阅文集团

China Literature Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 772
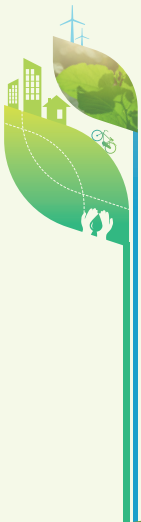
2023

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT

CONTENTS

About Us

China Literature Limited is committed to building a broad and high-quality universe of Chinese language IP. The Company cultivates and develops core IP and derivatives covering literature, animation, film and television, games and other diversified forms of digital entertainment, and strives to integrate with offline real life to achieve the comprehensive spiritual needs of users. China Literature Limited includes well-known brands in the industry such as Qidian Reading, QQ Reading, New Classics Media, etc. to cultivate and develop IP, and has established extensive content distribution and IP cooperation with Tencent, the stakeholder and strategic partner, as well as third-party partners. China Literature Limited has successfully delivered representative IP adaptations in the fields of animation, film and television, and games, including "Joy of Life" (《慶餘年》), "Candle in the Tomb" (《鬼吹燈》), "Soul Land" (《斗羅大陸》), "The King's Avatar" (《全職高手》), and "My Heroic Husband" (《贅婿》). China Literature Limited's large and rich content library and IP whole industry chain development capability is our important advantage.

Vision and Mission

Our mission is "creating good stories that will live forever" and our vision is "creating the most valuable IP ecosystem for creators and becoming a world leading platform for cultural creativity".

We established "Grand China Literature" strategy, which aims at establishing an open and inclusive ecosystem with our business partners, with online literature as our cornerstone and IP development as the growth accelerator.

1. About This Report

This report provides information on the Group's environmental, social and governance ("ESG") performance for the year of 2023. It should be read in conjunction with this annual report, in particular the Corporate Governance Report contained in this annual report, as well as the sections headed "Corporate Governance", etc. on the Company website.

1.1 Scope of This Report

This report aims to represent our management measures and practices in terms of operations in compliance, product responsibilities, employee care, supply chain management, environmental protection, climate change and community investment in 2023. We will focus on ESG issues that are of interest to stakeholders.

This report involves China Literature Limited ("China Literature") and its subsidiaries for the period from 1 January 2023 to 31 December 2023. Compared with the ESG Report 2022 issued on 18 April 2023, there is no significant adjustment in the scope of this report.

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It has complied with all the "mandatory disclosure" and "comply or explain" provisions and has included explanations for disclosure provisions which are not applicable to us.

1.2 Board Statement

The Board of Directors ("the Board") is the body with the ultimate responsibility for overseeing and managing the ESG issues of the Group. In accordance with the "Environmental, Social and Governance Reporting Guide", we have established the ESG governance framework to review the establishment and implementation of ESG objectives, and established an ESG risk management and internal control system. Details of the governance framework can be found in the "ESG Strategies" section of this report. The Board has also been involved in the assessment, prioritization and management of ESG issues as detailed in the "Stakeholder Communication" and "Materiality Assessment" sections of this report.

This report, which discloses in detail the progress and effectiveness of the Group's ESG efforts in 2023, was considered and approved by the Board at its meeting on 18 March 2024.

1.3 Reporting Principles

This report follows the Reporting Principles in the Environmental, Social and Governance Reporting Guide.

"**Materiality**": Significant stakeholders are identified, and stakeholder engagement and materiality assessment are included in the preparation of the Report as evidence for the determination of material ESG issues.

"**Quantitative**": All the data in this report come from relevant statistical reports and official corporate documents. Meanwhile, relevant standards and methodologies used in calculating emissions/energy consumption are reported.

"**Balance**": This report follows the principle of balance and objectively presents the ESG status of the Group.

"**Consistency**": The methodology used for statistics disclosure of key performance indicators (KPIs) in this report is consistent with that used for ESG Report 2022.

1.4 ESG Strategies

We are fully aware that the improvement of environmental and social performance can have a material impact on the sustainability of our operations. We have integrated the ESG related risks and opportunities into our corporate operation strategy as guidance on daily business operations.

We have established the ESG management framework consisting of the Board, the senior management and the working group. To support the Company's commitment to fulfill environmental and social responsibilities, the Board oversees, evaluates, prioritizes and manages material ESG issues, formulates relevant management policies, strategies, priorities and objectives, reviews the Company's performance regularly and approves annual ESG reports. The senior management reports relevant risks and opportunities to the Board, and ensures the effectiveness of the ESG risk management and the internal control systems. And the working group is responsible for implementing the strategies and policies of the Board, conducting related management and reporting work and reporting to the senior management on the progress of the work.

After discussions with the management and combined with the stakeholder engagement result and the actual operations, we confirm the following ESG issues that have material impact on us and will discuss our actions on a case-by-case basis in this report:

1.   Product responsibilities

Provide quality and healthy works

Promote protection of IP rights

Cultivate excellent creators

Protect users' rights, interests and privacy

2.   Workplace

Focus on occupational health and safety

Create favorable working environment

Provide training and development opportunities

3.   Compliant Operation

Uphold operations in compliance with laws and regulations and abide by business ethics

4.   Supply chain management

Regulate procurement activities to reduce environmental and social risks in the supply chain

5.   Community investment

Engage in public welfare activities to improve positive social benefits

6.   Environmental protection

Practice green operation, protect the environment and conserve resources

We embrace the principle of sustainability, provide employees with favorable working environment, contribute to the society, and uphold development principle of integrity and regulatory compliance. We have established internal response mechanism to assess our ESG performances as our key business performance indicators.
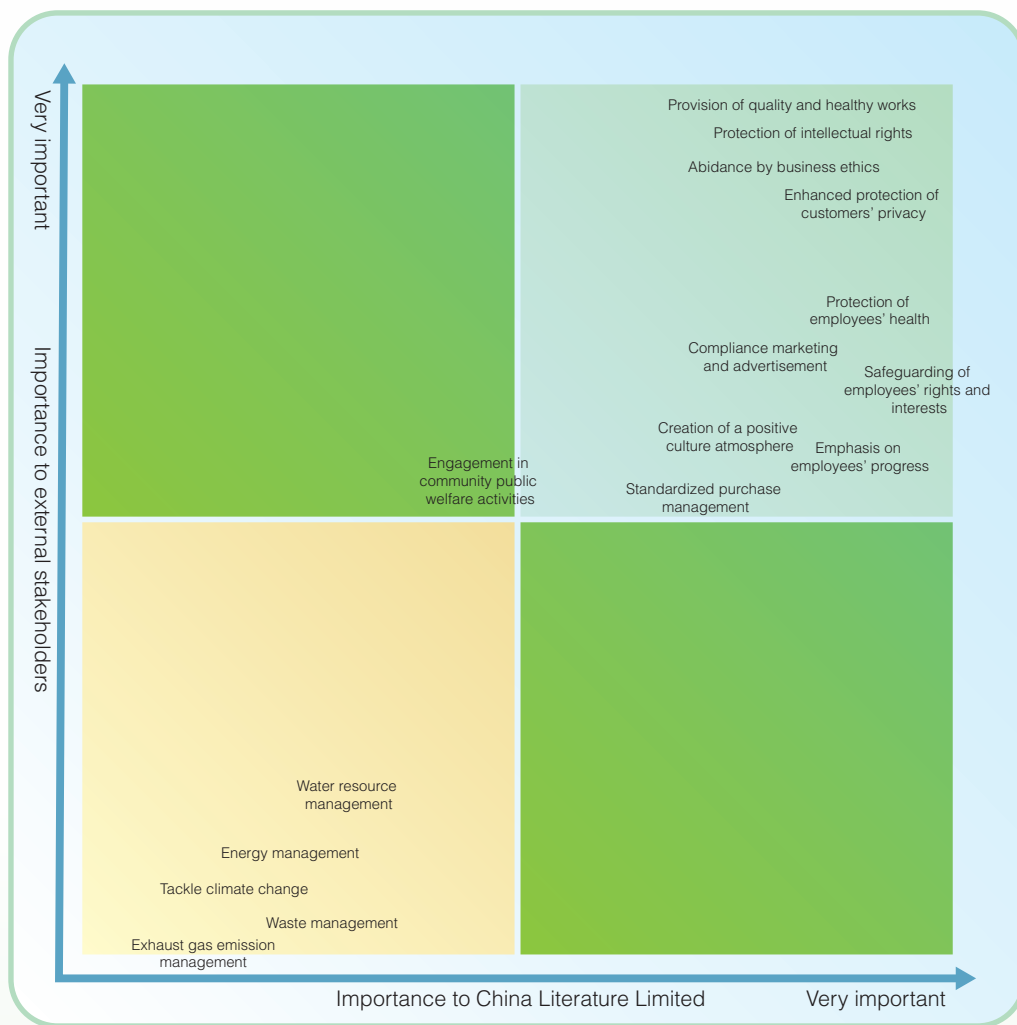
1.5   Stakeholder Communication

Our key stakeholders include shareholders and investors, regulators, industry associations, partners, customers, employees, suppliers and community. We emphasize on stakeholder communication, encourage all stakeholders to participate in and supervise the implementation of our ESG strategies, and have multiple effective communication channels to understand their expectations and needs on ESG performance, which serve as important reference when developing our ESG strategy. Issues concerned and major communication channels for stakeholders are as follows:

Stakeholders	Issues concerned	Major communication channels
Shareholders and investors	Sustained and steady business growth Business strategies Operations in compliance Transparent information disclosure	Corporate announcements Official website Regular meetings Investors' meetings
Regulators	Abidance by business ethics Compliance marketing and advertisement Corporate governance	Policy consulting Regulator training Official visits Information disclosure
Industry associations	Protection of intellectual rights Creation of a positive culture atmosphere	Seminars On-site investigation Industry activities
Partners	Protection of intellectual rights Provision of quality and healthy works	Daily communication Online platforms Regular meetings
Customers	Provision of quality and healthy works Enhanced protection of customers' privacy	Customer service hotline Online customer service Customer satisfaction survey Social media
Employees	Safeguarding of employees' rights and interests Protection of employees' health Emphasis on employees' progress	Employee training Annual meeting Performance evaluation Internal platform
Suppliers	Standardized purchase management Abidance by business ethics	Regular meetings Tendering process Strategy cooperation On-site investigation
Community	Creation of a positive culture atmosphere Engagement in community public welfare activities Environmental protection	Social media Public welfare activities

1.6 Materiality Assessment

When identifying the importance of ESG issues, we identified 16 ESG issues based on the requirements of the compliance guidelines and the operating situation, and determined the materiality of each issue in consideration of stakeholders' opinions. The materiality assessment results were finally confirmed after the management's evaluation and review, and were reported to the Board.

In 2023, the management revisited the materiality assessment result. As there were no significant changes in the business and operating environment, the previous result of the materiality assessment is still applicable to the Company:

Very important

Importance to external stakeholders

Provision of quality and healthy works

Protection of intellectual rights

Abidance by business ethics

Enhanced protection of customers' privacy

Protection of employees' health

Compliance marketing and advertisement

Safeguarding of employees' rights and interests

Creation of a positive culture atmosphere

Emphasis on employees' progress

Engagement in community public welfare activities

Standardized purchase management

Water resource management

Energy management

Tackle climate change

Waste management

Exhaust gas emission management

Importance to China Literature Limited

Very important

Materiality assessment result

1.7 Availability

Both Chinese and English versions of this report can be viewed on the Company's website at http://ir.yuewen.com and Hong Kong Stock Exchange's website at http://www.hknews.hk. In case of any conflict or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

1.8 Contact Us

Stakeholder's valuable opinions can help the Company continue to improve performance on ESG. Please feel free to contact our Company Secretary with any comments or suggestions related to the Report.

Address: Room 1503-04, ICBC Tower, 3 Garden Road, Central, Hong Kong
Telephone: 852-31850017
Email: ir@yuewen.com

2. Product Responsibility

We comply with the Copyright Law of the People's Republic of China, Regulation on Internet Information Service, Law of the People's Republic of China on the Protection of Personal Information, Law of the People's Republic of China on the Protection of Consumer Rights, Advertising Law of the People's Republic of China, Measures for the Administration of Internet Advertising, Cybersecurity Law of the People's Republic of China and other applicable laws and regulations on IP rights, content review, compliance marketing, advertising management, consumer rights and interests protection and privacy protection, and fully implement product responsibilities and legal obligations of the Company.

2.1 Online Content Security

As the leading platform of the domestic online literature industry, guiding a healthy online culture, maintaining data security and safeguarding customer privacy are the foundations of our good operation. In line with our development strategy, we set up a cybersecurity committee led by the CEO and composed of heads of major departments, established a joint working mechanism in which content review and online security complement each other, and formulated and implemented systems on online security management and inspection and content review to continuously enhance our information maintenance and content management capabilities and implement information technology security and content security more effectively.

2.1.1 Green Healthy Reading

To maintain the qualified, healthy and positive information and content of our product lines, prevent and eliminate the publication of unhealthy information including information that violates national laws, regulations or morality, vulgar information, or information that plagiarizes or infringes on copyright, we have formulated a series of content management work systems with the content management principle of "Orientation-led and Value-based Management", established comprehensive standards and procedures of content review, and kept them effectively updated. In addition, through manual check and review, we ensure the authenticity of all content published through advertising, marketing, etc., and prevent misrepresentation and excessive rendering, and strictly abide by relevant laws and regulations.

The content review team regularly participates in the online literature editing business training and continuing education organized by the Cyberspace Administration of China and the Administration of Press and Publication to improve the content management level and strictly control the quality of the platform works. At the same time, the team has been paying attention to the changes in the requirements of the regulatory authorities to create a healthy network environment. We require writers to have a strong sense of social responsibility and create works in line with mainstream socialism values, so we have informed writers of such requirements through relevant writing instructions.

We carry out content review through both manual review and auto control. In terms of manual review, we implement the editor-in-chief responsibility policy, appointing the editor-in-chief as the person responsible for content scrutiny review. For all of our websites, our editors must preview some chapters before putting the works on the websites, and strictly control the quality of the works. We adopt an interactive editing and review mechanism, which maintains interaction and communication between reviewers, editors and writers, and tracks and monitors the whole process of the access and updating of works, ensuring content compliance and controlled the quality of works. At the same time, we are actively conducting various in-house content security trainings to enhance the professionalism of our team.

In terms of technical monitoring, our China Literature Smart Risk Control System can effectively identify offending content through text semantic analysis, intent recognition, the model of short text identification and other natural language processing technologies, and we established a vulgarity and gangland-related model with effective recall ability of offending content. We made sustained upgrades to the model of our smart system, which consistently enhanced the capability to identify offending content, and continuously improved the accuracy of content review and recall rate of offending content.

In order to provide healthy reading content to adolescents, we launched the teenager mode, under which a teenage-only content pool was established and high-quality books which are suitable for young readers were selected. Also, we set up the age selection function to provide appropriate high-quality content for teenager users of different ages. Under teenager mode, we have not only strictly controlled the pop-up windows and advertising content, blocked games and some advertising-related modules, but also strictly limited the amount of recharge and spending per month per visit, and restricted some of the spending functions.

In 2023, in a variety of assessments by the General Administration of Press and Publication, China Writers' Association and its local branches, the Publicity Department of the CPC Central Committee, and the Administration of Press and Publication, 123 of our works won important awards and supports. In addition, 13 of our IP-adapted animation works have been collected by the China Cartoon & Animation Museum, and 130 original works and 14 IP-adapted animation and film works have been collected by the Shanghai Library.

2.1.2 Quality Film and TV Drama Content

New Classics Media has formulated clear and effective process and mechanism in the screening of TV drama and film scripts, and acts upon regulatory requirements in the course of the script preparation, rough clipping and review. At the same time, New Classics Media continues to explore policy orientation and social development, and uphold the mainstream values in the political, economic and social dimensions, and matches and gives full play to the team's strengths in IP adaptations and unleashes its own production capabilities. By insisting on a long-term strategic layout of quality, diversification and seriation, we are committed to telling Chinese stories and conveying Chinese emotions. Besides, we advocate works of "ordinary people, strong enthusiasm, positive attitude" by sticking to the people-centered ideal and realism to ensure that the production, investment and publishment of works are on a healthy track. In 2023, New Classics Media produced and broadcasted four works, "In Spite of the Strong Wind" (《縱有疾風起》), "The Road to Ordinary" (《平凡之路》), "The Infiltrator" (《潛行者》) and "Sunshine By My Side" (《驕陽伴我》), all of which were synchronized with the broadcast on TV channels and the Internet, and gained unanimous recognition from the market and the audience.

In terms of TV dramas, in 2023, New Classics Media's dramas "A Lifelong Journey" (《人世間》) and "The Wind Blows From Longxi" (《風起隴西》)and their creative teams won a number of honors at CMG's First Annual Chinese TV Drama Ceremony. "A Lifelong Journey" (《人世間》) won Drama of the Year, Director of the Year, Actress of the Year, and Behind-the-Scenes of the Year, and "The Wind Blows From Longxi" (《風起隴西》) won the honors of Outstanding TV Drama of the Year, Drama of the Year for Overseas Dissemination, Breakthrough Actor of the Year, and Behind-the-Scenes of the Year; and "A Lifelong Journey" (《人世間》) (was awarded with the five grand prizes for the Best Chinese TV Drama, the Best Director, the Best Scriptwriter (Adaptation), the Best Actor, and the Best Supporting Actor in The Magnolia Award of the 28th Shanghai Television Festival.

In terms of films, in 2023, the film "Too Cool To Kill" (《這個殺手不太冷靜》), co-produced by New Classics Media, won the "Top 10 Most Popular Films Produced in Zhejiang" at the Zhejiang Youth Film Week, as well as the 11th Zhejiang Film "Phoenix Award" for Best Supporting Actor and Outstanding Artwork, thanks to its high quality and reputation.

The New Classics Media increasingly deepened the cooperation with China Literature Pictures to combine talent resources organically. In 2023, China Literature Limited initiated the upgrade of its talent organization structure and set up the Film and TV Drama Business Unit to achieve full integration with New Classics Media, deepen the interoperability and complementarity of talents and resources, and effectively enhance operational efficiency. New Classics Media and China Literature Pictures combined their talent resources organically to participate in film

and TV projects of different genres in a more diversified way, playing to their respective strengths in content development, project development and distribution so as to complement each other, greatly improving the efficiency and success rate of IP development and continuing to create high-caliber and high-value cultural content.

New Classics Media also actively participated in various film festivals, industry seminars and forums, discussing future trends with representatives from film companies, film marketing platforms, film creators, marketing professionals and film academics to promote the sustainable and healthy development of the industry and contribute to the recovery of the industry and the strategy of "strengthening the country through culture". In 2023, New Classics Media actively participated in industry exchange events such as Beijing International Film Festival, Zhejiang Youth Film Week, and Aranya Waves Film Festival. Focusing on themes such as applying AI technology, building IP ecosystems and telling Chinese stories, New Classics Media discussed industry trends and opportunities with experts from the film academia and industry, in a bid to promote the innovation and development of China's film industry.

New Classics Media attended the "Film Power of Zhejiang" Theme Forum at Zhejiang Youth Film Week

In addition, New Classics Media also considered creators as its most important resource. While collaborating with artists, New Classics Media also selected and incubated promising young directors and screenwriters, so as to develop a diverse artistic style for New Classics Media' works and present a blossoming genre of artistic works. In 2023, New Classics Media played an active role in the judging panel of the 5th Golden Rooster Film Venture Capital Conference. New Classics Media provided professional advice to young creators of film and television projects with an open and inclusive vision, brought together industry resources to build a growth platform for emerging talents and new productions, and helped to cultivate a new future for the film and television industry.
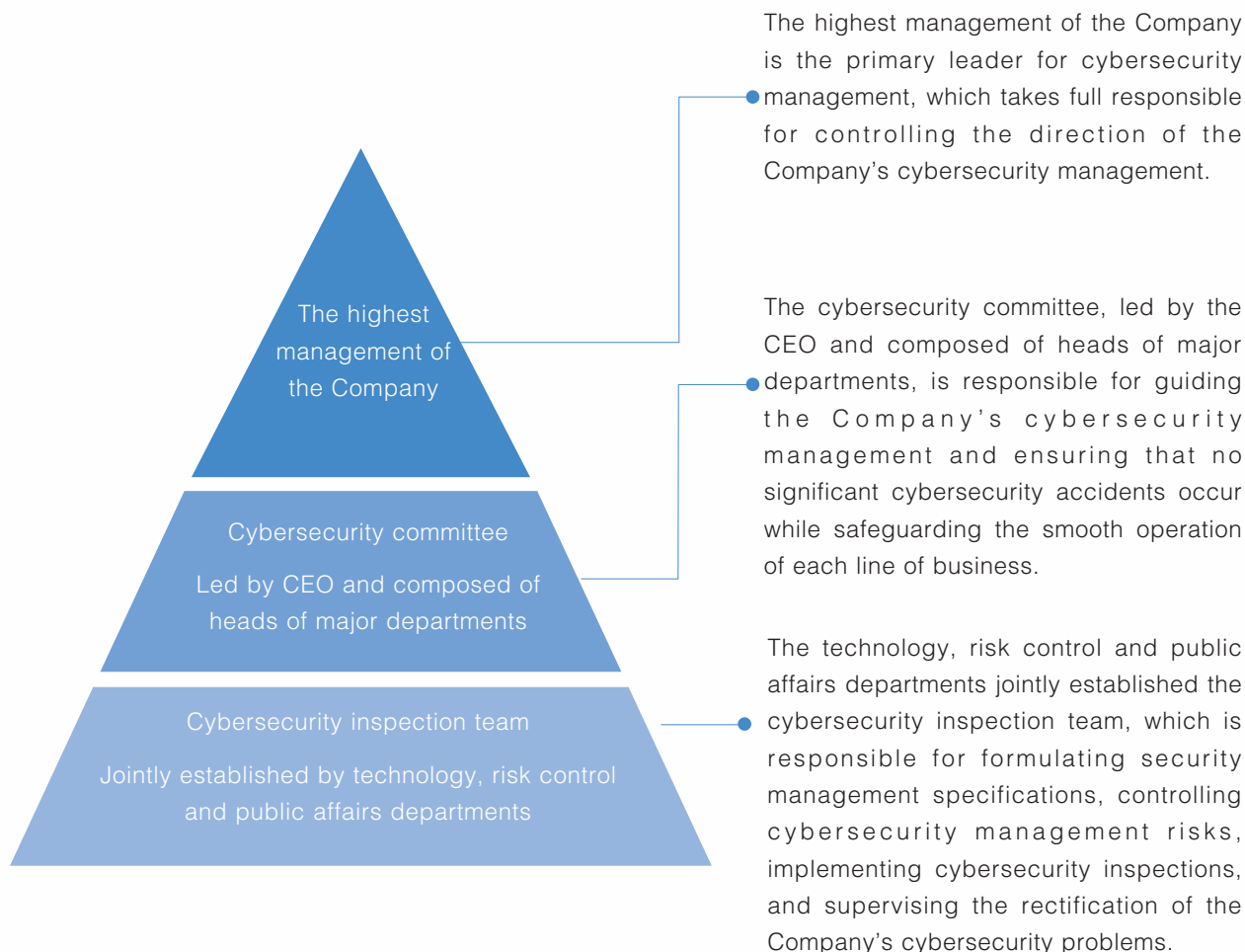
2.1.3 Information Security Protection

We attach great importance to cybersecurity and information protection, and strictly comply with all laws and regulations on the protection of user privacy and data security in the locations where we operate. We have formulated management systems such as Management System on Cybersecurity, Administrative System for Cybersecurity Inspection, Third-Party Data Compliance Management System, and Compliance Management Specifications for Users' Personal Information to ensure the stability and reliability of the network system. We have

New Classics Media participated in the theme forum of "Motion Picture Association Film Workshop" at Beijing International Film Festival

established a mature cybersecurity management system and organizational structure consisting of the highest management, cybersecurity committee and cybersecurity inspection team.

The highest management of the Company is the primary leader for cybersecurity management, which takes full responsible for controlling the direction of the Company's cybersecurity management.

The highest management of the Company

The cybersecurity committee, led by the CEO and composed of heads of major departments, is responsible for guiding the Company's cybersecurity management and ensuring that no significant cybersecurity accidents occur while safeguarding the smooth operation of each line of business.

Cybersecurity committee
Led by CEO and composed of heads of major departments

The technology, risk control and public affairs departments jointly established the cybersecurity inspection team, which is responsible for formulating security management specifications, controlling cybersecurity management risks, implementing cybersecurity inspections, and supervising the rectification of the Company's cybersecurity problems.

Cybersecurity inspection team
Jointly established by technology, risk control and public affairs departments

Cybersecurity management structure

We regularly carry out cybersecurity inspection through regular self-inspection, joint inspection and special inspection by technical departments. Cybersecurity inspection can be carried out by the Company's cybersecurity inspection team or entrusted to organizations or specialists with relevant security certification qualifications. We use external means as least once a year. Cybersecurity inspection covers the construction of organizational and management systems, the implementation, supervision and inspection of regulations and policies, network and application system security, desktop office system security, control over operational environment and technical security, etc., which enables us to fully supervise and efficiently manage current cybersecurity status to timely identify technical security hazards and take appropriate action. Our main information systems have all passed the certification of classified network security protection assessed by the public security organ, covering more than 90% of our own products on platforms. Our main products are all offered through cloud-based service platforms with ISO27001 certification.

Regular self-inspection

Technical-related departments carry out self-inspection on cybersecurity at least once every six months.

Joint inspection

The cybersecurity committee organizes all departments of the Company to conduct joint inspections at least once a year.

Special inspection

Special inspection on cybersecurity is carries out irregularly in accordance with the State's phased key work on cybersecurity or for specific cybersecurity incidents.

Cybersecurity inspection mechanism

In order to effectively prevent and deal with network emergencies, we have formulated the Emergency Plan for Cybersecurity Incidents of China Literature Limited by focusing on the levels of organizational system, prevention and early warning, emergency response, post-disposal and emergency security to further improve the capability of prevention and control of data leakage, network attacks and other network emergencies and minimize the harm and impact of emergencies. We have set up an internal emergency management team comprising the heads of relevant departments to coordinate the efforts in response to cybersecurity emergencies within the Company and guide various departments in effectively handling these emergencies. We regularly conduct cybersecurity emergency drills to simulate the entire process of a cybersecurity incident including detection and assessment, response, information notification, emergency response, problem eradication, recovery and reconstruction, investigation and continuous improvement. We did this to enhance the emergency response capability and speed of relevant departments, get prepared to respond to emergency incidents in a better way as for involved personnel, equipment, technology, etc., summarize and optimize the emergency response process and improve employees' cybersecurity awareness. We make unceasing efforts to improve our internal data security education and training policies and conduct data security training activities on a regular basis. In 2023, we implemented action plans in response to the "Data Security Shanghai" data security special action organized by the Shanghai Communications Administration. Specifically, we established and adopted the Chief Data Officer policy and completed the data security assessment and management. Moreover, we perfected the regular data security monitoring, early-warning and reporting mechanisms,

reinforced data security management throughout the whole life cycle, and strengthened capacity building and talent cultivation in data security.

The protection of our users' personal information is a fundamental principle of our work. We incorporate regulatory requirements on privacy protection into our internal compliance policies, and make every effort to protect users' personal information through reasonable and effective information security technology and management processes. We incorporate the concept of privacy protection into all aspects of product or service development, including legal, product and design factors, and implement internal hierarchical control of permissions to protect user information throughout the process of information collection, transmission, storage, display and access. We collect only necessary information from users and retain it only for as long as it is required for intended use, and delete or anonymize their personal information as soon as practicable. Moreover, without users' permission, we are not allowed to disclose their personal information to any company, organization and individual other than China Literature, and we are also not permitted to make public or give away any third parties' access to private information and material that users have stored in our platforms, servers or databases for their use of network services.

We publish our privacy policy in clear and concise language on the websites and applications of our relevant products, make clear to users the purpose, manner and scope of the collection and use of personal information, and prompt users to read the privacy policy and other collection and use rules through pop-up windows and other clear reminders so that users are aware of our information protection initiatives. In addition,

we provide effective functions to correct or delete personal information, respond to users' corresponding operations in a timely manner, establish and publish complaints channels about personal information security, and complete verification and processing within the promised time frame. We pay great attention to the protection of information of underage users and call on guardians and schools to provide proper guidance and work with us to create a safe and healthy online environment for minors. We have implemented the latest regulatory requirements of the State Internet Information Office on data security, clarified the protection of users' personal privacy and sensitive data in the relevant system, used encryption in all online interaction scenarios, encrypted user information, and standardized and optimized the user account cancelation process using self-service and manual customer service to protect the safety of personal information and important data.

2.2 Nurture Creative Talent

Combining a wealth of experience, talent and resources, we are committed to creating a nurturing system that is both practical, authoritative and groundbreaking, to continuously deliver creative talent to the industry and build a living force in the content industry.

We are fully aware that authors are the most valuable partners. We are determined to build the "Writer Ecology 2.0" in self-growth, self-improvement, and self-motivation, create a service-oriented and connected platform comprehensively, to provide the personalized needs of writers with the whole chain service and continuously upgrade the service experience of writers.

2.2.1 Cultivate Excellent Creators

We have established a comprehensive training system covering high-end, intermediate and new writers, and continued to strengthen communication between writers of all kinds and editors to overcome creative difficulties and continued to empower the growth of writers.

We have established the "China Literature Qidian Elite Camp" (formerly known as the "China Literature Qidian Academy"), inviting many authoritative experts and scholars, well-known online writers and film and television scriptwriters to become mentors of China Literature Qidian Elite Camp, dedicated to providing the industry with a continuous supply of creative writing talent and building a living force in the content industry. China Literature Qidian Elite Camp provides a comprehensive, multi-level, and graded training system for writers, and in addition to the online learning platform and online community, we also set up an offline "Professional Writer Training Camp" for potential writers with self-improvement needs, offering a number of courses, including theories of online literature business writing, online literature writing and technology, online literature fan operation, professionalism of online literature writers and case studies, so as to help writers improve their writing skill. For creative storytelling talents, including writers and screenwriters, we integrate existing resources to build a richer, more refined and professional platform for creative storytelling talents to meet across the creative industry, exchange experience and skills in IP adaptation, and build a bridge from literature to the IP universe of film, animation and games. By the end of 2023, China Literature Qidian Elite Camp had published nearly 1,230 courses, with a cumulative readership of over 30 million and a cumulative number of over 270,000 writers served and more than 96% of the feedback on courses is positive.

We carried out the "Young Writer Support Plan" to support the creation and development of young writers and assist them in promotion and development from four aspects, namely creation incentives, writing competition, honor rank and traffic support. In 2023, we have comprehensively refined various measures of creation supporting and launched diversified supporting programs for youth writers. In March 2023, Qidian APP of China Literature launched a youth writer supporting plan "The Fourth Star of the Big Dipper" for young writers aged under 30 years old to encourage more young and potential writers to try online literature. In June, we held a national competition "Writing by the Youth" for emerging collegiate writers with 10 university research centers and colleges, including the Center for Network Research of Peking University. Through the competition, we offered college writers with professional instructions, creation opportunities, immense popularity, complete incubation as well as other resources and stimulated their interests and potential in online literature creation to explore and cultivate more youth talents for online literature.

National competition "Writing by the Youth" for emerging collegiate writers

We keep empowering writers with platforms and technologies to help them create excellent stories. In 2023, we released our "Smart Pen" AI Large Language Model designed specifically for the online literature industry and launched the new Smart Pen Edition of our Author Assistant Application, to empower writers with AIGC technology to create story scenes, provide them with solutions to contents and creation of online literature, offer knowledge services and creation assistance, and improve their creating efficiency with content diagnostic feedbacks via big data. In the future, we will continue to develop platforms of content creation and build up comprehensive supporting mechanisms that combine writer supports, data operation and technological tools to provide writers with more precise guidance and more systematic services tailored to every stage of their development.

Youth writer supporting plan "The Fourth Star of the Big Dipper"

Release of "Smart Pen" AI Large Language Model

We continue to explore the IP diversification model to provide more opportunities and support for writers, as well as to expand a broader market and audience for high-quality content. In November 2023, we launched the "Stellar Program", which aims to provide more front-end IP incubation support for potential writers and high-quality works. We have set up a chief editorial team consisting of senior content experts to work hand in hand with writers from the beginning of the preparation period of their works, participate in the entire content control, and guide the operation of their works with IP creation mindset. In the future, based on China Literature's strengths in content production, IP operation and development, we will help literature works gather IP energy in multiple dimensions, such as promotion and operation, visual development, commercialization and community, and provide more practical and diversified writer services for creators. In December, we released the "Star Incubation Plan" for short dramas, which includes three major initiatives: First, we will launch the "Hundred IP Cultivation Plan", screening over 100 China Literature IPs for short drama adaptation, and accelerating the incubation of short dramas by means of self-production and co-development. Secondly, we will launch the "100 Million Yuan Creation Fund" to provide creators with 100 million yuan of cash and traffic support, and join hands with channel partners to provide strong support for creators in adaptation and production, and domestic and international distribution; thirdly, we will empower interactive short dramas with AIGC, and explore a more innovative, immersive and interactive IP experience. In the future, we will join hands with all creators and industry partners to explore the multi-level and diversified development of IP to ensure that the good stories will always shine.

Release of the "Star Incubation Plan" for short dramas

We encourage and support writers to create diversified stories with various creation spaces and development opportunities. In 2023, we organized a number of story selections for creators of realistic, sci-fi, suspense and other genres and invited industry experts to evaluate and select excellent works and outstanding new writers. The winning writers were rewarded with such benefits as cash prize, contractual incentives and promotional resources, which effectively supports the writers in diversified growth and development and preserves the ongoing vitality of good stories within China Literature.

By the end of 2023, a total of 272 of our writers had joined the China Writers Association. In addition, 16 of our writers were awarded major prizes by China Writers Association and various local writers associations, local governments and other organizations in 2023.

2.2.2 Improvement of Creators' Benefits

In adherence to the principles of equal cooperation, mutual benefit and win-win result, we maintain extensive and efficient communication with writers through various channels, such as talkfests, calls, and online platforms to have their voices and opinions heard. In order to meet practical cooperative demands from writers in a wide range and different works, we have continuously raised the criteria of serving writers, provided diversified and optional manners in the field of cooperative agreements and editing services, so as to ensure that writers enjoy the freedom of choice and creativity in different subjects. We are striving to create diversified and productive ecology for creators in different writing characteristics and working with writers to promote the prosperity and development of online literature.

In order to better serve writers, we established the China Literature Gold Editing Studio, a group of professional and outstanding editors, in addition to the existing editorial team. The studio works in parallel with the editorial team, and writers can sign their own contracts. On the basis of unchanged treatment and resources, the studio provides personalized and customized writing guidance and services to writers in need. We keep building up the brand and reputation of the Gold Editing Studio, selecting more outstanding editors. We also provided personalized services for writers to help them improve their writing techniques skills to create excellent works. Since the establishment of the Gold Editing Studio, over 300 excellent works have been produced.

In order to increase the welfare and income for our writers, we launched a "Star Project of Professional Writers", which covered writer cultivation, writer care, brand operation and other fields, providing more comprehensive and refined support for writers. We not only gave writers sufficient time for literature exploration, stimulating a writer's enthusiasm of creation, but also provided writers who want to improve their personal and work influence with services such as platform resources, fans operation, exclusive copyright brokers, media & promotion of writers, to cater to the writers' needs. We strongly support the development of female writers' works, and are devoted to such works with direct supporting incentives and adequate returns such as diversified contractual incentives and ranking benefits as well as generous remuneration and cash subsidies offered to female writers of such works. In 2023, to better support every brilliant writer, we upgraded a number of writer benefits at our brand platforms such as kunlun.readnovel.com and chuangshi.qq.com. We also introduced various contractual modes, and offered creation subsidies, ranking bonuses as well as writing incentives in cash to maximize writer benefits. To offer the most effective help to a writer who is caught in trouble due to serious illness or accident, we also donated to launch a "Special Fund of Love Relief by China Literature". The objects of assistance include not only the writer, but also the writer's direct relatives, including spouse, children and parents. In 2023, we provided RMB150,000 to two writers in aid.

2.3 Intellectual Property Protection

Copyright protection plays an important role in our strategic development. We have independently developed a proactive and efficient anti-piracy system and established a dedicated IP team that is responsible for the internal management of copyright and combating copyright infringement. We have also established litigation and right protection team to combat piracy and infringement of copyrights, so as to prevent interests of the Company and writers from being violated. In addition, we organized a joint anti-piracy working group composed of products, technology, legal affairs, content, customer service and other functions that make a joint effort to combat piracy and copyright infringement with technology.

We are actively exploring intelligent anti-piracy technology and have established an intelligent middle platform. With artificial intelligence, big data, content encryption, reverse testing and other technical means, we improve anti-theft capabilities, comprehensively strengthen the attack and defense system, and effectively solve the problem of automated batch piracy that has been troubling the industry for many years. Meanwhile, we drove comprehensive implementation of platform complaints, criminal and civil litigation and other means to safeguard copyright, and effectively cracked down on infringements in pirated platforms, search engines and application markets. By doing so, we have gradually formed an all-around crackdown network composed of online complaints, administrative reports, civil litigation, criminal litigation, etc. to make piracy industry chain and transmission chain severely damaged. Our intellectual property protection has been highly recognized by governments and judicial authorities. In 2023, our case of intellectual property protection was selected in the top ten cases of "Jianwang 2022" Campaign and the "Shanghai Top 10 Typical Cases of Copyright in 2022". We have adopted an "Integrated Copyright" management mode to enforce our copyright development and protection, which enables us to manage the otherwise daily work such as copyright achievement and license in systematic data-processing manner, thus improving online literature copyright management efficiency and providing online writers and partners with timely and professional legal support and comprehensive copyright services. We have cooperated with third parties and entrusted them with regular monitoring of scattered digital content infringement, while formulating targeted solutions for the protection of rights, to wipe out infringement and piracy in a more efficient manner. By the end of 2023, we obtained more than 2,200 registered copyrights and more than 6,500 registered trademarks.

We actively undertake social responsibility, and participate in public affairs and events related to copyright protection, including participating in copyright protection seminars and contributing to the establishment of industry standards. We call on the whole society to pay attention to and jointly advocate the legalization of online literature copyright protection in cooperation with associations of writers and online literature platforms, so as to protect the original content ecology of online literature. In April 2023, China Literature, as a representative of online literature platforms, attended the Seminar on Copyright Protection of Online Literature held by Copyright Society of China and actively exchanged ideas with regulatory authorities, industry experts, online literature partners and others. Through the communication, a unified defense line for copyright protection was formed to facilitate the improvement of copyright protection ecology led by

governments, jointly built by the industry and empowered by technologies, so as to propel a high-quality development of online literature.

2023 Seminar on Copyright Protection of Online Literature

New Classics Media has also clarified the protection measures and guidelines for the use of intellectual property rights, such as trademarks and copyrights, in order to strengthen the management of intellectual property rights, protect intangible assets and build and maintain credibility. New Classics Media has issued a legal statement on its website, making it clear that no one may use New Classics Media's content or works in any form without the written permission of New Classics Media, and that the legal department will strictly review copyright documents to ensure that there is no risk of infringement. New Classics Media also carried out anti-piracy work before, during and after the release of a work through automatic monitoring, manual intervention and resource reporting, as well as technical measures such as blocking pirated links, feature codes and keyword blocking.

2.4 Respond to Users' Feedbacks

We are devoted to keeping the ecological environment of the platform health. To be specific, we have introduced the Polaris Real-Time Risk Control Platform to automatically screen and filter the undesirable and noxious information. In addition, we intervene misconducts of users, including but not limited to malicious registration, fake comments, cheating, fraud and malicious refunds, conduct credit evaluation on users' behavior, and make blacklists or whitelists. We keep updating the Risk Control Platform and System in two major directions, namely risk identification capability and broadening the risk control landscape, to constantly keep strengthening the identification of risk behavior such as jailbreaking and malicious plug-in installation, in order to improve the construction of a comprehensive risk prevention system.

In order to ensure the stable operation of the platform after the launch of new features and activities, we formulated the Pre-Review System for the Launch of New Product Activities and Features. The legal, public relations, customer service and content review departments have jointly conducted a preliminary review before the launch, so as to pre-judge users' feedback, review the completeness and reasonableness of the relevant explanations, promptly investigate the gaps, effectively prevent the escalation of customer complaints and maintain the stability of public opinion after the launch of new features and activities.

We also welcome users to provide feedbacks on bad information and work with us to maintain the healthy and positive content of our major websites. Users can report bad information through the complaints hotline (010-59357051), the complaints page (https://jubao.yuewen.com/) and the complaints portal of the function pages. We will respond to the users' complaints in a timely manner, review and properly resolve all of them, moreover, reply on the resolving results will be sent to the users via SMS or system push.

We place great emphasis on every complaint and suggestion from our users. We use a combination of manual customer service and intelligent customer service robots to answer users' questions and improve our service capabilities. We have set up a set of complaint handling mechanism where front-line employee is responsible for understanding the situation and preliminary handling, second-line employee is responsible for identifying and resolving the issue, and call-back employee is responsible for customer satisfaction survey and follow-ups. We also require front-line telephone customer service and online customer service to provide business instructions and submit problems when receiving user complaints and to offer satisfactory replies and solutions in a timely manner, which will reduce the problems relayed to subsequent procedures and improve the efficiency in solving problems. For major grievances, we engage relevant departments of the Company to conduct investigation and make a summary based on the result for the purpose of improving internal procedures and deterring similar incidents from occurring. We handle users' feedbacks in strict accordance with the principles for privacy protection. We have a strict control over customer service personnel's access to users' information and require all of them to sign a non-disclosure agreement to maximize the protection of uses' privacy. In 2023, we received a total of 99,279 complaints from our customers and achieved a 100% complaint handling rate.

We actively respond to user feedback and continue to optimize the product experience for readers, writers and other users. In 2023, we set up a comprehensive user feedback management platform, "China Literature Echo Wall", which integrates user feedback big data watchboard, alarm, analysis, and issue follow-up, and automatically obtains users' voices from multiple channels and conveys them to various business and production and research teams, and assigns tasks and tracks the progress of user feedback issues to form closed-loop management, so as to more accurately and quickly realize product iteration and optimization, and continue to improve the user experience. In addition, for the writers' group, we constantly track their practical concerns through interviews, regular research, customer service feedback and other methods. In the areas of contracting, support, recommendation and data, which are of common concern to writers, we have completed the upgrading of our product capabilities and content guidelines in phases, effectively improving the level of service and the satisfaction of writers. In 2023, the satisfaction rate of writers' consultation reached 97%.

We are principally engaged in the operation of online literature platform, provision of literary contents and production of TV series and films, and therefore we do not have any case of product recall for safety and health reasons.

While quickly responding to users' demands, we regularly check and analyze the quality of customer service process and effect in daily work, so as to improve service standard and quality, and realize service enhancement. We conduct targeted training for the senior management, middle-level and front-line employees in daily work, summarize users' feedback in a timely manner, continuously raise employees' awareness of company policies through training, improve employees' business skills, and ensure efficient communication and proper solution of various issues in operation. In 2023, we organized a thematic training on instructions on complaint handling for customer service personnel to help them understand users' needs and master the methods and skills in solving problems, which will improve their professionalism and deliver better service experience to users. In 2023, the customer satisfaction rate reached 97.3% in terms of manual customer service.

3. Workplace

3.1 Employment and Labour Standards

3.1.1 Recruitment and Departure

Our employment practice complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Provisions on Prohibition of Child Labour and other applicable laws and regulations (including but not limited to those which prohibit child and forced labour). Our recruitment complies with the principles of open recruitment, fair competition, comprehensive evaluation and merit-based procedures. We comprehensively examine the educational qualification, job experience and professional background of each candidate during the recruitment, and we have formulated the Staff Manual to standardize employment practices. In daily work and every process of recruitment, we uphold the principle of equality, and do not discriminate against anyone on the grounds of gender, educational background, age, marital status, ethnicity, race, geographical identity, nationality, political affiliation, religious belief, disability or physical disorder, etc., strictly respect and protect human rights. As at the end of 2023, we employed a total of 1,704 people, all of whom are full time employees.

Employee structure		2023 (person)
Total employees		1,704
By gender	Female	918
	Male	786
By age group	<30	650
	30-39	879
	40-49	162
	≥50	13
By geography	Mainland China	1,686
	Hong Kong, Macau and Taiwan	6
	Overseas	12

In 2023, we won a number of employer awards, including the annual TOP Employer of the Year "TOP Employer Favored by College Students" by Lagou Recruitment, the "Outstanding Employer" award by 51job, and the "2023 Greater China Outstanding Employer" award by HRoot for the second consecutive year, which demonstrated China Literature's relentless efforts in terms of employer culture, image, workplace environment, training system, and remuneration package were recognized by outsiders and demonstrated our outstanding achievements in corporate culture building and human resource management.

China Literature wins several employer awards

In terms of campus employer branding, in 2023, we cooperated with Shanghai University to organize the "Online Literature on Campus" activity, inviting famous online writers such as "Er Gen" and "Hengsaotianya" to share their experience in reading and writing, so as to jointly build a bookish campus and strengthen the cooperation between industry, academia and research, as well as the cultivation of talents. In addition, we invited students from Fudan University's School of Literature and Online Literature Club, as well as students from Tongji University to participate in Open Day activities at China Literature, showing them the development of online literature and China Literature's corporate culture.

Online Literature on Campus

We formulated demission (including resignation and dismissal) procedures in accordance with labour contracts and relevant laws and regulations. When employees leave, we conduct interviews with them to understand the reasons for leaving and obtain suggestions for improvement in the Company.

Employee turnover rate		2023
Total turnover rate		24%
By gender	Female	26%
	Male	22%
By age group	<30	28%
	30-39	23%
	40-49	16%
	≥50	8%
By geography	Mainland China	24%
	Hong Kong, Macau and Taiwan	44%
	Overseas	16%

Notes:

(1) Employee turnover rate = number of employees leaving in the reporting year * 2/(number of employees at the beginning of the reporting year + number of employees at the end of the reporting year)

(2) The statistical scope of the number of separations includes employees who voluntarily quit or terminate their employment due to dismissal, retirement or death.

3.1.2 Labour Standards

We strictly abide by the Regulations on the Prohibition of Child Labour and other relevant laws and regulations, and we firmly prohibit the use of child labour and forced labour. We strictly control the recruitment process to avoid misuse of child labour, and if we find misuse of child labour, we will immediately terminate their employment contracts and deal with them properly in accordance with the laws and regulations.

3.1.3 Promotion and Career Development

In terms of employee career development, we have established a comprehensive career development system, providing employees with clear career paths, so as to motivate and guide them to take the initiative at work. Advocating the principle of "Progressive promotion based on employee application depending on practice areas", we encourage employees to keep developing their professionalism. We don't have any restrictions on gender, age, nationality and religious belief in terms of employee promotion. Employees who satisfy the promotion requirements of intended title may apply for promotion. We offer the same promotion opportunities to employees on long-term sick leave or maternity leave as a special care to ensure that these employees won't miss promotion opportunities due to incomplete results of performance review. The promotion review process is fair, open and transparent and our employees will receive feedback and opinions. To cater to different development needs, we set up management and expertise career channels with robust career path.

In 2023, we introduced a new working mechanism to make editors the leading force in content production, support the transition of core editors to chief editors, and raise the ceiling of career advancement for editors. We provide core editors with more development opportunities as well as short-term and long-term incentives to further stimulate their creative drive and ensure the stable production of high-quality original content.

Appointment ceremony of chief editors

All employees are encouraged to obtain certificates of professional qualifications. For those applying for the Professional Qualifications of Technicians in the Publication Profession ("Editor Certificate"), we will offer them necessary paid leave and reimburse them for the related expenses arising from assessment, face-to-face training, textbooks and annual re-education, and provide cash subsidies to employees who have obtained the Editor Certificate, so as to encourage employees to continuously improve their professional skills.

3.1.4 Compensation and Benefits

We offer competitive compensation benefits to attract and retain talent. The bonus is performance-based and ensured to reward employees with high performance.

In terms of employee benefits, we offer commercial health and accident insurance to employees apart from basic social insurance. In daily work, we show our care for the well-being of our employees by various means. For example, we offer various welfare subsidies, festival gifts or bonus; celebrate special occasions of our employees (e.g. wedding, childbirth, birthday, etc.); carry out employee activities (e.g. festival activities, tabloid sports activities, team building activities and family day activities); set up various associations (e.g. basketball association, football association, badminton association, photographic association, fitness club, etc.); In addition to arranging regular physical examination for employees, we provide annual medical check-ups and upgrade accident insurance for parents of employees that serve for more than three years.

In 2023, we made an in-depth integration of employee welfare and cultural IP, and customized the "Read on the Green Mountain" themed welfare box for employees on the occasion of the Mid-Autumn Festival, taking our classic good stories as the creative core, implanting the classic IP characters in the famous scenes of online literature and applying the 3D real-life scene technology to create the microscopic scenery of the mountains and rivers, and the bright "moon" painting the reunion, which was unanimously praised by the employees.

Gift Boxes for the Mid-Autumn Festival: "Read on the Green Mountain"

3.1.5 Working Hours and Holidays

We comply with all related laws & regulations on working hours and holidays. We advocate that employees avoid overtime work during holidays or weekdays, and hope that employees can maintain a good work-life balance, protect their physical and mental health, and avoid forced labour. We maintain a leave scheme that allows them to enjoy statutory leaves and holidays including annual leave, personal leave, marriage leave, funeral leave, maternity leave, paternity leave, parental leave, sick leave, etc. Employees are also entitled to extra annual leave that accrues based on length of service. In addition, employees must be compensated or given days-off for overtime work after internal approval.

3.1.6 Employee Communication and Engagement

We attach importance to employee satisfaction, respect any opinions and suggestions of employees that contribute to the company's development, and are committed to building a variety of adequate communication channels for employees. We have set up communication channels for employees and management, such as annual company gatherings and Lexiang Employee Communication Community, convey and strengthen corporate strategy and culture, encourage employees to speak freely, and create an effective communication culture of equality and candidness.

We pay attention to organizational culture and talent construction and are committed to creating a knowledge-sharing environment and diversified development space for growth together, providing employees with a respectful and open working environment and a positive growth platform, activating organizational capabilities and personal value, and growing together with employees. In 2023, we carried out diversified employee cultural activities:

In March, we held an annual party for all employees, combining offline venues and online live broadcasts, and carried out a variety of interactive activities and performances in conjunction with the depth of our business, providing a stage for employees to showcase themselves, as well as allowing them to enhance their understanding of China Literature's mission and vision in a relaxed and entertaining atmosphere, and to feel the inclusiveness and warmth of the culture of China Literature.

In May, we held a special interactive activity called "Qidian 515 Book Fans' Festival", inviting China Literature staff to use paintbrushes to freely create words and patterns to celebrate the 21st anniversary of Qidian, which resulted in nearly 100 excellent paintings created by staff.

In October, we held the "1024 Programmer's Day", which featured a wide variety of activities such as online calling to send blessings, IP stamp DIY, interactive games, etc. to pay tribute to programmers, and the "China Literature Hackathon Multi-Modal Competition", which provided a platform for employees to display and share their technical skills, and through the competition, employees could experience the power of the Company in terms of openness, cooperation, and aggressiveness and breakthroughs, and inspired their technical creativity and team cohesion.

China Literature annual party
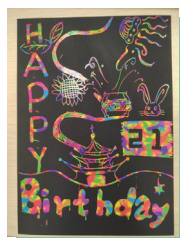
the 21st anniversary of Qidian

China Literature Hackathon Multi-Modal Competition

3.2   Health and Safety

In strict compliance with all applicable laws and regulations on safety and health including the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, as well as internal systems including Fire Prevention Management System, Environmental Standards Management Measures, and Emergency Response Plan of China literature, we strive to provide a comfortable working environment for our employees and ensure their mental and physical health and safety. From 2020 to 2023, there were no work-related fatalities among our employees. The lost days due to work injury were 0 days in 2023.

We care for employees' mental and physical health by providing them with comfortable and cozy working environment and creating a relaxing atmosphere. In the employee office area, we professionally debug the office lights, and use scientific and comfortable warm yellow lights, which can not only protect the eyesight of employees, but also help to create a warm and comfortable atmosphere. We have equipped our staff with new ergonomic chairs with the lumbar support system, tilt adjustment, sitting depth adjustment, 4D lifting armrest and other functions to correct sitting posture to the maximum extent and protect the health of every employee of China Literature. In terms of the design of the leisure area, we have set up river-view leisure discussion areas on each floor, equipped with open sofas and discussion tables, where employees are encouraged to brainstorm together and burst out of inspiration. We have set up a "Yuexing Platform" on the top floor of the building, equipped with a number of outdoor leisure sofas and parasols, providing employees with a quiet, comfortable and open leisure area. We also offer employees with audio-visual spaces, equipped with professional equipment to help employees relax and relieve work pressure. In the office area, we have also set up gyms in which imported equipment is equipped and professional coaches give instructions for employees to enjoy convenient and safe work-out and strengthen their body immunity. Gyms are also used for team activities and sports competitions, which facilitates the communication and teamwork among employees to strengthen team cohesion.

There are well-established security and fire prevention systems at workplace, with regular fire safety inspections by fire-fighting administrators, to timely deal with any potential risk identified. Besides, we organize training events to publicize fire-fighting knowledge and skills and conduct comprehensive fire drills for fire fighting, thus effectively safeguarding employees lives and the Group's property. In 2023, we organized a fire drill at Shanghai workplace where alarms were triggered and, when monitoring centers announced fire evacuation, employees were evacuated from the buildings through fire escapes, which helped them know about the evacuation routes and locations of fire extinguishers. We also showed them how to use fire extinguishers at outdoor areas. The drill effectively raised employees' safety awareness and improved their response to emergencies.


Evacuation through fire escapes

Demonstration of fire extinguisher use

We formulate environmental management standards and make efforts to ameliorate working environment. We regularly test the air quality and drinking water in the workplace, and formulate improvement plans in case of poor indoor air quality and poor drinking water quality with rectification and re-test carried out in a timely manner. At the same time, we conduct operation and maintenance management on air conditioning equipment, fresh air equipment, lights, water dispensers and other equipment and facilities to ensure that air quality, drinking water, lighting, decibel of noise, etc. in the workplace meet the Group's standards and therefore maintain a safe, healthy and comfortable working environment. To create a refreshing working environment and maintain good air quality, we have installed air purifiers and air quality monitors at workplace and exhaust ventilators at conference rooms, which help eliminate air pollutants and odors in working environment, keep air circulation, and purify the air. We sanitize the workplace on a monthly basis through exterminating bacteria, viruses and other microbes in the air to protect the respiratory of employees and ensure a healthy working environment for them.
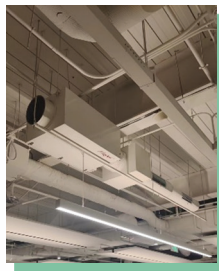
Air purifiers

Air quality monitors

We attach great importance to the physical and mental health of our employees. We arrange annual medical checkups for employees and organize a range of fitness activities such as traditional Chinese health therapy, neck and shoulder massage and psychological stress relief. We have created a comprehensive, professional and specific "Wenxin Inn" employee assistance program, opened a physical/psychological counselling hotline and set up stress relief rooms in our Shanghai and Beijing offices. Through various online and offline activities such as occasional psychological tweets, psychological stress relief activities and on-site psychological counselling, we spread the awareness of healthy living and healthy working to our employees and provide them with comprehensive physical and mental health services.

Stress Relief Room: "Wenxin Inn"

New Classics Media has also formulated and strictly implemented the Regulations on Production Safety Management of Film Crew to create a favorable working environment and safe shooting scenes for crew members during filming. We set up safety officers for fire prevention, public security and filming safety, and assigned on-site professional medical staff. We formulate safety management rules for special operations including fire operation, working at heights and crane operation to strictly control and eliminate the potential risks and safety hazards, thus preventing safety accidents in the filming area. At the same time, New Classics Media educated crew members on safety including fire prevention and power consumption before filming, strengthened the awareness of "ensuring safety for production and ensuring safety in production", required relevant personnel to sign safety commitments, and purchased personal accident insurance for crew members. We required all staff in preparatory group and film crew to live in concentrated area for closed management, and regularly checked sources of purchased goods to ensure the safety of devices, water and food.

3.3 Employee Training

Improvement of employee competency is key to safeguarding the achievement of enterprise development. We put premium on employee training and have invested adequate resources and energy to create various internal and external training opportunities. Employees are encouraged to involve in these training sessions taking their actual needs into consideration. To stipulate employee training expenses and budgets, we have formulated the Training Management System of China Literature. By allocating training funds and resources in a uniformed manner, we are able to provide strong financial support for organizing activities including in-house learning, external experts lecture and assignment training.

We established China Literature Academy which upholds the slogan of "Learning to be a better self". We engage a wide array of external experts on one hand and build in-house trainer team on the other hand, setting up a comprehensive employee training system, so as to offer different work and life training programs catering to needs of employees at each stage of career.

We actively carry out various training activities such as induction training, specialized training, general training, management training, information security training, etc. We adopt a combination of offline training + online training, regularly conduct online live classes for employees, and provide various professional courses and rich learning resources on the online learning platform, so that employees can learn relevant courses anytime and anywhere according to their needs, to comprehensively improve their professional ability and comprehensive quality.

Employee training system

Induction training: to acquaint employees with rules, regulations and corporate culture of the Company, we provide induction training for every new employee. In particular, we adopt mentorship for fresh graduates, enabling them to quickly adapt to the Company's culture and working environment with the help of the experienced employees and managers assigned as career mentor. In 2023, we provided new employees with courses on "This is China Literature – take a closer look at China Literature and its culture". These enhanced courses increased cultural depth and interaction elements against the original versions, so that new employees could better understand the openness and inclusion in the corporate culture and become culturally competent.

Induction training

Specialized training: according to the professional capacity of each employee, we set up the "Full-time Master Club" with related committee, which is responsible for specialized training development plan and innovation, organizing professional training activities and attaching importance on the career development of professionals. In 2023, in order to embrace AIGC to form the organization's underlying cognition, we created a special series of courses on "Dancing with AI" to popularize AI knowledge for all employees, as well as carried out special skills learning courses for employees of editorial, product, technology and other departments to share the most cutting-edge practical application experience and improve employees' cognition and application of AI technology, which was highly recognized by the employees and received enthusiastic feedback.

For editors and copyright planning operational personnel, we have created a special course on "The Rise of Suspense and the Birth of Fantasy – Creating Better Online Fantasy Stories" based on the mainstream track of the current online literature market, so that the relevant staff can gain insights into the essential characteristics of suspense-themed online literature from the perspective of the writers, improve their ability to manage their works, and gain an in-depth understanding of the market trend.

For front-end developers, we have created a series of "Front-end empowerment" technology-specific courses, which help the relevant employees to build up a good technical foundation and improve their practical operation ability through targeted training, so as to effectively improve the technical ability and business level of the relevant employees.

"Dancing with AI" special series of courses

General training: to enhance employee competency in an all-round manner, we arrange "Du Lala's Promotion Plan", a workplace skillset training to help them obtain the general skills that facilitate their job performing.

Management training: we arrange management training to enhance employees' management skills. To build outstanding leadership, we launch various leadership development course programs for leaders. Combining with business development and management status quo, we help them solve targeted management problems.

Information security training: we understand that information security is the foundation of the Company's development. In order to improve the Company's comprehensive network security management level, and to enhance all employees' awareness of network security, we actively carry out special training on information security, and require all employees to complete the mandatory course of information security compliance, covering common information security and threats, how to protect information, and violations that employees should be aware of and avoid. For development and operation and maintenance technicians, we introduce mandatory courses including development security specifications, operation and maintenance security regulations, and security cases to raise the technicians' awareness of information security and to enhance the relevant skills of them. For new employees, we provide them with special training on information security so that they can understand the concept of information security, establish information and data protection awareness and avoid risky operations. We require all employees to participate in and pass the information security examination after completing the corresponding courses. New employees can become regular ones only after they have completed all mandatory courses and examinations for all employees and their corresponding posts. In doing so, we can ensure that all employees have a thorough understanding of the Company's information security requirements, and improve their awareness of information security protection. In 2023, we launched "Cybersecurity Week". During the event, we organized fun activities such as WiFi phishing risk demonstration, office security risk finding, Coser offline Q&As and completing missions for gifts, which helped employees improve their awareness on cybersecurity and thus promoted the fostering of our cybersecurity culture.

China Literature Cybersecurity Week

New Classics Media also conducts diversified training programs based on the industry's unique market competition and knowledge development model, including new employee training to introduce the organizational structure and corporate culture to new employees; inviting the professional leader of each business sector to conduct internal training, sharing experience in project planning, production, and distribution; external training of personal skills such as enforcement, leadership, and communication skills for employees at different ranks; arranging outstanding personnel to attend professional qualification training of industry associations, etc.

Employee training		Percentage of employees trained	Average training hours completed per employee (hours/person)
By gender	Female	58.5%	2.1
	Male	41.5%	3.5
By job level	Senior management	2.7%	26.3
	Mid-level management	6.9%	4.7
	Grassroots	90.4%	2.1

Notes:

(1)   Training data is derived from internal training files and includes only online or offline training conducted by Group-level organizations.

(2)   Percentage of employees trained = number of employees in the category trained in the reporting period/total number of employees trained * 100%

(3)   Average number of hours trained per employee = Total number of hours trained for employees of that category in the reporting period/total number of employees in that category

4.   Compliant Operation

We implement the strictest laws and ethical standards throughout the operation and comply with the Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the People's Republic of China and other applicable laws and regulations combating bribery, extortion, fraud and money laundering, and adopt an attitude of zero tolerance in relation to corruption in any form. We have established internal systems, such as the Code of Conduct for Red Line Behaviors of China Literature Limited, the Anti-Fraud Reporting System of China Literature Limited and the Employee Declaration System of China Literature Limited, which create a solid anti-corruption protection mechanism to combat fraud and ensure operational compliance strictly. We have set up an in-house antitrust legal officer to be responsible for the Company's antitrust compliance, to follow up on the introduction and updating of antitrust laws and regulations, and to conduct in-house publicity and training. In 2023, there were no closed irregularities involving corruption, bribery, extortion, fraud or money laundering.

We forge a risk control framework and set three lines of defense, paying close attention to the risks of the Company and its systems and processes and identifying problems in a timely manner to implement rectification. If any fraud, corruption or bribery or other illegal conduct, which are regarded as red lines, are spotted, the employee found and proven to have committed such activity shall be subject to immediate dismissal. In the event that the activity violates any relevant laws or regulations and meets the standard of case filing, the employee shall be transferred to the judicial department. We conduct internal audits each year to assess whether there is any risk of fraud in the Company's operations and formulate specific audit procedures to test for fraud.

We have set up a special whistleblowing system and provide multiple whistleblowing channels and the ways how we should deal with such concerns. We also encourage employees to lodge reports on any suspected breach of the red line and secure the complete confidentiality of reported content and the identity of the whistle-blowers. When a report is received or any activity in breach of the red line is detected, the risk control and internal audit department will conduct independent investigations immediately. After completing the investigation, the result will be reported to the internal audit committee for review and resolution in accordance with the Code of Conduct for Red Line Behaviors of China Literature Limited and other regulations. Conducts that constitute violations and crimes will be reported to the police in accordance with the laws.

We also maintain a high level of integrity and professional ethics during the cooperation with our suppliers and have entered into the Statement against Commercial Bribery with them, which demonstrates our firm opposition to improper profits and ensures the fairness and transparency of the cooperation process. We will immediately terminate the cooperation with them in case of any breach. Leveraging the supplier management system, we uniformly manage and supervise the compliance of supplier bidding, admission, evaluation, blacklist, and other processes to effectively reduce the risk of fraud in the business process.

We encourage all the Directors to participate in continuing professional development by distributing them training materials relating to corporate governance, functions and duties of directors, listing rules and other regulations, ensuring operation compliance. For our day-to-day work, we have developed an anti-fraud training framework for all employees, focusing on the risk control system, red line terms and contents and the employee reporting system, actively carrying out anti-corruption training for all employees. We incorporate anti-fraudulent propaganda into the training for new employees, and continue to carry out special risk control training covering various business units, to raise employees' awareness of anti-fraud and risk control. In 2023, we completed the "Code of Conduct for Red Line of China Literature Limited Compulsory Course" activity for all employees. The form of participation requires watching 4 episodes of the Red Line code of conduct compulsory course video and compulsory exam after class with a score of 90 or above. For new employees, we conducted a total of 4 pieces of anti-fraud training, with a total of 158 people participating.

5. Supply Chain Management

We attach supreme attention to managing environmental and social risks of our supply chain by formulating and implementing the Supplier Management System of China Literature Limited, and continuously supervise and manage the suppliers' category framework maintenance, admission and review, selection and use, performance evaluation, process construction, information maintenance, etc. to ensure standardized management on the Company's procurement and supplier.

We set out strict requirements for the conduct of internal procurement staff and external suppliers. For internal procurement staff, we have developed a code of conduct, where the staff are required to declare in writing any sensitive relationships, they may have with our suppliers to ensure the fairness of procurement business. For all external suppliers, we adhere to the principles of openness, transparency, fair competition, equity and honesty. We have signed an Anti-Bribery Statement with all of our long-standing suppliers, as well as provisions relating to labour rights, health and safety and environmental protection commitments to ensure the fairness and order in all aspects of the supply chain.

We have established a supplier management system, which divides suppliers into seven categories: marketing services, administrative services, IT technical services, gift materials, office assets, IP derivatives and professional services. The digital system covers the supplier admission filing, performance assessment, promotion training, reward and punishment, etc. to standardize the whole life cycle of suppliers. In this regard, we are able to standardize the procurement and supplier management process to form a sophisticated supplier information update and maintenance mechanism, which can effectively ensure the consistency and stability of the supply chain. In 2023, we upgraded the performance management module in our supplier management system. Based on the characteristics of suppliers of different categories, we conducted performance assessment in a more comprehensive and accurate way, ensuring that optimal decision is made regarding supplier selection and partnership establishment.

We normally ask for price quotations from at least three vendors. Other factors including service quality and technical capabilities of the vendors will be taken into consideration when selecting vendors. Suppliers are subject to background check on registration record at the industrial and commercial bureau, legal conformity, authorization, etc. before being approved. Relevant documents will be recorded when conducting purchasing activities.

To ensure service quality of suppliers, we have established a sound supplier evaluation system and operation process to regularly evaluate the performance and score the technologies of suppliers of key categories and high-frequency cooperation. We set up detailed evaluation indicators by supplier categories to comprehensively evaluate their capabilities. We fully consider suppliers' performance in terms of product quality, service quality, delivery time, risk control information, response speed, etc., comprehensively use and maintain the opinions from various departments, and carry out necessary on-site visits and inspections according to the actual situations to provide meaningful reference for procurement. When the evaluation is completed, we will systematically analyze the results of the supplier assessment. For suppliers with unsatisfactory performance, under the premise of complying with the applicable contractual arrangements, we may:

- Discuss with them on the remedial steps to help them improve their service quality;

- Reduce the number of orders;

- Impose penalties;

- Cease to make the payments.

We may disqualify the supplier, if:

- The supplier practices bribery, breaches confidentiality, or seriously violates business ethics;

- We suffer significant losses due to late delivery, quality problems or supplier default.

Region	Number of suppliers as at 31 December 2023
Mainland China	3,509
Hong Kong, Macao and Taiwan	40
Overseas	138
Total	3,687

Note: Number of suppliers refers to the number of suppliers in the supplier database and region refers to the supplier's registered location.

We effectively ensure the security of information in cooperation with suppliers. We have formulated the Third-party Data Compliance Management System of China Literature Limited to guide the Company in carrying out third-party data security management and thus to effectively control data security risks from partners in the course of providing services. We sign the Letter of Commitment for Compliance with Business Cooperation Confidentiality with all suppliers, which states that both parties are not allowed to disclose the confidential information such as user privacy, confidential data, and intangible assets to any third party in any form without written consent. We also include confidentiality clauses related to the protection of information data in the contract to ensure the security of information and data during the cooperation process. The 9 key suppliers we cooperate within the fields of R&D outsourcing, IT materials, IT services and cloud services all have the ISO27001 Information Security Management System Certification. We irregularly review the suppliers' performance in data and privacy protection to ensure that their actions comply with the confidentiality requirements.

We attach importance to the suppliers' performance in environmental protection, require manufacturing suppliers to strictly comply with relevant laws and regulations of environmental protection, establish corresponding pollutant treatment systems, pass the environmental responsibility review by the competent authorities, and obtain the environmental protection approvals and other qualifications required for production.

New Classics Media also adheres to the concept of environmental protection in procurement. We give priority to purchasing energy-saving and environment-friendly office appliances such as LED lights, degradable garbage bags and sensor faucets. For office furniture suppliers, we require the manufacturers to pass ISO14001 Environmental Management Certification, ISO45001 Occupational Health and Safety Management Certification, ISO9001 Quality Management Certification, China Environmental Labeling Product Certification, etc., and operate in strict accordance with their management standards to ensure that their products do not cause damages to the natural environment or human health.

6. Community Investment

We are committed to creating social benefits and giving back to the society in different ways in the course of business development. We have formulated the Measures for the Management of Public Welfare Activities of China Literature Limited and leveraged on the advantages of our platform in cultural communication, we set up the public welfare committee to plan the direction of public welfare projects, project scale and resources, to maximize the value we create for society.

During 2023, we organized the following events:

(a) Promoting digital resources to facilitate nationwide reading

In April 2023, on the occasion of World Book Day, China Literature and Shanghai Library jointly carried out the theme cooperation of "Bookish Shanghai – Reading the World", and launched a series of reading activities such as the "Digital Reading Week" to provide rich reading resources for readers but also innovate reading experience for them to facilitate nationwide reading.

During the "Digital Reading Week", together with Shanghai Library, 20 public libraries and 79 publishers across the country, we released "A List of Top 100 Books for Young People" from abundant great books. Besides, we also offered limited-time free reading of excellent books in multiple reading Apps to enhance the public welfare attributes of digital culture, so that more people could enjoy the fun of reading. In this cooperation, more than one hundred online literary works of China Literature were digitally collected at Shanghai Library. It not only enriched the collections of the traditional library, provided readers with more extensive and diversified reading

choices, but also guaranteed that the online literary works could be well-preserved with its history and future fully recorded.

In the future, we hope to develop more cooperation with libraries to better preserve and protect digital resources through the application of new technologies, and at the same time actively play the radiating and driving role of online literature, promote the overseas promotion of high-quality online literature works through the diversified mode of linkage with overseas libraries and institutions, and enhance the global influence of Chinese stories.

"Bookish Shanghai – Reading the World"
Launch Conference

(b) Organizing the Reading Together Public Welfare Program for the Benefit of Children in Rural Areas

Over the years, China Literature has paid close attention to the cultural life of children in rural areas and called on readers to support in rural revitalization. Just before the "99 Giving Day" in 2023, China Literature cooperated with Stars Youth Development Center on the "Mobile Bookcase" project, inviting online writers and virtual IP images to jointly launch the "Giving Together" appeal. In the event, users could participate in reading, interactions and other activities through the Qidian Reading App to accumulate and donate their love values. Upholding the concept of "Reading for public welfare", the event attracted nearly 60,000 readers and more than 300,000 visits. On the platform, the cumulative reading time exceeded 1.4 million minutes and the cumulative love values surpassed 1.5 million. In the end, a total of 2,000 great books were collected in the event, and China Literature donated mobile bookcases to children in rural areas in the name of the top 15 users in terms of love value. These books were fine selections of exquisite picture books and children's books at home and abroad, covering nearly one hundred topics like astronomy, science, history and geography. Such high-quality reading resources not only nourished the soul of children in rural areas but also opened a window for them to know about the outside world.

"Reading Together Public Welfare Program"
in 99 Giving Day

Mobile bookcases donated to children
in rural areas

(c) Caring for Veterans and Building A Literary Service Center

With rich resources in digital reading, China Literature always aims to tell revolutionary stories well, inherit the red genes and continue the red spirits. In addition, we develop the online literature in line with the times to contribute to the continuation of heroic stories. In September 2023, the "Passing on the Ever-lasting Spirit" volunteer team invited leaders and retired military cadres of the Luoshan Service Community of Pudong Retired Cadre Service Center to visit China Literature's headquarters, and jointly started an event of "Reading Together – Stories from A Literary Service Center" for sharing stories behind the merit medals of retired military cadres. In addition, we launched a special column of military audio stories for this event, featuring 31 high-quality military audio stories. We believe that these stories can enrich the cultural life of these veterans and also meet their spiritual needs.

"Reading Together – Stories from A Literary Service Center" event

(d) Meeting Intangible Cultural Heritages in Literature to Start A Journey Through Time and Space with Confidants

Intangible cultural heritages and online literature are like "confidants across time and space". China Literature always expects that online literature can become a bridge between excellent traditional Chinese culture and young people to realize cultural inheritance in a digital, youthful and IP-based way. In June 2023, we organized our writers to participate in the "Meeting Intangible Cultural Heritages in Literature" cultural collection activity organized by Prince Kung's Palace Museum of the Ministry of Culture and Tourism for exchange and learning. Indulged in the ancient music show of famous artists, these writers found themselves never closer to the charm of intangible cultural heritages and the essence of excellent traditional Chinese culture in the sound of ancient music and the quietness of ancient monuments. In October 2023, the first essay and musical creation contest with the theme being "Meeting Intangible Cultural Heritages in Literature" came to an end successfully. In this contest, we received more than 60,000 online works, covering 127 intangible cultural heritage items such as Peking Opera, wood carving, papermaking and lion dance. The creators integrated what they saw, heard and thought into words and music. With interesting stories and harmonious rhythms, the creators gave the intangible cultural heritages new looks and a contemporary interpretation, making words and music a powerful tool in exploring and demonstrating intangible cultural heritages. The contest results were translated into a light and shadow art exhibition of "Meeting Intangible Cultural Heritages in Literature", which was open to the public at the exhibition hall of West Area No.1 of Prince Kung's Palace Museum in September. Visitors could immerse themselves in the magnificent charm of intangible cultural heritages and experience the profound connotation of our traditional culture.

In the future, we will further utilize the advantages of literature digital resources and new media, strengthen cultural confidence, and maintain integrity and innovation. Besides, we will actively promote the creative transformation and innovative development of the excellent traditional Chinese culture, create more experiences and scenarios for the traditional culture, and explore more possibilities for cultural inheritance and innovation.

Meeting Intangible Cultural Heritage in Literature – Cultural Surveys

Meeting Intangible Cultural Heritage in Literature – Light and Shadow Art Exhibition

(e)   Realistic Essay Contest

In June 2023, the 7th Online Realistic Literature Essay Contest hosted by China Literature held its award ceremony at the Shanghai Exhibition Center. With the theme of "Good Stories Illuminate the World", the contest encouraged online writers from all walks of life to present a rich and diverse picture of contemporary life and society through keen insight and literary expression in the form of online literature and to create outstanding works that resonate with the spirit of the times. More than 36,000 writers participated in the contest with over 38,000 submissions, representing a new record high. Nearly 30 of the previous award-winning writings have been contracted for offline publication, and more than 70% have been under IP development with authorization. From online literature to offline publishing, audiobooks, cartoons, film, and television adaptations, realistic works continue to convey the values of beauty, uprightness, and goodness in multiple rounds of development. In the future, we will continue to support the creation of realistic works, and to create Chinese IPs of the times in collaboration with creators and partners in the industry.

Award ceremony of the 7th Online Realistic Literature Essay Contest

(f) Good Stories Connect the World, and the New Era is A Wonderful Chapter

In December 2023, China Literature, together with the Shanghai Municipal Bureau of Press and Publication and the Shanghai Publishing Association, organised the 2nd Shanghai International Online Literature Week. With the theme of "Good Stories Connect the World, and the New Era is A Wonderful Chapter", this year's International Online Literature Week attracted online literature writers, translators, scholars and enterprise representatives from 18 countries to share the new achievements of China's online literature development. At the opening ceremony, WebNovel unveiled the 2023 WSA (WebNovel Spirity Awards). Nearly 110,000 works were entered in this year's WSA, a year-on-year increase of 17.3% and a new record high. More and more overseas writers were writing good stories in the Chinese online literature mode. From global reading to global creation to global development, online literature has become an industrial sample of China's model of globalisation, setting up a wider stage for global cultural exchanges.

In the future, we will continue to enrich the world's literary treasury with high-quality masterpieces, strengthen copyright protection and IP development with practical and powerful measures, and promote cultural exchanges and co-prosperity with penetrating stories, so as to make the world a better place because of online literature.

Opening Ceremony of the 2nd Shanghai International Online Literature Week

7. Environmental Protection

7.1 Green Operation

We recognize the importance of environmental protection and conservation of resources for our sustainable development. In line with this concept, we strictly comply with all applicable environmental protection laws and regulations including the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. We have also formulated the Management System for Energy Conservation and Emission Reduction to promote low-carbon office and resources saving and reduce the generation and emission of pollutants by adopting recyclable office supplies to the extent possible.

We formulated the following environmental targets and promoted the achievement of these targets by comprehensive environmental management:

Environmental target	Base year	Target year	Description of the target
Emission greenhouse gases	2019	2025	• Direct GHG emissions (Scope 1) decline by 30% • Indirect GHG emissions (Scope 2) decline by 15%
Energy efficiency	2019	2025	• Gasoline consumption decline by 30% • Electricity consumption decline by 15%
Water efficiency	2019	2025	• Water consumption decline by 15%
Wastes	–	2025	• 100% implementation and completion of the garbage classification system among all office • 100% completion of harmless disposal of wastes among all offices • Harmless disposal of all destroyed hard drive components and lead-acid batteries by qualified suppliers
Paper usage	–	2023	• 100% adoption of office paper with renewable certification among all offices since 2023 to ensure that the purchased paper products come from sustainable forest resources

In 2023, we have replaced office paper with brands with renewable certification, and disposed of destroyed hard drive components and lead-acid batteries to qualified suppliers for environmentally harmless disposal, with other environmental objectives being on track progressively.

We attach supreme attention to the harmonious and sustainable development of enterprises and the environment, actively promote green office, adopt clean technology, fully implement the measures for energy saving and emission reduction, and adhere to the green development route to strive to become a contributor of green operations by continuous improvement of the environmental management system. At our office premises, we have adopted various measures for the refinement of energy. We have introduced an intelligent light control system, which utilizes efficient LED lamps, intelligent dimming, time control and other functions to achieve fine management of the lighting system. All display equipment is equipped with intelligent screen-off function, which significantly reduces energy consumption compared to traditional equipment through functions such as shutdown timer, brightness adaption, and dynamic adjustment. Also, we have implemented fine management of air conditioning, which balances the comfort needs of the staff with energy saving targets through functions such as temperature control, humidity control, and timer. In addition, we have implemented a number of energy-saving, water-saving and emission reduction measures to maximize energy efficiency:

- Turn off computers, lights and electrical equipment that are not in use to save electricity;

- Use sensor faucets and carry out the daily maintenance of water equipment to prevent running, dripping, and leaking;

- Prioritize on purchasing and using energy-saving office facilities;

- Print double-sided by default to reduce paper usage;

- Advocate paperless office and put in place recycling baskets for recycled paper;

- Put up energy and water saving posters to improve employee environmental awareness;

- Advocate the use of ceramic cups, recycle bags and refillable pens to reduce the consumption of disposable office supplies;

- Promote awareness of garbage classification and install classified garbage bins.

In the procurement of official vehicles, we give priority to energy-saving and environmentally friendly models and implement the "one vehicle with one fuel card" management system, which enables the accurate recording of the distance traveled and fuel consumption and improves the standardized and transparent use of vehicles. With this system, we can identify and solve exceptions in fuel consumption in a timely manner, and optimize the utilization of vehicles and fuels, thereby reducing fuel consumption and emissions.

New Classics Media also attaches great importance to the environmental protection and waste management on the filming site, protects plants and vegetation, and cleans up domestic garbage and waste on time.

7.2 Climate Change

Global climate change is profoundly affecting human survival and constraining sustainable development, and accelerating action on climate change adaptation is a common issue facing the world.

7.2.1 Governance and Strategy

The Board has incorporated climate change-related risks into our enterprise risk management. We have assessed that our exposure to risks from policy, regulation, technology, market and reputation that are stemming from climate are low, and that the physical risks we faced mainly arise from acute weather events caused by climate change, such as extreme weathers and natural disasters such as typhoons, heavy rainfall and flooding that could potentially impact our operations. In order to cope with the operational risks that may be caused by extreme weathers and natural disasters, we have developed the Emergency Plan of China literature to prepare for typhoons, fires, earthquakes and other emergencies, so as to minimize damage to office equipment and facilities and safety hazards to employees.

7.2.2 Risk Management and Metrics

We have incorporated ESG risks into the comprehensive risk assessment and management system of the Company, which includes climate change-related risks. Each department also takes measures in their operational management to manage and reduce greenhouse gas emissions from business operations. For the relevant data on greenhouse gas emissions, please see the section headed "Environmental Key Performance Indicators ("KPI")".

7.3 Environmental KPIs

Below are the environmental KPI of the Company. Unless otherwise specified, such KPIs cover our office buildings in Beijing, Shanghai, Suzhou, Shenzhen, Xianghe, Hainan and Hong Kong. In 2023, due to the implementation of 24-hour water recycling in the new office's server room, the usage of tap water has significantly decreased compared to previous years.

(a) Emissions

	2023	2022	2021
Total GHG emissions (Scopes 1 and 2) (tonnes)	1,777.11	2,018.77	2,091.44
Direct GHG emissions (Scope 1) (tonnes)	43.17	35.27	99.43
Including: Petrol (tonnes)	43.17	35.27	99.43
Energy indirect GHG emissions (Scope 2) (tonnes)	1,733.94	1,983.50	1,992.01
Including: Electricity purchased (tonnes)	1,733.94	1,983.50	1,992.01
Total GHG emissions per floor area (tonnes per square meter)	0.05	0.06	0.04
Total non-hazardous waste (tonnes)	336.03	342.16	289.79
Total non-hazardous waste per floor area (tonnes per square meter)	0.009	0.010	0.006

Notes:

(1)   The emissions arising from our operation is limited, mainly includes domestic wastewater. Domestic wastewater has no material impact as it is discharged into municipal pipelines, so KPI A1.1 "types of direct emissions and respective emissions data" is not disclosed in this report.

(2)   Due to the business nature, our significant GHG emissions are direct GHG emissions derived from petrol consumption (Scope 1) of vehicles for business and shipping purposes and energy indirect GHG emissions derived from purchased electricity consumption (Scope 2).

(3)   The GHG inventory includes carbon dioxide. GHG emissions data is presented in carbon dioxide equivalent and is based on the Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Public Building Operation Enterprises issued by the National Development and Reform Commission of China.

(4)   The hazardous waste arising from our operation is limited, mainly includes waste toner cartridge and waste ink cartridge from printing equipment at office buildings, as well as few disposed hard drive components and lead-acid batteries. All of the above-mentioned hazardous wastes have no material impact as they are collected and disposed of in a harmless manner by qualified suppliers, so KPI A1.3 (total hazardous waste produced) is not disclosed in this report.

(5)   Non-hazardous waste arising from our operation mainly includes domestic waste, disposed devices and waste books. Domestic waste is centrally disposed by the property management company. Disposed devices are recorded and handled by the administration department for recycling or disposing. Waste books are recycled and reused. To further reduce non-hazardous waste, we adopt the paperless office platform to reduce paper photocopy and printing and encourage practices of printing on both sides and reuse of wastepaper, so as to avoid unnecessary paper waste.

(b) Use of Resources

	2023	2022	2021
Total energy consumption (MWh)	2,522.33	2,816.64	3,059.63
Total direct energy consumption (MWh)	176.58	144.28	406.68
Including: Petrol (MWh)	176.58	144.28	406.68
Total indirect energy consumption (MWh)	2,345.75	2,672.36	2,652.95
Including: Electricity purchased (MWh)	2,345.75	2.672.36	2,652.95
Total energy consumption per floor area (MWh per square meter)	0.07	0.08	0.06
Running water consumption (tonnes)	4,625.51	18,954.96	25,026.56
Running water consumption per floor area (tonnes per square meter)	0.16	0.71	0.59

Notes:

(1) Total energy consumption is worked out by the data of electricity and petrol with reference to the Annex I Fossil Fuel Coefficients in the Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Public Building Operation Enterprises issued by the National Development and Reform Commission of China.

(2) Our water resources come from municipal water supply, which is secure. The data on running water consumption and running water consumption per employee reported here only covers the domestic water of office buildings in Shanghai, Shenzhen and Beijing. The condensed water in the machine room used by the Shanghai Bingjiang office and Beijing Jiaming office was recycled for 24 hours and was not included in the statistics of tap water consumption. And the water fees of other office buildings in Suzhou, Hong Kong, Hainan and Xianghe are borne by the property management companies.

(3) KPI A2.5 (total packaging material used for finished products) is not applicable to us, as we do not use packaging materials during operation.

(4) As we do not use other environmental and natural resources during operation, the aspect of A3 (environmental and natural resources) and A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable to us, so they are not disclosed in this report.

8. Outlook

In the future, we will continue to improve our environment, social and government system, adhere to the unity of economic benefits and social benefits, and based on the actual business, create high-quality content for users, protect users' rights and interests, work together with our employees, share value with our partners, and actively carry out various public welfare activities. We will advocate reading for all, spread and promote positive energy, assist in the building of creative teams and the cultivation of talents, and continue to contribute to building a harmonious society and promoting the prosperity of socialist culture.

HKEX Guide and Index

Issue	Disclosure Items	Location in Report
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	7.1 Green Operation
A1.1	The types of emissions and respective emissions data	7.3 Environmental KPIs
A1.2	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)	7.3 Environmental KPIs
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not applicable
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	7.3 Environmental KPIs
A1.5	Description of emission target(s) set and steps taken to achieve them	7.1 Green Operation
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets(s) set and steps taken to achieve them	7.1 Green Operation

Issue	Disclosure Items	Location in Report
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.1 Green Operation
A2.1	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)	7.3 Environmental KPIs
A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility)	7.3 Environmental KPIs
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	7.1 Green Operation
A2.4	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	7.1 Green Operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable
Aspect A3	**Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Not applicable
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Not applicable
Aspect A4	**Climate Change**	
General Disclosure	Polices on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	7.2 Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	7.2 Climate Change

Issue	Disclosure Items	Location in Report
B. Social		
Aspect B1	**Employment**	
General Disclosure	Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	3.1 Employment and Labour Standards
B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region	3.1 Employment and Labour Standards
B1.2	Employee turnover rate by gender, age group and geographical region	3.1 Employment and Labour Standards
Aspect B2	**Health and Safety**	
General Disclosure	Relating to providing a safe working environment and protecting employees from occupational hazards. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	3.2 Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	3.2 Health and Safety
B2.2	Lost days due to work injury	3.2 Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	3.2 Health and Safety

Issue	Disclosure Items	Location in Report
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities	3.3 Employee Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3.3 Employee Training
B3.2	The average training hours completed per employee by gender and employee category	3.3 Employee Training
Aspect B4	**Labour Standards**	
General Disclosure	Relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	3.1 Employment and Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour	3.1 Employment and Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered	3.1 Employment and Labour Standards
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain	5. Supply Chain Management
B5.1	Number of suppliers by geographical region	5. Supply Chain 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. Supply Chain 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. Supply Chain 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. Supply Chain Management

Issue	Disclosure Items	Location in Report
Aspect B6	**Product Responsibility**	
General Disclosure	Relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	2. Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
B6.2	Number of products and services related complaints received and how they are dealt with	2.4 Respond to Users' Feedbacks
B6.3	Description of practices relating to observing and protecting intellectual property rights	2.3 Intellectual Property Protection
B6.4	Description of quality assurance process and recall procedures	2.1 Online Content Security
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	2.1 Online Content Security
Aspect B7	**Anti-Corruption**	
General Disclosure	Relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	4. Compliant Operation
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	4. Compliant Operation
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	4. Compliant Operation
B7.3	Description of anti-corruption training provided to directors and staff	4. Compliant Operation

Issue	Disclosure Items	Location in Report
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	6. Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	6. Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area	6. Community Investment