赤子城
newborntown

Newborn Town Inc.
赤子城科技有限公司

Stock Code：9911

(Incorporated in the Cayman Islands with limited liability)

2023
ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. REPORT DESCRIPTION

1.1 About this Report

Newborn Town Inc. and its subsidiaries (hereinafter collectively referred to as "**the Group**" or the "**Company**" or "**we**") prepared this 2023 Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**" or "**this Report**") in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEX**"), and upholds the reporting principles of materiality, quantitative, balance, and consistency.

In order to disclose to stakeholders the Group's ESG management and performance in 2023, we identified key stakeholders and the ESG issues of their concern. We prioritised and responded according to stakeholders' materiality in the chapter entitled "Stakeholder Engagement" in this Report.

We use quantitative data to present key performance indicators ("**KPIs**", and each a "**KPI**") at the environmental and social levels so that they can be measured and validated. Quantitative criteria, methodologies, assumptions, and/or calculation tools for KPIs, as well as the sources of conversion factors used, have been described herein where appropriate. We have adopted a statistical approach to disclosure that is consistent with that of previous years', and individual changes have been explained in the corresponding parts of this Report.

This Report aims to reflect our ESG performance in 2023 in an objective, fair, and balanced manner. It is recommended that the Governance part of this Report be read in conjunction with the Corporate Governance Report included in the 2023 Annual Report.

1.2 About the Group

As a group focusing on global pan-entertainment social networking, we specialise in emerging social networking forms such as video and audio formats, creating a slate of diversified social networking products including MICO (a live streaming social networking platform), YoHo (an audio social networking platform), TopTop (a game-based social networking platform), SUGO (a companion social networking platform) and Blued (a diversified group social networking platform). We are committed to providing creative and interactive lifestyles, consistently creating positive emotional value, and thus enabling users around the world to enjoy rich social entertainment lives.

1.3 Time Frame

This Report covers the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). Certain contents and data can be traced back to previous years as appropriate.

1.4 Scope of this Report

The scope of this Report covers the ESG performance of businesses directly operated and managed by the Group at its principal operating locations in China.

The content of this Report complies with the "mandatory disclosure" requirements and "comply or explain" provisions set out in the ESG Reporting Guide, and the Company gives considered reasons for "comply or explain" provisions in the ESG Report.

1.5 Source of Information and Reliability Guarantee

The data and cases in this Report are mainly derived or lifted from the Group's statistical information and relevant documents. The Group undertakes that there are no false records or misleading statements in this Report, and takes responsibility for the authenticity, accuracy, and completeness of its contents.

1.6 Access and Respond to this Report

This Report is available in Traditional Chinese and English versions, and is only available online (unless specific requests are otherwise received from shareholders). In case of any inconsistency between both versions, the English version shall prevail. The electronic version is available on the website of the HKEX at www.hkexnews.hk and the Group website at https://www.newborntown.com/. Should you have any comments or suggestions on ESG management of the Group, please contact us via email ir@newborntown.com, and we look forward to your valuable comments.

2. BOARD STATEMENT

The Board of Directors (the "**Board**") takes full responsibility for the Group's ESG strategy and reporting. The Board oversees the Group's ESG matters and supervises the effectiveness of ESG management. At management level in relation to ESG matters, the Group established an ESG Working Committee to conduct daily management of ESG matters, directs the implementation of ESG work, and reports to the Board. At the executive level in relation to ESG matters, the ESG execution team, composed of varying functional departments of the Group, is responsible for implementing, and executing various ESG strategies.

The Group has developed ESG concepts and management strategy, which are regularly reviewed by the Board to ensure the effective implementation of ESG strategy. The Group attaches great importance to the potential impact of ESG related risks and opportunities. The Board carries out ESG oversight and oversees the assessment of ESG-related risks and opportunities and ensures that appropriate and effective ESG risk management and internal monitoring systems are in place. The Group conducted a materiality assessment of ESG issues stakeholders are most concerned with. The Board participated in the evaluation, prioritisation, and management of important ESG issues.

The Group identifies and assesses the risks and opportunities related to climate change, and formulates measures to address climate related risks. Meanwhile, the Group has set business-related environmental targets. The Board conducts regular review of the implementation progress of the environmental targets.

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3. ESG CONCEPT AND MANAGEMENT

3.1 ESG Concept

Guided by the vision of "To Create More Social and Entertainment Vibes Worldwide, we deeply devoted ourselves to the fields of social networking and gaming, and worked on both domestic and overseas markets with a global perspective. Since the establishment of the Group in 2009, we have delivered dozens of quality Apps to our global users in the social networking, gaming, and tool categories.

We not only provide a variety of products that satisfy the diverse needs of our global users, but also actively fulfill our social responsibilities and gradually promote the integration of ESG management into our daily operations. We continuously improve our ESG performance by adhering to compliance operation, emphasising product and service quality, listening to the voices of our users, ensuring information security, promoting green office, and focusing on community investment. The Group looks forward to working with all stakeholders to support the sustainable development of the industry as well as the society.

3.2 ESG Management

To better implement our ESG concept and strategy, bolster our capability of sustainable development, we formulated a three-tier governance structure, which contains governance, management, and execution, with documented rules guiding the work and responsibilities of each tier to promote our ESG work.

Governance

The Board is the highest decision-making body on the Group's ESG management. It oversees the Group's ESG matters and assumes overall responsibility for ESG strategies and reporting.

Management

The ESG Working Committee is the management body for ESG matters in the Group, responsible for developing ESG strategies, framework, principles, and policies, guiding ESG practices, as well as reviewing the implementation of ESG targets.

Execution

Comprised of representatives from the Group's relevant functional departments, the ESG execution team is responsible for promoting the execution of the Group's ESG management strategies and achievement of ESG targets, assessing ESG materiality and associated risks, organising trainings to raise employees' ESG awarenesses, as well as reporting to the management and governance levels regularly.

3.3 Stakeholder Engagement

The Group attaches importance to the communication with stakeholders and the feedback obtained, establishes a good communication mechanism and diversified communication channels with stakeholders, and continuously refines its ESG strategies and practices by addressing stakeholders' concerns.

In 2023, the Group continues to identify and respond actively to ESG issues of concern to stakeholders. Our stakeholders include government and regulators, shareholders and investors, employees, users, suppliers and so on. Based on the evaluation of stakeholders' ESG concerns, the materiality analysis was conducted, and its result presented as follows.

Stakeholders	Communication Channels	Major Concerns on ESG Issues
Government and Regulators	Official correspondence, policy consultation, supervision and inspection, information disclosure, etc.	Product responsibility, anti-corruption, climate change, employment
Shareholders and Investors	Shareholders' meetings, corporate reports and announcements, etc.	Product responsibility, anti-corruption, utilisation of resources, climate change
Employees	Communication meetings, internal corporate announcements, training, employee wellbeing activities, employee feedback mechanisms, corporate events, channels for employee appeals, etc.	Employment, labour standards, health and safety, development and training
Users	Customer communication and complaint channels, user feedback activities, membership service, exhibition activities, satisfaction survey, etc.	Product responsibility
Suppliers	Supplier strategic cooperation negotiation, cooperation agreement, regular communication, business meetings, etc.	Supplier management, anti-corruption
Media & non-governmental organisations	Company websites and social platforms, press conferences, news interviews, advertising, etc.	Product responsibility, climate change
Communities	Public welfare activities, employment promotion, community activities, poverty alleviation projects, etc.	Community investment, employment

The materiality assessment matrix of the Group's ESG issues is as follows:

4. ENVIRONMENTAL PROTECTION

The Group strictly abides by environmental laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China* and actively undertakes its environmental protection responsibilities. We advance the implementation of a number of resource conservation and emission reduction measures, practise the green office concept, advocate paperless green office mode, promote resource recycling and enhance employees' awareness of environmental protection to aid the Group in its low-carbon transition.

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4.1 Resource Conservation

The main resources we use in our daily operations are electricity, gasoline, paper, and water. To improve the efficiency of resource utilisation, the Group specifies detailed measures to conserve major resources used in daily operations, such as electricity, water and printing paper, in order to promote the rational use of resources. In 2023, we implemented a number of resource conservation initiatives to reduce resource consumption in our office operations.

The Group's water supply is mainly from municipal tap water, and we have no trouble in obtaining suitable water source.

Water resource conservation

- Strengthening the daily inspection, maintenance and management of water-using facilities and promptly identifying and dealing with water waste.
- Using sensor faucets in all newly renovated office areas to reduce water consumption.

Promote paperless green office

- Using online office system for paperless green office and advocating the use of electronic documents for document delivery to reduce paper consumption.
- Applying digital office system and financial reimbursement systems for online review and management of labour contracts and financial reimbursement related documents.
- Carrying out office area assessment and setting up multi-functional spaces based on the assessment results to flexibly switch between different use scenarios such as office and leisure to enhance space utilisation and reduce total office electricity consumption.

Promote recycling

- Collecting recyclable resources uniformly such as paper, consumable packaging materials, etc., for recycling and disposal by recyclers.
- Establishing an office supplies ledger to manage the use of office supplies, and continuing to use supplies that are still usable.
- Reducing the use of ballpoint pens and disposable pens, and using refills if they are not damaged.
- Encouraging double-sided printing and promoting reuse of paper to reduce consumption of office supplies.

Reduce office energy consumption

- Modifying electric circuits in the office area, and setting up the one-key general control system in newly renovated office areas to achieve timing switch of indoor lighting, which effectively conserves energy and reduces electricity consumption amount and costs of lighting.
- Using electrical equipment reasonably such as computers, printers, and photocopiers in an energy-saving manner, and switching off the equipment after work to avoid prolonged standby of office equipment.
- Using energy-efficient light fixtures and advocating the use of natural lighting in office areas.

Employee awareness development

- Publicising excellent practices of resource conservation, carrying out education and activities related to resource conservation, and integrate the resource conservation concept in employees' work practices.

Key Performance Indicators[1]: Energy and Resource Consumption[2]

Indicators	2023 Data
Comprehensive energy consumption[3] (MWh)	1,058.10
Density of energy consumption (MWh/m^2)	0.054
Gasoline consumption (MWh)	63.37
Electricity (MWh)	994.73

4.2 Waste Management

In terms of waste management, the Group has formulated internal management systems such as the "Fixed Assets Management Policy" and the "IT Asset Management Measures". We further improve our waste management work through cooperation among various departments under the leadership of the Group's administration team.

For the harmless waste generated, we hand over to the property of the office area for unified treatment, and for the recyclable part of it, we will collect, organise and transfer it to the designated location for secondary use through the property.

For electronic waste, we have established a standard process of evaluating and phasing out office electronic equipment, and cooperated with third-party recycling companies to dispose of such hardware and consumables that are outdated and exceeded energy consumption standards. For hazardous wastes, we send them to qualified third parties for recycling and disposal.

[1] The statistical scope of energy and resource consumption covers the Group's main offices in Beijing, Guangzhou and other places. Due to the impact of business activities such as the acquisition of BlueCity, establishment of new office areas, there have been certain changes in the statistical calibres and results related to energy and resource consumption this year compared to those of last year.

[2] The energy consumption of the Group is mainly electricity consumed by office operations. The statistical scope of energy and resource consumption covers the Group's main offices in Beijing, Guangzhou and other places.

[3] Total energy consumption is measured by using direct and indirect energy consumption with reference to the coefficients as listed in the *General Rules for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2020).

Clarify the responsibilities of waste disposal management

The administrative team is in charge of waste disposal supervision in a coordinated manner, inspecting the Company's recycling and disposal processes and designated personnel in each department to be responsible for waste write-offs and hand-overs in order to eliminate possible violations.

Specify waste recycling and disposal process

Each department declares the waste that is ready for disposal, and the waste approved for write-off will be notified by the designated personnel to the administration team for unified management. The administrative team then collect and identify waste from departments and engage qualified third parties and suppliers for waste disposal and recycling.

Announce waste disposal status

The administrative group is responsible for keeping records and regularly disclosing of the waste disposal process to prevent improper disposal and increase transparency of waste disposal process.

Key Performance Indicators: Waste[4]

Indicators	2023 Data
Hazardous waste (tonnes)	0.045
Density of hazardous waste (tonnes/m^2)	0.0000023
Non-hazardous waste (tonnes)	100.28
Density of non-hazardous waste (tonnes/m^2)	0.0051

4.3 Climate Change

We deeply understand the importance of climate actions, and pay close attention to the promulgation and dynamic development trends of national policies in response to climate change. We also actively identify potential risks and opportunities arising from climate change and formulate countermeasures to promote the sustainable development of the Group.

4.3.1 Climate Risk Identification and Response

In 2023, we identified and assessed the risks and opportunities arising from climate change faced by the Group based in light of the Group's operations, and in accordance with the guidance framework of Task Force on Climate-Related Financial Disclosures

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[4] The statistical scope of waste covers the Group's main offices in Beijing, Guangzhou and other places. Due to the impact of business activities such as the acquisition of BlueCity, establishment of new office areas, there have been certain changes in the statistical calibres and results related to waste this year compared to those of last year. The non-hazardous wastes generated by the Group mainly include household waste and waste electronic equipment generated in office areas. Household waste mainly includes office waste, which is processed by the property management team of our office areas. We estimated the non-hazardous waste data according to the *Manual for the First National Pollution Source Survey of Urban Domestic Sources Emission Coefficient* issued by the Office of the Leading Group of The State Council for the First National Survey of Pollution Sources. Waste electronic equipment are disposed of and recycled by qualified third parties and suppliers.

(TCFD). Taking into account the possible impacts of different climate risks on the Group's business operations, we have formulated corresponding countermeasures to provide strategic guidance for the Group's sustainable development.

Risk category		Risk description	Countermeasures
Physical risks	Acute risks	Extreme weather caused by climate change, such as floods, blizzards, and typhoons, adversely affects the Group's business continuity and poses challenges to the health and safety of our employees.	Establishing an emergency plan for extreme weather; according to the relevant requirements in the emergency response plan, carrying out efficient handling during the occurrence of extreme weather to minimise its impact and damage.
	Chronic risks	The chronic risks arising from climate change, such as extreme temperature, droughts, and abnormal climate, may increase the energy consumption for office operations and increased operating costs.	Improving the office environment to ensure efficient operation despite extreme climate conditions.
Transition risks	Policy risks	Policy changes and shifts in market demand having influenced the business models and cost structures.	Monitoring policy and market dynamics, participating in industry discussions, and actively responding to the global development trend of low-carbon and environmental protection; promptly adjusting business management methods and initiatives to ensure the flexibility of business strategy.
	Market risks		
	Reputation risks	With increasing public concern over, the transparency of a company's environmental management and environmental initiatives have a significant impact on its brand image and reputation.	Ensuring the openness and transparency of the Group's climate-related management and actions is conductive to enhance brand reputation and image.
			Implementing low-carbon operation management measures to reduce carbon emissions and resource consumption.
			Considering suppliers' environmental features during supplier selection.

Climate change poses risks as well as opportunities. The Group actively identifies potential opportunities brought by climate change. By improving the utilisation efficiency of natural resources during office operations, we save business costs and continuously promote the Group's sustainable development.

Opportunities	Opportunity description	Countermeasures
Changes in the electricity energy structure	Supported and encouraged by the national policies, the percentage of green power supply in the power grid has gradually increased, which helps reduce the carbon emission per unit of corporate electricity consumption.	Considering promoting the use of green power.
Advanced in green and low-carbon technology	With the gradual maturing of green power technology, the unit cost of green power purchased by companies is gradually decreasing.	
Investors' concerns over corporate carbon reduction efforts are growing	Investors are increasingly focusing on whether corporate carbon reduction strategies are aligned with national and international climate change response requirements.	Regularly and publicly disclosing corporate carbon emission information and achievements made in addressing climate change. Considering making commitments related to carbon reduction.

4.3.2 Greenhouse Gas Management

In terms of greenhouse gas emission management, we have reduced greenhouse gas emissions by strengthening energy consumption management of office equipment, fostering awareness of energy conservation among employees, and enhancing our energy consumption management.

Key Performance Indicators: Greenhouse Gas Emissions[5]

Indicators	2023 Data
Total GHG emissions[6] (Scope 1 and Scope 2)[7](tonnes)	**582.81**
GHG emissions (Scope 1) (tonnes)	**15.51**
GHG emissions (Scope 2) (tonnes)	**567.30**
GHG emission density (tonnes/m^2)	**0.030**

4.4 Environmental Targets

We continue to promote green office, enhance energy efficiency and formulate environmental targets based on the characteristics of our office operations. Please see the table below for the targets and progress we made in 2023:

Environmental targets	Status	
Encourage 100% waste sorting in office buildings.	Completed	In 2023, 100% waste sorting has been encouraged in office buildings.
Smart light switches will be enabled in all newly renovated office areas to uniformly control lighting hours	In progress	In 2023, all newly renovated office areas have installed smart light switches and uniformly controlled lighting hours.
All newly renovated office areas will use sensor faucets to reduce water waste.	In progress	In 2023, all newly renovated office areas have 4 sensor faucets installed on each floor, with alternating hot and cold water supply according to seasonal changes.
Achieving a 100% purchase rate of energy-saving lighting fixtures and energy-saving labeled air conditioners.	New environmental targets set in 2023.	

The Group's GHG emissions are primarily attributable to office and operational energy consumption and no separate GHG reduction targets have been set for the year of 2023 on top of the energy efficiency targets already in place.

[5] The statistical scope of greenhouse gas emissions cover the Group's main offices in Beijing, Guangzhou and other places. Due to the impact of business activities such as the acquisition of BlueCity, establishment of new office areas, there have been certain changes in the statistical calibres and results related to GHG emissions this year compared to those of last year.

[6] GHG emissions data is presented in carbon dioxide equivalent and is measured according to the Notice on the Management of GHG Emissions Reporting by Enterprises in the Power Generation Industry for 2023-2025 issued by the Ministry of Ecology and Environment of the People's Republic of China, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Edition)*.

[7] GHG emissions (Scope 1) arise mainly from the consumption of "direct energy" by the Group's operation; GHG emissions (Scope 2) arise mainly from the consumption of "indirect energy" (purchased or obtained electricity) by the Group's operation.

5. RESPONSIBLE OPERATION

The Group regards honesty and responsible operation as the foundation of enterprise development, providing users with high-quality and healthy products, establishing information security management system to ensure the security of company and users' information, building fair and transparent cooperative relationships with suppliers and partners, prohibiting any corruption, and creating a business environment with honesty and integrity.

5.1 Product Responsibility[8]

The Group constantly pays attention to, and improves the quality of its products, strictly ensure that the content of its product is healthy. We actively interact with users through the establishment of communities to listen to users' feedbacks, and to improve user experience. Meanwhile, we protect the Group's own intellectual property rights and those of others, and ensure compliant promotions and advertisement. We have established a data analysis team and an algorithm team that operate independently from our business operations, aiming to conduct neutral and objective analysis of product quality. The teams regularly communicates performance of each product with the corresponding business department, to continuously optimise our product quality.

5.1.1 Products Upgrade and Innovation

The Group has continued to optimise its products and services, by priming its focus on users and market demand, improve the talent pool for product research and development, optimise the functions of its products, provide users with more innovative gameplay and increase user stickiness. Meanwhile, we optimise product advertising, enhance product localisation and conduct user research to optimise and safeguard users' playing experience in multiple dimensions.

(1) *Game Apps*

Conduct user research

Regularly send questionnaires to users, build user profiles, and make reasonable product improvements based on users' preferences for gaming materials. For example, when we recognise that a particular game level is experiencing frequent user dropouts, we will reconsider the difficulty settings for that level to improve product gameplay and enhance user experience. Our community team strengthens user loyalty by maintaining the product communities through Discord, Facebook, email, and other channels. Besides regular talks with specific users, the team also conducts periodic in-depth survey of core paying users to understand their pain points and gaming demands, thus ensuring that the game development satisfies core users' expectations.

Analyse market trend

Continuously optimise our gaming apps' research and development process, conduct regular market trend analysis according to our gaming apps development strategy, adjust development track in response to market dynamics, and develop competitive advantages, to build a comprehensive product matrix.

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[8] Given that the operations of Newborn Town do not involve the production of physical products, key performance indicator B6.1 – Percentage of total products sold or shipped subject to recalls for safety and health reasons does not apply to Newborn Town and is thus not disclosed in this Report.

Strengthen talent pool

Ensure the gaming research and development team has sufficient design and research and development capabilities and rich development experience, increase product development quality and efficiency, and test the playability of different products to ensure product development quality; establish an internal sharing mechanism for various content such as product design resources, art material resources, and planning resources to effectively improve communication and sharing efficiency. Innovate game design from the users' perspective with rich experience of the operation team in user communication to meet users' expectations.

Innovate product and game features

Continuously update the gaming mechanism and gameplay, establish social interaction systems to improve interactions and create a sense of belonging for users in the games. After completing the development of new versions of products, we will inspect and accept the product functional experience and conduct a secondary review. In addition, we carry out regular game version iterations, update game content and fix known issues to maximise users' gaming experience.

Optimise the utilisation efficiency of advertising spaces

Enhance the compatibility of promotional materials with the gameplay, target audience, art design, and product stories in our gaming apps. Continuously optimise the quality of promotional materials, keep the settings methods and core elements of the materials updated in real time with product iterations, develop attractive and creative promotions to enhance the effectiveness of promotions. Balance the user experience and effective utilisation of advertising spaces, conduct in-depth research on the settings and form of advertising spaces, design advertising spaces that are more in line with the user experience, and block advertisements that may affect the user experience in a timely manner. Analyse the actions of target audience and select appropriate promotion moments to increase exposure and click rates of advertisements without affecting the normal gaming experience of users. Regularly analyse data of promotion effect to understand indicators such as the click rate, conversion rate and return on investment of advertisements, and promptly adjust the promotion strategy according to data of promotion effect to avoid user fatigue caused by excessive promotions.

2) *Social networking apps*

Improve product localisation

Based on the culture and user preferences in social interactions of the target regions, launch region-specific products, continuously optimise content distribution strategies, and improve user matching efficiency to precisely respond to users' social needs. Combine local festivals and events to host unique activities, conduct detailed localised operations, and bring better social products to our global users.

Focus on product technological optimisation

Ensure stable product operation to improve user experience. Establish monitoring mechanisms to issue warnings when users' network conditions fluctuate and assist operators in resolving network abnormalities in a timely manner; optimise and adjust the details and flexibility in utilising the functions to improve users' social networking experience.

Maintain product advantages

Stay focused on the industry development trend, analysing and learning from the operation modes and product features of quality social networking products in the market, continuously producing quality content and optimise our own products by integrating with their style and characteristics.

Emphasise user experience

Through analysing user behavior patterns and satisfaction with product features to drive improvements in product and operational quality. The newly added "Today's Match" function allows users to chat directly with randomly matched users, and after both parties have expressed their good feelings, the product will present personal information in both directions to enhance the efficiency of users' dating and matching. We have launched the "nobility" system to expand member privileges and improve the payment experience for livestreaming users. Through multiple optimisation attempts of the recommendation algorithm, we precisely recommend different types of streamers to users to improve users' stickiness.

5.1.2 Product Content Management

The Group strictly complies with the laws of the People's Republic of China on the Protection of Minors and other relevant national laws and regulations, continuously strengthens product content assessment and optimises measures related to the protection of minors in its products and services to resist improper content and ensure that the content is healthy and safe.

(1) *Content Management for Gaming Apps*

Manage game genre settings

Game product types include niche games, casual games, etc. No inappropriate game types are involved in our business.

Meet platform management requirements

Identify and comply with content requirements of the application launching platform. Assess users' age through third-party platform registrations, such as Facebook and Gmail, upon product launches to prevent such use by inappropriate age groups. Regularly review the degree of compatibility between product content and users' age and adjust product content according to the review results.

Strengthen internal product management

Implement quality standards, establish a content reviewing mechanism, avoid inappropriate information display, and provide a high-quality gaming experience.

Enhance the compatibility of materials and products

Continuously improve the compatibility between in-game character IPs and game themes. Designate legal department to review IP compliance and avoid inappropriate IP content.

Clarify promotional material reviewing system

Strictly adhere to the application launching platform standards and recommendations for promotional materials. Designate the corresponding business department to review the authenticity, accuracy, and content appropriateness of promotional materials.

(2) *Content Management for Social Networking Apps*

Comply with platform management regulations

Identify and comply with content requirements on the launching platform of our social networking apps, regularly update product management policies and establish a health and safety review mechanism of contents, clearly define improper contents, and standardise the handling of discovered improper content.

Improve product review effectiveness

Strengthen review efforts on user violations such as nicknames in manual reviews; refine review indicators, improve risk control models, and continuously refine review mechanisms in automated reviews. Enhance content management by combining manual and automated reviews to eliminate bloody, violent, and explicit content.

Identify inappropriate product users

Analyse users' avatars, ages, third-party platform registration information, etc., to identify and block underage users. Conduct comprehensive management and control of non-compliant accounts and non-compliant contents through public opinion collection and analysis, account feature identification, blacklist feature library interception, user behaviour analysis, content security identification technology and other means.

Strengthen image content review

Use professional image identification software to analyse and identify image and video content within our products, perform manual reviews on content with potential violation risks, timely remove improper content, and ensure the health and safety of the content.

Strengthen text content review

Conduct keyword searches for chat and real-time interactive content, block and ban improper content, and filter and ban improper content such as advertisement links and spam messages. Introduce third-party AI review tools and AI translation systems to review advertisements, explicit content, harassment, and violence in multilingual scenarios, and regularly train and upgrade the review model to enhance identification efficiency of the AI review system.

Improve the reporting function for improper content

Encourage users' mutual oversight, limit the spread of content that has been reported multiple times, and have customer service and operation teams promptly handle reports, continuously improve user feedback and reporting systems, and enhance the efficiency of processing user feedback.

Conduct employee training

Adhere to our operating principles, conduct employee trainings on product content health and safety, and provide users with a healthy and safe product experience.

5.1.3 Information Security Management

With various stakeholders all over the world paying more attention to the issue of information security and privacy protection, several countries have introduced corresponding laws and regulations, such as the *General Data Protection Regulation (GDPR)* launched by the European Union. As a global open-ended social networking company, we regard the protection of user information security as our important mission.

We abide by laws, regulations and national standards such as the *Civil Code of the People's Republic of China,* the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China,* the *Requirements of Information Security Management Systems,* the *Baseline for classified protection of Information Security Management Systems*, the *Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations*, the *Information Security Technology – Personal Information Security Specification*, and the *Children's Online Privacy Protection Rule,* the *Federal Trade Commission Act,* the *California Consumer Privacy Act* from the United States, as well as the *General Data Protection Regulation (GDPR)* from the European Union. We proactively respond to the supervision regulations of the product as well as the product launching platforms' management requirements in regions where the main body of each company of the Group is located. We established legal teams and liaised with professional legal consulting companies in regions where we launch our products, to constantly follow the updates of local laws, regulations and policies regarding information security and privacy protection. When there are changes in laws and regulations, we promptly communicate and collaborate with relevant business departments to make timely adjustments, ensuring compliant operations.

While pursuing business development, the Group continuously strengthens its management capabilities of information security and privacy protection, clarifies the internal organisational structure, and fosters a top-down culture for information security and privacy protection. The Group has formulated internal information security management and user privacy protection systems such as the Information Security Management Measures, the Data Security System Management, the Personal Data Protection System, the Specific Measures to Protect Personal Data Under GDPR and the Confidentiality Management Procedure, to continuously strengthen the data protection of our employees and users. We encrypt sensitive information, review and update security measures on a regular basis, and standardise the Group's requirements for handling user information to ensure the security of user information, and guarantee the completeness, confidentiality and availability of our various information assets. We address users' concerns about personal privacy security by improving mechanisms, optimising methods, and enhancing time efficiency. We have implemented a number of measures to ensure the security of company information, and adopted practices for information security protection which are set out as follows:

(1) *Information Security Risk Management*

Data compliance

Assign specific personnel to manage data compliance matters, establish data compliance management system, coordinate various departments to establish technical safeguards for data compliance, and take the lead in identifying, assessing and handling data risks. Organise or assist management and business department to conduct data compliance education and training, and provide data compliance consultation to the management and employees in various departments.

Access control

Further strengthen the isolation control measures for access between systems with different levels of security to improve the isolation of the physical layer, network layer, transport layer, and application layer, refine access control policies, security login procedures and password management requirements, and prevent unauthorised access to systems and information by personnel.

Emergency response

Develop a series of crisis event management measures to handle information security related emergencies, establish different levels of detection, response and handling procedures, and continuously improve the security incident emergency response mechanism.

Leak remediation

Promptly and properly handle incidents in accordance with the Security Vulnerability Handling Measures upon information leakage, damage, or when loss occurs or is likely to occur. For leaks that have already occurred, we immediately take remedial actions, investigate the causes of the leakage, minimise the negative impact of the incident, notify users in accordance with relevant laws and regulations, and report to the relevant authorities where necessary.

(2) *Information Security Management Measures*

Privacy policy

Configure privacy policies in products according to laws and regulations, timely conduct multiple updates and optimisations on user agreements or privacy policies for different products, including users' right on erasing personal information and how to permanently delete users' account data through the app. While deleting users' accounts, the account related behavioural data, account number, mobile phone number, payment related sensitive identity data will be timely erased. Our privacy policy also include how we deal with personal information provided by minors.

Data processing

Abiding by the principle of minimal data collection, the Group will not collect sensitive information from users who can directly log in as visitors during the use of the products, and will obtain such prior authorisation and consent of users where it is necessary to collect their information; providing users with the right to dispose of their personal data, and clearly informing them of the circumstances under which the Company and other relevant information processors will process their personal information, and informing them of the rules of personal information protection that are applicable to the processing activities; the Group will not disclose users' private data to third parties without the users' permission. Save as where required by the law or regulatory authorities, the Group will not disclose a user's private data to any third party without such user's authorisation.

Information disclosure

Publication of such rules on products and platforms such as Privacy Policy, User Agreement, Community Convention, etc. Meanwhile, popup window of user agreement and privacy policy are set on the launch page of our products to fully guarantee users' right to know and right of privacy.

Awareness establishment

All employees, contractors and agents who have access to users' information are required to strictly abide by the confidentiality obligations stipulated in their respective contracts.

Data encryption

Utilise encryption technology to ensure preservation of user data privacy during transmission.

Firewall protection

Set up firewalls for protection against potential cyber threats.

Authorisation management

Require employees to access the Company network through VPN (Virtual Private Network) under the non-office network to prevent unauthorised personnel from accessing our systems.

Device management

Upon phasing out of electronic devices loaded with users' personal information, special personnel are tasked with conducting data erasing in a uniform manner.

(3) Publicity of Information Security Awareness

The Group focuses on enhancing employees' awareness and capabilities in information security through various forms of regular publicising and training.

- We required all employees to partake in information security training upon joining the Group, which covers concepts of confidential information and information security, case studies, information security risks, and how employees shall fulfill their confidentiality obligations.

- We send articles on enhancing confidentiality awareness to all employees through our internal subscription channels "Chizi's Law Study" and "Legal Affairs Talk". What's more, information security newsletters are regularly sent to all employees via internal emails.

- We organise employees to participate in training on information security knowledge and skills, and tests and practical exercises.

- We work with the government to organise information security competitions to raise awareness of information security among employees. No major information security incidents occurred in the Group during the year of 2023.

5.1.4 Customer Feedback and Feedback Management

We have established a professional customer service team, set up smooth communication channels, to actively respond to customer feedback. In 2023, we have added and refined four key areas: "Complaint Definition and Classification", "Timely Response and Resolution", "Feedback and Improvement" and "Learning and Training". BlueCity launched its robotic system built on proprietary AI technology. Such robotic system utilises semantic recognition to provide appropriate responses, and simulates online customer service dialogue logic, quickly responding to customer inquiries and continuously improving service efficiency.

We continuously expand our customer feedback channels. Customers can submit complaints and feedback through the in-app feedback portals, leave messages on the app publishing platform, provide feedback through app store reviews, emails, and online customer service, etc. Meanwhile, to improve the efficiency of feedback, we have specifically designed scenarios to guide feedback evaluation. In addition, we deploy designated personnel to handle customer feedback on the product launching platform, check and reply to customer questions daily, to realise the concept of paying attention to each customer's complaint, providing proactive service, and fulfilling our commitments on service quality.

We continuously optimise our customer complaint handling process. We pacify customers' emotions, listen to and understand their requirements, offer reasonable compensation based on the severity of the complaint, customers' levels, and other conditions. We estimate the processing time for each complaint type and inform customers of the expected response time. Meanwhile, we proactively contact customers before the expected response time to make regular progress updates. We also organise business departments to discuss the final solution, communicate with customers until an agreement is reached. Ten minutes after closing a customer complaint case, we send follow-up information to the customer through email or online chat, including the customer's satisfaction with the complaint handling process and outcome, aiming to continuously optimise the customer complaint handling process.

We continuously improve our products based on user feedback. Based on data statistics and analysis, we identify high-frequency customer feedback content, summarise common issues in different feedbacks, and report them to relevant business departments to drive business improvements based on customer needs and reduce the probability of customer complaints arising from similar issues. In 2023, the Group introduced a closed-loop feedback process that enables the customer service team to promptly record and follow up on the implementation of customer suggestions on the product usability, thereby fundamentally addressing user issues, improving product usability and increasing user satisfaction.

Furthermore, we developed training materials and conduct regular training courses on complaint handling and response skills for all our customer service staff, covering effective complaint communication skills, complaint handling process, internal case sharing, etc., to help our employees to better respond to various complaint situations and improve user experience.

Key Performance Indicator: Customer Complaints

Indicators		2023 Data
Customer complaints	Total number of customer complaints	**34,777**
	Customer complaint settlement rate (%)	**99.92**
Customer satisfaction	Overall satisfaction with handling of customer complaint (%)	**99.73**
	Overall customer satisfaction (%)	**99.09**

5.1.5 *Intellectual Property Rights Protection*

The Group understands that intellectual property (IP) rights are important assets and we regard our IP rights as the cornerstone of our business. We strictly abide by laws and regulations on the protection of IP rights, such as the *Copyright Law of the People's Republic of China,* the *Patent Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China*. As of the end of 2023, the Group owned 1,048 intellectual property rights, including 625 trademark rights, 397 copyrights, and 26 patent rights across multiple countries and regions around the world.

Improve the management system

To effectively protect the Group's intellectual property rights and respect others' intellectual property rights, we have established the Intellectual Property Protection Management Policy, the Patent Management Measures, and the Patent Reward Policy to clearly define the responsibilities, scope, ownership, and rewards related to intellectual property rights management. We continuously carry out standardised intellectual property management, promote corporate innovation, stimulate product research and development vitality, and implement intellectual property protection measures in various business departments and operational dimensions while maintaining the smooth operation of the Group's intellectual property protection management system and strictly regulating intellectual property licensing.

Protection of independent intellectual property

The Group has established intellectual property management positions. Intellectual property personnel are responsible for assisting in formulating the Group's intellectual property strategy and overall layout, and building an intellectual property protection process system covering maintenance and operation. To further enhance employees' awareness of intellectual property risks, the Group regularly conducts intellectual property-related training for them.

The Group actively evaluates the output content of our business, applies for trademark and patent registration, or registers copyrights to protect our intellectual property rights in a timely manner. We also engage professional intellectual property agencies and external law firms to provide infringement risk analysis reports to ensure the timeliness and accuracy of intellectual property protection implementation, thus preventing infringement by others.

In 2023, we strengthened the collaboration between functional departments and business departments in managing intellectual property rights, controlled the compliance use of the Group's product intellectual property rights, and promptly and seriously fought against counterfeit products to better protect our legal interests. In addition, we organise online training and offline networking activities for various business departments such as product design department, research and development department, product planning department, and product operation departments, focusing on patent basics, game design, intellectual property infringement risks, and industry trends.

Respect for others' intellectual property rights

We are committed to the proper procurement of software and equipment with legitimate IP rights. Such commitment not only aims to protect our legitimate rights and interests but also to prevent IP rights infringement from others. We ensure that all business activities and collaborations with third parties comply with intellectual property laws and regulations. We use encryption technology and access controls to protect the Group's electronic copyright and patent materials. In the event of intellectual property infringement, we will take prompt legal actions to safeguard our rights.

5.1.6 Advertising Compliance Management

We strictly abide by the advertising-related laws and regulations of the jurisdictions where we launch our apps, such as the *Advertising Law of the People's Republic of China,* the *Interim Measures for the Administration of Internet Advertising from the People's Republic of China*, the *Provisions on the Administration of Internet Pop-Up Information Push Service*, and the *Federal Trade Act* from the United States. The Group continuously improves and implements the internal Advertising Policy, to manage and control advertising activities in avoiding any deceptive, misleading, or inaccurate information. Meanwhile, we continue to improve our internal review processes to ensure the accuracy and compliance of advertising content.

The Group implements a number of measures to manage advertising compliance, including:

- **Tracking advertising rules and responding to policy changes:** We continue to study and track the advertising rules and policies announced by the platforms where our products are released, and promptly adjust advertising strategies in response to policy changes to ensure that advertising activities timely adapt to market and regulatory changes.

- **Optimising management mechanisms and enhancing review requirements:** We continue to optimise advertising management mechanisms, strengthen the configuration of the reviewing team personnel, enhance the development of data support teams, and closely contact with advertising platforms. Before the release of advertising content, the publishing department conducts an internal review of the advertising language, and when it is uncertain about the use of advertising language, submits it to the legal department for a second review. During advertising promotions, we establish a material library of signed portrait authorisation agreements and review the advertisement according to the platform's advertising rules and content requirements.

- **Managing advertising content and ensuring compliance advertising**: We determine the display platform for reaching users in advance and avoid displaying inappropriate content to users of unsuitable age groups. In the contracts signed with advertising partners, the scope of advertising authorisation, authorised advertising media, advertising format, and advertising promotion requirements are clearly stipulated to ensure that both parties provide complete, true, and accurate promotional materials and data while avoiding violations of laws, regulations, and platform rules. We require advertising partners to sign confidentiality agreements to ensure that they do not disclose the Company's sensitive information and avoid using user privacy information. We regularly identify unauthorised use of our advertising materials in the market and promptly communicate the results to our legal department.

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- **Conducting compliance training and strengthening employee awareness**: We regularly send compliance reminder articles to employees via email, covering topics such as advertising language use, advertising risk points, and compliance measures. In 2023, we invited professional lawyers to provide advertising compliance training for all employees. After the training, the Legal Department summarised the meeting content through the "Chizi's Law Study" subscription account, and again promoted the relevant compliance requirements, including content compliance and advertising compliance, to all employees.

Case: BlueCity Advertising planning Case Won "2023 Top Brand Innovation Awards"

This year, BlueCity, a subsidiary of the Group, worked with a well-known brand to launch a marketing campaign, in a bid to encourage users to participate in the brand activities and use user-generated content for promotional purposes. The campaign successfully increased advertising effectiveness, advertising return on investment, and user engagement and loyalty. It also generated more word-of-mouth and social media exposure for the Company, improving market competitiveness and brand image. This advertising planning case won the "2023 Top Brand Innovation Awards".

Photo of "2023 Top Brand Innovation Awards"

5.2 Supplier Management

The Group is committed to establishing long-term cooperative relationships with suppliers that are mutually beneficial, honest, and transparent, in order to promote progress within the industry chain. We adopt consistent standards of responsible operations for suppliers around the world, and continuously monitor the responsible operating performance of suppliers in their operating locations. We have established and covered all 409 suppliers' acceptance and assessment system while incorporating the evaluation of environmental and social risk management performance into our supplier assessment. During the supplier selection process, we conduct due diligence on the service quality and past service experience of the suppliers, requiring suppliers at all levels to have professional qualifications and sign compliance commitments. We pay attention to the suppliers' reputation and business conduct guidelines, and consider the fulfillment of suppliers' social responsibilities.

To protect the Group's interests and create a fair and transparent cooperative environment, we require our suppliers to sign confidentiality agreements, which specify supplier conduct guidelines, user information protection and other requirements, and to control potential information security risks to minimise the risk of information leakage. The Group ensures the transparency of the procurement process when cooperating with suppliers, adheres to the principle of fair competition, and resolutely eliminates all forms of commercial bribery.

The Group's main suppliers are cloud service providers and equipment providers. Adhering to the green procurement concept, we assess the service stability, network coverage, and after-sales support capabilities of cloud service providers during the server rental process, with an emphasis on their information protection capabilities and performance. For equipment providers, we give priority to environmentally friendly products and services. When purchasing electronic devices such as computers, monitors, mobile phones, printers, and networking equipment, we refer to the devices' energy consumption levels, and prioritise to equipment with lower energy consumption level if the product quality and function are similar.

In 2023, the Group has a total of 409 suppliers, including 318 in the Chinese mainland, 62 in Hong Kong, Macao and Taiwan, and 29 overseas.

5.3 Anti-Corruption

The Group is committed to creating an honest and fair business environment. We strictly abide by the *Criminal Law of the People's Republic of China*, and laws and regulations pertaining to anti-corruption, anti-money laundering, anti-bribery and anti-unfair competition such as the *Anti-Money Laundering Law of the People's Republic of China*, and the *Anti-Unfair Competition Law of the People's Republic of China*. In 2023, the Group has continued to strengthen our focus on anti-corruption legislation in the regions where the main entities of the Group are located, as well as in the regions where products are launched. We have actively tracked and identified changes in laws and regulations relevant to business operations in various locations.

We have formulated the Regulations on the Management of Anti-Fraud and Reporting Mechanisms, which clearly define fraud, fraudulent behaviours, and anti-fraud responsibilities, as well as establish and implement anti-fraud procedures. We also revise and update the scope of anti-fraud behaviour and the regulations for dealing with fraudulent activities. Our anti-fraud working group is responsible for organising and executing cross-departmental anti-fraud assessments. Each business department undertakes anti-fraud measures to effectively prevent the risk of anti-fraud.

We publicly announce the anti-fraud system and reporting channels for all employees, establish an anonymous reporting system to strictly protect the relevant information of the whistleblowers. We encourage employees to promptly report fraud via email when they encounter any corruption, harassment, unfair practices, or other behaviours detrimental to the interests of our employees or the Group. The Legal Department, Human Resources Department and other relevant departments will jointly conduct follow-up investigations according to the priority of reported incidents and promptly provide investigation results and feedback to the whistleblowers.

To enhance employees' understanding and awareness of anti-corruption, we entered into the *Anti-Commercial Bribery Agreement* in our labor contracts with every employee, where the commercial bribery, property, and rebates are explained in detail. Employees are explicitly required to adhere to the principle of integrity, and shall not give, ask for, or accept any financial benefits in any way, such as commissions, brokerage fees, securities, gifts or possessions. In case of violation of relevant agreements, the Group has the right to unilaterally terminate the labour contract with the relevant employee. If a criminal offense is confirmed, the Group reports the case to the judicial authorities and pursues legal responsibility of such employee. In 2023, we revised the Employee Handbook, adding the prohibition of bribery to the disciplinary punishment principles. These revisions were distributed digitally to all employees, allowing for convenient access and studying of the same at any time. Furthermore, we included professional ethical standards and guidelines for preventing fraud and corruption in the employee handbook to standardise employees' business ethical conduct.

To further motivate employees to participate in the construction of a clean and honest business environment, the Group regularly organises training on topics such as anti-corruption and anti-money laundering. We conduct comprehensive anti-corruption training for both management and non-management employees, introducing relevant cases, scenarios, laws, regulations, and how to identify and prevent corruption. For new employees, we introduce the code of conduct they should follow during onboarding training and require them to accept the Group's integrity requirements to ensure they continuously maintain the Group's culture and values of self-discipline and honesty. For senior management and key decision-makers, we provide in-depth training, emphasising their leadership role in preventing and addressing corruption issues. Additionally, we regularly evaluate anti-corruption training and make improvements based on employee feedback to ensure its effectiveness and relevance.

The Group regularly holds anti-corruption and integrity promotion weeks internally. We regularly share the latest judicial cases in the industry and promote various anti-corruption measures within the Group on our internal legal education platform "Chizi's Law Study". We also send related articles through an internal subscription platform, emphasising the importance of an honest and transparent work environment, promoting integrity education among all employees and continuously raising the awareness of management and employees against fraud and corruption. Moreover, we regularly send out emails related to anticommercial bribery to all employees, invite professional guest speakers to give lectures on anti-commercial bribery to management and board members, and continuously enhance employees' and executives' awareness of anti-commercial bribery to prevent corruption, bribery, or fraud. In 2023, the Group have not been involved in any corruption lawsuits.

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6. EMPLOYEE WELLBEING

Employees are an important driving force for an enterprise to achieve sustainable development. We treat our employees as our most valuable asset and recognise their contribution as the key driving force of the sustainable development. By adhering to legal and fair employment principles, optimising the remuneration and benefits system, enriching employee communication channels and improving the training system, we are committed to creating a fair, diverse, healthy and comfortable work environment, and helping employees achieve professional development on a broad developing platform.

6.1 Employment

The Group firmly implements the principle of legal and fair employment, safeguards equal employment, opposes discrimination, and is committed to creating a fair and diverse work environment, ensuring the health and safety of employees. We focus on the growth and development of employees, and actively communicate with employees to understand their inner voices.

6.1.1 Legal Employment

The Group strictly abides by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, *the Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, *Provisions on the Prohibition of Using Child Labour, Law of the People's Republic of China on the Protection of Minors*, and other relevant laws and regulations, to ensure employees' legitimate rights and interests, and avoid employing child labour and forced labour.

We have formulated the *Employee Handbook* according to relevant laws and regulations to standardise the management processes of employee recruitment, resignation, working hours, remuneration, benefits, holiday and promotion. The employees' working hours, job description, remuneration and benefits, and working conditions are clearly stipulated in the labour contract. During the recruitment process, we do not discriminate against job applicants by race, age, gender, marital status, social class, and religious beliefs, which ensures fair employment.

We verify the information of employees before on boarding, to avoid employing child labour. We fully respect the willingness of employees and ensure that employees participate in work on a voluntarily basis, avoiding forced labour. During the process of employee resignation, we handle the relevant resignation procedures for the departing employees in accordance with relevant laws and regulations. In addition, in accordance with the requirements of relevant laws and regulations, and internal measures, we make the remedial measure and improvement processes in case of child labour and forced labour.

6.1.2 Remuneration and Benefits

The Group provides employees with competitive remuneration with a systematic remuneration system. We continuously refine the dimensions of the management performance evaluation, strengthen the scientificity and rationality of evaluation, and increase the incentive intensity of performance bonuses. At the individual employee remuneration level, we have implemented a remuneration scheme based on performance evaluation and conducted comprehensive performance evaluation of

employees on a semi-annual and annual basis. The evaluation indicators including working attitude, performance results, task completion, corporate culture recognition, etc. At the team performance management level, we have implemented the OKR (Management Method for Tracking Goals and Their Completion) system for all employees and the management, aiming to help each business department adapt to the dynamic changes of goals, improving employee participation, encourage employees to challenge themselves, actively innovate, and optimise the overall work management model of the enterprise.

The Group offers a variety of incentive awards such as immediate incentives and annual merit awards for its outstanding employees and teams. We provide Full Attendance Awards for employees with full-month attendance, regularly select excellent individuals or teams per quarter as "Stars of the Quarter". Furthermore, we have set up outstanding individual awards such as the Wisdom Partner Award, Performance Contribution Award, and Outstanding Newcomer Award to assess the performance of employees in terms of work attitude, values, output and other dimensions, so as to incentivise the growth of employees.

We provide employees with pensions, work injury insurance, maternity insurance, unemployment insurance, medical insurance, and housing fund. In addition, we provide employees with additional commercial medical insurance, accident insurance and child medical insurance, to ensure better commercial insurance benefits for employees. In the case of employee travel abroad, the Group purchased insurance for employees to ensure the travel safety of employees. In addition, we provide commercial medical examinations covering employees' parents to ensure the health and safety of employees and their families.

The Group emphasises the work-life balance for employees, and continuously optimises employees' attendance management system, sets flexible intervals for employees' time on-and-off work, achieving humanised and flexible management of employees' working hours. We provide diversified welfare and holidays for employees. Employees enjoy annual leave, paid sick leave, maternity leave and other statutory leave required by laws and regulations. We set up a New Year's welfare leave, which allows employees to take three days' leave in advance of the Chinese New Year holiday. We also provide employees with various benefits, including onboarding anniversary benefits, major holiday benefits, birthday benefits, overtime meal subsidies, afternoon tea, etc., and set special benefits such as "Wedding Gift Money" and "Childbirth Gift Money". In 2023, we introduced additional benefits for critical illness and funeral consolation to provide employees with sufficient humanistic care. We respect and care for female employees and provide them with special full-pay holidays and maternity and baby care room, so as to actively care for the physical and mental health of female employees during special periods. We also pay attention to the diverse needs of our employees and provide maternity leave and "parental leave" to all employees[9].

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[9] Maternity leave is implemented in accordance with national and local policies. Non-heterosexual employees can enjoy 3-month parental leave to care for their children.

6.1.3 Employee Activities

We attach great importance to the promotion and implementation of corporate culture and are committed to creating a relaxing corporate atmosphere to help employees relieve physical and mental stress at work. We actively carried out a series of corporate culture activities, combining corporate culture and business characteristics to create cultural medals as prize of the activities, so that employees can deepen their understanding and recognition of corporate culture while relaxing and entertaining.

The Group regularly organises group activities such as sports and fitness every month, to enrich the spare time of the employees, promote communication between employees and enhance the cohesion of the Group. In 2023, the Group organised a range of cultural and sports activities and competitions, including badminton, basketball, tennis, Frisbee, and jazz dance, and organised employees to carry out holiday activities during festivals such as the Lantern Festival, Dragon Boat Festival, Mid-Autumn Festival, Chinese Valentine's Day, International Women's Day, and Programmer's Day. At the same time, the Group also hosts large-scale events every year, such as hiking, and annual meeting etc. every year, and sets up a variety of fun game projects and a large number of prizes for employees, bringing care and encouragement to employees.

In addition, we have set up a team-building fund to motivate various departments to organise a variety of team-building activities and actively promote unity within the departments. We actively conduct employee activities including dinners, tours, movies, to enhance the cohesion of the employees. We also provide free lunch, gym, library, coffee bar, and discounts at surrounding businesses as part of our employee benefits package.

Site Photos of Employee Activities

6.1.4 *Employee Communication*

The Group continuously expands communication channels for employees and actively listens to employees' opinions and suggestions. We set up various communication channels such as e-mail, social media, and communication meetings, and conduct one-on-one communication for employees at important nodes such as employee promotion and performance evaluation, providing timely feedback on employees' opinions, suggestions, and requirements. We build an online community of "Newborn Circle" and set a module of "Roast and Suggestion" to collect employees' views and suggestions on their own development and work experience. We also establish an anonymous feedback platform and suggestion box for products, aiming to create unimpeded channels of communication for employees.

In addition, we come up with the channel for employees to communicate with the management level, continuously conduct face-to-face communication activities with the CEO, during which the CEO directly answers various work and life-related questions that employees encounter, enabling employees to get a top-down understanding of company updates and key information. Meanwhile, we hold onboarding activities for new employees. The management personnel regularly communicate with new employees during their probation period, listening to their thoughts and understanding their difficulties, effectively solving their problems.

We continuously improve employee satisfaction, regularly conduct employee satisfaction survey covering all the employees, understand the employees' satisfaction of the Group, including employees at different job levels, departments, and positions, in order to carry out targeted optimisation work on employee experience.

Key performance indicators: Employment

Indicators		2023 Data
Total number of employees		1,465
Number of employees by employment type	Labour contract employee	1,416
	Contractor and others	49
Number of employees by gender	Male	902
	Female	563
Number of employees by age group	Under age 30	678
	Age 30 to 39	734
	Age 40 to 49	49
	Age 50 and above	4
Number of employees by geographical region	The Chinese Mainland	1,462
	Hong Kong, Macao, and Taiwan	2
	Other countries and regions	1
Total turnover rate[10] (%)		22.32
Employee turnover rate by gender (%)	Male	19.61
	Female	26.31
Employee turnover rate by age group (%)	Under age 30	26.62
	Age 30 to 39	18.44
	Age 40 to 49	14.04
	Age 50 and above	20.00
Employee turnover rate by geographical region (%)	The Chinese Mainland	22.36
	Hong Kong, Macao and Taiwan	0.00
	Other countries and regions	0.00

[10] Employee turnover rate = the number of employee departure in the reporting year/(the number of employee departure in the reporting year + the number of employees at the end of the reporting year) *100%

6.2 Employee Health and Safety

The Group is committed to providing employees with a healthy and safe working environment, improving employees' awareness of occupational health, and safeguarding our employees' physical and mental health at work in all respects.

The Group emphasises the health and safety of work environment. We strictly abide by the *Work Safety Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and other relevant laws and regulations, formulate occupational health and safety management measures to regulate occupational health and safety matters in the workplace. We focus on the safe use of electricity and water, and firefighting in the workplace during daily operations. We conduct fire safety inspections on office area, effectively reducing safety hazards. The Group regularly conducts safety awareness trainings for employees and shares fire safety training materials with all employees. The topics for the trainings include occupational disease hazards and work environment safety, etc., and we also conduct daily safety knowledge popularisation and promotion for employees. We focus on enhancing employees' awareness of response to safety emergencies and conduct fire drills twice a year. In addition, we use environment-friendly materials during the office decoration process, purchase ergonomic tables and chairs, and create a leisure area with an open view. We hire a professional design team to match furniture colours in order to reduce the visual pressure of employees in the office area, relieve the working mood of employees, and provide them with a comfortable office environment.

Site Photos of Fire Drills

The Group advocates the concept of healthy living, and we provide free medical examination for our employees every year. Additionally, we provide psychological counselling, professional health consultations, and first aid training. We install AED equipment and first aid kits in the workplace to ensure the needs of medical supplies and first aid equipment in the workplace. We encourage employees to participate in outdoor sports. In each September, we organise large outdoor hiking activities to encourage employees to exercise and relax on the basis of ensuring their safety. Besides, we provide hot ginger tea and medicines for preventing colds during the flu season, to ensure the health and well-being of our employees.

The Group had no work-related fatalities in the past three years (including 2023). There were 3 work-related injuries[11] occurred during this year, 3 people were injured and 266 lost working days due to work-related injuries.

6.3 Development and Training

The Group continues to improve its talent training system, planning clear career development pathways for employees, providing a superior environment of career development. We have established a systematic training system including onboarding training, knowledge and skills, and career development, and tailored a series of training courses for employees. We also developed multi-level training covering top and first-line managers and all employees to continuously enhance their professional skills, professional quality and leadership, thereby helping employees improve their workplace competitiveness. Meanwhile, we have established a full-process training management system. Specifically, we conduct demand survey in the preliminary stage of training, appoint specialised personnel to organise and plan the training processes, and send out feedback questionnaires after training for continuous improvement, to ensure the effectiveness of the training.

The Group sets up a variety of training models for employees in different business departments and of different types to facilitate the acquisition of knowledge in different aspects. For new employees, the Group has established a new-employee training program, adopting a relaxing and lively training method and the form of group games to make new employees familiar with corporate culture and understand the Group policies, benefits, etc., helping new employees establish a sense of belonging and quickly integrate into the workplace. For the management employees, the Group has initiated trainings on management skills, aiming to improve the comprehensive ability of the management personnel, so that they can lead the team to accomplish tasks efficiently. For each business department, the Group has set up trainings on improvement of professional skills to enhance the professional ability of employees. We emphasise the importance of information security and privacy protection in trainings to raise employees' awareness of information security. For the contents related to information security trainings we provided this year, please refer to the Chapter "Responsible Operation-Information Security Management" in this Report.

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[11] Of the recordable work-related injuries in 2023, one was a fracture sustained by an employee in a traffic accident while out on a lunch break at work, one was a fracture sustained by an employee in a traffic accident while commuting to work, and one was a fracture of the sacrum sustained by an employee who slipped and fell on the stairs while at work.

We improve the employee promotion system and provide employees with ample career development opportunities and abundant resources to support them throughout their career journey. We adopt a dual-channel and dual-promotion path, which is divided into the professional sequence "P" and the management sequence "M". Senior employees can choose to further specialise in the professional sequence or transfer to the management team, depending on their personal preferences and abilities. We offer management transformation training for employees transferring from "P" to "M". Furthermore, the Company sponsors on-the-job MBA programs for key managers to enhance their management skills and business capabilities. We also purchase professional courses for the design and technical teams, such as 3D professional courses, Blender design tool courses, layout design courses, and midjourney (AIGC) courses.

Site Photos of Employee Training

Key performance indicators: Employee training

Indicators		2023 Data
Percentage of employees trained by gender (%)	Male	**85.48**
	Female	**79.04**
Percentage of employees trained by management level (%)	Management	**71.43**
	Non-management	**83.06**
Average training hours of employees by gender (h)	Male	**5.11**
	Female	**4.97**
Average training hours of employees by management level (h)	Management	**54.80**
	Non-management	**4.85**

We promote cooperation between universities and enterprises to provide a solid foundation for innovative education methods. Through a series of activities and in-depth agreements, the Group promotes the expansion of employment channels for students and the high-quality development of enterprises in related fields, thus charting a new development path for industry-university-research cooperation.

Case: "ZhiXing•GuanLan" Business Series Event

This year, Newborn Town and the School of International Trade and Economics, Central University of Finance and Economics initiated an in-depth cooperation through the activities of "ZhiXing•GuanLan" business series, and officially signed strategic cooperation and internship training agreement. This cooperation aims to cultivate high-quality talents through the integration between industry and education, broaden the employment channels of students, and help the high-quality development of the Group.

On 31 October, 2023, Mr. Li Yongjie, Vice President of Newborn Town, was invited to speak at the School of International Trade and Economics of Central University of Finance and Economics on the topic of "Development and Practice of Chinese Audio and Video Socialisation Overseas", aiming to deepen the students' understanding of the global business strategies of multinational enterprises.

Site Photos of Newborn Town employees Leading the Faculty and Students on a Tour of the Group's Office

7. GIVING BACK TO THE SOCIETY

The Group seeks development while paying due attention to community needs, actively giving back to society, and fulfilling social responsibilities. We have long-standing relationship with the communities where we operate and organise a diverse range of public welfare activities based on their needs and contribute to the harmonious development of the community.

7.1 Public Welfare Donation

While continuously improving our products and improving user services, we actively involve in charity work, convey positive social values through various ways, and engage in a number of public welfare practices, such as helping vulnerable groups and supporting impoverished areas.

In June 2023, the Group donated office devices worth RMB150,000 to Zhuozi County, Ulanqab City, Inner Mongolia, including 10 laptops, 5 desktop computers and 48 books, to improve the local office system facilities.

In August 2023, at the critical moment of the crises caused by heavy rainfall in the Beijing-Tianjin-Hebei region, the Group called on employees to donate money and raised donation of over RMB20,000. The donation was used to purchase food, mineral water, and other basic necessities, as well as rescue equipment such as life jackets, rain boots, flashlights, and shovels, to improve the lives and safety of the affected people.

The Group donated relief supplies to Beijing

In September 2023, we organised the 14th anniversary hiking event and launched the "Newborn Town Guardian Plans for Youths" program. The steps-driven donations during the hiking event will be converted into donation funds to purchase new shoes for children in need around the world. The charitable fund raised from this event is approximately RMB128,400 and and donated a total of 2,799 pairs of new shoes to children in Cairo, Egypt, Ho Chi Minh City, Deloitte, Gia Lai, Da Nang, Can Tho and Nam Dinh in Vietnam, as well as Beijing, Gansu and Xinjiang in China.

Newborn Town 14th anniversary hiking event

Newborn Town Guardian Plans for Youths – Egypt

Newborn Town Guardian Plans for Youths – Vietnam

Newborn Town Guardian Plans for Youths – Beijing

Newborn Town Guardian Plans for Youths – Xinjiang

Newborn Town Guardian Plans for Youths – Gansu

In November 2023, the Group donated food amounting to nearly RMB100,000 to the Guanghui Hope School in Tongjiang County, Sichuan Province, lighting up hope with love and bringing warmth to the children in winter.

Donation and Sponsorship Activities

7.2 Public Welfare Volunteers

Since its establishment, the Group has actively taken its social responsibilities and continuously carried out various public welfare volunteer activities to promote the development of social welfare.

Towards an AIDS Free Generation

In November 2023, the Group and the Danlan Public Welfare Special Fund of the Chinese Foundation for Prevention of STD and AIDS jointly hosted the 10th "Towards an AIDS Free Generation" event. The event is themed by "Gathering Social Strength, Combining Efforts to Combat AIDS" of the World AIDS Day 2023. Celebrities, organisations, and volunteers in the field of AIDS prevention and control were invited to spread the message of AIDS prevention and control among young people.

the 10th "Towards an AIDS Free Generation" event

Spreading Warmth Project

In April 2023, the Group launched the "Spreading Warmth Project" and carried out multiple public welfare initiatives, leading employees to convey love and warmth to society and fulfil social responsibility. The project has been running for six consecutive sessions and the service targets are elderly people, students in difficulty, community residents and stray animals.

Spreading Warmth Project – Respect and Love the Elderly

Spreading Warmth Project – Dog and Cat Adoption

Spreading Warmth Project – Clear Snow and Plow Ice

7.3 Public Welfare Overseas

This year, in addition to actively expanding overseas business and services, the Group continued to strengthen its efforts in overseas public welfare activities, further enhancing its influence in the public welfare field.

In February 2023, Turkey and Syria were hit by a strong earthquake, resulting in the deaths of tens of thousands of people. After the disaster, the Group responded quickly by making donations to local charitable organisations to support disaster relief efforts. In addition, donation channels were set up on the Group's social media platforms to encourage users around the world to help the affected communities.

The Group donated funds to support disaster relief efforts in Turkey and Syria

In 2023, the Group's YoHo platform initiated a series of charitable activities in the Middle East, engaging in local public welfare by creating a platform to showcase Middle Eastern culture and donating toys and essentials to local children with cancer. These efforts contributed to the social value and received unanimous recognition from local media, partners, and donors.

YoHo platform launched a series of charitable activities in the Middle East

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
Governance Structure	–	A disclosure of the board's oversight of ESG issues;	2. Board Statement
		The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses);	1.1 About this Report 2. Board Statement 3. ESG Concept and Management
		How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2. Board Statement
Reporting Principles	–	A description of, or an explanation on, the application of the reporting principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report.	1.1 About this Report
		Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	1.1 About this Report
		Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	1.1 About this Report
		Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	1.1 About this Report
Reporting Boundaries	–	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1.4 Scope of this Report

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
Environmental	**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. *Note:　Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.* *Hazardous wastes are those defined by national regulations.*	4.2　Waste Management 4.3　Climate Change
		A 1.1　The types of emissions and respective emissions data.	4.2　Waste Management 4.3　Climate Change KPI: Emissions
		A 1.2　Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.3　Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.4　Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	KPI: Emissions
		A 1.5　Description of emissions target(s) set and steps taken to achieve them.	4.4　Environmental Targets
		A 1.6　Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.2　Waste Management 4.4　Environmental Targets

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
	A2 Use of Resources	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	4.1 Resource Conservation
		A 2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	KPI: Energy and Resource Consumption
		A 2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	NA
		A 2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1 Resource Conservation 4.4 Environmental Targets
		A 2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.1 Resource Conservation 4.4 Environmental Targets
		A 2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	NA
	A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer's significant impacts on the environment and natural resources.	4. Environmental Protection
		A 3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
	A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.3 Climate Change
		A 4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
Social	**B1 Social**	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.	6.1 Employment
		B1.1 Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	KPI: Employment
		B1.2 Employee turnover rate by gender, age group and geographical region.	KPI: Employment
	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.	6.2 Employee Health and Safety
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.2 Employee Health and Safety
		B2.2 Lost days due to work injury.	6.2 Employee Health and Safety
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.2 Employee Health and Safety

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
	B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* *Training refers to vocational training. It may include internal and external courses paid by the employer.*	6.3 Development and Training
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	KPI: Employee Training
		B3.2 The average training hours completed per employee by gender and employee category.	KPI: Employee Training
	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.	6.1 Employment
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	6.1 Employment
		B4.2 Description of steps taken to eliminate such practices when discovered.	6.1 Employment

Subject Areas	Aspects	Contents of Disclosure		Section in this Report
	B5 Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.		5.2 Supplier Management
		B5.1	Number of suppliers by geographical region.	5.2 Supplier Management
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.2 Supplier Management
		B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.2 Supplier Management
		B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.2 Supplier Management
	B6 Product Responsibility	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		5. Responsible Operation
		B 6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	NA
		B 6.2	Number of products and service related complaints received and how they are dealt with.	5.1 Product Responsibility
		B 6.3	Description of practices relating to observing and protecting intellectual property rights.	5.1 Product Responsibility
		B 6.4	Description of quality assurance process and recall procedures.	5.1 Product Responsibility
		B 6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.1 Product Responsibility

Subject Areas	Aspects	Contents of Disclosure	Section in this Report
	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.	5.3 Anti-Corruption
		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.	5.3 Anti-Corruption
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.3 Anti-Corruption
		B7.3 Description of anti-corruption training provided to directors and staff.	5.3 Anti-Corruption
	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.	7. Giving Back to the Society
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Giving Back to the Society
		B8.2 Resources contributed (e.g. money or time) to the focus area.	7. Giving Back to the Society

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newborntown