

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. SCOPE

The reporting period of this Environment, Social and Governance report is from 1 January 2016 to 31 December 2016. This Report covers the operations of the following two subsidiaries of the Group for the internet gaming business and location of the Group's Hong Kong office is at Unit 2602, 26/F, Lippo Centre, Tower 1, No.89 Queensway, Admiralty.

- Beijing Kaixin Jiu hao Technology Company Limited
- Kingworld (Beijing) Technology Company Limited

The contents of This Report are prepared in accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited, and the publication frequency is once a year.

## 2. COMMUNICATION WITH STAKEHOLDERS

The Company's annual general meeting ("AGM") provides an effective platform for the Board of Directors and shareholders to exchange views. In addition to the AGM, for maintaining close relationship with customers, suppliers and other stakeholders, the Group communicates with stakeholders from time to time through different channels such as visits, conference calls, e-mails, company websites, customer service hotlines, follow-ups by customer service specialists, etc. in order to fully listen to their views and needs. The Group's overall performance is also reported to investors through the annual report of the Company.



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## 3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

### 3.1 Environmental

#### 3.1.1 Emissions

The Group is actively responding to the global trend of emission reduction, focusing on energy conservation and emission reduction in daily operations, and striving to avoid the generation of pollutants such as greenhouse gases, wastewater and garbage. To protect the environment from further damage, the Group has developed a series of environmental policies to control and reduce emissions of greenhouse gas and pollutants, including:

##### *Waste Reduction Policy*

Based on the principle of emission reduction, the Group recycles resources necessary for daily operations as much as possible. Office supplies and other supplies that have refills available are used as much as possible so as to reduce the generation of office waste. The packaging boxes for equipment/materials are also collected and reused for other purposes. For materials that are not recyclable/reusable, such as plastic packaging bags, discarded electronic products, etc., the Group will collect and store them according to their categories, and then send them to qualified agencies for handling. During the reporting period, no violation of environmental regulations was found.

##### *Business Travel Reduction Policy*

The Group has thorough understanding of the fact that business trips increase energy consumption and lead to increase in greenhouse gas emissions; therefore, the Group is striving to minimize the number of business trips and switch to other effective communication methods, including internet communication tools, video conferences, telephone conferences and emails. Remote communication software is adopted as much as possible when communicating with external parties in order to reduce greenhouse gas emissions due to business trips. When the aforesaid communication tools cannot tackle the needs, the Group encourages employees to use public transportation as priorities and, where possible, select nearby areas for the necessary business trip arrangement.

##### *Local procurement policy*

Procurement from non-local suppliers requires additional transport processes. As similar to business trip, it also increases energy consumption and greenhouse gas emissions. Therefore, at the time of procurement the Group will leverage the factors of raw materials such as quality, cost and environmental protection. As long as compliance with the Group's procurement policy, preference is given to products, equipment and services of local suppliers, and higher priority is given to local suppliers in closer proximity and using more environmental transportation means.

##### *Policy for advocating environmental protection to stakeholders*

For effective implementation of the emission reduction policy, the Group promotes the importance of "reducing carbon emissions" in the supply chain, which requires suppliers to operate in accordance with environmental regulations and to develop and implement environmental management practices. In addition, the Group also incorporates the values of environmental protection into employees' training programmes, including awareness trainings on environmental protection topics to build up employees' awareness and guide them on environmental protection practices in their daily operation. The Group is also actively seeking for cooperation with environmental groups to organise relevant seminars and activities for promoting the importance of reducing carbon emissions to both internal and external key stakeholders.

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## 3.1.2 Use of Resources

The Group is well aware of the limited resources on the planet and for more effective utilisation of resources; the Group promotes Green Office Management and other appropriate measures to enhance the efficiency in the use of resources, including:

### *Energy Conservation Policy*

Develop code of practice for air conditioning: The operating period of the air-conditioning equipment is only scheduled for the designated office hours, and the setting of air-conditioning equipment regulates the office temperature at the range of around 25.5 degrees Celsius. These approaches reduce energy consumption by raising the operating temperature of the water-type chillers. In addition, the Group has an automatic ventilation system in response to the detected carbon dioxide concentration, this ventilation system would be adjusted according to the actual indoor air conditions in order to reduce energy consumption from unnecessary ventilation. For the other office equipment, they are set at energy saving mode during office hour or in automatic shut-off mode after use.

In addition to equipment control, the Group has defined employees' code of practice for energy conservation. The Group requires employees to switch off the lighting facilities that are not in use. At non-working hours such as lunch time, employees are requested to switch off electrical facilities such as lightings, air conditioning system and computers whenever appropriate, or to set office equipment such as computers, printers, photocopiers, etc. in standby or other energy-saving modes. When off work employees are requested to switch off electrical equipment such as air conditioning system, lightings, computers, and arrange the employee who is leaving the office lastly to check and shut off all office equipment.

Natural light source would be adopted as much as possible in the office layout; also natural ventilation would be used as much as possible to reduce dependence on air conditioning. During the operation of air conditioning, employees are required to close doors and windows to avoid additional power consumption from air leakage. Moreover, the Group encourages employees to wear casual clothes in the summer time to reduce the operation of air conditioning, and reminds employees to switch off the power through posting of signage at the office entrance/exit.

For more effective implementation of energy conservation, it is the Group's policy to prioritise the use of energy-efficient products and equipment, and to regularly inspect and replace inefficient equipment in order to avoid unnecessary power consumption from equipment of poor performance.

Wherever possible, the Group is striving to adopt renewable energy or low-carbon quality energy sources to reduce greenhouse gas emissions. In the plan for replacing equipment of high power consumption, all office lighting facilities will be replaced by energy-saving lighting such as LED for further improvement of energy efficiency.

### *Water Conservation Policy*

Although water consumption from the Group's business is not significant, the Group insists the emphasis to employees' awareness on water conservation. For example, in daily operations, slogans are posted near water sources to remind employees and visitors to save water. Equipment like water pipes and taps are regularly inspected by professionals to ensure leakage issues are timely repaired for minimising water wastage.

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## *Resources Conservation Policy*

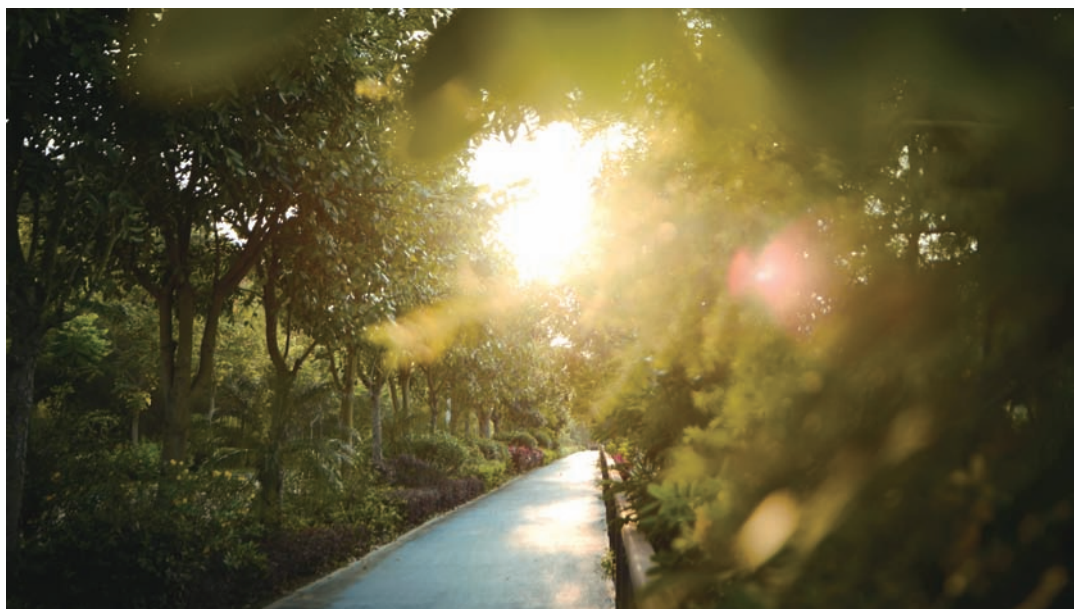
The Group's workflow promotes green files which use computer files to replace the hardcopies, and is striving to implement paperless office which uses e-mail as the primary means of communication. Files are saved on computers instead of being printed or photocopied, including the use of electronic files in the review and approval process whenever possible in order to reduce the use of papers in office. Whenever there is need of paper documents, which should be attempted to circulate for review in the leverage of confidentiality, so as to reduce the use of office papers. At the same time, the Group encourages employees to reduce the paper use by photocopying on both sides of paper and reusing the single-sided paper for printing or photocopying. Also the Group advises employees to use cloths and towels when cleaning the office in order to reduce the use of paper towels. Moreover, the Group encourages employees to replace bottled water with reusable containers in an attempt to change the employees' habit of using bottled water during daily work or meetings, so as to reduce unnecessary consumption of water bottles and hence to save the use of plastic resources.

### **3.1.3 The Environment and Natural Resources**

The Group's business is the development of internet games, and its significant environmental impact is the energy consumption of its server system and the consumption of office resources. In line with the internal promotion of environmental protection and resource utilisation within the Group, policies for green operation and green procurement are advocated by the Group:

## *Green Operation Policy*

Server is the key equipment for the entire business. For improvement of heat dissipation around the server and reduction of power consumption, the Group often ensures adequate ventilation around the equipment instead of lower temperature setting of the air-conditioned server room. The temperature in the server room is also strictly monitored to avoid the setting lower than the required temperature which eventually lead to unnecessary power consumption. During off day or when the server utilisation is low, the Group considers turning off part of the air-conditioning system in the server room to save energy. Whenever appropriate, the Group even considers shutting off some servers which are not essential.



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For terminals and computers used in business operations, the Group requires employees to set the equipment in sleep or standby mode when idle. When the equipment is not operating for a long time, its power supply will be completely shut off for power saving.

## *Green Procurement Policy*

When complying with the Group's operation requirements and pricing concern, preference is given to suppliers who are competent to provide environmentally friendly products and/or services, including those materials or services with environmental certifications, recycled products, reusable or recyclable materials, products that do not contain toxic or hazardous substances, equipment that can raise energy and water efficiency, and other products/equipment that comply with the environmental related regulations. For enhancement of the policy effectiveness, the Group provides relevant information to employees to help them understand the impact of procurement activities on the environment; also encourages suppliers and contractors to provide environmentally friendly products and services at competitive prices.

## **3.2 Social**

### **3.2.1 Employment**

The Group adheres to local employment regulations and believes that employees are an important cornerstone of the Group's steady development. Therefore, in addition to complying with the local employment regulations, the Group has also developed a series of employment policies to address recruitment, employee activities, wage adjustment, promotion, termination of employment, and equal opportunities (there are no discriminatory arrangements or decisions because of gender, marital status, physical disability, age, ethnicity, family status, sexual orientation, nationality, religion, etc.) to ensure that the Group's employees are treated in a fair and reasonable manner. In 2016, the Group did not find any unlawful cases related to employment or unfair treatment.

Although there is no collective bargaining policy nor is bound to any collective bargaining contract, the management emphasises to maintain a clear and constructive dialogue on corporate matters. This commitment is included in the written policies on remuneration, working hours, employee benefits, employee training, health and safety, complaint handling and whistle-blowing mechanisms.





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The Group is convinced that the business success ties with dedicated and motivated employees. As of 31 December 2016, the distribution of the number of employees covered by this report in Hong Kong and throughout China is as follows:

	Kaixin Jiu hao business	Kingworld (Beijing) business	Director	Hong Kong Headquarters
Total Number of Employees	24	124	7	9
Male	16	98	4	3
Female	8	26	3	6

## *Recruitment and Promotion*

The Group ensures that each job applicant has equal rights of recruitment and will not be refused in employment due to factors such as gender, age or ethnicity. Employees are assessed in accordance with the requirements of the position, and will not be discriminated against other factors such as physical disability and marital status. Similarly, promotion decisions do not take into consideration of discrepancies in factors like gender, age, religion, ethnicity, etc., and promotion decisions will only be based on the employee's knowledge, skills, experience and performance. The Group is committed to safeguarding the fundamental rights and interests of employees in the workplace and compliance with the regulations related to anti-discrimination and equal employment.



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## *Wages and Benefits*

The Group ensures that the wage of every employee meets the legal minimum requirements defined by the local government and purchases social insurance for employees under the local employment regulations. Assessment of labour market situations is conducted on annual basis and wage adjustment will be based on the assessment in a reasonable and legal manner for reward to employee's contribution to the Group. In addition to wages, the Group abides by entitlement to employees on statutory holidays and paid annual leave, and also provides benefits other than those required by law, including lunch allowance, overtime meal allowance, and bonus paid leave. Whenever employment termination is required, the Group is committed to not violating the local laws and regulations.

During the reporting period, the Group did not find any complaints or unlawful case related to discrimination and other employment rights.

### **3.2.2 Health and Safety**

The Group is very concerned on the occupational health and safety of employees, and therefore formulated all-round procedures and code of practices for mitigation of safety risks, with the ultimate goal to build up a zero-accident working environment.

## *Workplace Safety Management*

In the office and work areas, relevant safety procedures and operating instructions are posted to help employees understand the key points of safe operations. For positions with relatively high risks, employees are provided with the appropriate personal protective equipment for prevention of occupational illness and work injuries. Moreover, the Group strictly monitors the legal compliance status of the workplace, and equips fire extinguishers and other suitable fire equipment, as well as performs regular safety checks. Safety warning signs are posted in the appropriate areas to remind various risks from fire, electricity, chemicals, etc.

## *Employee Safety Training*

The Group provides appropriate occupational health and safety training for employees, including introduction of safety warning signs in work areas to raise employees' safety awareness so that they can identify safety risks and stay vigilant in workplaces of high risks. The Group also organises employees to go through fire and emergency drills on a regular basis to familiarise them with the evacuation routes at the time of danger.

In addition to taking care of the Group's employees, the Group also conducts safety supervision to the working practices of the contractors within the Group in order to round out the management of occupational health and safety.

## *Work and Life Balance*

The Group is striving to maintain physical and mental health of employees, and is much concerned the balance between work and life of employees. Therefore, the Group is committed to not forcing employees to work overtime. To help employees relax and balance their working pressure, the Group regularly organises recreational activities to help employees release stress, including birthday parties of employees, sports and fitness activities, and team building activities. These activities enrich employees' lives beyond of their daily work.

During the reporting period, no violation was found against the local regulations related to occupational health and safety.

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## 3.2.3 Development and Training

The Group's business involves the development of high-tech on-line products as well as mature and efficient processes, so it requires strict monitoring of project development time. Consequently, the Group is convinced that the quality of its employees is the upmost important element to sustain business development and to increase profitability, and thus striving to allocate resources for development of employee competence, including the provision of adequate employee training to enhance their technical capability, safety awareness and operational requirements. The Group's training provision includes both internal and external routes, with the goal to raise the employees' business skills, acquire additional knowledge, and explore ideas. These include various types of internal corporate trainings, external trainings hired by the Group such as workshops, technical trainings, exhibitions, seminars, etc. and sponsorship to employees for attendance of trainings organised by professional institutions.

In addition to classroom training, on-the-job training is also provided. The Group assigns experienced employees to offer job guidance for junior employees, together with regular training and supervision to employees. Also the Group develops career development plans for employees according to the Group's business and project development strategies in order to promote the sustainable development of the Group's business.

## 3.2.4 Labour Standards

The Group strictly prohibits the employment of child labour or forced labour, and is committed to employ employees aged 18 or above and will not force employees to work involuntarily in any way including involuntary overtime work.

During the reporting period, no child labour or forced labour was employed.

## 3.2.5 Supply Chain Management

For complete management in the procurement of materials and outsourcing services, the Group has developed the code of conduct to govern the suppliers of materials and services for ensuring compliance with the Group's specified product requirements.

For supplier selection, the Group leverages the quality of supplier's product/service and the supplier's corporate social responsibility. Assessment of corporate social responsibilities covers environmental protection, occupational safety and health, community participation and staff employment status, etc. During procurement of key items, the Group even considers choosing suppliers who have certifications or awards related to social responsibility.

For monitoring of suppliers' continuous compliance, the Group assesses key suppliers regularly against the corporate social responsibility status of and other requirements defined by the Group, including compliance with product/service quality and code of conduct. The Group's regular assessment could be in the form of questionnaires, written confirmations or onsite inspections to evaluate the suppliers' performance in fulfilment of the Group's requirements.



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## 3.2.6 Product Responsibility

The Group assures a stable technical architecture for deployment of web games developed by the Group, as well as the server technology for 24 hour/7 day continuous operation in both client side and web game terminal. For product quality assurance, all products must go through rigorous testing before they go online, and only products that fully meet all the testing requirements can be released to the market.

In addition to assuring product quality, the Group is committed to dissemination of the correct information related to product. This provides real and accurate product information to customers, and avoids misleading customers at the time of purchase. The Group also ensures that products do not contain any pornographic or bad ideology in order to prevent adverse effects on the atmosphere of society.

In the course of game design, the Group strictly respects intellectual property rights, and is committed not to plagiarise the specifications or patents of other companies, not to purchase pirated products, and not to use unauthorised photos or designs, etc. During the phases of game development and market release, the Group also develops measures to protect the intellectual property rights of own products, including patent applications and the implementation of information security management measures.

The Group has established a highly efficient and secure online gaming platform, which allows smooth running on both desktop and the popular mobile platforms like Apple and Android, and prevents the disclosure of the gaming customer's private information.

Also the Group has established a robust data collection and analysis system, which can quickly address all kinds of online emergencies. To strengthen customer confidence in the Group's products, the Group has developed comprehensive after-sales channels such as hotline, WeChat, QQ, e-mail, etc. for receiving customer's inquiry and providing technical support to customer. These channels help customers tackle the emergency situations at the time of gaming or product quality issues. Upon receipt of customer inquiry, the operator and the customer service representative will process it in a timely manner.

During the reporting period, no unlawful case or customer complaint related to products was found.

## 3.2.7 Anti-corruption

The Group designates qualified personnel and functional departments to support business which mainly focuses on project research and development. For effective supervision of personnel assignment, the Group strictly enforces the anti-corruption policy according to laws and implements the relevant measures.

All employees of the Group are not allowed to give bribes to government officials and representatives of commercial organisations, and they are also prohibited from accepting any form of bribery.

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The Group has established a whistle-blowing reporting mechanism and has a designated disciplinary committee, which is responsible for receiving and handling the reported incidents. All reported cases are filed and handled in a confidential manner.

For departments or positions with a higher risk of corruption, the Group strengthens employee awareness by training provision and develops channel for employees to declare conflict of interest.

For enhancing supervision, according to the type of contracted business the corresponding requestor initiates the application for approval, which is then submitted to the corresponding authorised supervisor for approval. Service contracts of different amounts would be approved by different levels of authorised personnel.

The Group hires an independent auditor to audit the financial accounts for assuring the accuracy of the Group's ledgers. This strengthens the internal financial control and supervision for protection of shareholders' interests.

During the reporting period, no unlawful case or complaint related to corruption was found.

### 3.2.8 Community Investment

The Group is striving to participate in community activities which will help build the positive image of industry and the Group, and also encourages employees to participate in charitable and fundraising activities. Our partnership includes community groups, charity organizations, government agencies and other local stakeholders.

Under the vigorous development of internet business, online fraud is increasing and the Group took the initiative to educate the public on the internet against online fraud. This initiative aims to protect the interests of internet customers and to enhance the positive image of the internet business.

In addition to the internet business, the Group also supports the promotion of domestic football industry. The Group established a football team which actively participated in various football events, aiming to raise the public's passion in football as well as to support the national strategy on football industry development.

In 2016, the Group participated in the donation event of "Dress Pink Day" organised by the Hong Kong Cancer Fund. On the day of the event, the Group's employees of Hong Kong headquarters office dressed in pink for supporting the Fund's activities to raise public awareness on breast cancer and to support people who were suffering from breast cancer.