



Values Cultural Investment Limited 新石文化投資有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1740



2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Report Introduction

This is the annual Environmental, Social and Governance (“**ESG**”) Report of Values Cultural Investment Limited (“**the Company**”, “**Values Cultural**” or “**we**”, and with its subsidiaries collectively referred to as the “**Group**”), which comprehensively explains the Group’s management policies and performance regarding ESG from 1 January 2023 to 31 December 2023, and collectively discusses matters of interest to stakeholders and ways to contribute to the sustainable development of the economy, environment and society of the Group. Unless otherwise stated, the information presented in the Report represents data performance in 2023.

The ESG Report are derived from the archived documents, records and statistics of the Group. The contents and data disclosed in the ESG Report have been considered and approved by the Board of the Company.

Preparation Principles of the Report

This report is prepared in accordance with the following reporting principles:

- Materiality: Key ESG issues are identified through materiality assessment and relevant information are disclosed in the ESG report;
- Quantitative: Quantitative information in environmental and social areas is presented in the ESG report, accompanied by a narrative, explaining its purpose and impacts. The comparative data will be provided in the future ESG reports;
- Consistency: This is our third ESG report and we will use consistent methodologies to disclose ESG information in the following years for meaningful comparison.

Scope of the Report

Upon materiality assessment, the Group decided that the Report mainly covers the overall performance of the Group in three key areas, namely the environment, society and governance, and such scope has no significant change as compared to that of 2021.

Basis of Reporting

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under the Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”).

Access and Response to the Report

The English and Chinese versions of the Report can be downloaded from the website of the HKEX (<http://www.hkexnews.hk>) and the Company’s website. The Report is published in both Chinese and English. In case of any inconsistency, the Chinese version shall prevail. For any comments or suggestions on the environmental, social and governance performance of the Group, please email us at valuescultural@163.com.

I. STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

Representation of the Board

The Board of Directors of the Group assume full responsibility for the ESG strategy and reporting and are responsible for assessing and determining the Group's ESG risks and ensuring that the Group has an appropriate and effective ESG risk management and internal control system in place. The Board of Directors and all Directors affirm that this report contains no false or misleading statements or material omissions and that they are severally and jointly responsible for the truthfulness, accuracy, and integrity of its content.

The Board of Directors of the Group acts as the highest decision-making body for ESG management, guiding the Group's sustainable development direction, formulating the overall vision, goals, and management strategies for sustainable development of the Group, and reviewing the Group's annual ESG report. During the Reporting Period, through conducting survey on stakeholders, we have identified the following key ESG issues: quality of product, protection of intellectual property right, customer relationship management, employee management, development and training, diversity and equal opportunity, commercial ethics, information and data security, advertisement compliance, risk and crisis management and policy influence. We will prioritize the review on the above issues in our daily work, and correspondingly conduct management by objectives. In the future, based on the expectations of stakeholders and the Group's actual operations, we will continuously adjust management strategies and implementation methods of sustainable development, thereby unceasingly improving the level of sustainable development.

ESG Management Vision

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV series; (ii) investing in TV series and web series as non-executive producer; and (iii) acting as distribution agent of TV series. The Group is also expanding its business in production of web series and online films in view of their growing popularity. Since its establishment, the Group has been committed to common development of economy, society and the environment, promoting sustainable business practices and performing its corporate social responsibilities in order to better capture the opportunities from the development of the industry.

Values Cultural aspires to ensure sustainable business development and operate in an environment-friendly manner and bring shareholders stable and long-term returns while protecting the environment. Although the film and television industry that the Group operates in is not a highly polluting industry, we strive to integrate environmental, social and governance initiatives into our business strategy and management model. By upholding our commitment to corporate social responsibility, we strive to forge ourselves into an environmentally friendly enterprise that cares about our employees' development and protects their rights and interests. We adhere to the principle of equality and integrity for our operation and comply with business regulations and ethic codes.

The Group always keeps corporate social responsibility in mind and infiltrates the concept of sustainable development into every aspect of corporate governance and operations with commitment to concurrently achieving economic, social and environmental benefits. We always believe that we will definitely create more value and continuously contribute to the society under the guidance of the concept of sustainable development.

Identification of Substantive Issues

Under the requirements of the ESG Reporting Guide issued by HKEX and with reference to the procedures for substantive analysis formulated by the Global Reporting Initiative (“GRI”), the Group collects the issues concerned by major stakeholders through multiple channels, and conducts materiality analysis and priority of such issues, to finalise the material issues in the environmental, social and governance aspects and make disclosure thereof in the Report.

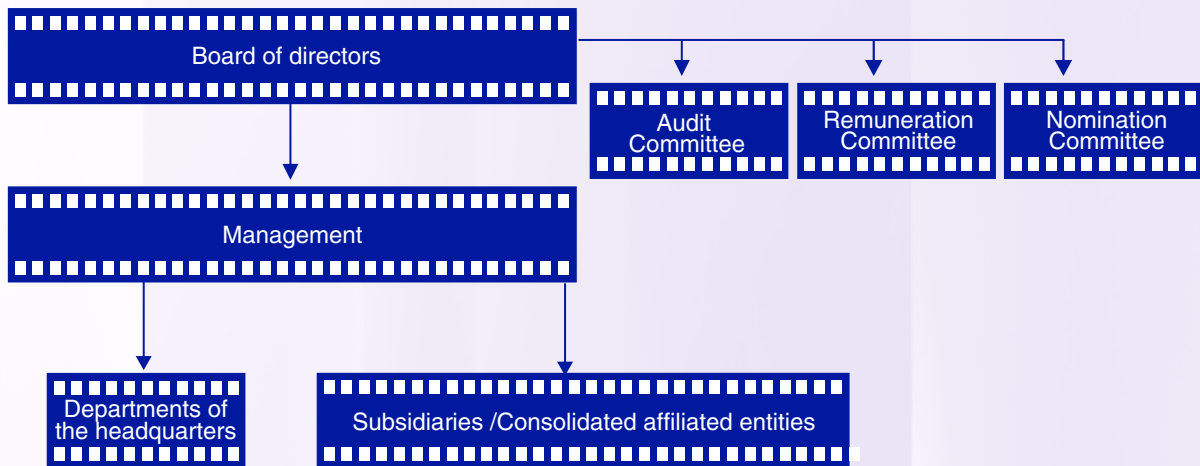
The identification process of substantive issues is divided into four steps:

- Identify relevant ESG issues with reference to the ESG Reporting Guide published by HKEX, GRI Sustainability Reporting Guidelines (GRI Standards version) and those disclosed by our peers at home and abroad;
- Prioritise the substantive issues. The major considerations for materiality assessment by internal stakeholders include the impacts on our corporate strategies, policies, procedures and commitments, impacts on the Company’s competitive edges and management excellence, and current and future financial impacts on the Company; and major considerations for such assessment by external stakeholders include the impacts on the Company’s evaluation and decision-making, and on their own interests;
- Verification. The Company’s management reviews and approves the identified issues and their priorities;
- Review. After this Reporting Period, the Company will seek feedback from internal and external stakeholders on the contents of the report for the current period to prepare for the report for the next period.

We have fully considered the importance of each key performance indicator to the operation and the stakeholders. After comprehensive evaluation, we have selected the following indicators as the major influential aspects of the Group’s sustainable development. While taking all environmental and social responsibilities into consideration, the Group has paid more attention to the following areas: quality of product, protection of intellectual property right, customer relationship management, employee management, development and training, diversity and equal opportunity, commercial ethics, advertisement compliance, risk and crisis management and policy influence.

II. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MANAGEMENT SYSTEM

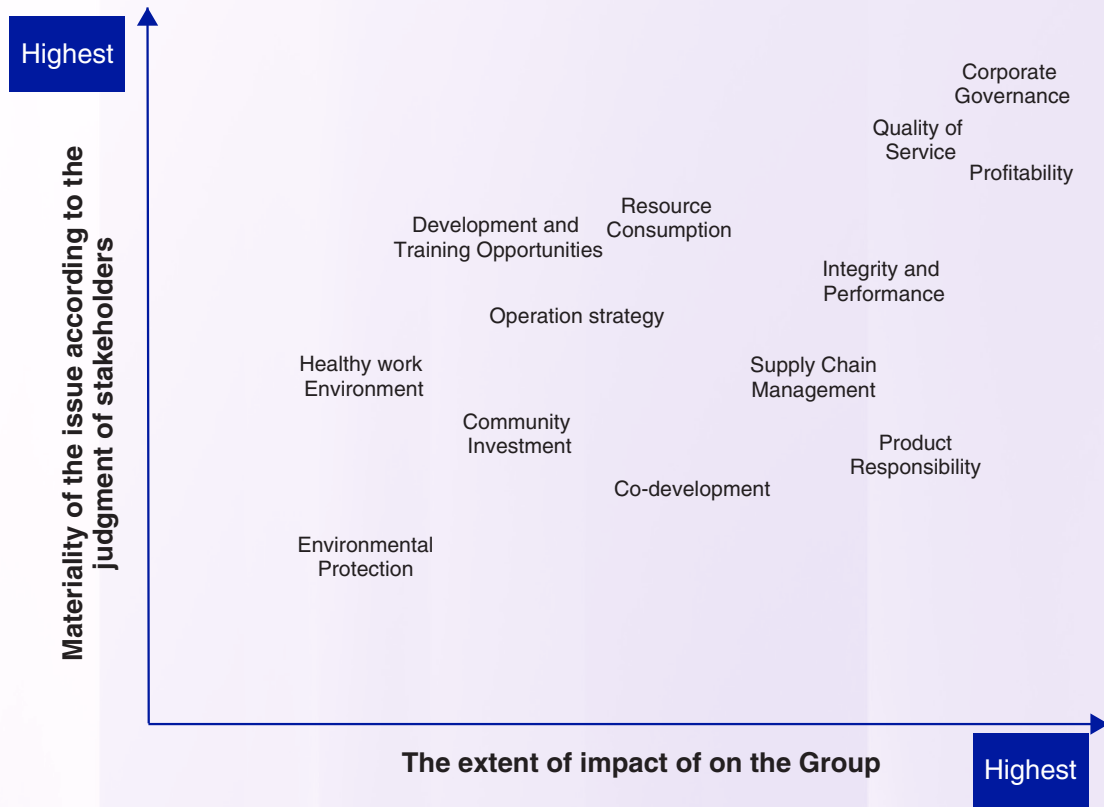
On 16 January 2020, the Shares of the Group were successfully listed on the Main Board of the Stock Exchange. Subject to the requirements of The Stock Exchange of Hong Kong Limited on compliant disclosure of environmental, social and corporate governance information, the Group continues to deepen its environmental, social and corporate governance management philosophy and actively promotes its performance in this regard taking into account its own business development strategy. In the process of fulfilling its corporate social responsibility, the Group strives to move towards the goal of achieving sustainable development of TV series and web series investment industry. In order to actively strengthen the overall environmental, social and corporate governance management of the Group and effectively implement the principal responsibilities of each department, the Group has established relevant departments such as the Board, management and functional departments.



Organizational structure of the Group for environmental, social and corporate governance

In the process of formulating the environmental, social and corporate governance management system and fulfilling environmental, social and corporate governance responsibilities, the Group realises the necessity of maintaining good communication with its stakeholders. To this end, the Group has determined the communication channels for six groups of stakeholders to ensure the effective conveyance of expectations and demands between the Group and its stakeholders. In addition, the Group has also evaluated the concerns of various stakeholders of environmental, social and corporate governance during actual business operations.

Stakeholder	Communication channel and action	Requirement and expectation	Response of the Group
Government and regulatory authorities	Major meetings, policy consultations, incident reports, official correspondence and information disclosure	Compliant operation Corporate governance	<ul style="list-style-type: none"> Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and respond to national policies
Shareholders and investors	Shareholders' meetings, the Company's annual reports, information disclosure, investor visits and other exchange activities	Profitability Operation strategy Environmental protection Transparency of information disclosure	<ul style="list-style-type: none"> Release periodic reports, disclose information in a truthful and comprehensive manner, endeavour to improve results and generate profits Advance corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Employees	Employee satisfaction survey, employee training	Employee remuneration and benefits Development and training opportunities Healthy work environment	<ul style="list-style-type: none"> Strictly abide by the items of labour contracts, improve remuneration and benefit system Offer safe and healthy working environment Offer development paths for both position and function, and organise staff training Offer equal communication channel and implement negotiation
Suppliers	Supplier inspection, conference communication, tendering and bidding	Cooperation on fair terms Integrity and performance	<ul style="list-style-type: none"> Actively perform the contracts and agreements by adhering to public and transparent business principles, adopt public and transparent procurement model, and develop an accountable supply chain
Customers	Customer visits, visits to relevant TV and film festivals	Quality of service Privacy protection Co-development	<ul style="list-style-type: none"> Provide high quality products and services Establish a complete customer service system and customer feedback and complaint mechanism
Community and the public	Charitable activities, pairing assistance, corporate recruitment promotion, internship opportunities	Corporate social responsibilities Community relations Community investment and charitable activities Promotion of employment	<ul style="list-style-type: none"> Strengthen exchanges and cooperation with community and the public to jointly create a healthy and orderly environment



III. ENVIRONMENT

The Group operates in the TV series and web series investment industry with low energy consumption and insignificant pollution. The main impacts on the environment in the ordinary course of business of the Group are the consumption of paper, electricity, etc.

A1 Emissions

In the daily operations, the Group strictly abides by relevant state environmental protection laws and regulations such as the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) and the Air Pollution and Control Law of Atmospheric Pollution of the People’s Republic of China (《中華人民共和國大氣污染防治法》). The Group actively promotes environmental protection concepts and puts them into action. During the Reporting Period, there was no environmental protection issue and related litigation.

The business nature of the Group does not involve direct or significant emission of air and greenhouse gases from industrial or combustion process. In our daily operation activities, the Group is not involved in any waste gas and waste water Emission. The Group’s air emissions are mainly greenhouse gases generated from energy consumption as well as nonhazardous wastes generated from daily office operation. Among which, greenhouse gas emissions are primarily the result of carbon dioxide emissions from (i) gasoline combustion by business cars, and (ii) use of purchased electricity.

The sources of waste involved in the Group include hazardous solid wastes such as used toner cartridges and non-hazardous solid wastes such as waste paper generated during the office process.

Direct greenhouse gas emissions are calculated as greenhouse gas emissions directly generated by the combustion of fuel by mobile sources controlled by the Group (e.g. vehicles), while indirect greenhouse gas emissions are calculated as greenhouse gas emissions indirectly generated by purchasing power from power companies.

During the year, the Group generated 3.5 kg of hazardous waste toner cartridges with a density of 0.6 g/RMB10,000 in revenue, and produced 238 kg of non-hazardous waste paper with a density of 37.8 g/RMB10,000 in revenue. The total amount of indirect greenhouse gas emissions is 23.8 tons of carbon dioxide equivalent, and the intensity of greenhouse gas emissions is 58.0 kg of carbon dioxide equivalent per RMB10,000 in revenue.

As the Group is mainly engaged in the business of films and TV series, relevant emissions are all consumed and discharged by normal office operations, with no excessive emission. The Group promotes energy conservation and emission reduction. For example, the Group reduces direct greenhouse gas emissions by managing business vehicles. The Group generally adopts double-sided printing for internal documents and requires staff to recycle used paper to minimize paper waste. The Group implements an OA system to create a paperless office environment to reduce paper consumption. The Group minimizes the use of disposable cups. For hazardous waste and non-hazardous waste, the Company will strengthen its management in the future through centralized treatment by waste collecting stations in relevant regions, so as to reduce environmental pollution and improve recycling of materials.

The Group's goal in energy and water resources management: to improve the effective utilization of energy and water resources, and to maximize the environmental and economic benefits of energy and water resources on the premise of satisfying business activities. In order to save energy and ensure efficient utilization, the Group has actively adopted energy-saving measures. We adopted LED lights with excellent energy saving in the office area, saving more than half of energy compared with the original fluorescent lamps; strictly controlled the power consumption of the office building, adjusted the air conditioner switch in time according to the weather changes, and closed the doors and windows when the air conditioners operated and actively responded to the national call to carry out environmental protection promotion and other environmental protection activities.

In the future, we plan to further promote energy conservation within the Group, continue to uphold the concept of green development and the requirements of green and low-carbon development, and effectively reduce unreasonable consumption behaviors.

A2 Resource Consumption

Unlike traditional manufacturing enterprises, the Group is mainly engaged in the business of TV series and web series investment industry. Therefore, relevant regulations and key performance indicators for packaging materials used in finished products are not applicable to the Group.

The Company sourced water solely from the municipal pipe network, therefore, in 2023, the Company had no difficulty in water use. As the Company's business involves TV series and web series, its water consumption is relatively small. However, the Company actively advocates water conservation. As water charges have been included in the management fees charged by the landlord, the relevant consumption data is not accessible. Meanwhile, the Group does not encounter a shortage of water supply, and the Group encourages its employees to turn off unnecessary lightings, computers and air conditioners. The Group also makes good use of teleconferencing and videoconferencing facilities, so as to reduce unnecessary business trips.

The Group meets the energy requirement in the course of operation with purchased electricity.

Electricity consumption primarily arises from equipment, lightings, cooling and heating systems within the scope of our daily management. In addition, the Group is not involved in the use of packaging materials as it is a film and television company. During the Reporting Period, the consumption of electricity purchased by the Group was 5,064 kWh, with an intensity of 0.8 kWh/RMB10,000 in revenue and the consumption of gasoline purchased by the Group was 3,820 litres, with an intensity of 0.6 litres/RMB10,000 in revenue.

A3 Response to climate change

The Group actively advocates and practices environmental protection and green development concepts. During the Reporting Period, the Group actively created a paperless office environment and implemented an office automation management system to reduce operating costs and avoid printing numerous office documents. It is the requirements of the Group to choose nationally certified energy efficient appliances; reduce lighting as much as possible; fully promote a system for air-conditioner use where the temperature is set at 26°C in summer and 24°C in winter; and replace paper cups with glass cups as much as possible.

During the Reporting Period, the Company did not have any environmental service incidents and did not receive any complaints, penalties and sanctions due to environmental pollution.

Although the Group's impact on the environment is negligible and the Group seldom uses natural resources directly, the Group encourages employees to reduce the use of natural resources and recycle them as much as possible.

We actively respond to the national "3060" target and promote the emission reduction of greenhouse gas, mainly carbon dioxide, in terms of climate change. We have taken relevant measures to save energy, improve the ecological environment, and enhance emission management, and make unremitting efforts to achieve the "3060" target.

The Group actively undertakes the corporate social responsibility of addressing climate change, takes effective measures to address the challenges brought by climate change, and seizes the historical opportunity of developing a low-carbon economy, expecting to occupy the strategic commanding heights in the future competition, so as to achieve its own sustainable development. Besides, the Group will also regularly provide induction training or courses related to emergency response plans and procedures for all employees in the future.

IV. SOCIAL

B1 Employment

The Group handles termination of employment in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China(《中華人民共和國勞動合同法》) and the relevant provisions of labor contract and applicable labor regulations. The Group has established standardized employee recruitment and resignation procedures. The Group adheres to the principle of "equal opportunities, fair competition, comprehensive assessment and merit-based hiring" during the recruitment procedures, and has established a comprehensive internal assessment and performance appraisal mechanism to ensure fair promotion opportunities for employees. Employees enter into a labor contract with the Group upon induction, and the working hours of the Group's employees are in compliance with relevant requirements. The Group prohibits child labor and forced labor. In the event of resignation due to personal reason, employees may submit an application of resignation and are allowed to leave the Group upon completion of the resignation procedures. In the event that the Group takes the initiative to terminate or suspend labor relationship with employees, the Group fulfills the obligation of prior notice in accordance with the requirements of relevant laws and regulations. As at 31 December 2023, the Group had a total of 22 full-time employees, who are all located in the PRC. Total workforce by gender and age group is as follows:

1. Composition of employees

	Indicator	Unit	Number of employees in 2023
Total number of employees			22
By gender	Male	person	9
	Female	person	13
By employment type	Contract employees	person	22
	Other types	person	0
By age group	Under 30 years	person	3
	31–35 years	person	3
	36–40 years	person	5
	41–45 years	person	1
	Over 45 years	person	10

The Group pay attention to the turnover of employees, thus constantly optimizing its culture and working environment for reduction of the employee turnover rate. During the Reporting Period, the overall employee turnover rate of the Group was nil.

The Group strictly abides by national laws and regulations, and resolutely eliminates the employment of child labor and forced labor; the Group strictly controls the recruitment process, and the candidates entering the interview process are not less than 18 years old, and the original personal ID card is required for the interview. The candidates must provide the original ID card, the original graduation certificate and other documents to go through the admission procedures.

In 2023, the Group did not have any labor disputes due to violations of laws and regulations, nor the employment of child labor or forced labor, nor any violations of social insurance or default in payment.

2. Remuneration and benefits

Employee remuneration of the Group comprises basic salary, position-based salary, tenure-based (seniority-based) salary, bonus, special rewards and insurance benefits. In particular, basic salary is determined based on a combination of factors such as job duties, responsibilities, operation scale, salary offered by peers, the area where the business of the Group is located, as well as knowledge and experience of the employee. Position-based salary is determined based on the grade of post. Tenure-based (seniority-based) salary is determined based on the length of service for the Group and time commitment of work. Bonus is determined based on the Group's annual operating performance, employees' performance and contribution.

The Group and its employees made contributions to various social insurance plans and housing provident funds in accordance with relevant provisions of the PRC. The relevant social insurance plans and housing provident fund are managed in accordance with local regulations. In particular, the social insurance plans shall cover all five types of insurance and shall be paid in full according to the actual wage base of employees in the previous year and the proportion stipulated by the State. Housing provident fund shall be paid in full in an amount representing 12% of the actual wage base of employees.

The Group adopts a five-day work week arrangement. Employees are entitled to annual leaves and other paid leaves, such as maternity leave, paternity leave, compensatory leave, marriage leave and examination leave. According to the Group's policies, employees enjoy medical benefits, provident fund schemes and other benefits.

3. Equal opportunity, diversity, anti-discrimination

The Company emphasizes the introduction of talents, and explores a variety of recruitment cooperation methods to boost the introduction. The Company recruited one employee during the Reporting Period. However, the Company actively communicated with intermediaries such as 51job.com and deepened the cooperation with universities. During the Reporting Period, it participated in the campus recruitment organized by the Municipal Talent Service Bureaus of Haining and Beijing. According to the social needs of combining production, studies and research, the Company, together with certain universities, actively admitted tertiary institution students for training and internship to enhance their practical ability and strengthen their competitiveness for employment.

The Group implements an equal employment opportunity system, in accordance with applicable laws, candidates and employees will be given equal employment opportunities regardless of their ethnic background, color, gender, sexual orientation, origin, age, disability, religion, nationality, familial or marital status, civil rights, military or veteran status, gender identity, genetics, pregnancy and other legally guaranteed class or characteristics.

B2 Health and safety

The Group adheres to a people-oriented approach and demonstrates its care for employees' health and safety by optimizing employee health protection mechanisms and earnestly implementing safety drills and educational training.

1. *Caring for employees*

The Group arranges annual medical examinations in Grade III Class A hospitals for its employees, providing supplementary medical protection for all employees and ensuring the health of employees. The Group strictly implements the provisions of relevant laws and regulations and maintains various social insurance for employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. At the same time, the Group maintains housing provident funds for employees. The Group fully protects the legitimate rights and interests of employees and strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and relevant laws and regulations in respect of statutory holidays and vacations, including paid annual leave, leave of absence, sick leave, work injury leave, marriage leave, bereavement leave, maternity leave and paternity leave.

2. *Safeguarding the health and safety of employees*

The Group earnestly implements the legal instructions of safety production regulations and fully implements the principal responsibilities of safety. It has strengthened internal enterprise management and carried out safety and health work to provide employees with a safe and healthy working environment. It has earnestly implemented the work approach on fire-fighting of **"precaution comes first with a combination of prevention and fighting"**, and strengthened training to all staff on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has also enhanced security and fire safety awareness of employees through means of organizing staff safety training.

During the Reporting Period, the Group did not have any violations related to providing a safe working environment and protecting employees from occupational disease hazards, and there was no employee death due to work relations, and the number of working days lost due to work-related injuries was 0 days. In 2020, 2021, 2022 and 2023, there were no employee deaths due to work-related reasons.

3. *Organizing various cultural and sports activities*

The Company attaches great importance to employees' cultural activities and leisure lives and hopes to organize a variety of cultural activities to strengthen team cohesion. During the Reporting Period, the Company organized one team-building and outreach activity and two annual gatherings. The Company organized two film premiere watching activities for employees. During our daily operation, the Company organizes fitness activities with employees, such as planks and yoga, and encourages employees to exercise at a nearby gym through jogging and weight lifting.

During the period, the Group had no violations related to the provision of a safe working environment and the protection of employees from occupational hazards, and no deaths of employees due to the work.

B3 Development and training

The Group attaches great importance to the diversified development of employees, actively promotes daily communication, and promotes the development of employees through the formulation of strict training plans, so as to make full use of their strengths. The Group focuses on the leadership and management function training for senior staff to expand their international vision and improve their change management ability, strategic analysis ability, operation and management ability, business collaboration ability, risk prevention ability, comprehensive humanistic quality, etc., in an effort to cultivate high-quality enterprise operation managers. The Group focuses on the executive ability and professional skills training of middle-level staff, and strives to improve their professional theoretical level, business executive ability, organizational openness ability, business innovation ability, etc. The Group focuses on professional and general skills training for entry level employees, strengthens the training in business operation, working process and rules and regulations, and improves their professional communication ability, customer service ability, team cooperation ability, office operation ability, etc. During the Reporting Period, the Company held more than 20 internal trainings, including sales of TV series, screening of scripts, production of new TV series, client maintenance, supplier selection, capital market and induction training for new employees. The training centered on the work requirements of employees and the needs for business development. Certain staff were selected by the Company to participate in more than 20 external trainings organized by industry associations, the television and film base in Haining, Zhejiang Province, etc. The training mainly focused on the following aspects: TV series and film production, film and television festival, current development and trend of short videos, “**Belt and Road Initiative**” film and television co-operation, capital market and film and television enterprises, analysis on new policies by radio and television administration, seminar with TV screenwriters, etc.

	Classification	%/hour in 2023
Percentage of trained employees by gender	Male	50%
	Female	50%
Percentage of trained employees by employee category	Senior management	40%
	Middle management	30%
	Entry level employees	30%
Average training hours per employees by gender	Male	35 hours/person
	Female	30 hours/person
Average training hours per employees by employee category	Senior management	40 hours/person
	Middle management	35 hours/person
	Entry level employees	25 hours/person

B4 Labor standards

The Group has formulated the Employee Recruitment Management System, which is applicable to the recruitment of all employees of the Company.

In accordance with the requirements of this system, the recruitment of the Group shall follow the principle of fairness. For any position of the Group, promotion from within the Group shall be considered first, and then open recruitment to the society shall be considered. In the process of recruitment assessment, depending on the demand of the positions, the candidates with the knowledge, experience and skills of relevant positions will be recruited on a selective basis, which focuses on their educational background, work experience and comprehensive quality.

When applying for a position, employees should submit their resumes, copies of ID cards and other documents to the human resources department for filing. The human resources department will also contact the former employers of the candidates for reference. After the successful recruitment, the employee shall sign the labor contract, employee confidentiality agreement, employee integrity guarantee and other documents with the Group. The labor contract, the employee confidentiality agreement and the employee integrity guarantee shall be signed by the Company and the employee on the basis of voluntary equality and consensus through consultation and shall have legal effect. Both the Company and the employee shall abide by the terms provided therein.

The Group is in strict compliance with the labor regulatory requirements to prohibit child labor and forced labor and provide employees with reasonable holidays. The Group prohibits child labor by taking measures to prevent it from occurring by examining identity documents during the recruitment process and onboarding process. During the Reporting Period, the Group was not aware of any incidents of non-compliance with labor standards such as hiring child labor and forced labor.

B5 Supply chain management

Due to its business nature, the Group has no fixed supplier in respect of its business. In the selection of partners, the Group would fully consider the business reputation of suppliers and whether they had any illegal acts, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on suppliers against specific standards such as their ability, experience, qualification, reputation, financial condition and quality assurance system.

During the Reporting Period, the Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.

The Group encourages and expects business partners to adhere to the same ethical standards shared by the Group. Before the formal start of cooperation, the Group makes a comprehensive evaluation of business partners according to various criteria.

Currently, the Group is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. Purchases made by the Group consist of three main categories, namely, raw materials (i.e., outright-purchased scripts), fixed assets (including those used in production and office equipment) and office supplies (including those for department use and individual use).

During the Reporting Period, the Group had a total of 66 suppliers, all located in Mainland China.

B6 Product responsibility

The Group has actively performed its society responsibility as an enterprise citizen, maintained legal rights and interests, done well in investor education and service, continuously improved the construction of customer service system, improved customer service capacity and attached importance to customer information security. The Group respects and protects intellectual property rights and uses authorized products, such as scripts, within the stipulated scope of the contract. The Group strictly abides by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》). The product promotion and publicity of the Group are in compliance with relevant regulations. The Group also takes advantage of relevant laws to safeguard its legitimate rights and interests.

The Group is engaged in investment in the film and TV series and other related business, and thus highly values the maintenance and protection of intellectual property, including confidentiality and information sharing management. The Group includes certain terms in media investment agreements and other relevant cooperation agreements to protect the Group's rights in the TV series and/or web series in which we invest, including the income right, distribution right and copyrights in the relevant works.

The Group insists on meeting customers' demands, improving the construction of customer service system and enhancing customer service ability. Having customer demand as the direction of film and television investment and production, the Group increases innovation efforts to provide customers with diversified TV series products. As the Group's primary business is drama series distribution, we do not involve recalling products for safety and health reasons.

In 2023, the Company proactively addressed customers' problems in a timely manner by carrying out major daily works, such as customer consultation, customer response, customer complaint etc. Meanwhile, through communication with customers, we timely discovered problems in the service process and system and reflected them to the relevant departments. In 2023, the Company responded to customers for over 20 times, and the satisfaction rate of customers was almost 100%. As to minor matters with which customers are not satisfied, the Company carried out follow-up inspection, timely corrected the problems occurred during the services provided for customers and prevented the reoccurrence of such problems. Meanwhile, based on the problems raised by customers, the Company analyzed the behavioral habits of customers, sorted out the common problems among customers and serviced our customers even before they need.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to products and intellectual property rights that had a significant impact on the Company.

The Group is committed to protecting the privacy of its customers in every aspect of our operation. In compliance with the laws, regulations and ordinances, such as the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), we avoid the risk of privacy leakage and build a safe and orderly operating environment by continuously improving the Group's internal relevant systems and taking multiple measures to effectively fulfil our due confidentiality responsibilities. A project manager in each department is responsible for protecting the privacy of its customers to ensure effective protection of customer information.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to privacy protection.

B7 Anti-corruption

Pursuant to relevant provisions on bribery, blackmail, fraud and money laundering under the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Group has established a specific anti-corruption policy with systemic anti-corruption documents such as the application form of conflict of interests. The Group focuses on enhancing supervision and improves system construction.

In particular, the Group has continued to enhance the regulations on management personnel, strictly implemented the responsibility for building Party's moral integrity, and strengthened clean and honest operation and management for all levels of employees. The Group has particularly strengthened the supervision and inspection on key areas such as fees and expenditure. The Company has strengthened the moral integrity supervision mechanism, developed and improved the series of work systems for party's integrity, improved the work process of supervision and discipline, and expanded the channels for receiving letters and visits.

In order to raise the awareness of anti-corruption among the Group's employees, the management of the Group has actively promoted the anti-fraud policy and related measures, and provides training for employees on laws and regulations, which mainly include: 1. strict compliance with laws and regulations and related requirements of the Group by directors, supervisors and management of the Group; and 2. promoting anti-fraud policy through employee manual, promotion or networking to ensure all employees receive training on laws and regulations as well as standards of occupational ethics. In 2023, the Group did not provide anti-corruption training to its directors and employees. In the future, we will continue to strengthen internal anti-corruption management and gradually expand it to the board of directors.

During the Reporting Period, there has been no case of non-compliance with respect to corruption that had a significant impact on the Group.

B8 Community investment

The Group is actively committed to corporate social responsibilities. The Group encourages the employees to participate in beneficial activities to make contribution to society.

In the future, the Group will also adhere to carry out diversified public welfare activities through multiple channels.

V. REGULATORY COMPLIANCE

The Group observes closely the laws and regulations relevant to our businesses and makes efforts to meeting regulatory compliance. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group. During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas including environmental protection, employment and labour practices and operating practices.

VI. CONCLUSION

The Group has conducted the ESG report in accordance with the Environmental, Social, Governmental Reporting Guide (Appendix C2 of the Listing Rules), all the information available for the Reporting Period are included in this ESG report. The Group strives to continue the ESG reporting on an annual basis and to improve on policies and procedures to the management, measurement and monitoring system of the ESG related strategies that will facilitate a more sustainable business growth.