

CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 745

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2021



Environmental, Social and Governance Report

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Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This Environmental, Social and Governance report (the “ESG Report”) has been prepared by the management of 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 (the “Listing Rules”) and on the basis of its four reporting principles – Materiality, Quantitative, Balance and Consistency.

This ESG report presents mainly ESG-related policies, initiatives and performance of China National Culture Group Limited and its subsidiaries (collectively referred as “the Group”) on the advertising and e-commerce business for the year ended 31 March 2021. It will also highlight material aspects identified from 1 April 2020 to 31 March 2021 (the “Reporting Period”). The Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented. The Board has overall responsibility for the ESG strategy and reporting of the Group.

The ESG Report has been presented into two subject areas, including Environmental and Social aspects. 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.

Unless otherwise stated, the key ESG performance indicator data were collected from the operational control system of the Group and its subsidiaries. We will continue to extend the scope of disclosure in the future and deepen our work and philosophy of sustainable development.

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.

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STAKEHOLDER ENGAGEMENT

The Group believes that stakeholder participation is an integral part of the Group's continuous improvement of the sustainable development performance. Therefore, the Group places emphasis on the opinions of both its internal and external stakeholders. The key stakeholders for the Reporting Period are identified by the Group as follow:

- 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/Sub-contractors.

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major functions have participated in the preparation of the ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues and assess the importance of related matters to our business and each stakeholder.

An internal materiality assessment was conducted to determine which ESG issues are important to the business of the Group and its stakeholders. The result shows that four topics are identified to be relevant, including:

- the efficient use of energy;
- employee benefits and welfare;
- a safe working environment and prevention of occupational hazards; and
- anti-corruption.

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A. ENVIRONMENTAL

The Group is always concerned about the adverse impacts of its business activities 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 cases of material 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 impacts on the environment and natural resources. Energy usage occupies a large proportion of input in our operation, which involves in powering the electrical appliances in our office. The Group is aware of the importance on reducing greenhouse gas emission through enhancing energy efficiency and energy conservation.

Air Emissions

Due to the nature of the Group's business, there is no emission from the gaseous fuel consumption and thus the total amount of air emission is insignificant compared to other industries. There was no operating vehicles and fuel consumption during the Reporting Period. Therefore, the air emission was minimal.

Greenhouse Gas Emissions

The Group consumes electricity for its advertising, e-commerce and trading and production of movie business. The emission of greenhouse gases, such as carbon dioxide (CO₂) and methane (CH₄), has been calculated by the quantity of energy consumed multiple by the emission factors.

The Group did not consume fuel for vehicles and the only source of greenhouse gas emission was from purchased electricity. In the reporting year, the total GHG emissions was 2.9 tonnes of CO₂-equivalent ("CO₂-e")

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Waste and Wastewater Management

Waste and wastewater produced during daily operation are managed and handled by our property management. During the Reporting Period, the Group did not carry out any production, mining and exploration activities. Therefore, there was no generation of hazardous waste. The main sources of non-hazardous waste are the commercial waste and domestic waste from the daily operation of the offices. Non-hazardous waste production is considered as immaterial to the Group's operation since the business nature of the Group is advertising and e-commerce business. The Group has launched a number of waste management programs, including:

- Recycling of paper materials, printing cartridges and batteries; and
- Establishing the waste battery recycling tank and delivering the recycled batteries to professional treatment organization for proper treatment; and
- Encouraging staff to mitigate paper consumption by double-sided printing and reuse single-sided printed papers.

A.2 Use of Resources

Resources Consumption

The Group is committed to upholding high environmental standards in order to promote environmental friendliness and 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 air conditioner temperature and has encouraged the use of recycle papers in office. Management also encourages and ensures lights and air-conditioning were switched off where 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 mainly relate to electricity for maintaining daily operation of the offices. During the Reporting Period, the Group consumed 4,826 kWh of electricity and the intensity of consumption in electricity was 219 kWh per worker. The Group is striving to reduce the consumption of electricity by implementing any necessary measures to minimise the adverse effect brings to the natural environment.

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Paper Usage and Packaging Materials

The Group encourages staff to communicate through electronic media with clients and co-workers. Good practices, like double-sided printing and reuse of single-sided printed papers, are promoted. The Group stated that the consumption of paper was immaterial and has no relevant information of paper usage during the Reporting Period. In addition, the use of packaging materials was not material to the Group due to the nature of the business.

Water Conservation

Although the operation of the Group does not consume significant amount of water, the Group still actively promote the awareness of water conservation. The daily water consumed by the Group is mainly supplied from the municipal water network, and there is no difficulty in sourcing water. The Group requires employees to turn off taps consciously in their daily lives and work and encourage smaller water consumption. The Group encourage staff to promptly notifies the relevant departments for follow-up repair once the failure or leakage is spotted.

A.3 Environmental and Natural Resources

Measures in Reducing Environmental Impacts

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 promoting green procurement, such as recycled paper, and recycling used toner and cartridge to avoid pollution. Trying to reduce the quantity of copying paper, the Group uses duplex printing, print on used paper, use copier networking for faxing and document storage. The Group has also implemented electronic leave application.

The Group strictly complies with relevant local laws and regulations on environment in the PRC and Hong Kong. During the Reporting Period, the Group is not aware of any material non-compliance with relevant laws and regulations regarding environmental issues.

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B. SOCIAL

B.1 Employment

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 2021, the Group had 22 employees. Employment in PRC is 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. The Group has also complied with the laws and regulations in respect to the employees' social security schemes that are enforced by the local governments in the PRC and Hong Kong in relation to employee benefits. During the year, the Group did not aware of any material non-compliance with the above law and regulations.

The graphs below show the workforce distribution by gender, age group and geographical regions:

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Equal Opportunities

Being an equal opportunity 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.

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 organizes recreational activities, such as badminton races and basketball match, for employees regularly. Holding recreational activity 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. The group also provides free body check up to all staff before admission and annually.

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 2021, no cases of work-related injury or fatality 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 training. 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 business of the Group.

There are budgets per annum for directors and other staffs' training and reimbursed given after the completion of the enrolled program. To fully develop the workforce, new staffs 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 any additional training or improvement plan required for each staff from their performance result.

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B.4 Labour Standard

The operation team of the Group requires 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 operation.

To screen job candidates during recruitment, the Group reviews the applicants' application forms and conducts identity card verification. The Group would immediately terminate employment contract 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. Group also has policies to protect staff's labour rights with a complaint system for staffs to report their concerns and any violations of labour rights.

Undoubtedly, during the year ended 31 March 2021, the Group is prohibited to employ any staffs 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 sub-contractor management plan to control the selection and supervision of sub-contractors and suppliers such that they are up to our strict requirements in safety, environmental and quality performances.

Our evaluation of a sub-contractor/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.

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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 products 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.

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. Code of Conduct 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 of Conduct 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 activity, a report will be made to ICAC or appropriate authorities. A channel for raising complain is open 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 activities has been detected by the Group and reported by staff.

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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.

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SUMMARY OF KEY PERFORMANCE INDICATORS (KPIs)

KPIs		2021	Unit	
ENVIRONMENTAL ASPECTS				
Aspect A1: Emissions				
A1.2	Greenhouse gas emissions in total and intensity			
	Scope 2 emissions	2.9	tonnes CO ₂ -e	
	Total greenhouse gas emissions	2.9	tonnes CO ₂ -e	
	Greenhouse gas intensity (by no. of employees)	133.8	kg CO ₂ -e/employee	
Aspect A2: Use of Resources				
A2.1	Direct and indirect energy consumption by type			
	Indirect energy consumption	4,826	kWh	
	Total energy consumption	4,826	kWh-e	
	Energy intensity (by no. of employees)	219.4	kWh-e/employee	
SOCIAL ASPECTS				
Aspect B1: Employment				
B1.1	Total workforce		22	employees
	By gender	Female	6	employees
		Male	16	employees
	By age group	Below 29 years old	2	employees
		30-39 years old	15	employees
		40-49 years old	4	employees
		50 years old or above	1	employees
	By geographical region	Hong Kong	6	employees
		PRC	16	employees