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**China Film Co., Ltd.
Action Plan of “Improving Quality, Increasing
Efficiency and Emphasizing Returns” in 2024**

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To thoroughly implement the spirit of the 20th National Congress of the Communist Party of China and the Central Financial Work Conference, practice the people-centered value orientation and development philosophy, and respond to the implementation of the Shanghai Stock Exchange's (hereinafter referred to as “SSE”) *Public Initiative on the Special Action Of “Improving Quality, Increasing Efficiency And Emphasizing Returns”* (hereinafter referred to as “Initiative”), China Film Co., Ltd. (hereinafter referred to as “the company” or “the CF”) formulates this action plan from six aspects, including production and operation, scientific and technological innovation, corporate governance, incentive and restraint, investor communication and shareholder returns, based on the company's development stage, industry characteristics and investors' demands.

I. Deeply Cultivating the Film Industry and Improving the Quality of Operation

1. Focusing On Film Creation and Production

We insist on taking creation as the core and closely follow the requirements of high-quality development to push forward film creation and production. At present, there are more than 90 projects in process of development, including more than 50 original projects. Among them, the second part of the epic film *The Volunteer*, which panoramically shows the great course of the War to Resist US Aggression and Aid Korea, is scheduled to be released on the National Day this year. The tribute film, *Until Find You*, which celebrates the 25th anniversary of Macao's return and shows the connection of Macao and motherland, is scheduled to be released in December this year. The film version of *The Journey of a Legendary*

Landscape Painting, adapted from the classical dance-poetry drama, has entered the post-production stage. The first part of the film *The Legend of the Condor Heroes*, adapted from the classic martial arts works of Jin Yong, is scheduled to be released this year.

Since the launch of the “China Film Youth Talents Initiative”, 15 works have been selected from more than 300 scripts to enter the creation stage. Among them the comedy film *Keep Rolling* will be released in the near future.

2. Optimizing the Asset Structure and Industrial Layout

In order to improve the situation of the long-term loss of heavy asset business, we plan to start film production system reforms. By connecting two business systems — film producing and production by China Film Studio— and promoting the integrated layout of talents, projects and management elements, we transform the unique advantages of China Film Studio in industrial clusters and professional teams into actual productivity. Thus we can better promote quality improvement, increase efficiency and service film industry.

In order to optimize the strategic layout, we acquired the equity of China Film Innovation Film Development Co., Ltd, and incorporated the rural film and campus film business into our cinema industrial chain system to develop and open up incremental market.

3. Taking Various Measures to Promote Lean Management

We will speed up the construction of treasury system, strengthen the lean management of funds, promote the connection between capital budget and business plan, and continuously improve the efficiency of fund utilization.

We will rationally allocate budgetary resources, ensure key points, emphasize efficiency, control costs, and improve the efficiency of resource allocation.

We will continuously carry out special management of accounts receivable, establish negative lists based on customer credit, solvency, risk

factors and other information, strengthen source control and process monitoring and pre-warning, enhance the operating cash inflow and reduce the risk of bad debts.

II. Promoting Scientific and Technological Innovation and Developing New Quality Productive Forces

1. Promoting the Capacity Building of Sci-tech Innovation

In order to enhance the capacity of independent innovation and promote commercialization of sci-tech achievements, we carried out internal restructuring of the science and technology sector of the CF in 2023 and China Film Global (Beijing) Technology Co., Ltd, is the mainstay of the sector.

In 2024, we will further promote the integration of our science and technology business, further harmonize and rationalize the business structure, highlight the advantages of the main business, optimize the industrial layout, and ultimately realize the deep integration of innovation chain, industrial chain and talent chain.

2. Creating the Source of Original Technology

Guided by serving industrial upgrading, we boost the research and development of core technologies.

In 2023, our R&D investment exceeded 50million RMB, an increase of 8.5% over the same period last year and breakthroughs were made in the fields of artificial intelligence frame insertion and high frame rate shooting. In 2024, we will improve the R&D management system with high standards, further increase R&D investment, and improve the output rate of technological innovation.

We will implement *Systematic Research, Development and Application of Key Technology in the Whole Cinema Industrial Chain for High-Format Film*, which is the National Key Research and Development Program of China, and step up the R&D outputs and accumulations in the fields of key technologies such as High Frame Rate, Wide Color Gamut and High-Dynamic Range,

technologies related to high-format film production, and the field of LED display technology for high-format film presentation.

3. Accelerating the Commercialization of Sci-Tech Achievements

In 2023, CFG Barco projectors commanded about 74% market share in new-product market and the number of CINITY new-build halls ranked number one in China. The world's first CINITY LED screen, supporting 4K 120-frame high-format projection, passed DCI certification and international standard Blu-ray testing and was installed in cinemas in Beijing, Nanchang and Jinan etc.

In 2024, we will further harness our strengths in industrial base and demand traction, develop a new generation of film equipment with controllable independent intellectual property rights, and promote the industrialization and marketization of high-format film technology.

4. Exploring Applications of Artificial Intelligence in Film Industry

We will proactively embrace transformation by establishing the specialized institution to carry out research on the application of artificial intelligence in film industry. We will start with the specific aspects of film creation and production and find solutions to improve quality and efficiency of the company. Preliminary researches include AI dubbing, digital actors, AI script evaluation and other works in order to enrich film production tools.

Additionally, we will actively integrate into the global innovation network and establish cooperative relations with domestic and foreign scientific institutions and leading sci-tech enterprises to promote open and independent innovation.

III. Ensuring Standardized Operation and Enhancing Governance Effectiveness

1. Strengthening the Construction of the Board of Directors

The board of directors of CF conscientiously performs its functions and

responsibilities, and proactively plays the core role of “setting strategy, making decisions and preventing risks”.

The board of directors has established four committees, namely, the Strategy (ESG) Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Independent directors constitute the majority in three committees and act as the conveners, providing argumentative support for the board of directors in making decisions on major matters. Independent directors account for 50% of the board members, which makes decision-making more comprehensive and objective in strategic planning, risk prevention and control, and governance.

In 2024, we will further promote the construction of the board of directors to ensure that governance decisions are scientific, effective, standardized and orderly, so as to lay a solid foundation for high-quality development of the company.

2. Improving the Governance System

We strongly emphasize the construction of governance system and implement new policies and requirements into corporate governance at once.

As of the date of drafting this plan, we have actively responded to the reform spirit of the independent director rules. Based on the newly promulgated and revised regulations and rules of the China Securities Regulatory Commission and the SSE, we have revised *the Articles of Association* as well as 10 governance policies in accordance with the company's actual situation, including *the Rules of Procedure for the Board of Directors* and *the Working Rules for Independent Directors*, and formulated *the Working Rules for Special Meetings of Independent Directors*.

In 2024, we will implement the requirements of the governance mechanism set by authorities regarding independent directors and the returns of shareholders, follow up the newly amended *Company Law* and subsequent changes in a timely manner, and ensure the standardization, systematization and effectiveness of our corporate governance system.

3. Safeguarding the Legitimate Rights and Interests of All Shareholders

In strict compliance with *the Articles of Association*, we promote the governance entity to fulfill its responsibilities and protect the legitimate rights and interests of shareholders.

The board of directors promotes the construction of corporate governance and creates value for all shareholders. The board of supervisors and independent directors conscientiously perform their supervisory duties and eliminate the infringement of the rights and interests of the company and minority shareholders by taking advantage of the dominant position of the management.

In 2024, on the basis of complying with *the Articles of Association* and the rules and regulations, we will attach importance to listen to the opinions and suggestions of shareholders, further carry out relevant work thoroughly and meticulously, and provide convenience for minority shareholders to participate in governance decision-making and exercise their rights.

IV. Strengthening Incentives and Constraints and Unite Development Efforts

1. The Controlling Shareholder Holds the Company's Shares for a Long Time

As the controlling shareholder of the company, China Film Group Corporation (hereinafter referred to as "CFG") has never reduced its shares since CF listed on SSE in August 2016. When drafting this plan, we asked CFG about its shareholding intention and reduction plan. CFG expressed that based on the confidence in the CF's future development prospects and high recognition of the CF's long-term value, as well as in order to safeguard the rights and interests of investors and maintain the stability of the capital market, CFG will NOT reduce its shareholding in 2024 in any way and will hold shares for a long time, sharing risks and benefits with the company and small and

medium-sized shareholders.

2. Improving the Restraint and Incentive Mechanism

We strictly implement the *Guideline on Performance Review for the Heads of State-Owned Enterprises* and relative rules, and establish and improve salary mechanism and asset management accountability in a scientific and reasonable way. The annual performance evaluation indicators of the directors, supervisors and senior managers of the CF include audited operating income, total profit, return on net assets, asset-liability ratio and other economic indicators of the company. The annual salary and performance bonus are linked to the annual performance evaluation results, and the salary changes match the CF's operating performance.

In 2024, we will adhere to the unity of responsibilities, rights and interests, combine incentive and restraint mechanisms with corporate performance, implement restraint mechanisms for the management, and promote the long-term stable development of the company.

3. Fulfilling the Responsibilities of the Capital Market

The directors, supervisors and senior managers of the CF pay close attention to the company's market capitalization and market feedback, and keep abreast of the market dynamics, reasons for fluctuation and shareholders' feedback through internal intraday reports, daily public opinion reports and monthly securities reports.

In 2024, we will further optimize the way of information collection and transmission, follow up the policy changes and requirements of the regulatory authorities promptly, support the “key few” to participate in the learning and training organized by the regulatory authorities and associations, and provide support to their effective performance and duties in legal basis so as to enhance their governance capabilities.

V. Improving the Communication Mechanism and Promoting Positive

Interaction

1. Ensuring the Regular Communication Mechanism

We have a specialized IR team, as a regular interface to communicate with the capital market, to timely convey messages and answer questions to investors. In 2023, we were selected as the “Best Practice of Investor Relations Management for Listed Companies”.

In 2024, we will continuously attach importance on IR work. We will plan to receive no less than 20 investor surveys, organize or participate in no less than 4 analyst strategy meetings, and ensure 100% response rate to IR hotline, email and SSE E-interactive.

2. Holding Regular Performance Briefing

We actively implement *the Opinions on Further Improving the Quality of Listed Companies*, to establish a good communication mechanism between the board of directors and investors. We hold performance briefings after announcing periodic reports, and have been selected as the “Best Practice of Performance Briefings for Listed Companies” in the past two years.

In 2024, we plan to hold three performance briefings. Led by the chairman or general manager and the board secretary, CFO, independent directors and relevant directors and executives attend, we will communicate with investors through live broadcasting, text and other online and offline ways.

3. Enriching the Communication and Dissemination Ways and Enhancing Effects

We continuously improve the channels and forms of investor communication, and will proactively respond to investors' concerns and demands on the basis of following information disclosure obligations, so as to truly and accurately convey our value.

In 2024, we further optimize works of information disclosure, communication with investors and publicity activities based on the investors' demands. We will make the information more effective and readable by

visualization methods such as videos, graphs and charts and provide investors with abundant and convenient choices to understand the company via planning activities such as “CF Open Day” investor reception day and posting investor communication plans regularly.

VI. Focusing on Shareholder Returns and Sharing Development Dividends

1. Formulating and Disclosing the Medium and Long-Term Return Plan

We continuously improve the shareholder return mechanism. The board of directors formulates the shareholder return plan in a three-year cycle and submits it to the shareholders' meeting for deliberation and approval in order to enhance the sustainability and predictability of shareholder return.

The latest return plan, *Shareholder Return Plan in the Next Three Years (2023-2025)*, was disclosed on SSE website on April 26, 2023. This plan specifies that when distribution is feasible, the annual cash dividend shall not be less than 10% of the distributable profit realized in that year, and the total cash dividend in the last three years shall not be less than 30% of the average annual distributable profit realized in the last three years.

2. Insisting on Distributing Stable and Reasonable Cash Dividends

We insist on rewarding investors with practical and effective measures and sharing long-term development dividends with shareholders.

We have distributed 2.199 billion RMB since the CF listed on the SSE, accounting for 54.03%¹ of the net profit attributable to shareholders.

As of the drafting date of this plan, the board of directors has submitted the profit distribution plan for 2023 to the shareholders' general meeting for consideration, and proposed to distribute 0.71 RMB (including tax) per 10 shares to all shareholders, with a dividend distribution rate of 50.41%.

In 2024, the board of directors will fully consider the characteristics of the

¹ Cash dividend in 2018 calculated by net profit attributable to shareholders of the company before non-recurring gains and loss

industry of the company, the stage of development and strategic planning, as well as the company's profitability and major capital arrangements for the next year to draw up a dividend plan, with a dividend payout rate² not lower than 41% as the first choice.

3. Listening to Shareholders' Demands and Optimizing the Return Mechanism

In response to the proposal of the Initiative that distributing dividends multiple times a year and pre-distributing dividends before the Spring Festival in combination with the undistributed profits and the current business performance, the board of directors will investigate the needs of investors to understand the concentrated demands by publicly collecting opinions, study and optimize the shareholder returns mechanism, and enhance investors' sense of gain.

The board of directors will continuously promote this action plan, regularly evaluate the implementation of relevant measures, and promptly fulfill the information disclosure obligations.

This action plan is the judgment and working idea formed by the board of directors based on the actual situation of the company at present. In the future implementation, it may be affected by factors such as macroeconomic, industry policies and market environment, and there is a degree of uncertainty. The business plans involved in the action plan are not fait accompli but forward-looking statements that do not constitute a substantial commitment by the company and the board of directors to investors. Investors are advised to pay attention to relevant risks.

² The reference standard is a three-year average dividend rate of 41.5% from 2021 to 2023. Among them, the data for 2023 is calculated on the basis of the profit distribution plan that has been proposed by the board of directors but has not yet been reviewed by the general meeting of shareholders as of the date of this announcement.