



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

2021

環境、社會及管治報告
Environmental, Social
and Governance
Report



Environmental, Social and Governance Report



ABOUT THE REPORT

This environmental, social and governance (“ESG”) report (the “Report”) is the second 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 on issues concerning to stakeholders, and demonstrates the Group’s commitment to sustainable development.

Reporting Scope

The Report reflects 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 reporting scope of the Report is consistent with the annual report, which covers the Group’s offices in Beijing, Shanghai, Guangzhou, Chengdu, and Changchun in China, i.e. the main operational locations of the Group, among which, offices in Shanghai and Guangzhou are new operational locations included in the reporting scope. 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

The Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year starting from 1 January 2021 to 31 December 2021 (the “Reporting Period”).

Reporting Framework

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Group has applied the reporting principles of “materiality”, “quantitative”, and “consistency”.

- **Materiality:** We have followed the ESG Reporting Guide to conduct a materiality assessment, and the result of the assessment were reviewed and confirmed by the board of directors (the “Board”). Material issues identified will be disclosed. For further details, please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment”.
- **Quantitative:** The Report followed the ESG Reporting Guide, based on applicable quantitative standards, practices, and adopted quantitative methodologies to calculate and disclose KPIs. The calculation standards, methodologies, assumptions and/or calculation tools for the KPIs in the Report, and the sources of conversion factors used have been explained where applicable.
- **Consistency:** The preparation approach and KPIs of the Report is consistent with those of the previous year. Since the reporting scope of the Report has changed compared with last year, it is not meaningful to directly compare the data of the two years, and explanations for the corresponding data have been provided.

Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report from page 59 to 69 of the 2021 annual report.



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Contact Us

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

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ABOUT THE GROUP

Our Values



Archosaur Games Inc. 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 experiences. As of 31 December 2021, we have launched a total of 16 mobile games with over 70 regional versions available in more than 170 regional markets in 14 languages. We are a pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs, SLGs, female-oriented and other genres, with proven capabilities in developing high-quality mobile games, and the high-quality game portfolio in various categories provided has a good market reputation.

We continue to lead technological transformation in the industry, and have pioneered many of China's mobile game industries: Under the Firmament (鴻圖之下) is the first mobile SLG developed by Unreal Engine 4 in China. Dragon Raja (龍族幻想) is China's first next-generation real 3D mobile MMORPG powered by Unreal Engine 4, Fantasy Zhuxian (夢幻誅仙) is one of the pioneering real 3D turn-based mobile MMORPGs and Loong Craft (六龍爭霸/六龍御天) is one of the first real 3D mobile MMORPG grand strategy wargames.

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In January 2021, we launched a new game, The New World (夢想新大陸), which is the first turn-based mobile MMORPG developed by Unreal Engine 4. On the first day of launch, the game topped the Top Free Games Chart of iOS App Store in mainland China. Under the Firmament (鴻圖之下), as our first SLG mobile game, was launched successively in Japan, Southeast Asia, Hong Kong, Macau and Taiwan, Europe and the Americas in 2021. On 31 March 2021, the game was self-published in Japan. It was recommended by iOS and Google and reached the top five on the Top Free Games Chart of the iOS App Store in the first week of launch. Subsequently, the game was launched in Hong Kong, Macau and Taiwan on 14 April 2021 and topped the Top Free Games Chart of the iOS App Store on the first day of launch, realizing our important expansion and layout in the SLG genre, with the unanimous recognition and acclaim of the gaming industry.

Currently, the Group continuously undertakes the effort to expand and improve the self-publishing team and its publishing capabilities, attract world-renowned IPs and enhance its globalized layout. By continuously providing high-quality products to game players from different countries and regions, we established the brand of “Archosaur Games” globally, thus establishing our extensive reputation in the global market. During the Reporting Period, Mr. Li Qing, Chairman and Chief Executive Officer of the Group, was awarded the “2021 Game Industry Leader” by China Enterprise Network, which is a recognition of Mr. Li Qing’s leadership of the Group’s continuous excellence in the industry.

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 experiences.

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 ESG issues. The Board’s duties include determining the Group’s ESG management approach and strategy, assessing risks on the Group’s environmental and social responsibility with the assistance of the management, 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. The management conducts an annual materiality assessment, to evaluate, prioritize and manage material ESG-related issues. Through inspecting and evaluating the performance of different ESG aspects such as environmental, employment, and product responsibility, the management also regularly reviews progress made against ESG-related targets, to supervise the Group’s practice of its corporate social responsibility and ensure the long-term enterprise growth potential.



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STAKEHOLDER 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 issues. 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 the 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:

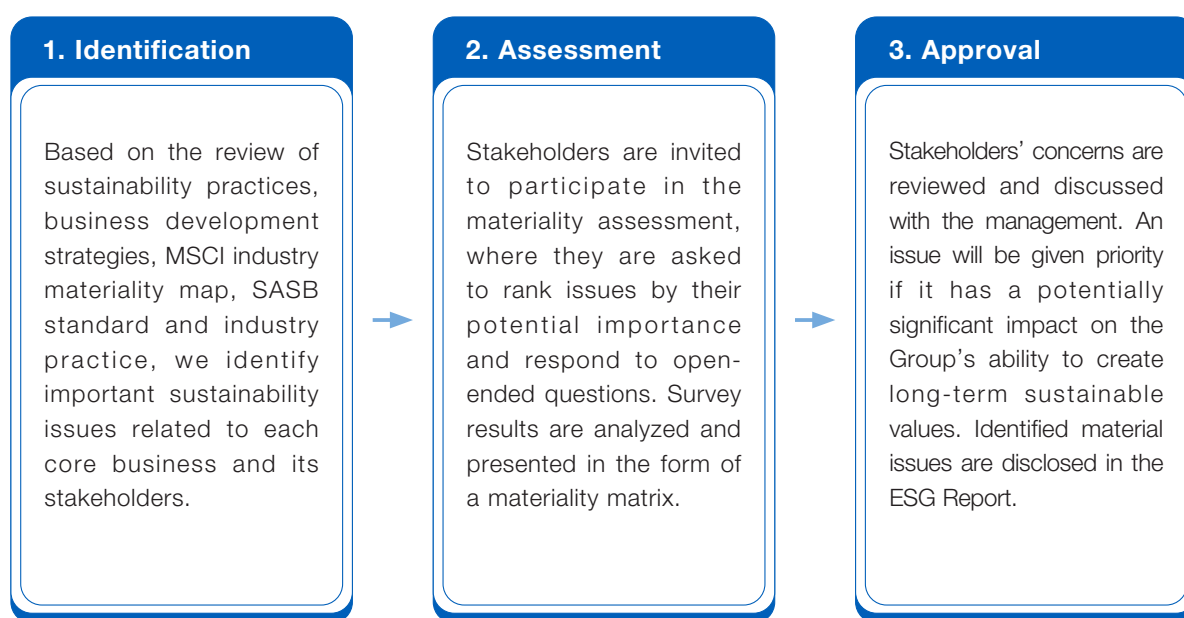
Stakeholder	Communication channels	Expectations
Shareholders and investors	<ul style="list-style-type: none">• Annual general meeting and other Shareholders' meetings• Financial reports• Investor relations activities• Announcement and circular	<ul style="list-style-type: none">• Financial performance• 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
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

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MATERIALITY ASSESSMENT

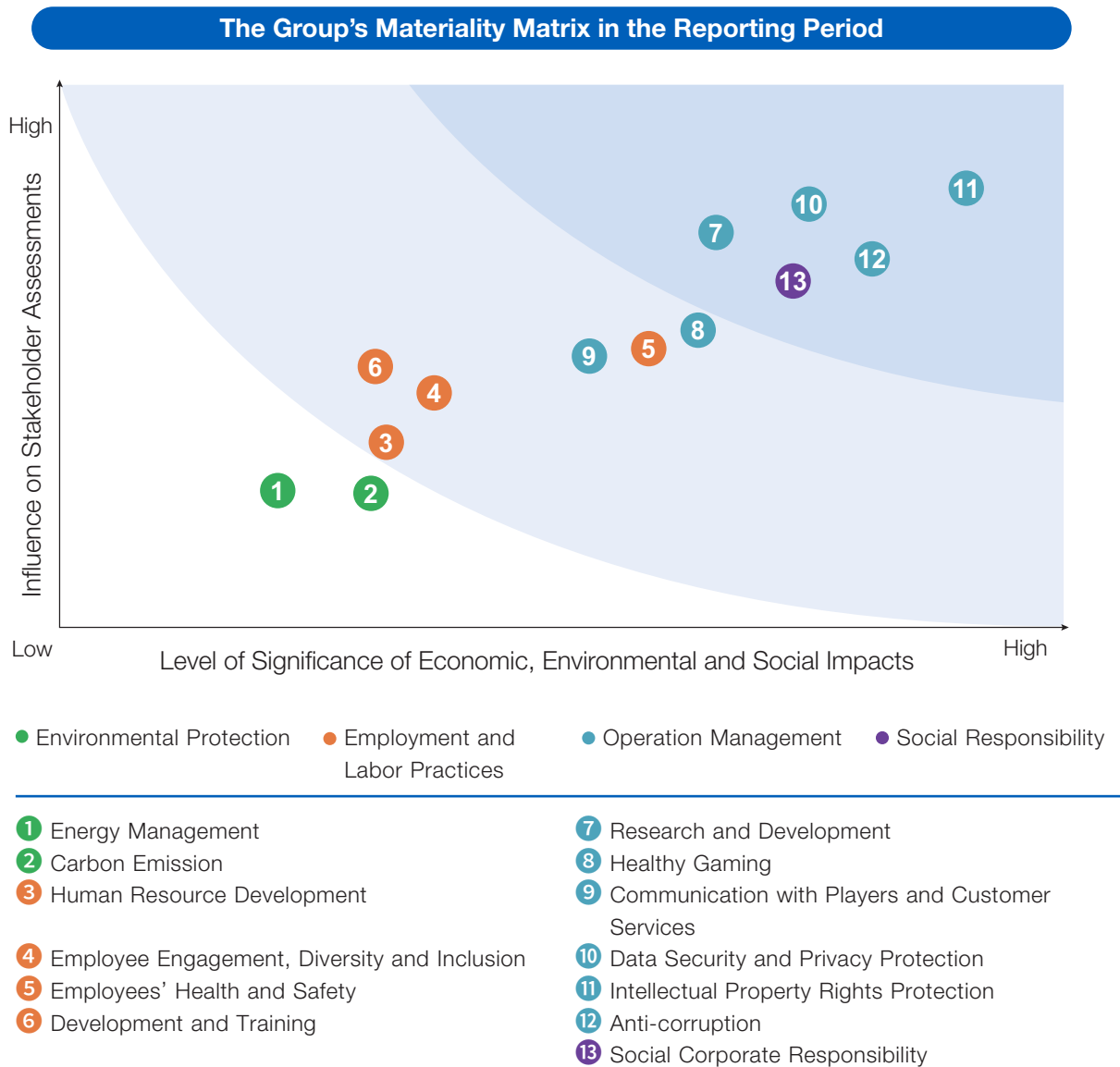
In order to better understand the views and expectations of stakeholders on the ESG performance of the Group, we not only consider the business development strategies and the industry practices but also refer to the MSCI industry materiality map and SASB standard formulated by Sustainability Accounting Standards Board, to identify the ESG issues that are pertinent to the Group's business. Through conducting 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 evaluate and prioritize the sustainability issues that stakeholders consider to be most material in the core business.





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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:



The most important issues of the Group's concern are intellectual property rights protection and 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

The vision and mission of the Group are 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 experiences. Providing users with a good gaming experience is the Group's most important product responsibility, and also the key to attracting and retaining game users. We are highly focused on the quality of products and services. When launching new games, we predict and match changes in players' interests and preferences as well as the ever-changing competitive environment in the mobile game industry. We 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 game system stability.

During the Reporting Period, our 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	2020 IF•Innovation Leader Ceremony – Annual Outstanding Cultural Innovation Enterprise Award	The Economic Observer
Tianjin Loong Technology Co., Ltd.	Top 100 Service Enterprises in Tianjin in 2021	Tianjin Enterprise Confederation and Tianjin Entrepreneur Association
Archosaur Games	The 2021 Top Publisher Awards issued by APP Annie	APP Annie
Archosaur Games	2021 Game Union Game Industry Qian Fan Award in China “2021 Game Industry Leader in China”	Game Union
Tianjin Loong Technology Co., Ltd.	2021 Top 20 Internet Growth Companies in China	Internet Society of China
Archosaur Games	WISE 2021 King of the New Economy in Overseas Sector -Annual Hardcore Enterprise	36Kr (36氪)
Archosaur Games	“Best Export Game Enterprise of 2021” in the ninth Golden Tea Award	Game Teahouse (遊戲茶館)
Game Product “Under the Firmament” (鴻圖之下)	2021 TOP 10 Best Oversea Publishing Games Award of the 2021 Jing Ming Award	Baijingapp (白鯨出海)

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Awardee	Name of the Award	Awarding unit
Game Product "The New World" (夢想新大陸)	Nominated for 2021 Top 10 New Game Award	China Audio – Video and Digital Publishing Association
Game Product "Glamorous Secrets" (以閃亮之名)	2021 Most Anticipated Game Award	OPPO Developer Conference
Archosaur Games	2021 Game Industry Leader	CEN
Archosaur Games	Oversea Listed Company with the Strongest Growth Potential on the Reputation List of China Listed Companies 2021	National Business Daily





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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 standards. 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 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 an important responsibility of our continuous business development. The Group strictly complies with the requirements of relevant laws and regulations including the Cyber Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and the Data Security Law of the People's Republic of China, meanwhile, we formulate the Privacy Protection Policy, and set out the related terms within the user agreement so that the players are aware of such information and have the right to choose whether to accept or not. In addition, 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 has never encountered any serious leakage or loss of user data.

To ensure data security, our experienced operation and maintenance team is responsible for ensuring that the storage, use and maintenance of user data comply with the applicable laws and regulations and our internal rules. 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 a 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 are 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, 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. In January 2022, the Group was awarded the “IF • Innovation Leader Ceremony – Annual Outstanding Cultural Innovation Enterprise Award” issued by The Economic Observer, which is regarded as the industry’s recognition of the Group’s concept of fine craftsmanship.





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Research and development has always been our driving force and engine for continuous progress. 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. As of 31 December 2021, our total full-time employees increased from approximately 1,200 as at 31 December 2020 to 1,485, the employees in the research and development center accounted for approximately 82% of the total employees. At the end of 2020, we have established a new research and development center in Shanghai that covers East China, to attract high-end research and development and publishing talents in the game industry with Shanghai as the core and covering the peripheral regions of Jiangsu, Zhejiang and Anhui. At present, many core personnel have joined Shanghai studio, the projects are progressing steadily. In addition, during the Reporting Period, the Group also established a subsidiary in Guangzhou to actively expand overseas publishing channels. Going forward, on the basis of continuously accumulating overseas publishing experience, we will actively develop and strategize a business system of self-research and self-development and integration of research and operation in the vertical field, and on the basis of maintaining the core competitive edge of our MMORPG products, we will enrich and extend the array of products and genres, including SLG, female-oriented and other genres to facilitate our continuous introduction of high-quality games.

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 Rights Protection

Intellectual property ("IP") rights are fundamental to our business and we dedicate significant time and resources to their development and protection. A significant portion of our IPs is internally created, including Loong Craft (六龍爭霸/六龍御天), Love & Sword (御劍情緣), etc. Going forward, our product line will also cover multiple game works with original IP, and we will continue to enrich our original IP resources. The Group relies on strong IP creation and operational capabilities to strategically support our future business layout, at the same time, leveraging cooperation with the world's top IPs, we expect that the influence of Archosaur Games will be further enhanced on a global scale. As of 31 December 2021, the Group had 115 copyrights and 3 certified patents and registered trademarks in 13 countries and regions. In order to protect intellectual property rights and safeguard our own legitimate interests, we actively apply for copyrights, trademarks and patents for relevant products and technologies.

In regard of reinforcing the original IPs, new game products such as The New World (夢想新大陸) which was launched in early 2021 and Noah's Heart (諾亞之心) which was launched in April 2022, reflect our continuous exploration in original IPs. In respect of 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, in January 2022, the Group announced the cooperation with "Avatar", the world's leading IP to develop Avatar: Reckoning, an Avatar mobile game published by Tencent which possesses the top publishing capabilities on mobile platform game. We expect the absolute advantages of the integrated IP-Research and Development-Publishing to be fully displayed and reflected in this product.

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The Group adopts various precautionary measures to avoid the third parties of obtaining and using, without our consent, the IP owned or authorized by us. Save as copyrights, trademarks and other IP law, the Group has employment contracts that set out IP rules that safeguard the inventions created by us, commercial secrets, and 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 businesses to show respect to the IP rights of other parties.

Healthy Gaming

Mobile game companies are obligated to fulfill the social responsibility of concerning the health of players, which is also an important part of providing a profound gaming experience for players. The Group understands that players in different regions have cultural differences, so operating teams in each region will strictly comply with the laws and regulations on healthy games in the place of operation and in the app store according to the relevant 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. Gamers' experience is carefully monitored by the Group and in case that 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 August 2021, the General Administration of Press and Publication of China issued the Notice on Further Strict Management on Preventing Minors from Indulging in Online Games ("Notice"), which further strengthens control and strictly prevents minors from indulging in online games. The Group responds to the Notice in a timely manner, deploys relevant work promptly, and fully implements the requirements in the Notice. The Group's self-operated online mobile games have been connected to the online game anti-addiction real-name verification system in the General Administration of Press and Publication. All users are required to register game accounts and log in with real and valid identity information. After setting up the anti-addiction function for minors, we have also issued a notice to inform players.

In order to secure a healthy environment for our game players, the Group has implemented a real name registration system and an addiction prevention system in all of our self-publishing games in Mainland China. The system implements the real name registration, cancels the guest experience mode and strictly limits the gaming time of minors, only providing one hour of online gaming services for minors from 20:00 to 21:00 on Friday, Saturday, Sunday and China's statutory holidays.

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



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Communication with Players and Customer Services

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 developed various policies for the customer service department, including “Player Visit Specifications” and “Data Query Specifications” and also designated player service representatives who are dedicated to answering queries, resolving technical issues, and 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 systems. 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.

During the Reporting Period, the Group received a total of 17 game-related complaints, all of them were answered within the same day, and the issues were followed up until resolved or a complete solution was provided.

Advertisement Management

The Group markets its games worldwide through a diverse spectrum of advertising and promotional programs. We have a dedicated team that works closely with our publishing 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 or 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 the overall examination and supervision of anti-fraud measures. By offering regular and irregular personnel training and performing a 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 behaviors 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. During the Reporting Period, 7 directors and 36 employees of the Group attended the anti-corruption training provided by professional organizations, and materials on anti-corruption training were also distributed to directors via email to familiarize them with their respective roles and responsibilities in anti-corruption and business ethics, so as to foster staff's anti-corruption awareness and professional ethics.

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 a 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.

WHISTLEBLOWING MECHANISM

The Group has established a strict and safe reporting mechanism to cultivate and maintain a clean and transparent culture of the Group. Through an internal system and mailbox for whistle-blowing provided on 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, the internal audit department will conduct an investigation, with the results and opinion published and reported to the Board.



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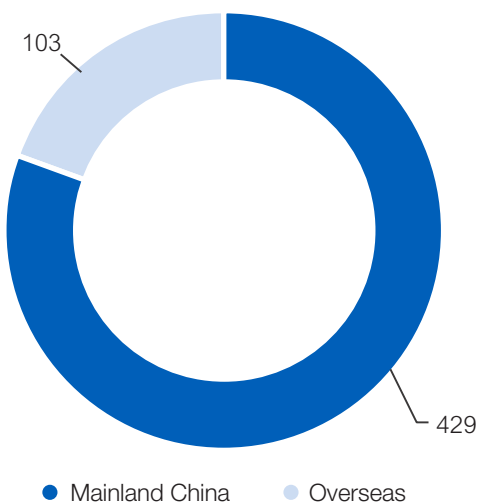
SUPPLY CHAIN MANAGEMENT

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 that 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 policies. The purchasers will choose 2-3 suppliers for quotation and comparison, and select the supplier who meets the procurement requirements. For purchases where the supplier is of monopolistic nature or price comparison among multiple suppliers is not available due to other special reasons, the executives shall provide sufficient and legitimate reasons and obtain special approval before purchasing. The Group has zero-tolerance for bribery and corruption and has also shown concern about the integrity of suppliers and partners. It is strictly prohibited for suppliers and partners from obtaining procurement contracts or partnerships through any form of transfer of benefits.

The Group carefully evaluates potential candidate suppliers in accordance with the Internal Management Control Policy, selects suitable suppliers to support the Group's operations and minimizes potential environmental and social risks, including giving priority to suppliers who provide environmentally friendly products and services in the selection process. In order to support the local economy, most of our suppliers are local suppliers, which integrates corporate social responsibility concepts into supply chain management.

During the Reporting Period, the Group had a total of 532 suppliers from different locations, all of them have passed the Group's procurement assessment, details by geographical region are as follows:

Number of Suppliers by Geographical Location



EMPLOYMENT AND LABOR PRACTICES



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HUMAN RESOURCE DEVELOPMENT

Employees are the Group's largest and most valuable asset and the core of its competitive advantage, while providing the Group with the driving force for continuous exploration and innovation at the same time. 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, etc. and distributed them to all employees. The policies contain 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 is devoted to building harmonious labor relations.

In December 2021, the Group received the "2021 Beijing Extraordinary Employer of the Year" award issued by Liepin for its outstanding industry leadership and talent training ability and excellent performance in other aspects. The award recognizes the Group as a career choice of outstanding talents in the game industry and our efforts to create a pleasant working environment and ideal growth space for our employees.



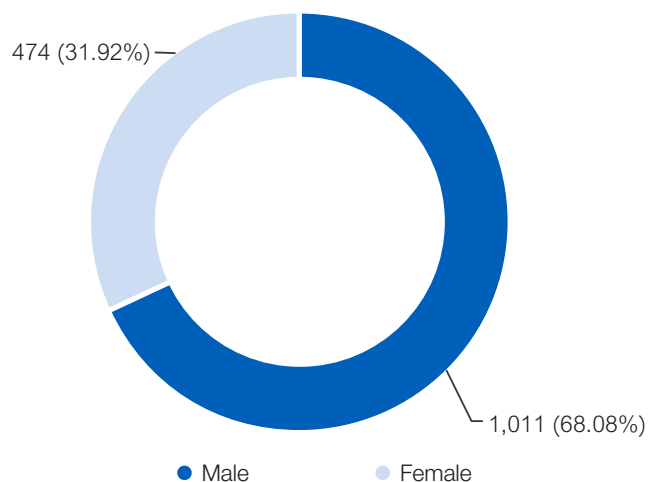
The Group strictly complies with the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to Labor Law of the People's Republic 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 with 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.

Environmental, Social and Governance Report

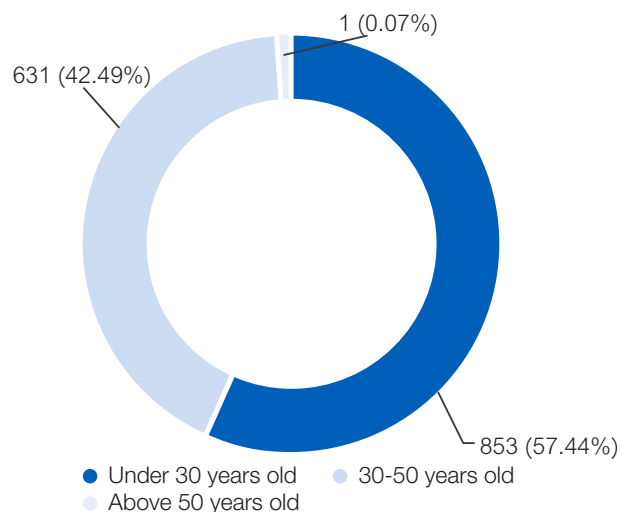


As at 31 December 2021, the Group has employed a total of 1,485 full-time employees, the breakdown of which is as follows:

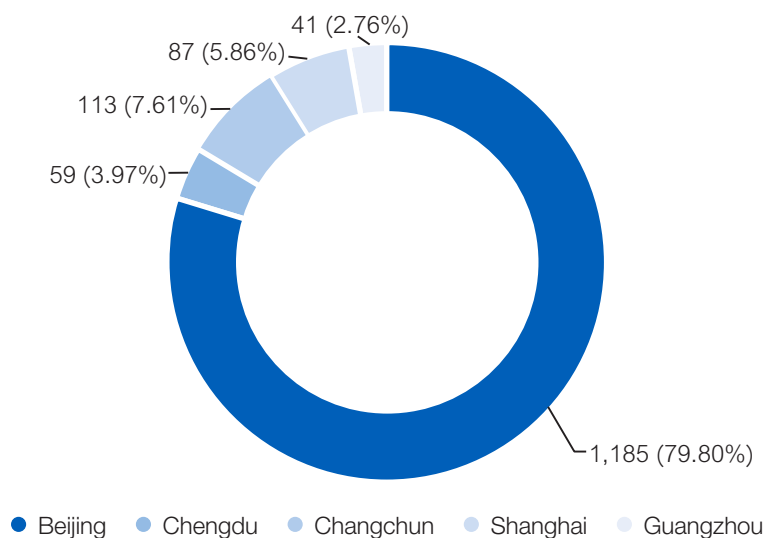
Number and Percentage of Employees by Gender



Number and Percentage of Employees by Age Group



Number and Percentage of Employees by Geographical Location

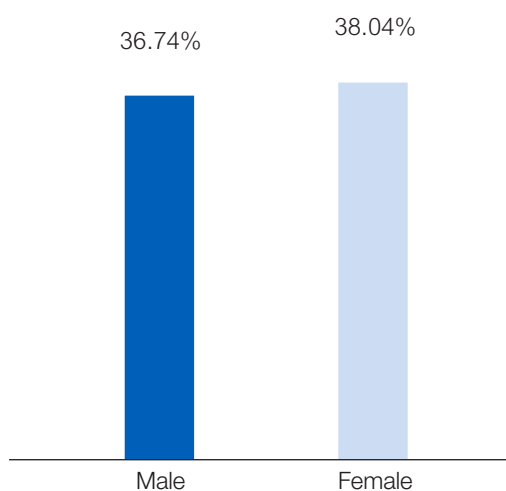




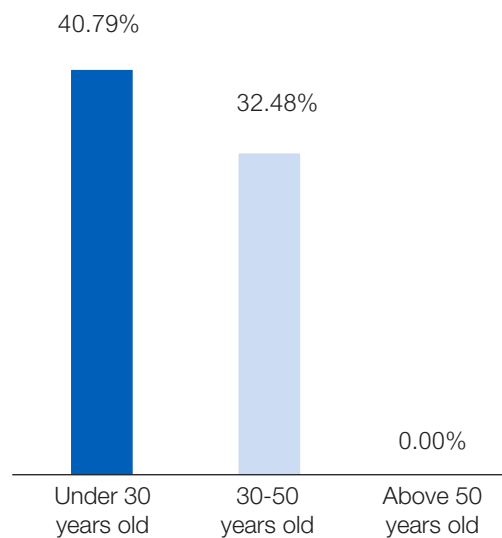
Environmental, Social and Governance Report

During the Reporting Period, the Group’s employee turnover rate¹ by gender, age group and geographical region is as follows:

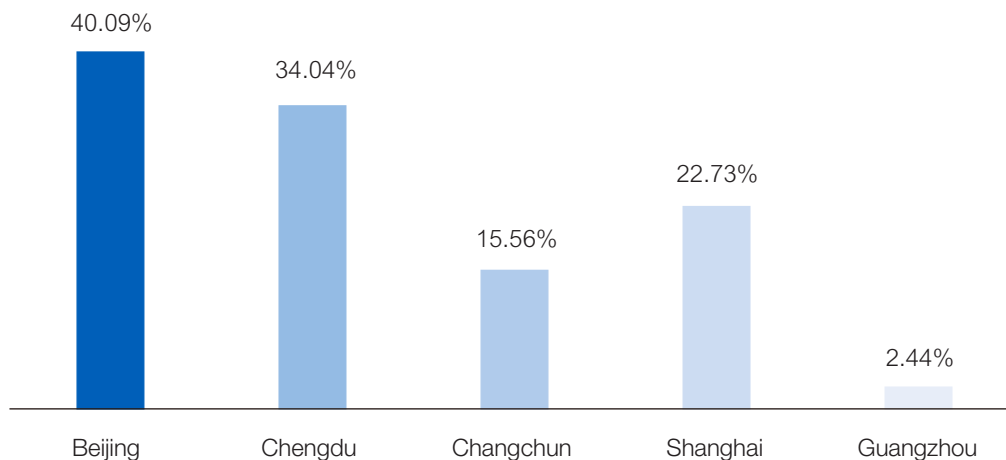
Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



Employee Turnover Rate by Geographical Region



Note:

1. Employee turnover rate is calculated as the number of turnovers by category divided by the average number of employees at the beginning and end of 2021

Environmental, Social and Governance Report



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 package, 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 attracts, motivates and retains 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 selections 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 contracts with employees according to the Labor Contract Law of the People's Republic of China. In accordance to the law, we provide social insurance welfare "five insurances one fund" (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 organizes free medical examinations for employees to ensure their health and well-being, and to bring sustainable development and achievements to employees and the Group.

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' working hours and various holidays in accordance to the Employee Handbook.

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 of candidates 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 are 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 resignation of employees, clarify the operation procedures of resignation, and ensure the legitimate rights and interests of the resigned employees.



Environmental, Social and Governance Report

Employee Engagement, Diversity and Inclusion

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 organize various activities for our staff to send them sincere festive blessings.



Dragon Boat Festival



Mid-Autumn Festival

Environmental, Social and Governance Report



Chinese Valentine's Day



Christmas

Environmental, Social and Governance Report

During the Reporting Period, we held the commemorative event for celebrating the seventh anniversary of the Group's establishment, so that our employees can enjoy the joy of growth with us.



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 recruitment process. We are committed to providing equal opportunities in respect of employment, maintaining a workplace in 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

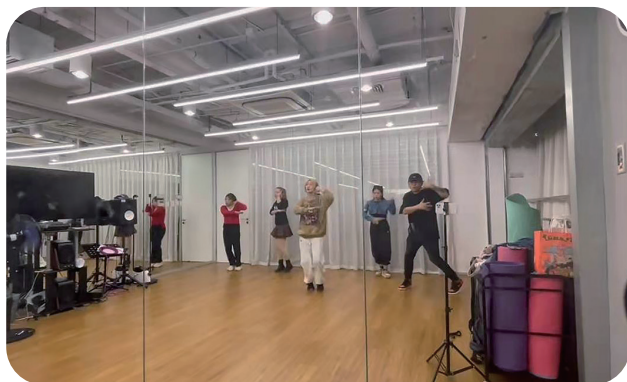


EMPLOYEES' HEALTH AND SAFETY

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, etc. 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, and had no lost days due to work injuries. The Group had no work-related fatalities for three consecutive years.

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. 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, relieving work pressure, and creating a good working atmosphere.



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, fully showcasing our care for the health of employees.



Environmental, Social and Governance Report

While the COVID-19 pandemic (the “pandemic”) was still intense recently, the Group has not slackened its focus on the health and safety of its employees. The Group strictly abides by and implements the guidelines and announcements of the Chinese Center for Disease Control and Prevention on epidemic prevention. We remind employees of maintaining personal hygiene to protect their health and to minimize our operational risks. During the 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, strictly and regularly sterilizes the office, ensuring that the office is equipped with anti-epidemic supplies such as masks and disinfectants, and conducts daily temperature checks and “Health Kit (健康寶)” checks for employees, 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 that regularly organizes internal training sessions conducted by senior employees or external consultants on topics of interest that 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 feedbacks. The training courses cover overall management, project execution, laws and regulations and technical knowledge and other aspects. We constantly review the training content and follow up with employees to evaluate the effectiveness of the training.

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 in the industry, skills and technology, in order to strengthen the skills and knowledge of the employees and meet customer needs.

Environmental, Social and Governance Report



During the Reporting Period, the total accumulated training hours of the Group are 2,711.50 hours (2020: 864 hours). The trained employees are accounted for 39% (2020: 28%) of total employees and the employees achieved average training hours of 1.83 hours (2020: 0.72 hours), representing an increase compared with the training data in the last year, details of which are as follows:

	Number of employees trained (Percentage)		Average training hour ²	
	2021	2020	2021	2020
By Gender				
Male	387(66%)	267(79%)	1.82	0.73
Female	195(34%)	70(21%)	1.84	0.68
By Employment Category				
Staff from research and development center	500(86%)	319(95%)	1.91	0.81
Staff from publishing and operational center	30(5%)	3(1%)	0.95	0.03
General management staff	52(9%)	15(4%)	2.33	0.14

Note:

- Average training hour is calculated as the total training hours in this category divided by the number of employees in this category at the end of the financial year

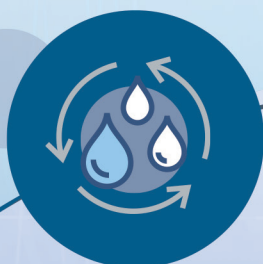
LABOR STANDARDS

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 cards, bank accounts 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/her 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





Environmental, Social and Governance Report

GREEN OPERATION

As the environmental threats occasioned by climate change are imminent, society increasingly urges concerted efforts to take emergency actions from all walks of life. 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 policy, rectify behaviors not in line with the firm's environmental protection policy, 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.

In order to ensure that we can effectively implement the sustainable business model, the Group has set a number of environmental targets in line with its development direction and strategic direction, and closely monitors and regularly reviews its progress. During the Reporting Period, the Group set the following environmental targets and was committed to achieving them through various environmental protection measures in the section headed "Green Operation".

Carbon Reduction	<ul style="list-style-type: none">• By 2025 or before, reduce GHG emission intensity by 5% from 2021 baseline
Waste Reduction	<ul style="list-style-type: none">• In 2022, office paper disposal density will be reduced by 2% from 2021 baseline• By 2025 or before, implement waste sorting in all office buildings
Energy Conservation	<ul style="list-style-type: none">• By 2025 or before, formulate a management system for energy conservation and environmental protection, and implement green office• By 2025 or before, optimize the energy system of the building
Water Saving	<ul style="list-style-type: none">• From 2022, hold at least one water saving activity every year to raise the awareness of water saving among our employees



Environmental, Social and Governance Report

Emissions

Being a mobile gaming company, the emissions of the Group are insignificant, mainly consisting of GHG emissions caused by purchased electricity and non-hazardous waste. 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 exhaust gas 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 the 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 "Energy Management". Under the influence of the above measures, employees' awareness of carbon reduction has been improved.



Environmental, Social and Governance Report

Due to the new inclusion of offices in Shanghai and Guangzhou in this Report, the total electricity consumption of the Group increased during the Reporting Period, resulting in an increase in energy indirect GHG emissions. The Group's GHG emissions are as follows:

Indicator ³	Unit	2021	2020
Direct GHG emissions (Scope 1)	tCO ₂ e	—	—
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	1,244.01	819.73
Total GHG emissions (Scope 1 and 2)	tCO ₂ e	1,244.01	819.73
GHG emission intensity ⁴	tCO ₂ e/million revenue	1.35	0.68

Notes:

- 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 People's Republic of China regional power grid; and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report.
- During the Reporting Period, the total revenue of the Group was RMB920.8 million (total revenue in 2020: RMB1,208.8 million). This data will also be used to calculate other intensity data.

Sewage Discharge

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 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 in 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 general office waste. 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. With the following waste reduction initiatives and measures, employees' awareness of waste management has been improved:

- 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.

As our collection system is getting mature, and have introduced the new waste category records, the amount of non-hazardous waste disposal increased during the Reporting Period. The non-hazardous waste disposal of the Group performance is as follows:

Type of non-hazardous waste	Unit	2021	2020
General office waste	kg	87,250.00	N/A
Plastic waste	kg	5,660.00	N/A
Paper waste	kg	4,560.00	N/A
Paper	kg	1,449.48	1,181.91
Total non-hazardous waste ⁵	kg	98,919.48	1,181.91
Non-hazardous waste intensity	kg/million revenue	107.43	0.98

Note:

5. The total disposal of non-hazardous waste is equivalent to 98.92 tons.



Environmental, Social and Governance Report

Use of Resources

The Group considers the 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 is 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 equipment to achieve energy conservation. In order to reduce electricity consumption, the Group actively adopts advanced lighting that is more environmentally friendly, and requires turning off or lowering the lights under sufficient sight conditions. 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 office equipment, 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 an accumulation of debris that affects the heat dissipation of the equipment.

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

Due to the new inclusion of offices in Shanghai and Guangzhou in this Report and the expansion of Beijing offices, the electricity consumption of the Group increased during the Reporting Period. The Group's performance on energy consumption is as the follows:

Type of Energy	Unit	2021	2020
Direct energy consumption	kWh	–	–
Indirect energy consumption (purchased electricity)	kWh	1,333,742.00	871,197.00
Total energy consumption	kWh	1,333,742.00	871,197.00
Energy consumption intensity	kWh/million revenue	1,448.46	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 posted water-saving slogans “Turn off the water tap before leaving” and guided 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 the leakage. Through the above measures, employees’ awareness of water conservation has been improved.

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

Due to the new inclusion of offices in Shanghai and Guangzhou in this Report and the expansion of Beijing offices, the water consumption of the Group increased during the Reporting Period. The Group’s water consumption performance is as follows:

Water Consumption	Unit	2021	2020
Total water consumption	m ³	8,087.50	6,079.00
Water intensity	m ³ /million revenue	8.78	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 their environmental awareness of employees.

Work 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.



Environmental, Social and Governance Report

Climate Change

The Group is aware of the potential risks and opportunities that climate change poses to the Group’s operations. The Group will actively incorporate climate change into risk management and development considerations, while strengthening the Group’s resilience and adaptability to potential climate change impacts. Based on the reporting framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Group has identified two major categories of climate-related risks, namely physical risks and transition risks in the short-term and medium-to-long-term, and implemented corresponding countermeasures.

	Short-term (1-5 years)	Medium-to-long-term (more than 5 years)
Physical risks	Climate change brings more frequent and more intense extreme weather events, such as typhoons, floods and rainstorms, which may cause physical damage to properties and increase the Group’s expenses on maintenance and disaster response. Extreme weather events may disrupt the work of employees, threaten their personal safety and affect the Group’s productivity and continuity of operations. Although no serious immediate climate risks have been identified at the Group’s offices, flexible working arrangements and precautionary measures have been implemented to improve business stability.	<p>Rising average temperatures could lead to increased energy consumption for office building operations, increasing operating costs. In order to enhance the Group’s ability to cope with long-term physical risks, we actively implement management policies and conservation measures on the use of resources during operations, and improve the efficiency of office facilities, such as the replacement of LED lighting systems.</p> <p>By improving the energy efficiency and water efficiency of office operations, we believe that we can not only mitigate the impact of climate risks on the Group, but also reduce operating costs.</p>
Transition risks	Policy and legal changes will result from the transition to a low-carbon economy, such as the Chinese government announced the country’s carbon neutrality plan and the launch of the national carbon emission trading market. These national policies and exchange policies may incur additional compliance costs. We actively respond to People’s Republic of China’s carbon neutrality planning goals, and set clear energy conservation and emission reduction targets to reduce GHG, so as to integrate the transition to the low-carbon economy into our ESG strategies.	The transition to the low-carbon economy will also bring market changes, with customers gradually turning to companies that integrate sustainability into operations. If we fail to integrate sustainability into business operations in a timely manner and respond effectively to the climate change issues, we may lose competitiveness, resulting in brand image damage, customer loss or reduced market shares. In response to market changes, we are studying and promoting the concept of energy conservation and emission reduction and planning to integrate the concept of sustainable development into the products. In addition, the Group implements the practice of sourcing environmentally friendly products and services in operations, and incorporates environmental protection factors into the supplier selection criteria to reduce carbon emissions from itself and the value chain.

In addition to identifying climate change-related risks, we believe that climate change is both a growth opportunity and a value option for the Group. Market changes can also bring value-creating opportunities to the Group as long as the willingness and determination of responsible operating are demonstrated. As a mobile game company with the ability to develop high-quality games, the Group’s research and development center is planning to add elements of the sustainable development concept to games during game research and development, to enhance brand image, cater to consumer preferences and enhance the competitiveness. In addition, continuous review of energy saving and emission reduction measures can reduce the operating costs of the Group. By driving carbon reduction in the value chain and raising environmental awareness, we expect to gain a stronger competitive position in the transition to a low-carbon economy.

SOCIAL RESPONSIBILITY





Environmental, Social and Governance Report

CORPORATE SOCIAL RESPONSIBILITY

The Group adhered to the concept and mission of philanthropy. In recent years, in order to fully implement corporate responsibility, we have made unremitting efforts to practice corporate social responsibility through cultural innovation and inheritance, support for disaster areas and public welfare projects, etc., which have been highly recognized by corporate employees and all walks of society. 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 an irregular basis, makes donations to non-profit and charitable organizations in order to contribute to society, build 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 People's Republic of China game 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 accumulated over the years into knowledge output, thereby incessantly expanding the talent pool in the People's Republic of China game industry.

In 2021, Archosaur Games conducted the cloud campus "Water and Wood Extraordinary Realm" project with Tsinghua University, in which each cultural landscape of the Tsinghua campus is highly restored in the virtual world, and the scenery and moving stories of Qinghua campus are "moved to the cloud", so the elegance of Tsinghua campus becomes accessible in the online world.

In order to carry out in-depth cultural empowerment and let players feel the excellent traditional Chinese culture contained in the game at zero distance, in 2021, the SLG grand strategy mobile game Under the Firmament (鴻圖之下) of Archosaur Games cooperated with Chengdu Wuhou Shrine in the hometown of the Three Kingdoms, and provided exhibition content support for the "Great Romance of the Three Kingdoms" (大三國志展) held. The above action not only interprets the true sense of culture without boundary, but also elevates the cultural value of the game industry to the artistic level.

Environmental, Social and Governance Report



The Group actively fulfils corporate social responsibility as the national person and makes efforts to promote the positive energy of the industry. In July 2021, the Group urgently communicated with the local government, and donated RMB1 million to the local area through the Henan Charity General Federation for rescue and disaster relief and post-disaster reconstruction.



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In order to provide the soil for the growth of talent in the future society, in June 2021, the Group donated RMB20,000 to Beijing Chunhui Children's Foundation, hoping to help autistic children grow up as healthily and happily as ordinary children through our meager strength. In addition, in October 2021, we launched the Honghu Dream Program, in which the Group's public welfare team and Beijing Century Charity Foundation went to Sinan County, Guizhou Province to help children in the mountainous areas of northeastern Guizhou. In this program, the Group donated a total of RMB100,000 to the mountainous area of northeastern Guizhou, and our public welfare team provided 20 hours of volunteer services.



In the corporate social responsibility plan in 2022, Archosaur Games will continue to carry out the “Honghu Dream Program” and continue to provide assistance to students in “Archosaur Class”. At the same time, in order to facilitate the sound and fast sustainable development of the economy, Archosaur Games will organize environmental protection-related public welfare activities, and call on the Company's employees to participate in, so that the healthy and sustainable development concept will be more popular and become an important component of the enterprise sustainable development concept.

Archosaur Games' efficient performance of corporate social responsibility in recent years has conveyed positive social energy and contributed to the cause of charity and public welfare. Archosaur Games bears in mind the corporate social responsibility mission, elevates social welfare to the business's strategic position, carries out social welfare in various forms and fields and promotes the positive energy of the game industry.

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

Mandatory Disclosure Requirements

Section/Declaration

Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	Sustainable Development Governance Structure
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes (if any) to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	Reporting Framework
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	Reporting Scope



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Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management (not applicable – explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Green Operation, Emissions – Exhaust Gas Emission, GHG Emissions, Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Operation, Emissions – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Operation, Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Operation, Use of Resources – Water Management

Environmental, Social and Governance Report



Subject Areas, Aspects, General Disclosures and KPIs

Description

Section/Declaration

KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Emissions – Use of Packing Materials (not applicable – explained)
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Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Work Environment Management

Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Aspect B1: Employment

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Human Resource Development
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Human Resource Development
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Human Resource Development

Aspect B2: Health and Safety

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employees' Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employees' Health and Safety
KPI B2.2	Lost days due to work injury.	Employees' Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employees' Health and Safety



Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	Labor Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Environmental, Social and Governance Report



Subject Areas, Aspects, General Disclosures and KPIs

	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Communication with Players and Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights Protection
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Security and Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption – Whistle-blowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Corporate Social Responsibility
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Corporate Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Corporate Social Responsibility



祖龙娱乐有限公司
Archosaur Games Inc.