

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2017

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蓝蓝蓝影视传媒(天津)有限公司
FOUR BLUE FILM MEDIA CO., LTD.

A8 影视
A8 Film & Television



A8 新媒体集团
A8 NEW MEDIA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00800

About this Report

OBJECTIVE OF THIS REPORT

This report is the second Environmental, Social and Governance report (“this Report” or “ESG Report”) published by A8 New Media Group Limited (“the Company”) and its subsidiaries (collectively referred to as the “Group” or “We”). It reflects the Group’s commitment to transparency and obligation commitment, and further elaborates the sustainable development plan and performance of the Group.

SCOPE OF THIS REPORT

This Report sets out the performance of the Group in respective areas on environment, society and governance for the 2017 financial year (“the Year”), covering core businesses of the Group – digital entertainment services and property investment business. Property investment segment invests property for rental and management in the People’s Republic of China (the “PRC”). As property management had been outsourced to a professional management company, this report does not cover the relevant property management business. However, the Group required that the property management company shall establish and implement relevant environmental and social policies when engaging its service.

For details of the Group’s other aspects including corporate governance, regulatory matters, and director’s information, please refer to the 2017 annual report of the Company.

PRINCIPLE OF REPORT PREPARATION AND IMPLEMENTATION

This Report is prepared in accordance with the revised Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited in December 2015. The content of this Report is determined by a set of systematic procedures. The relevant procedures include: assessing the materiality and relevance of identified environmental and social aspects, preparing and verifying the information reported, and reviewing and responding to the comments from the stakeholders towards this Report.

The Company formed an ESG report working group to optimize and implement the relevant initiatives, and to collect, formulate statistics, and analyze the environmental and social impact in the course of operation of the Group.

Statement from the Chairman of the Board

The Group has long been committed to creating values in economic, social and environmental areas for all stakeholders, including its shareholders, employees, and customers and etc. Not only does the Group focus on business development, but also concerns social responsibilities. The Group has been in strict compliance to the corporate governance code, while emphasizing environmental protection, trying its best to reduce pollution to the environment during daily business operation. The Group has hired and trained different talents. The Group treats all its employees with fair and respectful manner, and offers a working environment for them to realise their potentials. During the course of business operation, the Group is committed to complying moral standards and encouraging suppliers and contractors to comply with the level of corporate responsibility standard that is comparable to or higher than that of the Group. The Group deeply understands that community is the soil for enterprises' growth. To realise the mutual flourishing of local community and the Group, we devoted to public affairs, utilising our influence, continuously involve in social welfare activities to benefit the society.

Introduction of A8 New Media Group

A8 New Media Group Limited was founded in May 2000 and listed on the main board of the Hong Kong Stock Exchange in June 2008 (stock code: 00800.HK). The principle business scope of the Company covers digital entertainment services and property investment business. In which, digital entertainment services segment primarily covers music entertainment, games related service, and film and television production in the PRC, and the property investment segment primarily engages in leasing and management in the PRC.

The Group steps into the pan-entertainment industry, and commits in various areas of film and television development, games, cultural industries parks, and online literature. Capitalizing on its extensive and quality IP ("Intellectual Property") accumulated, the Group is committed to building up the IP which is most popular among the new generation in the PRC, by utilizing the resources from its business segments. Surpassing everyone's expectation as always, the Group creates an entertainment platform for young people with a mission of sharing happiness. Emphasizing the core value of "keeping an eye on the young community, honesty, being responsible, sharing happiness, saying no to mediocrity, embracing changes, and complementing one another", the Group is committed to creating a harmonious ecological chain, and proactively pursuing business with collaborators, adhering on innovation, and achieving win-win situation.

THE PARTICIPATION OF STAKEHOLDERS

The primary stakeholders of the Group includes its shareholders, employees, customers, suppliers, regulatory authorities, local community and etc. The Group attaches great importance to the participation of the stakeholders and understands that each stakeholder has its own expectation on our sustainable development. As such, the Group is devoted to maintaining communications and establishing long-term partnership with the stakeholders through different channels, formulating business policies with reference to such strategies, so as to increase the transparency of the Group and confidence of the stakeholders on the Group's implementation of sustainable development.

Stakeholders	Communication Channels	Expectations and Objectives
Shareholders/investors	General meetings, earnings conference, reports and announcements	Communication of Financial results and business development of the Group
	ESG report	Publishing information of investments and contributions made to the community, business sustainable development matters of the Group
	Direct communication	Significant company matters, business development
Government and regulatory authorities	Meetings, written reports and information disclosure	Implementation of government policies, compliance with regulations and laws, participation in concerning local construction development, business credibility and corporate social responsibilities
Community	Community charitable and volunteer activities	Activities which are beneficial to the community
Suppliers	Direct communications with games research & development companies, customer feedbacks	Continuous improvements and optimization on mobile games content
Employees and technical team	Training programs	Business knowledge training
	Work-life balance activities	Health training
	Regular performance reviews	Implementation and execution of sustainable development strategies
Customers	Daily operation/communication	Improving product customer satisfaction and enhancing customer experience

ENVIRONMENTAL

As the principle business of the Group are digital entertainment services and property investment business, no actual impact was created on the environment under normal circumstances. The Group undertakes environmental protection as part of its corporate social responsibilities and advocates corporate culture of resource-conservation and efficiency. The Group tries its best to reduce waste and enhance efficiency in its daily office operation.

EMISSIONS

Regarding aspects of air and greenhouse gas emissions, sewage discharge and generation of hazardous and non-hazardous waste, the Group has strictly complied with laws and regulations of the PRC in relation to environments.

Emissions during the daily operations of the Group mainly comprise wastewater discharges, waste disposal and office electricity consumption from the daily operation of the office and daily work and living of the staff, as well as greenhouse gas emission from use of vehicles by the Group. Waste disposal mainly refers to the non-toxic and non-hazardous solid waste generated from daily work.

Emission of Waste Gases

Emission of waste gases of the Group is mainly attributable to its self-owned vehicle.

Types of emission	Emission volume (kg)
Nitrogen oxides (NOx)	992.40
Sulfur oxides (SOx)	28.81
Particle materials (PM)	67.91

Emission of Greenhouse Gases

To address the emission of greenhouse gases, the Group's reported contents cover two aspects, Aspect 1, which covers the emission of greenhouse gases directly produced by the businesses that are owned or controlled by the Group, which is a vehicle owned by the Group and Aspect 2, which covers the emission of greenhouse gases in respect of the indirect power attributable to the electrical power that is consumed internally/purchased or obtained by the Group.

Total emission of greenhouse gases (kg)	Density (kg/sq.m.)	Emission volume (kg)
Aspect 1	0.80	5,307.05
Aspect 2	42.41	280,141.65

Solid Wastes

The solid wastes produced during the ordinary course of business by the Group are harmless and poisonless materials. In 2017, the total volume of wastes produced was 7,305.12kg, which were mainly the papers for printing in office and toilet papers, with a waste density of 1.11kg/sq.m..

Whether it is in the office or during the daily operations of the Group, we are always concerned about environmental issues. The management has initiated and mobilized all employees to play their parts in energy saving and emission reduction in every little detail. In 2017, the Group gradually implemented the following regular measures:

- Implementing waste sorting in office – waste sorting shall be conducted by office cleaners of the Group before waste disposal;
- Avocating the staff to use less disposables – use their own utensils when dining out or ordering takeaways;
- Encouraging paper conservation by printing on both sides of office papers and reusing one-side printed papers;
- Avocating due review on all types of information to be printed out, for which the content and format shall be double-checked for error-free before printing to avoid repeated printing due to errors;
- Encouraging our employees to take urban public transport when having business trips.

USE OF RESOURCES

The Group has advocated saving electricity and water in its daily office operation in order to build the corporate culture of low-carbon office style, and encourage of the following acts in the offices:

- Controlling indirect use of energy and stipulating that the power of electronic appliances and equipment, such as lightings, air conditioning and computers in office areas must be turned off when our personnel leaves work;
- Office pipe leakage preventive inspections and maintenance shall be conducted by the property management company on a regular basis to avoid unnecessary waste of resources.

The Group shall record the water consumption and electricity consumption in the office on an on-going basis and adhere to the implementation of energy saving and efficiency measures. It shall put continuous efforts in encouraging its employees to maintain good habits and reduce waste in day-to-day work, in a bid to achieve sufficient and effective use of resources, as well as contributing to reduction of energy consumption.

In 2017, the total volume of electricity used by the Group is 426,590 kwh, with an electricity density of 64.58 km/sq.m; the total volume of water used was 1,877m³, with a water density of 0.28 m³/sq.m.

THE ENVIRONMENT AND NATURAL RESOURCES

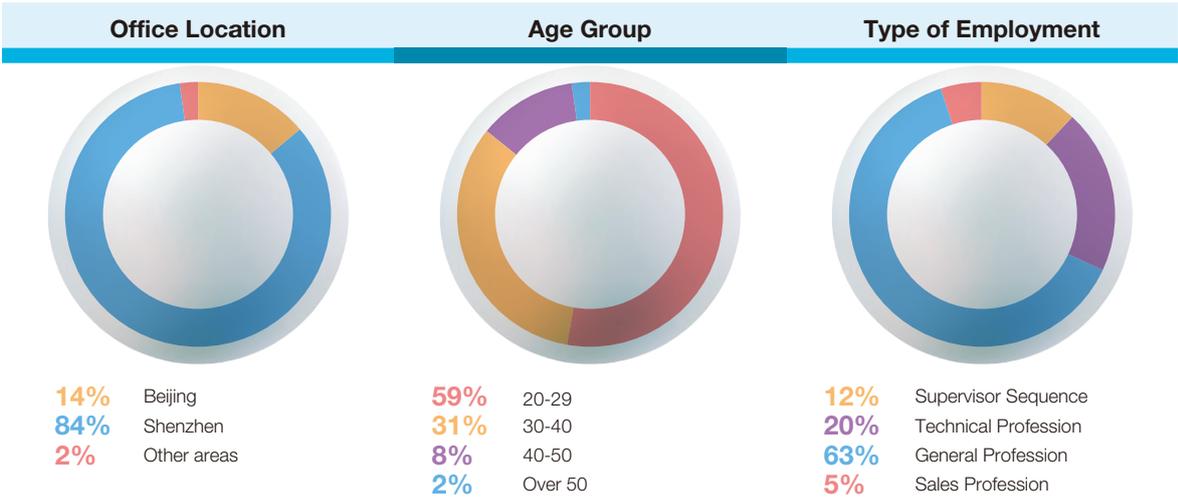
The issues of global warming, environmental pollution and climate change, etc. have increasingly hindered the economic development and social improvement. Under such a situation, in order to maintain a sustainable development between the humanity and the nature, companies shall enhance the balance between the economy and environment and social efficiency during operation, and undertake their corporate social responsibility in a proactive manner to create public values, so as to build a better future. The Group will continue to actively adopt measures in promoting resource conservation during its daily operation.

SOCIAL

EMPLOYMENT

The Group’s success is attributable to a professional, dynamic, responsible and passionate team. The Group emphasizes on a human-oriented policy and attracts, nurtures and retains talents for further business growth. The Group invested plenty of its resources in enhancing the training services and providing more career opportunities for the employees, enabling them to demonstrate their strengths and promote enthusiasm for work in the Year.

As at 31 December 2017, the overall number of employees of the Group is 167. The composition of the Group’s employees is set out as follows:



The Group adopts rigorous recruitment procedures and provides equal employment opportunities. We try our best to appoint the most suitable candidates for the jobs on the basis of merit. The Group strictly refers to the position requirements manual and the qualification standards for the positions to access the talents and ensure the recruitment of the best talent. The Group also assesses how far candidates agree with the business and cultural value of the Group so that individual values match with corporate values.

The Group has developed a sound and scientific remuneration system by providing the market competitive compensation for the employees to attract and motivate talents. Options incentive scheme was granted to the core employees to express the Group’s concern on the long-term motivation and earnings of the core employees. In the meanwhile, we have established a sound welfare system which includes various aspects, such as work, lives, education and health of the employees.

The Group emphasizes the career development of its employees and has established a career development system with dual channels, breaking the bottleneck in the career development of the employees. Career development system with dual channels consider the new entrants as the most junior level and higher levels as the experienced staff; the experienced staff can pursue management development path or professional development path after accumulated certain experience. For those pursuing the management development path, the career path will be general management – middle management – senior management. For those pursuing the professional development path, the career path will be backbones – experts/senior experts – authoritative people.

The Group has strictly complied with the applicable laws and regulations of the PRC relating to employees’ turnover, work time and statutory holidays.

HEALTH AND SAFETY

The principle businesses of the Group are digital entertainment services and property investment business, which normally are free from danger, high risks and occupational hazards. The Group still attaches great importance to the safety and health of employees and has stipulated its safeguard clause in respect of labor protection for the employees (including occupational health and safety) according to the relevant regulations.

Safety of the employees always comes first to the Group. There is a standardised fire safety management system, control process and regular check program in the office environment. The Group will activate the contingency mechanism and suspend its business when encountering Typhoon (Amber) or Rainstorm (Red) Warning Signals. In addition, the Group purchases additional commercial health insurance for all employees every year, to provide protection in areas such as accidental injury, illness and death, accident medical care, accident hospital allowance, aviation accident, train/ship accident, car accident. In the Year, no employee of the Group passed away due to work-related incident. There was no injury related to accidents at work either.

The Group strongly advocates healthy lifestyles and cares about employees' health in various ways:

- Organized physical checkup for all employees every year;
- Held seminars about health for employees;
- Organized healthy activities for employees.



DEVELOPMENT AND TRAINING

The Group adopts a set of training programs for talent training and development, (as illustrated in the diagram below). The Group has a comprehensive training and development system for the development of employees in different positions and has a corresponding training program for all levels of talents. The Group implements a “mentoring system”, which assigns professional mentors to rookie and new talents to build up their skills for daily work. The Group also has a mechanism for deploying talents for external training for enhancement, so as to foster their all-rounded improvement. The Group has set up a book purchase fund, namely 75 Book Club (75書吧), to purchase and share books after gathering updated information about staff knowledge, skills, management and other aspects on irregular basis. Below is the Staff Training and Development Course System of the Group:



The table below sets out the information in respect of training received by the employees in the Year by the categories of employees:

Category of Employee	Number of Existing Employees	Number of Employees Receiving Training	Percentage of Employees Receiving Training	Average Training Hours of Employees (hours/year)
Top Management Level	7	5	71%	20
Middle Management Level	29	25	86%	24
Top Professional Level	19	16	84%	29
Middle Professional Level	52	39	75%	43
Primary Professional Level	60	48	80%	80

LABOR STANDARDS

The Group strictly complies with the relevant laws and requirements in relation to the “Provision on the Prohibition of Hiring Child Labor” (《禁止使用童工規定》) promulgated by the State Council of the PRC. To date, the Group has never hired any child labor or forced labor. The Group has the “Administration Measures on Recruitment” (《招聘管理辦法》) in place, which strictly regulates the process of the Group’s recruitment and administration of new staffs.

The Group will verify candidate’s information when interviewing them including the identification, past employment supporting documents, etc. For key positions, the background information will be investigated and verified by the Group itself or a third-party credit agency.

In the Year, no material non-compliance incidents in relation to labour rights occurred in the Group.

SUPPLY CHAIN MANAGEMENT

As for the digital entertainment services business, the Group has definite procedures and authority to carry out an adequate investigation and research and assessment on the products during the preliminary stage on the products supplied. The Group strictly controls on matters such as the legitimacy of the products (copyright, and trademark, etc.), legality of the contents (according to the requirement of the Ministry of Culture of the PRC, and the strict self-censorship system for contents). As for the games publishing business, if there is any game content which violate relevant regulations, the Group will promptly notify enterprises responsible for the research and development to determine a revised solution for remedy. The Group may suspend a single function module after considering the importance of the problem. For serious problem, the service will be suspended for handling accordingly.

In respect of the security in relation to online payment, the technology department of the Group has a comprehensive protection system, which mainly ensures the safety on both hardware and software aspects. For the hardware, the Group has set up firewall at the payment point to filter the unsecure data pack. For the software, a user has to set a separate payment password, which shall match the password for payment. The transmission in respect of payment data by a user will be verified by an irreversible encryption. Upon successful final payment by a user, the user will verify the order value and the actual payment value, and check with the bank whether the deduction is successful.

The property management of A8 Music Building has been outsourced to a professional management company “第一太平戴維斯物業顧問(廣州)有限公司” (hereinafter referred to as “Savills”) to provide comprehensive property management services. Property management is one of the core businesses of Savills. After years of development, Savills has accumulated extensive management experience, and has become a leading international property consultancy group. Savills has also obtained ISO9001 Quality Management System accreditation and ISO14001 Environment Management System accreditation.

PRODUCT LIABILITY

Delivering quality products and services is a significant theme of the sustainable development of an enterprise. Each of the Group's business segments complies with the applicable PRC laws and regulations, strictly complies with applicable standards of products and services, fulfills product responsibilities, with a view to creating value for its customers.

Games publishing is one of the Group's important businesses. We strictly comply with relevant laws, regulations and policy requirements in relation to online games publishing in the PRC. The main relevant laws and regulations includes but not limited to "The Provisions on the Administration of Online Publishing Services" promulgated by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Industry and Information Technology, "The Regulation on Internet Information Service of the People's Republic of China" promulgated by the State Council, "The Interim Provisions on the Administration of Internet Culture" and "The Interim Measures for the Administration of Online Games" promulgated by the Ministry of Culture.

In terms of the qualifications of operating entities of our online games publishing business, the legality of content of online games, the privacy protection of the personal data of users and etc., the Group has strictly complied with relevant laws. We have obtained the relevant qualifications in operating such business, for example, the Telecommunication Business Operation Permit, the Internet Culture Business Permit. As for operating games publishing business, as the "Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation" (《關於規範游戲運營加強事中事後監管工作的通知》) issued by the Ministry of Culture of the PRC became effective on 1 May 2017, the Group has also implemented measures, including requesting real name verification of players for various games published by us and making the random sample results available to public, in accordance to the contents of such notice.

Meanwhile, the Group has maintained positive interaction with the government authorities in the PRC which regulate the online games publishing mainly including the Ministry of Industry and Information Technology, the State Administration for Industry & Commerce, the Ministry of Culture, the State Administration of Press, Publication, Radio, Film and Television, the Administration of Press, Publication, Radio, Film and Television of Guangdong Province, the Culture Department of Guangdong Province, and relevant corporate organizations such as Games Association. We fully comply with the instruction from relevant national and provincial departments and bureaus to play the role to promote the culture as a model corporate.

ANTI-CORRUPTION

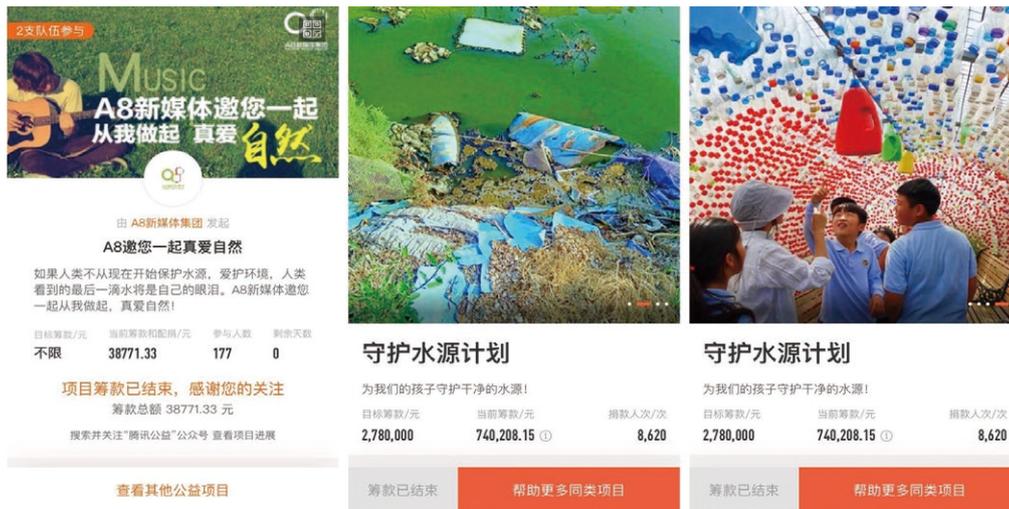
The Group has established the Rules for the Staff's Merits and Demerits (《員工獎懲條例》) for relevant occurrences of anti-corruption. The Group did not violate any laws and regulations in relation to litigation of corruption in the Year.

The Group has developed a system to oversee the violation of laws and regulations and the cultural values, along with the relevant system of "Audit and Risk Management". The staffs in charge of the internal auditing of the Group are responsible for the audit on the execution of corporate operations, financial risks, laws and regulations, standards and systems. In the meantime, an external audit institution will also conduct an audit on the Company every year in accordance with the Listing Rules and the financial standards. The Group has an anti-corruption whistleblowing mailbox: icac@a8.com. In case of corruption among employees, any person may report.

COMMUNITY INVESTMENT

The Group takes its social responsibilities and proactively takes part in various charity events of the society.

In September 2017, the Group participated in the 「Protecting Water Supply Scheme」 launched by Green Environment Development Foundation of Yunnan Province at Tencent's public welfare platform. 「Protecting Water Source Plan」 will focus on the management of water sources, the natural way of water conservation and establish a more diverse new rural sustainable economic operation mode, and help farmers find alternative livelihoods and generate income through ecological agricultural products, traditional handmade products, ecological experience, natural education, etc., link the quality of the natural environment with the economic development of the community, and make the villagers become partners of water source protection and raise the awareness of environmental protection. The public welfare activity accumulatively attracted a total of 8,620 persons' participation in donations, raising a total of around 740,000 RMB donations.



The screenshot shows a WeChat public welfare campaign interface. On the left is a promotional banner with the text 'A8新媒体邀您一起 从我做起 真爱自然' and '守护水源计划'. Below the banner are statistics: '项目筹款已结束, 感谢您的关注', '筹款总额 38771.33 元', and '参与人数 177'. On the right are two identical campaign cards for '守护水源计划' (Protecting Water Source Plan). Each card shows a goal of 2,780,000 RMB, with 740,208.15 RMB raised and 8,620 participants. The cards include a '筹款已结束' (Fundraising ended) button and a '帮助更多同类项目' (Help more similar projects) button.

In November 2017, the pilot school of 「Village Boarding School Enhancement Project」 co-founded by the Group and Jack Ma Foundation was officially launched at Datian Primary School in Chama Town, Qinglong County, Guizhou Province. This project is planned, supervised and supported by Jack Ma Foundation. A8 New Media Group participates the project. The 「Village Boarding School Enhancement Project」 is designed to take both software and hardware into consideration, by reasonably improving the facilities of rural boarding schools and the school management level to provide a good educational environment and help rural children grow healthily and happily.



A8Live, a live music performance brand of the Group located in the National Music Industry Base, strives to present the best musicians and works to the audience. For good music presentations, both front and backstage have equally important status and meaning. Not only is A8Live dedicated to nurturing and supporting original musicians, it also provides the most idealized hatching soil and venue for every person who dreams of music, and attaches great importance to the training and assistance of musicians behind the scenes.

On 27 August 2017, a free training course for tuners host by 「Behind the Scenes」 was held in A8Live, attracting many people in Shenzhen to attend. Among them are local tuners who have been working for many years, young people in the industry, independent musicians who run Live House, cross-sectoral quasi-directors, recording assistants. The lecture will explain and demonstrate content which is frequently involved in the most on-spot tuning cases, in a way combining both theory and practice. The Group has provided exhibition venues, sound recording equipment and supporting staff for this training course for free.

