly domestic water, such as toilet water and cleaning water. We encourage all employees to develop the habit of consciously saving water. The Group has strengthened water-saving promotion and posting water-saving slogans “Turn off the water tap before leaving” and guide employees to use water effectively. Besides, we use water-saving sanitary ware wherever possible, regularly inspect the water supply and drainage systems of the toilets and pantry, and promptly investigate and repair leakage. Through the above measures, employees’ awareness of water conservation has been improved.

Due to the geographical location of the Group’s operating points, the Group did not have any major issue in sourcing water that is fit for purpose.

During the Reporting Period, the Group’s water consumption performance was as follows:

Water Consumption	Unit	Consumption
Total water consumption	m ³	6,079
Water intensity	m ³ /million revenue	5.03

Use of Packing Materials

Due to the Group’s business nature, we do not consume a significant amount of packaging materials as we do not have any industrial productions nor any factory facilities.

The Environment and Natural Resources

The main business of the Group is the development and operation of mobile games, which will not have a significant impact on the environment and natural resources. Yet, the Group continues to pursue environmental protection and focuses on the impact of the Group’s business on the environment and natural resources. In addition to complying with environmental regulations and international standards, and properly protecting the natural environment, the Group has also adopted a number of measures to reduce its impact on the environment. On the other hand, the Group also provides environmental protection education to all employees, so as to improve the environmental awareness of employees.

Working Environment Management

The Group is committed to providing employees with a comfortable and green working environment and maintaining a hygienic and neat environment in the workplace to increase work efficiency. Representatives from both the Group and the property management company inspect the office area regularly to ensure that a clean and tidy working environment is maintained. Problems within the workplace will be identified in a timely manner and preventative measures will be taken to minimize potential hazards. Due to the Group’s business nature, our daily operation does not have a significant impact on the office’s air quality. Nevertheless, the Group monitors the indoor air quality of the workplace regularly and is dedicated to maintaining sound indoor air quality by cleaning the air-conditioning system regularly.

SOCIAL RESPONSIBILITY



Environmental, Social and Governance Report

CORPORATE SOCIAL RESPONSIBILITY

Adhered to the concept and mission of philanthropy, the Group formulated the Environmental and Social Responsibility Management Policy to standardize the effective performance of corporate social responsibility and realize the synergistic development of the enterprise and society. Each of the departments and various subsidiaries under the Group are required to proactively participate in community activities and charity events to fulfill their social responsibility, and regularly evaluate their performance of corporate social responsibility. The Group, on irregular basis, makes donations to non-profit and charitable organizations in order to contribute to society, build up a good public image and demonstrate its corporate citizenship.

In addition, to insist on its corporate values and fulfill its social responsibility, the Group is committed to fostering outstanding professionals for the industry and constantly exploring new possibilities for the sustainable development of the PRC gaming industry. Guided by the idea of “integration of production and education”, the Group has established deep cooperative relationships with a number of tertiary education institutions, constantly transforming the experience and methodology it has accumulated over the years into knowledge output, thereby incessantly expanding the talent pool in the PRC gaming industry.

In order to make contribution to talent cultivation, the Group has established the Archosaur Games Training Platform with Jilin Animation Institute to provide teachers and students with opportunities to achieve seamless linkage with the industry and to practice and grow in project implementation. During the five years since its official launch in 2015, the students from Jilin Animation Institute leveraged on numerous gaming practice projects, of which more than a thousand of them have become industry leaders who can work independently. Nevertheless, through in-depth cooperation with the Group and leveraged on the Archosaur Games Training Platform, Jilin Animation Institute has facilitated universities to realize simulation teaching and theoretical teaching and make adjustment towards commerce teaching. The Group is committed to nurturing and supplying to the whole gaming industry more outstanding talents with strong practical capabilities who can meet industry and business needs.

Through long-term cooperation jointly with Tsinghua University for the development of neo-culture creativity and talent strategy, the Group continued to pay close attention to the improvement of vocational skills and employment of university students, and attended a number of technological exchanges and seminars held by Tsinghua University. In 2019, the Group even completed the construction of the Loong Square located in Tsinghua University's campus, being an open space for students' career planning, career development exchange, employment discussions and campus recruitment, and expected it to help promote the Group's strategy of introducing elite talents. Both parties would continue to adhere to the people-oriented principle, strive to enhance training and reserve of talents for the sector, and enable outstanding talents to unleash their potential and realize their dreams, such that more aspiring youths can devote themselves to the road of socialism with Chinese characteristics and help realize the “Chinese dream”.

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THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs

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祖龙娱乐
ARCHOSAUR GAMES

祖龙娱乐有限公司
Archosaur Games Inc.