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Stock Name: China Film

**China Film Group Co., Ltd.**  
**Corporate Value and Return Enhancement**  
**Action Plan**  
**2024 Assessment Report and 2025 Action Plan**

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### **Corporate Value and Return Enhancement Action Plan**

#### **2024 Assessment Report and 2025 Action Plan**

In 2024, China Film Group Co., Ltd. (hereinafter referred to as "China Film" or "the Company") thoroughly implemented the spirit of the 20th CPC National Congress, the Third Plenary Session of the 20th CPC Central Committee, and the Central Economic Work Conference. The Company took concrete measures to actively implement *the Action Plan of "Improving Quality, Increasing Efficiency and Emphasizing Returns" in 2024*, achieving positive results across various tasks. Based on a comprehensive assessment of the 2024 execution, and considering the Company's development stage, industry characteristics, and investor demands, China Film has formulated *the Corporate Value and Return Enhancement Action Plan in 2025*. The 2024 Assessment Report and the 2025 Action Plan are hereby announced as follows.

## **Part I: Assessment Report of Corporate Value and Return**

### **Enhancement Action Plan in 2024**

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

##### **1. Focusing on Film Creation and Production**

In 2024, the Company produced and released 46 films, accounting for 70.19% of the total box office for domestic films. The Company's productions occupied 9 spots in the annual top 10 box office rankings and won over 140 domestic and international awards, including the Best Works Award and China Film Golden Rooster Awards. Among them, the epic film *The Volunteers: The Battle of Life and Death*, which comprehensively depicted the great course of the War to Resist U.S. Aggression and Aid Korea, was a tribute to the 75th anniversary of the People's Republic of China, winning the National Day holiday box office championship and topping the audience satisfaction survey. *The Journey of a Legendary Landscape Painting*, exploring the creative transformation of China's outstanding traditional culture through cross-media artistic techniques, was hailed by audiences as the "Most Beautiful Film of the Year". The tribute films celebrating the 25th anniversary of Macao's return to the motherland, *Until Find You* and *Revisit*, resonated with young audiences, reflecting the enduring and deep kinship bonds where blood is thicker than water. *Snow Leopard*, using Xizang's cultural elements to convey philosophical contemplation, won multiple awards including "Best Film" award at the 36th Tokyo International Film Festival. The

"China Film Youth Talents Initiative" released 5 films covering genres such as thriller, comedy, and romance.

## **2. Optimizing the Asset Structure and Industrial Layout**

The Company completed the reform of the film production system, integrating the production and post-production business systems to establish a unified layout centered on creation, spanning investment, development, production, and operation. China Film Studio has completed adjustments of organizational structure, personnel composition, and business processes. The Company completed the equity acquisition of China Film Innovation and Development (Beijing) Co., Ltd., incorporating rural film and campus film businesses into the industrial chain system, creating conditions for integrating secondary markets and expanding incremental market space.

## **3. Taking Various Measures to Promote Lean Management**

The Company advanced the digital transformation and upgrading of financial management, with the Company's Treasury Management System officially launched. The Company deepened the integration of business and finance, strengthened source control and process monitoring and warning, increased operating cash inflows, and reduced bad debt risks. The Company launched a tax system to enhance the accuracy and standardization of tax work. The Company formulated the *Accounts Receivable Management Measures*, strengthening partner credit management and establishing a negative list based on risk factors such as

defaults and solvency.

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

### **1. Promoting the Capacity Building of Sci-tech Innovation**

The board of directors formulated and released the *Work Plan for Advancing Film Technology Innovation Capacity Building (2024-2026)*. Centering on the core goal of enhancing technological capabilities, the Company systematically integrated technology-related businesses, assets, talents, and resources, reorganized and established "China Film Technology" as an innovation entity. Currently, this subsidiary has completed adjustments to its organizational structure, personnel composition, and business processes, further rationalized its business framework, enhanced synergies, and made its core film technology advantage more prominent.

### **2. Creating the Source of Original Technology**

In 2024, the Company's R&D investment exceeded RMB 60 million, a year-on-year increase of 20.73%. The Company accelerated the implementation of the Ministry of Science and Technology's National Key R&D Program *Systematic Research, Development and Application of Key Technology in the Whole Cinema Industrial Chain for High-Format Film*, completing testing and key system development for high-format cameras, post-production platforms, and virtual studios. China Film's CINITY LED CFL-10 obtained the latest DCI CTP 1.4.1 certification. The

pixel pitch has been reduced to the millimeter level, achieving retina-level display effects on cinema screens and filling a gap in global direct-view projection technology.

### **3. Accelerating the Commercialization of Sci-Tech Achievements**

The Company expanded the CINITY product line. By the end of 2024, 180 CINITY cinema halls had opened domestically, including 18 CINITY LED cinema halls and over 30 CINITY cinema halls opened or construction in progress overseas. Following the China Science and Technology Museum and Shenzhen Science & Technology Museum, the Shanghai Science and Technology Museum commenced renovation of its CINITY science cinema hall. The CINITY LED Remastering Center has been built and put into operation in the US.

### **4. Exploring Applications of Artificial Intelligence in Film Industry**

The Company established the AI Research Institute of CFC, approved as a Beijing Key Laboratory. The Company launched 1 key R&D project and 4 pre-research projects. Among them, the "Film AI Dubbing System" has acquired preliminary dubbing production capabilities and has been applied to the intelligent multilingual dubbing of the film *Chang An*. The pre-research project "Intelligent Assistant" system has completed foundational R&D. The Company jointly established the Minority Language AI Dubbing Joint Laboratory with Tian Shan Film Studio to vigorously expand

the application of AI dubbing technology achievements.

### **III. Ensuring Standardized Operation and Enhancing Governance Effectiveness**

#### **1. Strengthening the Construction of the Board of Directors**

The Company's board of directors conscientiously performs its functions and responsibilities, and proactively plays the core role of "setting strategy, making decisions and preventing risks". In 2024, the board of directors actively implemented the new development philosophy, continuously optimized the decision-making research mechanism, strengthened investor communication and brand building, and was selected as a "Best Practice Case for Listed Company Boards". The Company has been rated "A" for information disclosure by the Shanghai Stock Exchange(hereinafter referred to as "SSE" ) for 7 consecutive years, maintaining its position as a constituent of the "SSE Corporate Governance Index", and is the only listed company in the film and television industry to achieve this consecutively.

#### **2. Improving the Governance Systems**

The Company actively responded to independent director reform initiatives. In accordance with newly promulgated and revised institutional rules by the China Securities Regulatory Commission (hereinafter referred to as "CSRC") and the SSE, and based on the Company's actual situation, the Company revised 10 governance policies including *the Articles of Association, Rules of*

*Procedure for the Board of Directors, and Independent Director Working System*, and formulated *the Working Rules for Special Meetings of Independent Directors*. By clarifying the responsibility boundaries of independent directors and strengthening performance requirements and safeguard mechanisms, the Company better leveraged the positive role of independent directors in decision-making participation, oversight, checks and balances, and professional consultation.

### **3. Safeguarding the Legitimate Rights and Interests of All Shareholders**

The Company strictly followed *the Articles of Association* to promote the responsible performance of governance bodies and protect shareholders' legitimate rights and interests.

In 2024, the board of directors continuously advanced corporate governance construction; the Supervisory Board and independent directors diligently performed their oversight duties, facilitating shareholder participation in governance decisions and exercise of rights. There were no instances of leveraging management's advantageous position to infringe upon the interests of the Company or minority shareholders.

## **IV. Strengthening Incentives and Constraints and Unite Development Efforts**

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

China Film Group Corporation (hereinafter referred to as



"CFG") as the Company's controlling shareholder did not reduce its shareholding in the Company in any way in 2024.

## **2. Improving the Restraint and Incentive Mechanism**

In 2024, the Company strictly implemented *Guideline on Performance Review for the Heads of State-Owned Enterprises* and relative rules, adhering to the unity of responsibility, authority, and benefit, and combining performance with incentive and constraint mechanisms. The annual performance evaluation indicators for the Company's directors, supervisors, and senior management included audited operating income, total profit, return on net assets, asset-liability ratio, and other economic indicators. Performance-based annual compensation was linked to annual performance evaluation results, with compensation changes generally matching operating performance.

## **3. Fulfilling the Responsibilities of the Capital Market**

The Company's directors, supervisors, and senior management actively studied the latest regulatory policies, participating in a total of 31 learning activities organized by the local CSRC bureau, SSE, and China Association for Public Companies. Through internal intraday reports, daily public opinion reports, and monthly securities reports, they promptly understood the Company's market value performance and market dynamics, enabling timely response to public opinion and addressing investor concerns.

## **V. Improving the Communication Mechanism and Promoting Positive Interaction**

### **1. Ensuring the Regular Communication Mechanism**

The Company actively engaged in investor communication, received investors for over 20 investor research surveys in 2024, organized 5 analyst meetings, responded to 450 IR hotline calls responded to 300 questions on the SSE E-interactive with a 100% response rate. In 2024, the Company was selected as the "Best Practice Case in Investor Relations Management for Listed Companies".

### **2. Holding Regular Performance Briefing**

In 2024, the Company held 3 performance briefings alongside periodic reports. Led by the Chairman and attended by the Board Secretary, CFO, independent directors, directors, and senior management, these sessions facilitated communications with investors and media through video Q&A, live streaming, and text interaction. The Company was selected the "Best Practice Award for Annual Report Performance Briefings of Listed Companies" for three consecutive years.

### **3. Enriching Communication Methods**

Proceeding from investor needs, the Company continuously optimized information disclosure and communication efforts. While ensuring the truthfulness, accuracy, and completeness of disclosed information, the Company actively responded to investor concerns and demands, conveying the Company's value accurately. The

Company detailed operational information about the Company's main business and industry in periodic reports and explained in detail with industry data in temporary announcements which involving business matters. Following announcements of significant matters, the Company released concise explanatory articles or video materials via new media and financial media channels to facilitate investors' quick and intuitive understanding.

## **VI. Focusing on Shareholder Returns and Sharing Development Dividends**

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

The board of directors formulates shareholder return plans on a three-year cycle. The latest plan is the *China Film Shareholder Return Plan in the Next Three Years (2023-2025)* and disclosed on the SSE website in April 2023. This plan is currently being implemented.

### **2. Insisting on Distributing Stable and Reasonable Cash Dividend**

In 2024, actively responding to the "Keeping expectations stable and Strengthening Confidence" policy, the Company implemented two cash dividends, distributing a total cash dividend of RMB 85.882 million (tax inclusive), accounting for 61.14% of the net profit attributable to listed company shareholders for the period. Since listing, the Company has cumulatively distributed cash

dividends of RMB 2.397 billion, accounting for 52.71%<sup>1</sup> of the cumulative net profit attributable to listed company shareholders, ensuring the continuity, stability, and predictability of cash dividends.

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

In 2024, the board of directors solicited opinions, especially from minority shareholders, on the frequency of cash dividends via telephone interviews and questionnaire feedback, covering shareholders holding 72% of the Company's total shares. For responding to investor demands and enhancing shareholder benefits, the board of directors proposed the first-ever interim profit distribution plan for 2024 and the dividend has been distributed before the 2025 Spring Festival.

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<sup>1</sup> The dividend payout ratio for 2018 was calculated based on net profit attributable to the listed company's shareholders after deducting non-recurring investment gains.

## **Part II: Corporate Value and Return Enhancement Action Plan in 2025**

### **I. Deepening Reform and Innovation to Enhance Operational Quality**

#### **1. Focusing on Film Creation and Production**

The Company insists on taking creation as the core and closely follows the requirements of high-quality development to push forward film creation and production. At present, there are nearly 90 projects in process of development, including nearly 50 original projects. Among them, *Dead To Rights*, commemorating the 80th anniversary of the victory in the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War, is scheduled for release in the summer season. The epic film *The Volunteers 3*, which shows the War to Resist U.S. Aggression and Aid Korea, is planned for release in the second half of the year. The animated film *Fairizest: Rally for Pally*, full of gaming elements, will be released in the summer season. The animation film *Monkey King Rises*, highlighting Eastern martial arts aesthetics, is in production. The "China Film Youth Talents Initiative" will also release works such as *INHALE EXHALE*, *Wish You Well*, and *Take Her Name*. The Company will enhance control over self-managed projects and strengthen film revenue generation.

#### **2. Rebuilding Distribution Business Advantage**

The Company will initiate distribution mechanism reform,

restructure systems and refine division of labor to further enhance business focus and leverage professional advantages.

First, the Company will strengthen promotional investment for revenue-sharing films and explore the cooperation models of buyout films to activate the imported film market multi-dimensionally.

Second, the Company will increase promotional efforts for domestic films, promote cross-divisional collaboration, and strive for better market performance for self-produced films.

Third, the Company will build an efficient, precise, and rapid integrated technical service platform and strengthen the China Film network, providing solid support and guarantee for full-chain, multi-scenario distribution.

### **3. Driving the Transformation from Cinema Investment to Cinema Management**

The Company will create the China Film Cinema Management brand, focusing on refined operations to transition cinema investment towards a cinema management model.

The Company will strengthen centralized control, build a professional and efficient management team, enhance the specialization, intensification, and intelligence level of cinema management, and boost the market competitiveness and profitability of the Company's film exhibition sector.

## **II. Driving Scientific and Technological Innovation and Leading Industry Upgrading**

### **1. Promoting Integration of Production, Research, and Application.**

The Company will increase R&D investment steadily, focusing on the goals of "core technology localization, industrial chain domestication, and technical standards internationalization", and continuously strengthen R&D of high-format film technology.

The Company co-established the BUPT-China Film AI Joint Laboratory with Beijing University of Posts and Telecommunications to conduct in-depth research and application of AI technology in the film and television field, building a high ground for film AI innovation.

### **2. Accelerating Pace of Technological Product Innovation**

The Company will focus on developing acoustically transparent LED film projection systems covering full aspect ratios for films and documentaries (1.33:1, 1.43:1, 1.85:1, 2.39:1), with high perforation rates and ultra-thin screen bodies, and promoting the modular and serialized development of products.

The Company will launch multi-specification products such as 20m/23m/26m to further enrich the CINITY cinema product line and CINITY science application scenarios.

### **3. Accelerating the Commercialization of Sci-Tech Achievements**

Based on R&D achievements of high-format film standard, the Company will develop the 3.8-meter and 5.4-meter "CINITY HOME" for diversified scenarios.

The Company will develop and launch the CINITY Camera natively supporting 4K, 120fps, 12bit Raw with exclusive features and then achieve commercialization and deploy in blockbuster films productions.

Building on CINITY AMR (AI Master Reproduction) technology, which enables frame rate up-conversion from 24fps to 48fps/60fps, the Company will carry out core technology development for 60fps to 120fps up-conversion, and further promote the achievement of high-frame-rate mastering technology in a wider range.

### **III. Improving Corporate Governance and Strengthening Performance Effectiveness**

#### **1. Strengthening Governance System Construction**

The Company continuously improves the modern enterprise system with distinctive Chinese features, consolidating the foundation of governance systems.

First, actively implementing CSRC's requirements, the Company completed revisions to 10 governance policies including *the Articles of Association* and related rules of procedure in accordance with the new *Company Law* and its supporting rules. As of the announcement date of this action plan, these policies have been approved by the shareholders' meeting and disclosed. Second, the company revised 16 governance policies including information disclosure and insider information management that continuously enhance the relevance and effectiveness of information disclosure, according to the newly revised *Administrative Measures for Information Disclosure of Listed*



*Companies* and supporting rules. Third, the Company drafted specialized policies such as public opinion management to further improve the standardization, systematicness, and effectiveness of the Company's governance system framework.

## **2. Improving SOE Corporate Governance**

In 2025, the Company will actively implement the requirements of the *Guideline on Refining the Country's Modern Corporate System with Distinctive Chinese Features*, improving the governance structure and operational mechanisms to lay a solid foundation for high-quality development.

First, the Company will implement supporting institutional reforms following the revision of *the Articles of Association*, further improving systems and mechanisms and optimizing functional allocation. Second, the Company will actively and prudently advance the election of a new board of directors to ensure scientific decision-making, effective governance, and orderly operations. Third, the Company will support the “key few” to participate in the learning and training organized by the regulatory authorities, provide support to their effective performance and duties in legal basis so as to enhance their governance capabilities.

## **3. Strengthening Responsibility of the "Key Few".**

When drafting this plan, the Company asked CFG about its shareholding intention and reduction plan. CFG expressed that based on the confidence in the company's future development prospects and high recognition of the company'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 2025 in any way and will hold shares for a long time, sharing risks and benefits with the company and small and medium-sized shareholders.

Meanwhile, the Company strictly implements *the Guideline on Performance Review for the Heads of State-Owned Enterprises* and relative rules, and establishes and improves salary mechanisms and asset management accountability in a scientific and reasonable way. The annual performance evaluation indicators of the directors and senior managers of the company 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 company's operating performance. The long-term interests of the Company's board of directors, management, and shareholders are aligned.

#### **IV. Strengthening Communication and Convey Company Value**

##### **1. Maintaining Regular Communication**

The Company always respects and protects investors as the starting point and goal of investor relations work. Proceeding from investor needs, the Company continuously improves communication mechanisms. In 2025, the Company plans to receive no less than 20 investor research surveys, organize or

participate in no less than 4 analyst meetings, and ensure a 100% response rate for the IR hotline/email and SSE E-Interactive inquiries.

## **2. Regularly Performance Briefings**

The Company actively implements *the Opinions for Further Improving the Quality of Listed Companies*, establishing a good communication mechanism between the board of directors and investors.

In 2025, the Company plans to hold no less than 3 performance briefings. Led by the chairman or general manager and attended by the board secretary, CFO, independent directors and relevant directors and executives, the Company will communicate with investors through video Q&A, text and other online and offline ways, widely soliciting suggestions and opinions from all sectors of society.

## **3. Innovating Investor Communication Methods**

While standardizing information disclosure obligations, the Company will continuously improve investor communication channels and formats to actively convey Company value.

In 2025, the Company's annual general meeting utilized the online voting reminder service provided by the SSE, facilitating minority investor participation in corporate governance. In the second half of 2025, the Company will participate in the "I am a Shareholder - Visiting Listed Companies activity" hosted by the SSE. Through site visits and on-site discussions, investors can gain

a more intuitive understanding of the Company's operations and development, enabling better value judgments.

## **V. Optimizing Return Mechanisms and Sharing Development Dividends**

### **1. Insisting on Distributing Stable and Reasonable Cash Dividends**

The Company insists on rewarding investors with pragmatic and effective measures, sharing long-term development dividends with shareholders. In 2025, the board of directors will respond to policy by fully considering the characteristics of the industry of the company, the stage of development, strategic planning, profitability level, and major capital arrangements for the next year and draw up a dividend plan with an annual dividend payout rate of no less than 40% (including interim and annual dividends) as the benchmark.

### **2. Continuously Optimizing Shareholder Return Mechanisms**

The Company actively implements the spirit of *the Several Opinions on strengthen supervision, forestall risks, and promote high-quality development of the capital market*, enhancing the stability, continuity, and predictability of dividends distributions.

As of the announcement date of this plan, the Company's board of directors has submitted matters related to the 2025 interim dividend distribution to the general meeting of shareholders for approval and has obtained authorization for the board of directors to execute the distribution. For details, please refer to the

*Announcement of China Film on the 2024 Annual Profit Distribution Plan and the Authorization of Medium term Profit Distribution for 2025 (2025-007).* The Company will promptly disclose subsequent decision-making progress in accordance with regulations, providing shareholders with clear and predictable guidance.

The Company's 2023-2025 Shareholder Return Plan will be completed by the end of this year. Based on a comprehensive review of its implementation, the board of directors will continuously optimize the return mechanism and formulate a new three-year return plan.

The board of directors of China Film will continuously promote Corporate Value and Return Enhancement 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.