Fulu Holdings Limited
福祿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2101

2020
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

Fulu Holdings Limited (the "**Company**") and its subsidiaries (collectively known as the "**Group**" or "**We**") gratefully publish the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") covering the period from 1 January 2020 to 31 December 2020 (the "**Year**"). The ESG Report elaborates the situation of the Group in practising the concept of sustainability comprehensively and performing corporate citizenship responsibilities. The ESG Report also provides details of the Group's effort in performing the principles of sustainable development and the performance of social governance during the Year.

SCOPE OF THE REPORT

The ESG Report provides the details of the Group's overall environmental and social policies when conducting the third-party digital goods and services platform operating business in the People's Republic of China (the "**PRC**"). In the Year, the ESG Report and its environmental and social key performance indicators (the "**KPIs**") covered the performance of the Group's headquarters in Wuhan, Hebei Province, the PRC. The scope is determined based on whether the Group has operational control over the entity, and whether the entity has a material influence on the Group's performance or assets.

REPORTING STANDARD

The ESG Report was prepared and disclosed by the Group in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in the Appendix 27 of Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**HKSE**") and in compliance with the "comply or explain" provisions thereof.

REPORTING PRINCIPLES

The content of the ESG Report is determined through stakeholders engagement and materiality assessment, including identifying ESG-related topics, collecting and examining the opinions from internal management and different stakeholders, evaluating the relevance and importance of the topics, formulating and reviewing the data reported. The ESG Report comprehensively covered the material topics concerned by different stakeholders.

The ESG Report discloses the quantitative environmental and social KPIs, allowing stakeholders to understand the ESG performance of the Group comprehensively. For the standards, methods, reference data and sources of information of the major emissions, as well as the conversion factors used by its KPIs, they are listed in the ESG Report wherever appropriate. In order to facilitate the comparison of the ESG performance between years, the Group adopted the same calculating methods as far as reasonably practicable. If there is any change in method, the Group will also present and explain it in details in the corresponding sections.

OPINIONS AND FEEDBACKS

The Group values your opinions on this report. Should you have any advice or suggestion, please feel free to email us at IR@fulu.com.

The Group was established in 2009 and is a leading third-party digital goods and services platform operator in the PRC. We are committed to providing the most comprehensive and high-quality digital goods and services. In order to effectively connect with digital goods vendors, sales channels and consumers, the Group has established a Software as a Service (SaaS)[1] technology platform, Fulu Open Platform (福祿開放平台), which provides platform participants with a "one-stop" service. This innovative "Aggregation + Service" operation model has won the favor of thousands of partners. The Group's platform connects digital goods vendors with digital goods sales channels and provides them with "business to business" (B2B) digital goods-related services and value-added services, including (i) facilitating digital goods transactions between digital goods vendors and digital goods sales channels; and (ii) providing value-added services in a wide variety of industries (including leisure and entertainment, games, telecommunications and lifestyle services-related industries), such as operating online stores for digital goods vendors. We also facilitate the sale of various types of digital goods, such as membership cards, in-app or in-game virtual currencies, virtual cards, e-vouchers, membership benefits, in-game consumables or functions and data usage packages, to help them achieve their commercial objectives, such as traffic acquisition and monetisation.

The Group has always adhered to the values of "Unity, Simplicity, Responsibility, Progressiveness, Deep Learning, and Innovation". It pays attention to team goals, cooperates with integrity, provides professional and efficient services, and encourages personal development to become a dedicated and responsible professional. We also persevere in continuously breaking through the bottleneck, striving for perfection, and constantly creating value for customers. In addition, we provide a comfortable office environment and hold a variety of employee activities to attract and cultivate talents to achieve the corporate mission of "Establishing a virtual service ecosystem and providing the most comprehensive and high-quality services to the internet paying users".

---

[1] Software as a Service (SaaS) is a software deployment model under which cloud providers licence software applications to users as a service.

BOARD STATEMENT

The Group believes that establishing sound ESG principles and practices will help to enhance the investment value of an enterprise and provide long-term returns to its stakeholders. To ensure effective ESG risk management measures and internal control systems, the board (the "**Board**") of the directors (the "**Directors**") of the Company is responsible for monitoring and reviewing ESG-related matters in compliance with laws and regulations, as well as reviewing ESG-related information annually, assessing ESG work progress and the content and quality of ESG Report. At the same time, the Board supervises relevant departments to improve ESG-related policies and measures, pays close attention to related matters that have potential impacts on business operations in order to adjust operating policies in a timely manner, and strives to build a communication platform between the Group and its key stakeholders, and regularly reviews the topics that key stakeholders valued to ensure the flow of information.

During the Year, the Group has commissioned a third-party consulting firm to assist in identifying ESG matters and providing suggestions for the ESG performance of the Group. The consulting firm assisted in collecting and analysing the comments on ESG matters from the Group's stakeholders, and conducting materiality assessment. The materiality assessment is conducted based on a questionnaire survey by collecting opinions from stakeholders, including the Directors, and integrating major ESG topics in the industry, scoring and ranking the level of concern for each ESG topic to identify the material topics. The Board reviewed the assessment results and confirmed finally the material ESG topics of the Group.

With the aim of effectively leading the ESG development of the Group, the Board continuously monitors ESG-related work and keeps track of the latest rules and regulations issued by the HKSE on ESG disclosure and requirements, as well as ensures close cooperation among departments, mutually achieving the goals of compliant operation and bearing social responsibilities. The Board will also review the ESG topics at regular meetings, and formulate ESG goals based on the most important ESG-related topics of the Group for the business and stakeholders, and monitor the coordination and management of ESG matters.

STAKEHOLDER ENGAGEMENT

The Group believes that the stakeholder engagement and their continuous support are important for the long-term development of an enterprise. The Group communicated with the stakeholders for the purpose of improving its sustainable development strategy and implementing various sustainable development goals. Therefore, we adopted a variety of communication methods to allow stakeholders from different sectors to express their opinions and suggestions, and we also responded to stakeholders' expectations and concerns via different channels to improve our ESG performance and the future development strategy.

Stakeholder	Requirement and Expectation	Communication and Response
Governments and Regulators	• Compliance with national policies, laws and regulations • Support for local economic growth • Drive local employment • Safe operation	• Regular reporting • Regular communication with regulatory organisations • Examinations and inspections
Shareholders	• Returns • Compliant operations • Rise in company value • Transparent information and efficient communication	• General meetings • Announcements • Emails, telephone contacts and company websites • On-site visit
Partners	• Operations with integrity • Fair competition • Performance of contracts • Mutual benefits and win-win results	• Reviews and appraisal meetings • Business communication • Exchange and discussion • Engagement and cooperation
Customers	• Outstanding products and services • Performance of contracts • Operations with integrity	• Customer service centre and hotline • Customer opinion survey • Social media platform • Return visits
Environment	• Compliance with emission standards • Energy conservation and reduction of emissions • Ecological protection	• ESG information submission
Industry	• Promotion of industry development	• Field visits and reciprocal visits
Employees	• Remunerations and benefits • Career development • Humanity cares	• Employee communication meetings • Company newsletter and intranet • Promotion mechanism • Staff training • Employee activities
Community and the Public	• Participate in public welfare • Open and transparent information	• Company website • Company announcement • Media interview • Social media platform

MATERIALITY ASSESSMENT

In order to formulate ESG management policies clearly and effectively, the Group conducted a materiality assessment in this Year to identify ESG topics that are critical to the Group's business and its stakeholders. Such materiality assessment was based on the opinions of internal stakeholders, the analysis of opinions from third-party ESG professional organisations, and the materiality maps[2] provided by well-known external organisations. The results of this evaluation will also serve as a reference for the Group to strengthen internal management. The Group will increase the participation of different stakeholders in the future to collect their valuable and constructive opinions on the development of the Group. During the Year, the Group has identified 10 important ESG-related topics, which will be discussed in the ESG Report.

Material Topics	Corresponding Sections
Employment compliance	• Employment and labour practices
Remuneration and benefits	• Employment and labour practices
Employment diversity and equal opportunities	• Employment and labour practices
Training and education	• Occupational training and development
Operational compliance	• Sound operating practices
Customer service management	• Quality services
Intellectual property rights protection	• Respect for intellectual property rights
Information and privacy security	• Information security and privacy protection
Research and development	• Research and development
Anti-corruption	• Anti-corruption

---

[2] The materiality assessment refers to the ESG industry materiality map provided by Morgan Stanley Capital International (MSCI) and the materiality map provided by the Sustainability Accounting Standards Board (SASB) respectively.

The Group attaches great importance to environmental protection and resource conservation, and continues to pay attention to the impact of its business operations on the environment. The Group is committed to maintaining the synchronous development of economy, environment and society, and raising awareness of environmental protection and resource conservation in daily operations. The Group's operating facilities are mainly based in the PRC. Therefore, we strictly comply with relevant local environmental laws and regulations including but not limited to the *Environmental Protection Law of the PRC*, the *Atmospheric Pollution Prevention and Control Law of the PRC*, *Water Pollution Prevention and Control Law of the PRC*, and *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, and were not aware of any environmental related violations during the Year. The Group closely monitors activities that have a potential impact on the environment during business operation, understands the impacts on the surrounding environment to fulfill the responsibilities and obligations of environmental protection.

EMISSIONS MANAGEMENT

The Group has always been committed to protecting the environment and reducing emissions and waste during the operation process through controlling and managing resource consumption. The business of the Group is mainly office-based operations. Therefore, it does not involve any emissions related to fuel combustion. The exhaust gas mainly comes from the use of vehicles. In order to reduce exhaust emissions and maintain the efficiency of vehicles, the Group conducts regular inspections on vehicles, inflates tyre in time, maintains proper tyre pressure, and ensures that there is no idling engine.

The data of air pollutant emissions generated by the Group during business operations are as follows:

Air pollutant emissions *(Note 1)*	**Unit**	**2020**
Nitrogen oxides	kg	**4.03**
Sulphuric oxides	kg	**0.11**
Particulates	kg	**0.30**

Note:

1.   It is calculated based on the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKSE and the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Land Transportation Enterprises (Trial)" issued by the National Development and Reform Commission of the PRC.

The Group's greenhouse gas emissions can be divided into three categories, including direct emissions from vehicle use, indirect energy emissions from purchased electricity, and other indirect emissions from methane generated from waste paper sent to landfills, electricity used for drinking water and sewage treatment and employee travel. We encourage employees to use phone calls or video conferences to replace unnecessary business trips, and choose direct flights for inevitable business trips to reduce their carbon footprint and contribute to carbon neutrality.

The data of greenhouse gas emissions generated by the Group during business operations are as follows:

Greenhouse gas emissions (Note 1)	Unit	2020
Total greenhouse gas emissions	tCO_2e	244
Scope 1 – direct emissions (Note 2)	tCO_2e	18
Scope 2 – energy indirect emissions (Note 3)	tCO_2e	199
Scope 3 – other indirect emissions (Note 4)	tCO_2e	27
Intensity of greenhouse gas emissions	tCO_2e/employee	0.49

Notes:

1. The Group's greenhouse gas emission categories include carbon dioxide, methane and nitrous oxide. The greenhouse gas emissions are presented in carbon dioxide equivalent.

2. Scope 1 direct emissions refer to the direct emissions generated by the use of vehicles of the Group. It is calculated based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Land Transportation Enterprises (Trial)" issued by the National Development and Reform Commission of the PRC.

3. Scope 2 energy indirect emissions refer to the indirect greenhouse gas emissions generated by the Group's purchased electricity. The calculation of electricity is based on the "Average Carbon Dioxide Emission Factors for Regional Power Grids in China 2011 and 2012" issued by the National Development and Reform Commission of the PRC.

4. Scope 3 other indirect emissions include other indirect emissions that occur outside the Group, including methane generated from waste paper processing, electricity consumed for processing water, and business travel. Relevant data are calculated based on the "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKSE and the International Civil Aviation Organisation (ICAO) Carbon Emissions Calculator.

WASTE MANAGEMENT

The non-hazardous waste of the Group is mainly daily office waste, including office paper and general waste, which is collected and processed by the property management company in the park where the office is located. The Group's hazardous waste includes scrapped computers, which are collected and recycled by computer service providers. Through proper and legal collection and disposal of waste, we are committed to reducing the environmental impact from waste generation. The Group will continue to improve existing waste management measures, encourage employees to carry out waste classification and reduce the production of unnecessary waste.

The non-hazardous waste and hazardous waste generated during business operation of the Group are as follows:

Waste	Unit	2020
Non-hazardous waste *(Note 1)*		
Total non-hazardous waste generated	kg	**16,589**
Intensity of non-hazardous waste generated	kg/employee	**33.58**
Hazardous waste *(Note 2)*		
Total hazardous waste generated	kg	**160**
Intensity of hazardous waste generated	kg/employee	**0.32**

Notes:

1. The non-hazardous waste generated by the Group is estimated based on daily operations.

2. The hazardous waste generated by the Group is calculated based on actual weight.

USE OF RESOURCES

The Group recognises the importance of effective resource utilisation and has been committed to streamlining operation with a view to optimising resource utilisation and striving to save energy and reduce consumption. We actively promote the importance of environmental protection to employees, so as to raise their awareness of environmental protection and practise the philosophies of energy conservation and consumption reduction, waste reduction at the source, effective use of resources and green office.

The resource consumption of the Group is mainly the use of electricity, water and paper for its daily office operation. Due to the Group's business nature as a third-party digital goods and services platform operator, it is not involved in the use of any packaging materials.

Energy Conservation

The Group is committed to optimising the operation process to save energy, and therefore implements energy saving measures in the office. In terms of electricity, the Group encourages employees to turn off all unnecessary lighting systems and other electronic equipment, such as printers, computers, etc., and use daylight lighting as much as possible. At the same time, we set up independently controllable lighting switches and use high-energy-efficient lamps in different areas of the office, and put energy-saving signs on the switches to remind employees to save energy as far as possible. We also regularly clean electric lights and air-conditioning filters to ensure their energy efficiency. In addition, we select air-conditioning equipment that has obtained an energy efficiency label, suggest employees to set the minimum temperature of the air conditioner not lower than 25.5 degrees Celsius, and conduct regular inspections and maintenance to reduce the possibility of refrigerant leakage.

The energy consumption of the office of the Group is as follows:

Energy consumption	Unit	2020
Total energy consumption	MWh	451
Direct energy consumption - vehicle fuel *(Note 1)*	MWh	72
Indirect energy consumption - purchased electricity *(Note 2)*	MWh	379
Intensity of energy consumption	MWh/employee	0.91

Notes:

1. The vehicle fuel consumption data is calculated based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from China Land Transportation Enterprises (Trial)" issued by the National Development and Reform Commission of the PRC.

2. Electricity data is based on the actual electricity usage of the Group.

Water Conservation

The Group does not generate or discharge any industrial wastewater due to its business nature as a third-party digital goods and services platform operator. Water used is mainly for daily office operations, and the generated domestic wastewater will be discharged into the municipal sewage pipe network for treatment. During the Year, the Group did not encounter any problems in obtaining water for use. The Group understands the importance of water conservation as water is a precious resource. We put up water conservation signs in the restrooms to remind employees to turn off the faucets after use to improve their awareness of water conservation. We also conduct leakage tests on a regular basis. We will immediately notify the property management company to arrange maintenance and inspection if we discover there is any leakage in the water supply facilities.

The water consumption of the office of the Group is as follows:

Water consumption *(Note 1)*	Unit	2020
Total water consumption	m^3	1,326
Intensity of water consumption	m^3/employee	2.68

Note:

1. The water consumption data is based on the actual water consumption of the Group.

GREEN OPERATION

While actively developing its business, the Group has not forgotten the importance of green operations and promoted the concepts of reducing paper consumption and waste at the source through internal promotion. Therefore, we have adopted different measures to integrate environmental protection concepts into daily operations and build a comprehensive enterprise that takes economic, environmental and social aspects into account.

The Group attaches great importance to saving paper and reducing unnecessary waste. By encouraging the use of electronic communication systems to distribute information internally as far as possible, the Group reduces the use of fax and photocopying documents. In order to reduce paper usage, we use electronic office system to replace the office administration system which mainly uses paper for record, as well as encourage employees to print in black and white, copy and print on both sides, and besides to reuse paper that has been printed on one side and use waste paper for note-taking. When purchasing paper, we choose the printing paper that contains recycled materials and conduct regular paper volume measurements to monitor the use of paper and make timely improvements when necessary.

In addition, we avoid using disposable and non-recyclable products as far as possible, use recyclable ink cartridges, and cooperate with electronics companies to recycle old models of computers. We also reuse envelopes, binders, file cards and other stationery supplies, and use a replacement refill to reuse the barrel. At the same time, we regularly evaluate the usage of materials to avoid excessive inventory and waste. In addition to waste generation, greenhouse gas emission is another major concern of the Group. The Group is committed to reducing its carbon footprint by taking various measures against different sources of emissions. For example, we encourage employees to take public transportation when commuting to work and organise company events at venues with easy access to public transportation. The Group will continue to implement and strengthen measures to reduce greenhouse gas emissions to make a greater contribution to the green environment and climate change.

RESPONSE TO CLIMATE CHANGE

Response to climate change and managing carbon emissions is one of the most urgent global environmental problems. Different sectors of the community also bear the responsibility for the problems. During the Year, the Group has not found any significant climate change related risks which were relevant to its business as a third-party digital goods and services platform operator. Nevertheless, the Group understands the seriousness of the global warming problem, and therefore has formulated relevant emergency management systems to improve employees' ability to deal with emergencies, and assigned appropriate personnel to handle climate-related risks to avoid or reduce losses caused by severe weather conditions caused by climate change. The Group has also established a legal team to identify and monitor climate-related litigation and related legal risks faced by the Group in a timely manner. The Group will continue to review policies, regulatory updates, technological developments and market trends in the global and business operations regions, regularly identify, evaluate and manage climate-related risks that may have financial impacts on the Group's business, and take corresponding measures.

EMPLOYMENT AND LABOUR PRACTICES

We have been advocating the combination of people and technology, and use technology as a driving force to form a gear effect. The Group also values the talent of employees as precious assets, striving to provide suitable platform and working environment for employees, facilitating their professional development, and protecting the interests of employees. We strictly comply with laws and regulations related to employment, including but not limited to the *Labour Law of the PRC* and the *Labour Contract Law of the PRC*. We provide equal opportunities and create a harmonious working environment, to ensure that potential candidates or incumbent employees are not discriminated against or deprived of opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, physical conditions, pregnancy, political connection and sexual orientation. We strive to be a responsible employer and are committed to implementing better employment practices, and advocate ethics and human rights at the workplace.

During the Year, the Group had a total of 494 employees located in the Mainland China. The average age of its employees was 29 years old, the average age of management was 35 years old, and R&D personnel accounted for approximately 25% of the total number. The Group as a whole is full of vitality. The composition of the employees of the Group is as follows:

Employment indicators	2020 Number of employees (%)
By gender	
Male	**302 (61%)**
Female	**192 (39%)**
By age	
Under aged 30	**278 (56%)**
Aged 30-50	**216 (44%)**
Over aged 50	**0 (–)**
By region	
Mainland China	**494 (100%)**
By employment type	
Formal employee	**453 (92%)**
Temporary worker	**41 (8%)**

Practices on Recruitment Process

The Group upholds the principles of fair competition and merit-based admissions for open recruitment. We mainly recruit employees through campus recruitment, internal recommendation, personal recommendation (need to perform an open recruitment process) and online recruitment platform. At the same time, the Group has established an internal reward recommendation system. Qualified recommenders (including all formal employees, interns and external personnel of the Group) can recommend candidates to take up all formal and internship positions in the Group to encourage the admiration and recruitment of talents. The Group attaches great importance to the educational background, professional skill level, work experience and suitability for relevant job requirements of job applicants when recruiting, regardless of their age, gender, physical and mental health, ethnicity, religion and other factors. The Recruitment Management Measures has specified the functions and responsibilities of the human administrative centre and functional departments. The Group formulates a recruitment plan every year to implement the recruitment work in an organised manner. The Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the *Provisions on the Prohibition of Using Child Labour of the PRC*. Applicants' identification documents, relevant certificates and work experience would be checked and reviewed during the recruitment process to verify their age. If child labour is found, we will stop his/her work immediately and carry out investigation to identify the loophole, implementing remedial measures, preventing the event from happening again. Before the formal entry of employees, the Group will enter an employment contract with employees, which explicitly specifies the terms such as working hours, rest period, remuneration, insurance and benefits of employees, so as to safeguard the freedom and interests of employees, and avoid forced labour. The Group has also formulated an Employee Withdrawal Management System listing out proper resignation, termination and dismissal procedures. When an employee submits a resignation, the relevant personnel will meet with the employee, understanding the reasons of resignation. During the Year, the Group was not involved in or discovered any violation of employment and labour practices, prevention of child labour and forced labour related laws and regulations.

During the Year, a total of 194 employees left the Group (turnover rate: 39%). The employee turnover rate of the Group by different categories is as follows:

Turnover rate indicators *(Note 1)*	2020
By gender	
Male	**34%**
Female	**47%**
By age	
Under aged 30	**45%**
Aged 30-50	**31%**
Over aged 50	**–**
By region	
Mainland China	**39%**

Note:

1.   Turnover rate is the employees in the specified category resigned in the Year over the total number of employees in the specified category.

Practices on Remuneration and Promotion

We provide employees with competitive remuneration and promotion packages, which generally include basic fixed wages, performance bonuses and other welfare allowance packages. The Group conducts annual remuneration reviews and adjustments based on the results of the employees' annual performance appraisal and rank evaluation, and operating conditions, to motivate employees to continuously improve themselves. In terms of promotion, internal transfer and career development, the Group has established a performance appraisal management system and related position management methods to provide clear views and directions for employees' career development and improve human resource management. We conduct comprehensive evaluations annually on employees' work abilities, attitudes, improvements and annual outstanding performance and mistakes in the past year, and objectively and comprehensively evaluate the work performance of each employee. The Group arranges promotion and demotion based on employees' appraisal performance, occupational development planning and position vacancies. We give priority to internal promotion, then consider external recruitment, providing a broader development path for employees.

Interests and Benefits of Employees

As a way to care about employees, and at the same time stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. The Group strictly complies with relevant laws and regulations, including but not limited to the *Labour Law of the PRC* and the *Social Insurance Law of the PRC* to ensure that its employees' working hours, wages and benefits meet the requirements in the PRC. The Group also provides social insurance for the employees in accordance with local regulations in the PRC, including basic pension insurance, work injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund plan. We contribute to the employee benefit plan based on a designated percentage of the total employee remuneration. The Group determines the working hours of employees in accordance with relevant regulations and adopts a five-day work week arrangement with working hours not exceed 8 hours per day to ensure that employees have sufficient time to rest. We strictly control overtime work of employees, prevent forced labour from occurring in business operations, and avoid overtime work as far as possible. If overtime work is required, we will compensate employees in accordance with relevant laws and regulations and the provisions in the attendance management system. Employees are also entitled to statutory leave, annual leave, bereavement leave, marriage leave, maternity leave, paternity leave and breastfeeding leave.

In addition, in order to reflect the Group's humanised management philosophy, we provide employees with free physical examinations, marriage and childbirth gifts, sickness condolences, and birthday and holiday benefits to express our care for employees. The Group also pays attention to the physical and mental health of employees and the balance between work and life. During the novel coronavirus (the "**COVID-19**") pandemic, we still insist on conducting monthly online activities to promote communication among employees, such as online birthday parties, holiday celebrations and sharing sessions. In addition, subject to the pandemic prevention requirements, we also held badminton competitions, Dragon Boat Festival events, programmers' festival events, and R&D salon sharing sessions, etc. after the epidemic eased. The Group values the opinions of employees and regards them as an indispensable part of its healthy development. We have established a variety of communication channels within the Company to listen to the opinions of employees in a timely manner, and have an open feedback mechanism to encourage all employees to participate.

Dragon Boat Festival events

Programmers' festival events

OCCUPATIONAL TRAINING AND DEVELOPMENT

In order to promote the sustainable development and efficient operations of the Group, the Group firmly believes that employees are the key to business development and therefore committed to nurturing talents. The Group has in place the management measures on staff training to conduct internal training in various forms such as apprenticeship and internal communication, and introduce external courses at appropriate times to assist employees in absorbing new external knowledge and concepts. We will arrange suitable mentors for new employees to help them understand their responsibilities, jobs and goals and learn the Group's standard operational procedures. We will offer trainings to newly joined employees including introduction to the Company, attendance and performance management measures, code of conduct, information system operation, etc. We will also arrange corresponding training according to the requirements of employees of different levels and positions, including cadre training and occupational training. Besides, we will provide employees with training funds and encourage them to participate in externally organised seminars and sharing sessions to enrich their professional knowledge. After the training, we will conduct a satisfaction survey and make adjustments and improvements based on the feedback from employees. In addition, the Group has established an internal trainer management system to provide points or cash rewards for internal trainers who have completed course development, participated in course review and provided lectures, and conduct internal trainer evaluation. The internal trainer with the highest annual points will be granted with the award of "Annual Chief Lecturer". During the Year, the Group has carried out three types of internal trainings in respect of industrial knowledge, general capabilities and professional knowledge and skills, as well as 16 external trainings.

During the Year, 494 employees had been trained for a total of 8,012 hours. The training-related data of the Group is as follows:

| | 2020 | |
| | Average Training Hours per | Percentage of Trained |
Training indicators	**Employee _(Hour)_**	**Employee**
By gender		
Male	**16.2**	**100%**
Female	**16.3**	**100%**
By function		
Operation	**10.0**	**100%**
Customer service	**30.0**	**100%**
R&D	**20.0**	**100%**
Business development	**5.0**	**100%**
General administration	**4.0**	**100%**
Management	**4.4**	**100%**

HEALTH AND SAFETY

As a responsible employer, the Group strictly complies with laws and regulations related to occupational health and safety, including but not limited to the *Prevention and Control of Occupational Diseases Law of the PRC*, in order to provide a safe working environment for incumbent employees. The management of the Group are responsible for establishing and consolidating a clear and effective safety system, reporting accidents and diseases in the office in a timely manner and notifying employees about safety inspections and other related matters. When a work-related injury occurs, we will conduct a comprehensive investigation to find out the cause and penalise employees who endanger themselves or others. In the office, we also always remind employees to maintain safety awareness. The Group will regularly check the safety of the use of electricity in the office, such as whether the power strip is overloaded, whether there are debris piled around the electrical equipment, etc., and will make timely improvements. If the electrical equipment in any area is found not to be turned off after the working hours, the Group will impose related fines to enhance employees' awareness of the safety of the use of electricity. In order to prevent any accidents, we will also promptly clean up the spilled liquid and debris, and prohibit anyone from smoking in the workplace to enhance fire safety awareness. In the past three years, the Group did not have any deaths or work-related accidents caused by work, so the number of lost working days due to work-related injuries is 0 day.

In response to the COVID-19, the Group resolutely carried out epidemic prevention and anti-epidemic work, formulated epidemic prevention and control plans and work guidelines to protect the health of employees. Since December 2019, the disease caused by COVID-19 has severely affected China (including our headquarters in Wuhan, Hubei Province, the PRC) and other parts of the world. In January 2020, the Chinese government implemented entry and exit control to and from Hubei Province and many other provinces in China to prevent the spread of the virus. During the lockdown period, our employees work remotely online through our electronic office system and Fulu Open Platform outside the office. Since we provide services to platform participants through the Internet and have stored our data in the cloud before the outbreak of COVID-19, we have not experienced major business interruptions or operating difficulties due to the outbreak of COVID-19.

CORPORATE SOCIAL RESPONSIBILITY

The Group has set up an emergency response team to clarify the responsibilities of employee health coordination, emergency coordination, disinfection work, etc., and issue the notice of epidemic prevention and control to employees to improve their awareness of epidemic prevention. We require employees to monitor their body temperature and report their whereabouts every day. Employees who have been to the epidemic area must notify the Group timely, and should seek medical treatment if they have any symptoms similar to those of coronavirus infection. We also plan to take preventive measures to maintain a safe and healthy working environment after employees return to the office, including:

• to provide basic medical equipment such as surgical masks, disinfection supplies and thermometers in the office every day;

• to require all employees and visitors to have temperature check before entering the office;

• to require employees to wear face masks in the office;

• to disinfect the office daily and improve ventilation by suspending the use of central heating and air conditioning and using fresh air ventilation systems;

• to continuously monitor the health of each employee;

• to hold meetings by phone or video conference if possible, and limit the on-site meetings; and

• to strictly control the number and the visiting time of visitors to the office.

SUPPLY CHAIN MANAGEMENT

The Group has established relevant supplier management system and procurement management requirements in strict accordance with the relevant laws and regulations such as the *Contract Law of the PRC*, and has implemented procurement policies and control procedures following the principles of openness, fairness and impartiality. When selecting suppliers, we consider a number of factors, including but not limited to the number of users, market share, reputation, qualifications, company strength, delivery capabilities, product safety, product after-sales protection, technical capabilities, price advantages, and financial indicators, etc. Only qualified suppliers can be included in the list of new suppliers. For the entrusted suppliers, we will sign contracts with them, specifying the name, category, specification, model, trademark, place of production, grade of the products, and track and monitor their performance and progress. We will conduct an annual review on suppliers, and those suppliers and their affiliated companies that fail to meet the standards specified by the Group or have trust-breaking records will be listed as prohibited suppliers to ensure that the service quality meets the requirements and thus optimise the supply chain management.

The suppliers of the Group mainly include the suppliers of digital goods sales channels and data storage and server host that charge commissions from us. Although the environmental and social risks involved in the supply chain are relatively low, in addition to the factors explained above when selecting and appointing service units, the Group will also strictly review the environmental, health and safety performance and their compliance with product liability and anti-corruption of such suppliers. We give priority to suppliers with internationally recognized standards or certifications related to environmental and social risk management, and preferably select local suppliers or suppliers which are geographically closer or with convenient transportation to reduce carbon footprint. In addition, we promote green procurement, and control the quantity purchased reasonably according to the actual demand to reduce the risk of unsalable inventory.

During the Year, the Group's 1,074 suppliers are mostly digital goods suppliers and are all from the Mainland China, and the number of suppliers by geographic areas is as follows:

Geographic areas	Number of suppliers
Eastern China	366
Northern China	238
Central China	196
Southern China	215
Northwestern China	21
Northeastern China	38

QUALITY SERVICES

The Group is committed to providing users with more convenience in daily life and work with digital rights products, and providing comprehensive services according to the requirements and expectations of customers. The uniqueness of the Group is that we can provide the high-quality products and a full range of services regardless of the amount of capital that the customers may have, which depends on our continuous update of our business model and technology. Due to our business nature as a third-party digital goods and services platform operator, we have no products that need to be recovered for safety or health reasons.

Customers Service Management

The Group considers "Continuously creating value for customers and shareholders" as its most important value. The Group is committed to providing high-quality services to the society and customers with a good reputation. During the Year, the Group's downstream pipeline merchants reached 1,876. We formulate bilateral cooperation agreements on product purchase and sale, mall entry, agency operation, marketing promotion and product agency services in accordance with industry-related laws and regulations, including but not limited to the *E-commerce Law of the PRC*, the *Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks*, and *Telecommunication Service Rules*, whereby specifying the content of cooperation, process of cooperation, service fees and payment procedures, rights and obligations of both parties, confidentiality, clean operation and intellectual property terms and liabilities for breach of contract to restrict and protect the rights and interests of both parties.

We provide customers with a full range of services to cater for their demand; we offer transparent pricing of our goods and services to increase mutual trust and allow customers to understand what services and returns they can expect. In addition, continuous R&D investment has consolidated the Group's position in the third-party digital goods market, and further accelerating the launch of the new SaaS application of Fulu Open Platform with its number of users increased, so as to provide customers with more convenient and outstanding services. During the Year, we also won the honor of "Best SaaS Company" in the 5th Golden Hong Kong Stock organised by Zhitong Caijing (智通財經).

Complaint Handling

The Group strictly complies with *the Protection of Consumer Rights and Interests Law of the PRC* and other relevant laws and regulations, and has formulated a complete customer complaint handling process to ensure the legitimate rights and interests of customers. According to the type of customer complaints, we will hand over the complaints to different responsible teams. The customer service team will promptly investigate the root cause of the complaint, and promptly take remedial and preventive measures against customer complaints. In the process of handling complaints, we also address the customer's experience, and require the customer service team to keep an eye on the customer's emotional changes and needs, and make timely adjustments and develop appropriate solutions. The quality control team will then evaluate the overall processing process and efficiency of the complained order, and collect information relating to customer satisfaction. Furthermore, the Group values customer feedback on service quality and conducts surveys on customer satisfaction in order to continuously improve and enhance our services. Our customer complaints mainly include those caused by dissatisfaction with the commodities and services delivered by the Group made through external channels. During the Year, the Group's customer complaint rate is approximately 0.013%[3], and complaints are mainly attributable to the distinctive nature of digital right goods not applicable to the return and exchange policy.

RESEARCH AND DEVELOPMENT

In order to meet the increasing needs of customers, the Group is committed to the research and development of new technologies. During the Year, the Group has completed more than 50 research and development plans on the Fulu Open Platform, including the development and improvement of the Group's official website and template system, gift cards and corporate welfare value-added services to improve service management and quality. We follow the principles of high availability and high parallelism to design componentised application services, which have the characteristics of flexible expansion with business growth, and provide diversified development methods, so that technical talents are not limited to a single language. In the upstream supply system, we have added card-making services, step price management, product activity management and rebate management, allowing suppliers to effectively manage products and increase product types, and combine various event products to quickly obtain rebate related data, so as to solve various data problems for suppliers. In downstream applications, we are enabled to provide related services such as salary settlement and planning through one-stop services to reduce human resource related costs.

---

[3] The customer complaint rate is calculated by the total number of customer complaints divided by the total number of customer inquiries.

RESPECT FOR INTELLECTUAL PROPERTY RIGHTS

The Group genuinely understands the importance of protecting and enforcing our intellectual property rights. For the purpose of respecting others' and protecting our intellectual property rights, the Group has developed a sound intellectual property management system and strictly abides by the laws and regulations relating to intellectual property rights, including but not limited to *the Patent Law of the PRC, Trademark Law of the PRC, Copyright Law of the PRC and Anti-Unfair Competition Law of the PRC*. The Group has been actively registering intellectual property rights and applying for patents in a timely manner for inventions and creations that meet the requirements for the grant of patents, so as to obtain legal protection. When conducting the cooperative research or development with domestic and foreign units or individuals, we will enter into relevant contracts in accordance with *the Civil Code of the PRC*, whereby specifying the terms of protecting intellectual property rights. Employees are required to sign confidentiality agreements and non-competition agreements when joining us, under which they shall undertake to keep all data of the Group's resources, operations and technical achievements confidential to protect the Group's intellectual property rights. In addition, the Group has also entered into legal statement and privacy agreement for the Fulu Open Platform, pursuant to which, without the permission of the platform service provider and/or its affiliates, no one shall use any content on the Fulu Open Platform in any way without authorisation. As of 31 December 2020, the Group obtained a total of 69 software copyrights.

INFORMATION SECURITY AND PRIVACY PROTECTION

The Group highly values the information security and privacy protection, and strictly abides by relevant industry laws and regulations, including but not limited to *the Network Security Law of the PRC, Regulations on the Protection of Computer Information System Security of the PRC* and *Regulations for the Protection of Personal Information of Telecommunication and Internet Users of the PRC*. The Group has obtained the ISO 27001:2013 information security management system certification, and customers can only use our related products or services after confirming that they fully understand and agree to the content of Legal Disclaimer and Privacy Policy of the Group that we indicated to the customers before they launch the Fulu Open Platform. In order to ensure the authenticity of customer identities and provide better security, we will require customers to provide identity information such as ID cards, corporate business licences, facial features and other biometric information to complete real-name authentication. If anyone fails or refuses to provide the above information, the Group will refuse his/her in using relevant services such as transaction, account management and order management, to ensure that customer information is not infringed. Besides, we use encryption technology and trusted protection mechanisms to improve the security of customer information and prevent malicious attacks on users' information; we also deploy access control mechanisms to ensure that only authorised personnel can access customer information.

The Group and all employees must adhere to professional ethics at all times, and are strictly forbidden to disclose or use any customer data without the consent of customers. All employees are also obliged to keep business secrets in order to protect the rights and interests of customers. The Group will organise security and privacy protection training courses to strengthen employees' awareness of the importance of protecting users' information. We collect and use customer information in a legal manner, only use customer information for the purpose stated in the privacy policy, and only retain customer information for the required period.

In order to ensure the data security of the Group and the customers, the Group has established a complete data management system and IT management standards. The big data department under the R&D center is responsible for the unified maintenance of the daily operation data collected by each department and classifies the data according to the importance. Each department must submit an inquiry application when it needs relevant data and explain the purpose, the business scenarios used and the scale, and the responsible persons at different levels must complete the entire approval process according to the data level before obtaining the data. Employees are also advised to lock their computer screens when leaving their seats, and regularly check computer programmes to avoid computer viruses. In addition, we have established database development specifications and standardised database naming and coding styles to maintain efficient and stable database operation and reduce the risk of information leakage. During the Year, the Group was not involved in or aware of any incident of violation of laws and regulations related to information security and privacy.

ANTI-CORRUPTION

The Group believes an effective anti-corruption mechanism is the cornerstone for its sustainable growth, and we actively create an honest and trustworthy enterprise atmosphere and focus on the cultivation of clean culture. The Group strictly complies with anti-corruption related laws and regulations, including but not limited to *the Anti-Money Laundering Law of the PRC*, *Anti-Unfair Competition Law of the PRC*, etc. The Group has developed the anti-corruption business conduct codes to provide guidelines and rules to directors, senior management, middle management and other employees. These codes promote clean, diligent and fair work ethics and prevents any misconduct that may damage the Group's economic interests. Employees shall comply with the provisions on conflicts of interest, report any conflicts of interest that may arise to the legal department, and shall not abuse their power or take advantage of their work to solicit money or personal gains from others, including accepting gifts, money, loans, services or any compensation from entities or individuals related to the business. Employees, third parties and any other individuals are encouraged to report any acts or situations that may violate the prohibitions contained in the provisions through our whistleblower hotline, and the reports will be treated confidentially to protect the whistleblower.

In addition, for the purpose of integrity and self-discipline, the management of the Group is required to sign a letter of responsibility for integrity in order to prohibit any form of commercial bribery, corruption and regulate the conduct of both parties. When participating in the business negotiation, bidding, contract signing and business performance of the partner's project, the management and the partner shall timely report to the Group regarding the listed interest relationship, and guarantee that they will not damage the interests of the Group and the partner in any way. If any person violates the laws and regulations or any part or all of the contents of the responsibility letter, such employee shall bear all legal responsibilities. Besides, in order to enhance the integrity awareness of the employees of the Group, the human resources and legal departments regularly hold training courses on the theme of anti-corruption for employees, provide employees with the latest anti-corruption and integrity information, and require each employee to attend such trainings, which will be included in the scope of attendance. During the Year, the Group was not involved in or aware of any incident of violation of anti-bribery or anti-corruption relevant laws and regulations.

COMMUNITY INVESTMENT

The Group attaches great importance to corporate social responsibility and regards the prosperity and stability of society as the cornerstone of its development. To this end, the Group actively supports charitable projects and public welfare activities and provides job opportunities for people with disabilities. We also encourage employees to participate in volunteer activities and make charitable donations to comprehensively enhance employees' sense of social responsibility. During the Year, the Group donated in total of approximately RMB70,000 to impoverished mountainous areas.

ESG Indicators	Summary	Sections	Page
Environmental			
Aspect A1: Emissions	General Disclosure Information on: (a)　the policies; and (b)　compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection Emissions Management Waste Management Response to Climate Change	07-11 07-08 08-09 11
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection Emissions Management	07-11 07-08
KPI A1.2	Greenhouse gas emissions in total and intensity.	Environmental Protection Emissions Management	07-11 07-08
KPI A1.3	Total hazardous waste produced and intensity.	Environmental Protection Waste Management	07-11 08-09
KPI A1.4	Total non-hazardous waste produced and intensity.	Environmental Protection Waste Management	07-11 08-09
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection Emissions Management	07-11 07-08
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection Waste Management	07-11 08-09

CONTENT INDEX OF ESG REPORTING GUIDE

ESG Indicators	Summary	Sections	Page
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection Use of Resources	07-11 09-10
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection Use of Resources	07-11 09-10
KPI A2.2	Water consumption in total and intensity.	Environmental Protection Use of Resources	07-11 09-10
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection Use of Resources	07-11 09-10
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Protection Use of Resources	07-11 09-10
KPI A2.5	Total packaging material used for finished products and, with reference to per unit produced.	Environmental Protection Use of Resources	07-11 09-10
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection Use of Resources Green Operation	07-11 09-10 11
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection Green Operation	07-11 11

ESG Indicators	Summary	Sections	Page
Social **Employment and Labour Practices**			

Aspect B1:
Employment
	General Disclosure
	Information on:
	(a) the policies; and
	(b) compliance with relevant laws and
	          regulations that have a significant impact on
	          the issuer
	relating to compensation and dismissal,
	recruitment and promotion, working hours,
	rest periods, equal opportunity, diversity, anti
	discrimination, and other benefits and welfare.
		Corporate Social
		  Responsibility
		  Employment and
		    Labour Practices
			12-18
			
			12-15

KPI B1.1	Total workforce by gender, employment type, age
	group and geographical region.
		Corporate Social
		  Responsibility
		  Employment and
		    Labour Practices
			12-18
			
			12-15

KPI B1.2	Employee turnover rate by gender, age group and
	geographical region.
		Corporate Social
		  Responsibility
		  Employment and
		    Labour Practices
			12-18
			
			12-15

Aspect B2:
Health and
Safety
	General Disclosure
	Information on:
	(a) the policies; and
	(b) compliance with relevant laws and
	          regulations that have a significant impact on
	          the issuer
	relating to providing a safe working environment
	and protecting employees from occupational
	hazards.
		Corporate Social
		  Responsibility
		  Health and Safety
			12-18
			
			17-18

KPI B2.1	Number and rate of work-related fatalities.	Corporate Social
		  Responsibility
		  Health and Safety
			12-18
			
			17-18

KPI B2.2	Lost days due to work injury.	Corporate Social
		  Responsibility
		  Health and Safety
			12-18
			
			17-18

KPI B2.3	Description of occupational health and safety
	measures adopted, how they are implemented
	and monitored.
		Corporate Social
		  Responsibility
		  Health and Safety
			12-18
			
			17-18

CONTENT INDEX OF ESG REPORTING GUIDE

ESG Indicators	Summary	Sections	Page
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Corporate Social Responsibility Occupational Training and Development	12-18 16
KPI B3.1	The percentage of employees trained by gender and employee category.	Corporate Social Responsibility Occupational Training and Development	12-18 16
KPI B3.2	The average training hours completed per employee by gender and employee category.	Corporate Social Responsibility Occupational Training and Development	12-18 16
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Corporate Social Responsibility Employment and Labour Practices	12-18 12-15
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Corporate Social Responsibility Employment and Labour Practices	12-18 12-15
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Corporate Social Responsibility Employment and Labour Practices	12-18 12-15

CONTENT INDEX OF ESG REPORTING GUIDE

ESG Indicators	Summary	Sections	Page
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Sound Operating Practices	19-23
		Respect for Intellectual Property Rights	22
KPI B6.4	Description of quality assurance process and recall procedures.	Due to the nature of the business of the Group, it does not involve related content of quality assurance.	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Sound Operating Practices	19-23
		Information Security and Privacy Protection	22-23
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Sound Operating Practices	19-23
		Anti-corruption	23
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Sound Operating Practices	19-23
		Anti-corruption	23
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Sound Operating Practices	19-23
		Anti-corruption	23

ESG Indicators	Summary	Sections	Page
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	24
KPI B8.1	Focus areas of contribution.	Community Investment	24
KPI B8.2	Resources contributed to the focus area.	Community Investment	24