



花房集团  
HUAFANG GROUP

2022

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
REPORT



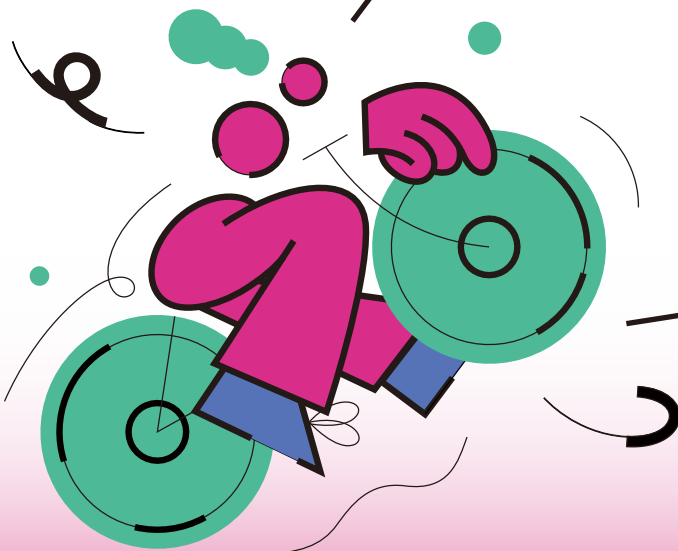
花房集团公司  
Huafang Group Inc.

STOCK  
CODE **3611**

(Incorporated in the Cayman Islands with limited liability)

# Contents

- 3 Scope and Reporting Period
- 3 Reporting Principles
- 3 The Group's Future Development and Commitments
- 4 Sustainability Governance
- 4 The Chairman's Statement
- 5 Stakeholder Engagement and Materiality
- 6 Stakeholders' Feedback



|           |   |           |  |
|-----------|---|-----------|--|
| <b>7</b>  | <b>A. ENVIRONMENTAL</b>                                   | <b>13</b> | <b>B. SOCIAL</b>                           |
| <b>7</b>  | A1. Emissions   | <b>13</b> | 1. Employment and Labour Practices         |
| <b>7</b>  | A1.1 Air Emissions  | <b>13</b> | B1. Employment                             |
| <b>7</b>  | A1.2 Greenhouse Gas Emissions                             | <b>13</b> | B1.1 Employment Figures                    |
| <b>8</b>  | A1.3 Hazardous Waste                                      | <b>15</b> | B1.2 Turnover Figures                      |
| <b>9</b>  | A1.4 Non-hazardous Waste                                  | <b>15</b> | B1.3 Competitive Compensation and Benefits |
| <b>9</b>  | A1.5 Measures to Mitigate Emissions                       | <b>16</b> | B1.4 Promotion, Transfer and Dismissal     |
| <b>9</b>  | A1.6 Waste Reduction and Initiatives                      | <b>16</b> | B1.5 Equal Opportunity                     |
| <b>10</b> | A2. Use of Resources                                      | <b>16</b> | B1.6 Employee Communication                |
| <b>10</b> | A2.1 Energy Consumption                                   | <b>18</b> | B2. Employee Health and Safety             |
| <b>10</b> | A2.2 Water Consumption                                    | <b>19</b> | B2.1 Work-related fatalities and injury    |
| <b>11</b> | A2.3 Energy Use Efficiency Initiatives                    | <b>20</b> | B3. Development and Training               |
| <b>11</b> | A2.4 Water Use Efficiency Initiatives                     | <b>21</b> | B4. Labour Standards                       |
| <b>11</b> | A2.5 Packaging Materials                                  | <b>21</b> | 2. Operating Practices                     |
| <b>11</b> | A3. The Environment and Natural Resources                 | <b>22</b> | B5. Supply Chain Management                |
| <b>11</b> | A3.1 Significant Impacts of Activities on the Environment | <b>22</b> | B6. Product Responsibility                 |
| <b>11</b> | A4. Climate Change  | <b>23</b> | B6.1 Quality Assurance                     |
| <b>12</b> | A4.1 Significant Climate-Related Issues                   | <b>24</b> | B6.2 Confidential Information              |
|           |   | <b>24</b> | B6.3 Intellectual Property Rights          |
|           |   |           | B7. Anti-corruption                        |
|           |   |           | B8. Community Investment                   |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance (“**ESG**”) report of Huafang Group Inc. (the “**Company**”, and collectively with its subsidiaries referred as the “**Group**”), highlighting ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and Guidance set out by The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are video- and audio-based live entertainment and social networking services. This ESG report covers the Group’s overall environmental and social performances of its major business operations in its offices in Beijing and Baoding of the People’s Republic of China (“**PRC**” or “**Mainland China**”) (with a total floor area of 7,633.06 m<sup>2</sup>), from January 1, 2022 to December 31, 2022, unless otherwise stated. While the Group has office operations in Hong Kong, it is insignificant to the Group’s revenue and thus is excluded from the Reporting Scope.

## REPORTING PRINCIPLES

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Listing Rules of the Stock Exchange (the “**Guide**”). The contents covered herein are in compliance with the provision of “Comply or Explain” as well as four reporting principles of materiality, quantitiveness, balance and consistency required in the Guide.

*Materiality* – Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the Report.

*Quantitiveness* – Key performance indicators (“**KPI**”)s have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

*Balance* – The Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.

*Consistency* – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

## THE GROUP’S FUTURE DEVELOPMENT AND COMMITMENTS

With rising emphases on developing sustainably, there comes with opportunities and risks associated with the environmental and social discourse. In face of such uncertainty, the Group will actively adjust its development plans according to the market trends. It hopes to better manage ESG-related risks in relation to future business development and operate with high ethical standards. As part of its mission to “connect people with technology; spread happiness through companionship”, the Group will continue to innovate with the latest digital products and services and seek to avoid risky investments, so as to fulfil its corporate social responsibility and to achieve effective business growth.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### SUSTAINABILITY GOVERNANCE

The Board is delegated the responsibility of setting the Group's strategic direction, thus they are also responsible for ensuring that the Group's ESG strategy reflects its values and core businesses. The Board reviews the progress made against ESG-related goals to guide the Group in monitoring its ESG performance, and holds regular meetings with development teams and administration to draft and implement management policies for identified ESG risks.

The sustainability plan of the Group is developed based on results of ESG Reports, which is reviewed annually and adjusted as needed to align with the long-term business strategy of the Group. Additionally, the Board will be evaluating the Group's progress in achieving the reduction targets against the baseline year on an annual basis, and will be adjusting said targets based on the situation.

### THE CHAIRMAN'S STATEMENT

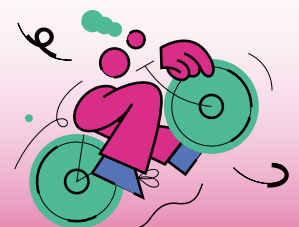
While the coronavirus disease 2019 ("COVID-19") crisis has started to subside in 2022, businesses all over the world have continued to be greatly affected by the pandemic, and we have learnt that sustainability is the key to withstand difficult macroeconomic situations. As a responsible corporate citizen, the Group recognises this and strives to make sustainability its operational focus. We understand that sustainability governance and performance is the foundation to a successful operation, these include minimising the Group's pollution emissions, promoting equal rights, and offering more opportunities for all employees.

At the same time, stakeholders are increasingly nudging corporations to take sustainability factors into consideration when doing businesses. To better understand the demands and expectations of our stakeholders, we invite employees, service providers, and clients to participate in a survey to maintain effective communication, allowing us to better accommodate their needs. Through embedding sustainability in our business concept, we create greater value for both our stakeholders and society. Without the contribution of our employees, customers, business partners, and communities, it would not have been possible for us to have achieved so much.

We attach huge importance to the management of sustainability topics, especially regarding employee rights, employee health, and community investment. To address this, the Group regularly communicates with its employees to identify their concerns, and also organises charity events to give back to community.

Looking ahead, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy. We hope to continue facilitating material connections between people, and to explore the meaning of companionship through offering even more in-depth online services. We look forward to maintaining online platforms for people with talent to express themselves and fulfil their dreams, allowing us to further contribute value to society. In line with upholding the business sustainability of the Group, we will continue to maintain high ethical standards, and formulate environmental, economic, and social strategies to achieve stable and sustainable returns to our stakeholders.

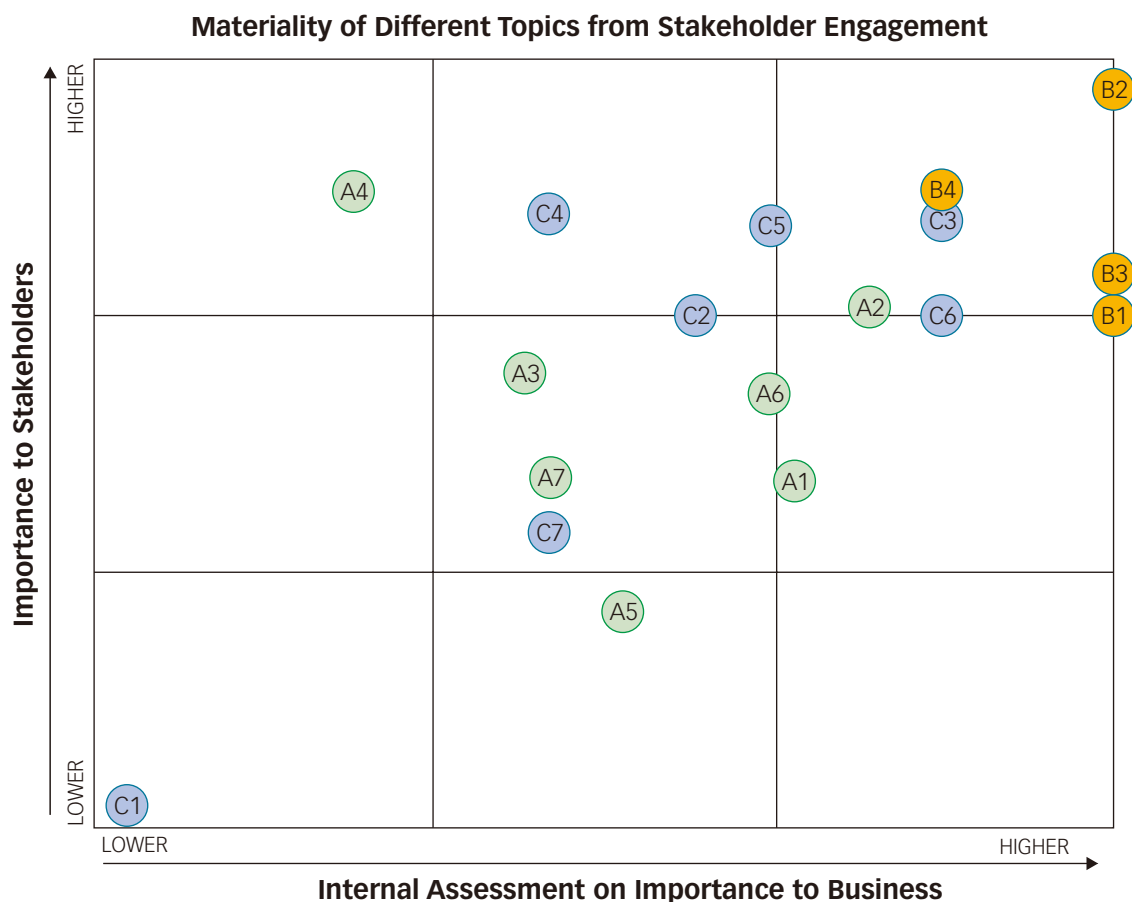
This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders an overview of our sustainability performance.



## STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, the Group regularly collects views and discusses ESG matters with stakeholders through a variety of channels, such as engagement sessions including routine meetings and annual general meetings. When issues have been identified, they are discussed as an issue of the corporate culture. The Group also emphasises on the importance of paying attention to issues and giving appropriate response to the arising problems. Solutions to relevant topics are regularly explored on such that relevant issues can be addressed and resolved.

During the Reporting Period, the Group has specifically engaged board members, frontline employees, suppliers, and business partners to gain further insights on ESG aspects they find material and relevant challenges that they may induce. A materiality assessment has then been produced according to the engagement as follows.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Environmental                        | Labour                            | Operational                |
|--------------------------------------|-----------------------------------|----------------------------|
| A1 Energy                            | B1 Employment                     | C1 Supply Chain Management |
| A2 Water                             | B2 Occupational Health and Safety | C2 Intellectual Property   |
| A3 Air Emissions                     | B3 Development and Training       | C3 Data Protection         |
| A4 Waste and Effluent                | B4 Labour Standards               | C4 Customer Service        |
| A5 Other Raw Materials Consumption   |                                   | C5 Product/Service Quality |
| A6 Environmental Protection Measures |                                   | C6 Anti-corruption         |
| A7 Climate Change                    |                                   | C7 Community Investment    |

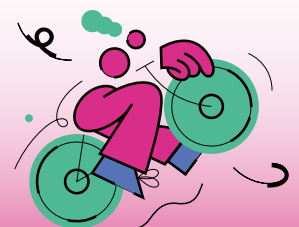
According to the assessment, the five most material topics to the Group are therefore,

1. Occupational Health and Safety
2. Development and Training
3. Employment
4. Labour Standards
5. Data Protection

The Group aims to keep close communication with its stakeholders for the identified aspects and continue to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development. In alignment with the Group's vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders.

### STAKEHOLDERS' FEEDBACK

The Company welcomes stakeholders' feedback on its environmental, social and governance approach and performance. Please give your suggestions or share your views with the Group via email at [ESG@huafang.com](mailto:ESG@huafang.com).



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A. ENVIRONMENTAL

#### A1. Emissions

Due to the nature of the business, the Group's operations are office based and their related environmental impact was very minimal. During the Reporting Period, the Group has strictly followed all environmental-related rules and guidance from local and national authorities. In addition, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations during the Reporting Period. These include, but not limited to, the PRC Environmental Protection Law and the PRC Prevention and Control of Environmental Pollution by Solid Wastes.

##### A1.1 Air Emissions

During the Reporting Period, no group-owned vehicles were used for the Group's daily business operations. In addition, business operations of the Group did not result in the consumption of any natural gas, petrol, or diesel during the Reporting Period.

As such, the Group had no emissions of sulphur oxides ("SO<sub>x</sub>"), nitrogen oxides ("NO<sub>x</sub>"), and particulate matters ("PM") during the Reporting Period.

##### A1.2 Greenhouse Gas Emissions

During the Reporting Period, 329.09 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) greenhouse gases ("GHG", mainly carbon dioxide, methane and nitrous oxide) were emitted from the Group's operations. This is a 31.49% increase from last year, which is mainly due to additional electricity consumption by the Group during the Reporting Period, as well as more extensive coverage of business air travel data during the Reporting Period.

The intensity of GHG emissions by the Group was 60.29 kgCO<sub>2</sub>e per million RMB revenue.

During the Reporting Period, the Group's GHG emissions were contributed by:

- Scope 2 – "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group; and
- Scope 3 – All other indirect emissions that occur outside the Group, including both upstream and downstream emissions.

During the Reporting Period, the Group did not emit any Scope 1 Emissions, which refer to any Direct Emissions from operations that are owned or controlled by the Group.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

See below for the detail breakdown of 2022 GHG contributions, as well as comparisons with last year.

| Scope of GHG   | Emission Sources  | 2022 Emission (in tCO <sub>2</sub> e) | 2021 Emission (in tCO <sub>2</sub> e) |
|--|---|---------------------------------------|---------------------------------------|
| <b>Scope 2</b>   |   |                                       |                                       |
| Energy Indirect Emission   | Purchased electricity <sup>1</sup>  | <b>311.54</b>                         | 249.84                                |
| <b>Scope 3</b>   |   |                                       |                                       |
| Other Indirect Emissions   | Electricity used for processing fresh water and sewage by third party handler | <b>0.57</b>                           | 0.44                                  |
|  | Business air travels <sup>2</sup>   | <b>16.98</b>                          | 0.00                                  |
| <b>Total</b>   |   | <b>329.09</b>                         | 250.28                                |
| <b>Overall GHG Intensity (kgCO<sub>2</sub>eq./million RMB revenue)</b> |   | <b>60.29</b>                          | 54.41                                 |

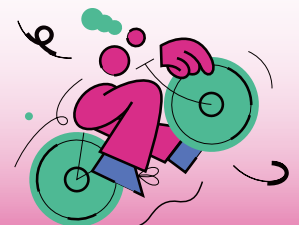
Note: Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 1: According to The Ministry of Ecology and Environment of People's Republic of China (2022): Emission factor of 0.5810 tCO<sub>2</sub>e/MWh was used for purchased electricity from the National Grid of the PRC in 2022; emission factor of 0.6101 tCO<sub>2</sub>e/MWh was used for purchased electricity from the National Grid of the PRC in 2021.

Note 2: CO<sub>2</sub> emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

### A1.3 Hazardous Waste

The Group recognises that its business operations had generated hazardous waste during the Reporting Period, such as printing cartridges, lightbulbs, and other miscellaneous electronic equipment waste. These wastes are either handed over to suppliers or collected separately by the Group for proper recycling. However, since the amount of hazardous waste generated was insignificant, the Group had not kept records of the disposal of such items during the Reporting Period.



**A1.4 Non-hazardous Waste**

The Group recognises that its business operations had generated non-hazardous waste during the Reporting Period, which mainly consisted of general office waste such as plastic bags for rubbish bins, paper cups, paper towels, etc. The Group has improved the efficiency of waste classification management by setting up classified garbage cans in the office, encouraging employees to implement waste classification and arranging special personnel to sort waste. However, since the amount of non-hazardous waste generated was insignificant, the Group had not kept records of the disposal of such items during the Reporting Period.

**A1.5 Measures to Mitigate Emissions**

The Group's operations resulted in insignificant emissions. The main source of emission was electricity consumption from daily office operations. Please refer to Section A2.3 for electricity-saving measures that shall mitigate emissions.

The Group had set the target of achieving a 5% reduction in emissions intensity by 2026, using 2021 as the baseline year. The Group's emissions intensity in 2021 was 54.41 kgCO<sub>2</sub>e per million RMB revenue, which means the Group has recorded a 10.81% increase in emissions intensity from the baseline year for this Reporting Period. As mentioned in Section A1.2, this increase is mainly due to the Group's increased electricity consumption for the Reporting Period, as well as more extensive coverage of business air travel data during the Reporting Period.

Based on these results, the Group may consider re-evaluating its 5-year target for emissions intensity reduction, if these increased emissions figures are sustained for the next Reporting Period.

**A1.6 Waste Reduction and Initiatives**

Since hazardous waste and non-hazardous waste generation from the Group's operations are insignificant, the Group had not set any reduction targets for these environmental aspects. Nevertheless, the Group has encouraged waste reduction measures among its offices.

The Group generated very minimal hazardous waste from its office operations. Waste printing cartridges and other hardware wastes were sent back to suppliers. Paper is used for daily office operations such as documents printing and deliverables packaging. Paper saving initiatives are encouraged among employees, such as adopting double-sided printing and printing with single-sided used paper. The Group tries to recycle paper used whenever possible in attempt to reduce waste disposed of at landfills.

## A2. Use of Resources

The Group has not established policies on the efficient use of resources. Nevertheless, employees are reminded of resource conservation practices in offices.

### A2.1 Energy Consumption

A total of 536,213.92 kWh of energy was consumed by the Group for its operations during the Reporting Period, which represents a 30.94% increase from last year. Electricity was the major source of energy for the Group, which was used to power its offices' lighting, office equipment, and other miscellaneous items necessary for maintaining the offices' daily operations.

Overall, the Group's energy use intensity was 32.28 kWh per million RMB revenue.

See below for the detail breakdown of 2022 energy consumption, as well as comparisons with last year.

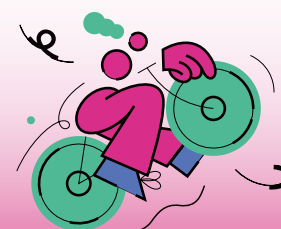
| Type of Energy Source | 2022 Direct Consumption (kWh) | 2022 Intensity (kWh/million RMB revenue) | 2021 Direct Consumption (kWh) | 2021 Intensity (kWh/million RMB revenue) |
|-----------------------|-------------------------------|--|-------------------------------|--|
| Electricity           | 536,213.92 kWh                | 98.24                                    | 409,508.59 kWh                | 89.02                                    |

### A2.2 Water Consumption

The Group consumed 895.00 m<sup>3</sup> of water during the Reporting Period, which represents a 28.78% increase from last year. Overall, the Group's water use intensity was 0.16 m<sup>3</sup> per million RMB revenue.

See below for the detail breakdown of 2022 water consumption, as well as comparisons with last year.

| Water Consumption (m <sup>3</sup> ) |              | Water Consumption Intensity (m <sup>3</sup> /million RMB revenue) |              |
|-------------------------------------|--------------|---|--------------|
| 2022 Figures                        | 2021 Figures | 2022 Figures  | 2021 Figures |
| 895.00                              | 695.00       | 0.16  | 0.15         |



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A2.3 Energy Use Efficiency Initiatives

To reduce electricity consumption, employees are reminded to turn off office lights, computers, printers, and air conditioners when leaving office. Energy efficient office equipment are also used when possible, and older electronic equipment are to be gradually replaced by more efficient ones. Air conditioners are defaulted to follow temperatures as required by relevant regulations by authorities to reduce energy use.

During the Reporting Period, the Group has set annual targets to reduce its electricity consumption during operation and shall strive to keep on improving consumption efficiency. The Group aims to achieve a 5% reduction in overall energy use intensity in 5 years, or by 2027.

### A2.4 Water Use Efficiency Initiatives

Water was supplied and managed by the building management of all offices and there was no issue in sourcing water that is fit for purpose during the Reporting Period.

Since water consumption from the Group's operations is insignificant, the Group had not set any reduction targets for water use efficiency

### A2.5 Packaging Materials

The Group's operations did not involve any regular use of packaging materials.

## A3. The Environment and Natural Resources

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact on the environment and society while bringing sustainable growth and profit.

### A3.1 Significant Impacts of Activities on the Environment

Although the Group's business does not generate significant adverse environmental impact as compared with businesses in other sectors, the Group is committed to reducing GHG emissions and preserving natural resources. With electricity consumption as its main source of GHG emission, and printing practices as another source of emission and waste, the Group frequently reminds employees to practise energy and resources-saving habits in offices.

## A4. Climate Change

Due to the nature of business as an office-based company, climate change has not posed significant impact on the Group's business operation. As such, the Group has not formulated any policy regarding climate change. However, the Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

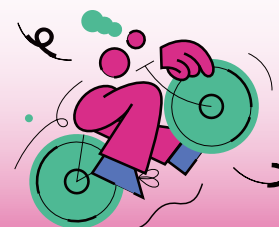
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

|                         | Climate Risks    | Time Horizon         | Trend    | Potential Financial Impact   |
|-------------------------|------------------|----------------------|----------|--|
| <b>Physical Risks</b>   | Acute            | Short term           | Increase | Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources. |
|                         | Chronic          | Long term            | Increase | Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.  |
| <b>Transition Risks</b> | Technology       | Long term            | Increase | During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.                                     |
|                         | Policy and Legal | Short to medium term | Increase | Implementation of tightened environmental laws, stringent requirements on climate disclosures and carbon pricing system increases operating costs.   |
|                         | Market           | Short term           | Increase | During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.   |
|                         | Reputation       | Short to medium term | Increase | Stakeholders' concerns on climate-related issues of the Group might dampen the investment sentiment of investors, impacting the stock price and market capitalisation of the Group, and hence increasing the liquidity risk.                       |

**A4.1 Significant Climate-Related Issues**

The Group recognises that extreme weather events caused by climate change may negatively impact daily operations and has accordingly prepared contingency plans for these situations. These include, but not limited to, work-from-home plans for employees and insurance against damages from extreme weather events.

While analysing the climate risk that the Group is exposed to, opportunities related to climate change have also been identified. Since the Group's live streaming platform may be enjoyed wherever the audience is located, whether they are on a cruise or in a small hut of a snow mountain, extreme weather arising from climate change may create unexpected opportunities and extra revenue for the Group's business operation.



## B. SOCIAL

### 1. Employment and Labour Practices

#### B1. Employment

##### **B1.1 Employment Figures**

The Group continues to invest in capacity building among local human resource, adopting best practices, and following local and national laws. These include, but not limited to:

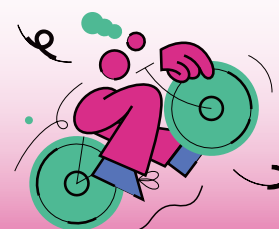
- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law of the PRC on the Protection of Rights and Interests of Women;
- Law of the PRC on the Protection of Minors;
- Law of the PRC on the Protection of Disabled Persons;
- Trade Union Law of the PRC;
- Social Insurance Law of the PRC;
- Special Rules on the Labour Protection of Female Employees;
- Regulation on Paid Annual Leave for Employees; and
- Provisions on the Prohibition of Using Child Labour.

The Group did not note any cases of material non-compliance in relation to employment during the Reporting Period.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of December 31, 2022, the Group had a total of 884 employees in its Beijing and Baoding offices. See below for the detail breakdown of the workforce.

| Total Workforce as of December 31 | 2022       |                |
|-----------------------------------|------------|----------------|
|                                   | Number     | Percentage     |
| <b>By Employment Type</b>         |            |                |
| Full-time                         | 864        | 97.74%         |
| Part-time                         | 20         | 2.26%          |
| <b>By Gender</b>                  |            |                |
| Male                              | 530        | 59.95%         |
| Female                            | 354        | 40.05%         |
| <b>By Employee Category</b>       |            |                |
| Senior Management                 | 8          | 0.90%          |
| Middle Management                 | 99         | 11.20%         |
| Frontline and Other Employees     | 777        | 87.90%         |
| <b>By Age Group</b>               |            |                |
| 18-25                             | 136        | 15.38%         |
| 26-35                             | 617        | 69.80%         |
| 36-45                             | 130        | 14.71%         |
| 46-55                             | 1          | 0.11%          |
| 56 or above                       | 0          | 0.00%          |
| <b>By Geographical Location</b>   |            |                |
| Mainland China                    | 881        | 99.67%         |
| Taiwan                            | 1          | 0.11%          |
| Yemen                             | 1          | 0.11%          |
| Ukraine                           | 1          | 0.11%          |
| <b>Total</b>                      | <b>884</b> | <b>100.00%</b> |



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**B1.2 Turnover Figures**

A total of 211 employees left the Group during the Reporting Period, which corresponds to a turnover rate of 23.87%.<sup>1</sup> The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market. See below for the breakdown of turnover rate by employee group.

| Total Turnovers as of December 31 | 2022   |               |
|-----------------------------------|--------|---------------|
|                                   | Number | Turnover Rate |
| <b>By Employment Type</b>         |        |               |
| Full-time                         | 210    | 24.31%        |
| Part-time                         | 1      | 5.00%         |
| <b>By Gender</b>                  |        |               |
| Male                              | 106    | 20.00%        |
| Female                            | 105    | 29.66%        |
| <b>By Employee Category</b>       |        |               |
| Senior Management                 | 1      | 12.50%        |
| Middle Management                 | 28     | 28.28%        |
| Frontline and Other Employees     | 182    | 23.42%        |
| <b>By Age Group</b>               |        |               |
| 18-25                             | 37     | 27.21%        |
| 26-35                             | 145    | 23.50%        |
| 36-45                             | 27     | 20.77%        |
| 46-55                             | 2      | 200.00%       |
| 56 or above                       | 0      | N/A           |
| <b>By Geographical Location</b>   |        |               |
| Mainland China                    | 211    | 23.95%        |
| Taiwan                            | 0      | 0.00%         |
| Yemen                             | 0      | 0.00%         |
| Ukraine                           | 0      | 0.00%         |
| Total                             | 211    | 23.87%        |

Note: Turnover figures exclude employees who left the Group before their probation period is over

**B1.3 Competitive Compensation and Benefits**

The Group abides by all applicable employment and labour related laws of Mainland China. Salary is reviewed on a periodic basis with considerations given to employees' performance during the year, market rate of the industry, profit result, and the projected earning ability of the Group. Salary adjustments in respect of promotion, confirmation, transfer, re-classification etc. may also be recommended by management on an individual basis.

<sup>1</sup> Figure excludes employees who left the Group before their probation period is over



Employees of the Group enjoy a number of benefits, such as residence and work permits, insurance policies, and health check-ups. For well-performing employees, the Group offers further benefits such as training opportunities and promotion opportunities. Various types of leave, including annual leaves, sick leaves, and maternity leaves, are provided. The Group has also established a trade union, which negotiates on behalf of employees for further compensation and benefits from the Group. For female employees who are mothers, the Group has provided nursing rooms in office to ease their transition back to office after maternity leave. For employees with disabilities, the Group has offered flexible working hours as well as work-from-home arrangements if needed.

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity and anti-discrimination during the Reporting Period.

#### **B1.4 Promotion, Transfer and Dismissal**

As per the “Employee Handbook”, the Group aims to provide channels of promotion and promote employees based on their performance, qualification, integrity and ability. Promotion will be offered with considerations of the Group’s operation, competence, potential and interpersonal skills of the employee and recommendations given by the employee’s manager. The Group reserves the right to transfer any employee to other locations or opportunities to perform jobs of similar nature if necessary.

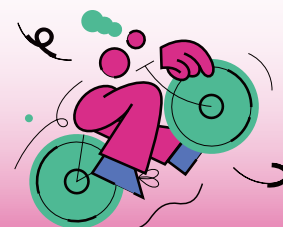
Employees who completed the probation period and wish to resign must notify in writing to their managers with at least one month’s notice. Specific notification periods for different positions are stipulated in the appointment letters. For employees who fall under circumstances including redundancy, termination with or without prejudice, they shall be provided with one month’s notice or one month’s salary in lieu of notice if their employment is to be terminated.

#### **B1.5 Equal Opportunity**

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Employees are not discriminated against or deprived of such opportunities based on gender, ethnic, background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws of Mainland China.

#### **B1.6 Employee Communication**

To enhance employees’ sense of belonging, the Group regularly organises gatherings during holidays, such as Spring Festival, Lantern Festival, and Qixi Festival for its employees. Outside of holiday events, the Group also organises sports activities for its employees, such as badminton and yoga, to improve their health and wellbeing. In addition, the Group conducts annual employee satisfaction surveys and company work atmosphere surveys to understand the needs of its employees. The Group then holds meetings with its human resources department to address concerns that have been voiced, thus strengthening communication with employees and building trust.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Lantern Festival



Annual Party 2022



Employee Care

**B2. Employee Health and Safety**

The Group has complied with relevant occupational health related laws and regulations. These include, but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC; and
- PRC Law on The Prevention and Control of Occupational Diseases.

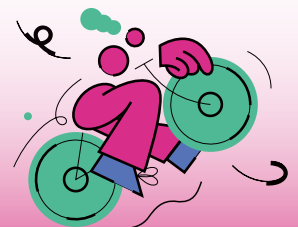
As employees spend most of their time working in office, the Group has installed air purifiers to maintain air quality in its offices. The Group has also provided appropriate office chairs and working desks that encourage good posture and appropriate viewing distance between eyes and computer screens. Furthermore, the Group has solicited health check-up services for its employees. With these measures, the Group hopes that employees' health can be safeguarded in workplace.

With regards to precautionary measures against fire hazards, the Group has arranged fire drills for employees to familiarise them with the office buildings' escape routes and location of fire extinguishing equipment.

There were no major changes in management practice in relation to occupational health and safety during the Reporting Period.



Comfortable Office Environment



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**COVID-19 Measures**

When COVID-19 broke out, the Group was highly cautious of the most up-to-date situations as employees' health and safety is the Group's priority. A response team was established to monitor the number of infection cases, follow government guidelines, and take lead in setting up preventive measures and arrangements for employees, some practices include:

- Adopting work rotation, home officing, and other distancing measures as appropriate
- Requesting for health condition and potential virus-exposure information, and 14 days contact history from employees and visitors
- Strengthening health surveillance measures, such as, measuring body temperatures
- Sourcing and providing anti-virus supplies, such as surgical masks, sanitisers

The Group remained vigilant and released information promptly whenever any cases worthy of concern was identified. During the Reporting Period, business operations of the Group were not affected by COVID-19. For employees who have been infected, they have been asked to cooperate with anti-pandemic efforts and quarantine themselves.

**B2.1 Work-related fatalities and injury****Occupational Health and Safety Data in 2022**

|                              |       |
|------------------------------|-------|
| Work related fatality        | 0     |
| Fatality Rate                | 0.00% |
| Work injury cases >3 days    | 0     |
| Work injury cases ≤3 days    | 0     |
| Lost days due to work injury | 0     |

**Occupational Health and Safety Data in 2021**

|                       |       |
|-----------------------|-------|
| Work related fatality | 0     |
| Fatality Rate         | 0.00% |

**Occupational Health and Safety Data in 2020**

|                       |       |
|-----------------------|-------|
| Work related fatality | 0     |
| Fatality Rate         | 0.00% |

During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

### B3. Development and Training

The Group reviews its employees' job performance every six months to identify training needs. Employees are encouraged to participate in work-related and personal development trainings through on-the-job trainings and external trainings to increase their competence.

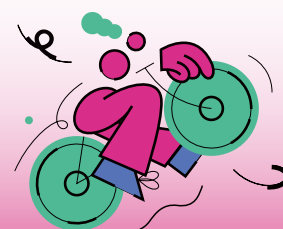
During the Reporting Period, 806 employees, or 91.18% of all employees, received training as arranged by the Group, and the average training hours that each employee received (inclusive of those who did not receive training) was 0.31 hours. The trainings covered topics such as higher management and decision making for senior management; group mentoring and project management for middle management; and objectives and key results goal-setting, recruitment training, and orientation training for frontline and other employees. The Group also conducted anti-corruption training for all employees, of which training hours are counted separately from all other training topics.

The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

|                               | Percentage of Trained Employees | Average Training Hours per Employee |
|-------------------------------|---------------------------------|-------------------------------------|
| <b>By Gender</b>              |                                 |                                     |
| Male                          | 90.75%                          | 0.26 hrs                            |
| Female                        | 91.81%                          | 0.39 hrs                            |
| <b>By Employee Category</b>   |                                 |                                     |
| Senior Management             | 100.00%                         | 14.13 hrs                           |
| Middle Management             | 80.81%                          | 0.77 hrs                            |
| Frontline and Other Employees | 92.41%                          | 0.11 hrs                            |



Group Mentoring and Leadership Training



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**B4. Labour Standards**

Pursuant to the Labour Law of the PRC, there was no child nor forced labour in the Group's operation during the Reporting Period. All resumes, original identification cards and relevant certificates of job candidates are first checked by the Group during the hiring process. Candidates' preceded employers may be contacted for provision of references. If any case of non-compliance is discovered, the Group will immediately terminate employment and further investigate to avoid recurrence.

**2. Operating Practices****B5. Supply Chain Management**

The Group had only engaged with suppliers related to technology and financial tools or services during the Reporting Period. Despite the relatively low environmental and social risks involved in the Group's supply chain, the Group encourages best practices in supply chain management. The Group has set up and continuously maintains a Qualified Vendors List and a supplier rating system to ensure the quality of supplies. All suppliers are expected to comply with all relevant environmental and social laws in their own operations.

During the Reporting Period, the Group had engaged with 79 long-term key suppliers from the PRC for tools or services, of which details are as follows:

| Supplier Region | Type of Supplier           | Numbers |
|-----------------|----------------------------|---------|
| PRC             | Technical Services         | 33      |
|                 | Legal Services             | 10      |
|                 | Advertisements             | 7       |
|                 | Fixed Capital Procurement  | 4       |
|                 | Copyright Advising         | 3       |
|                 | Recruiting                 | 3       |
|                 | Insurance                  | 2       |
|                 | Market Activities          | 2       |
|                 | Optic Fibres Services      | 2       |
|                 | Software                   | 2       |
|                 | Training and Development   | 2       |
|                 | Administration             | 1       |
|                 | Auditing                   | 1       |
|                 | Business Registration      | 1       |
|                 | Consulting                 | 1       |
|                 | Customer Service System    | 1       |
|                 | Designing Services         | 1       |
|                 | Employee Health Inspection | 1       |
|                 | IP Rights Advising         | 1       |
|                 | Servers Recycling          | 1       |

**B6. Product Responsibility**

The Group takes full responsibility for its products and services, and follows all regulatory requirements, industry guidelines and internal procedures on safeguarding customer health and safety, promoting responsible marketing and ensuring privacy of information related to the Group and its business partners. As such, the following laws and guidelines are therefore strictly followed by the Group:

- Criminal Law of the PRC;
- Advertising Law of the PRC;
- Cyber Security Law of the PRC;
- Trademark Law of the PRC; and
- Provisions on Protecting the Personal Information of Telecommunications and Internet Users.

**B6.1 Quality Assurance**

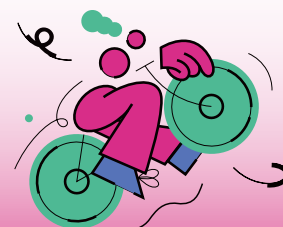
It is the Group's aim to provide services that are satisfactory and provide customer services that are professional. To ensure that employees are competent with handling customer complaints, the Group has established a customer service hotline and a professional customer services team, which includes official procedures for dealing with complaints from customers or users. The Group has also implemented company policies and platform user agreements to protect the customers' interests.

During the Reporting Period, the Group received 301 product or service-related complaints, with a response rate of 100%. In addition, since the Group does not offer any physical products, there had been no products sold or shipped subject to recalls for safety and health reasons during the Reporting Period.

**B6.2 Confidential Information**

As stated in the employment contract, employees shall not at any time, during the course of their employment, and after the termination of the employment:

- use any confidential information for his/her own purpose or for any purpose other than that of the Group;
- divulge or communicate to any person any confidential information except to those of the employees or officials of the Group whose province it is to know the same; or
- cause any unauthorized disclosure of confidential information (including without limitation), relating to the dealings, organization, business, finance, transactions or any other affairs to the Group or its clients or customers, through failure of exercising due care and diligence.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All notes, memoranda, records and writings made by the employees in relation to the business or concerning any of its dealings or affairs or the dealings or affairs of any clients or customers of the Group shall be handed over by him/her to the Group from time to time on demand and in any event upon his leaving the service of the Group and the employees shall not retain any copy thereof. A breach of the above provisions can be subject to dismissal without notice and legal claim for damages.

As a provider of live entertainment and social networking services, the Group understands the importance of cybersecurity, and has put in place policies and measures for the protection of customer data and confidential information of the Group. The Group's technical department has prepared contingency plans in the event of cyberattacks, and has implemented monitoring mechanisms within the backend of its online platforms to identify any suspicious activities. As per the request of its technical department, the Group has conducted evaluation and testing of its cybersecurity system. In addition, an alarm shall be triggered if the Group's systems have been subjected to hacking.

The Group complies with all applicable laws regarding confidential information and data protection of the laws of Mainland China. No substantiated complaints concerning breaches of client privacy, identified leaks, thefts, or losses of customer information was received during the Reporting Period.

### **B6.3 Intellectual Property Rights**

The Group attaches great importance to the protection of intellectual property rights, and complies with the relevant laws and regulations. The Group has implemented the "Management Regulations on Patent Incentives" as part of company policy and included specifications on intellectual property rights in its employment contracts, which provides guidance for employees to safeguard proprietary information including patents, trademarks, copyrights, trade secrets, and employee know-how.

As of December 31, 2022, the Group holds a total of 111 issued patents, including 24 invention patents and 87 design patents. During the Reporting Period, the Group granted a total of 7 new patents, including 2 invention patent and 5 design patents.

During the Reporting Period, there had been no cases that violate intellectual property rights.



**B7. Anti-corruption**

The Group strictly abides by relevant applicable laws in Mainland China in relation to bribery, extortion, fraud and money laundering. These include, but not limited to:

- Criminal Law of the PRC;
- Anti-Unfair Competition Law of the PRC; and
- Anti-Money Laundering Law of the PRC.

All other guidelines outlined by the Independent Commission Against Corruption (“**ICAC**”) and Securities and Futures Commission (“**SFC**”) are also followed by the Group.

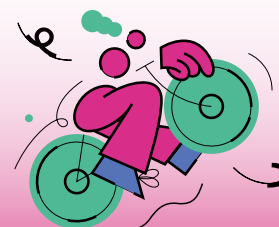
The Group has a whistle-blowing policy available for anyone to raise any concern worthy of the Group’s awareness, protecting the anonymity of any whistle-blower. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

In order to enhance the anti-corruption awareness and level of the Group, employees of all levels received annual anti-corruption training during the Reporting Period, which covered topics such as whistle-blowing, business ethics, avoiding conflict-of-interest, and anti-bribery. In total, the Group conducted anti-corruption training to 782 employees, or 88.46% of all employees, during the Reporting Period, which took the form of a 1-hour training session.

**B8. Community Investment**

The Group understands that engaging the community in which it operates is an essential corporate responsibility, and thus has focused its contributions on activities and organisations that are beneficial to the local community.

During the Reporting Period, the Group has donated money and supplies, as well as organised employee participation in annual charity events for schools in Shaanxi for left-behind children. In addition, the Group has donated 100,000 RMB and organised 3 days of special leave for employees to assist the Hubei Youth Development Foundation, as part of its efforts to improve quality of life and standard of living for children in poverty. The Group has also donated supplies to frontline health workers to help with anti-pandemic efforts.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Care for Kids in Mata (情暖童心·心繫馬塔) is one of the public welfare activities continuously carried out by the Group.



The Group donated RMB100,000 to Hubei Youth Development Foundation for the project "Dream House (希望夢想小屋)" to improve standards of living for local children in poverty.