

**37 Interactive Entertainment Network
Technology Group Co., Ltd.
2021 Annual Report (Summary)**

April 2022

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of 37 Interactive Entertainment Network Technology Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the truthfulness, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Li Weiwei, the Company’s legal representative, and Ye Wei, the Company’s Chief Financial Officer & Board Secretary, hereby guarantee that the financial statements carried in this Report are truthful, accurate and complete.

All the Company’s directors have attended the Board meeting for the review of this Report.

This Report contains plans and other forward-looking statements, which shall not be deemed as promises to investors. Investors are reminded to exercise caution when making investment decisions.

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services.

The Board has approved a final dividend plan as follows: based on 2,217,864,281 shares, a cash dividend of RMB 3.7 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders of the Company, with no bonus issue from either profit or capital reserves.

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Definitions

Term	Definition
CSRC	China Securities Regulatory Commission
SZSE/the Stock Exchange	Shenzhen Stock Exchange
Company/ the Company/ the Listed Company/ 37 Interactive Entertainment	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./ Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd./ 37 Interactive Entertainment Network Technology Group Co., Ltd.
37 Interactive Entertainment (Shanghai)	37 Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Guideline for Compliant Operation	Guideline No. 1 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Compliant Operation of Main Board Listed Companies
Articles of Association	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd./Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./Articles of Association of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd./Articles of Association of 37 Interactive Entertainment Network Technology Group Co., Ltd.
RMB, RMB'0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
Reporting Period/the Reporting Period	The period from 1 January 2021 to 31 December 2021
Period-end/end of the Reporting Period	31 December 2021
Browser games	Clientless or browser kernel-based micro-client games that are based on web development technologies and utilize standard protocols as basic transmission modes. Game users can play browser games directly through an Internet browser
Mobile games	Games that are downloaded via mobile network and run on mobile phones or other mobile terminals
RPG	Role playing game
ARPG	Action role playing game
SLG	Strategy game
MMORPG	Massive multiplayer online role-playing game
Chengdu Pengwan Technology Co., Ltd.	Chengdu Pengwan Technology Co., Ltd. and its subsidiaries

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Zengame Technology	Zengame Technology Holding Limited and its business entities
X.D.Network	XD Inc. and its business entities
Jiangsu Aurora/Aurora Network/Jiangsu Aurora Network	Jiangsu Aurora Network Technology Co., Ltd.
Guangzhou 37	Guangzhou 37 Network Technology Co., Ltd.
YOULIFE HOLDINGS	YOULIFE HOLDINGS and its business entities
Wonder Power Inc.	Wonder Power Inc. and its business entities
Guangzhou Xuyang Network Technology Co., Ltd.	Guangzhou Xuyang Network Technology Co., Ltd. and its subsidiaries
FTX Technology Shenzhen Co. Ltd.	FTX Technology Shenzhen Co. Ltd. and its subsidiaries
Guangzhou Shilizuo Catering Management Co., Ltd.	Guangzhou Shilizuo Catering Management Co., Ltd. and its subsidiaries
UGC	User generated content
VR	The abbreviation of "Virtual Reality", which uses computers to simulate and produce a three-dimensional virtual space. It provides users with sensory experience such as realistic visual and auditory experience.
AR	The abbreviation of "Augmented Reality", which uses computer technology to apply virtual information to the real world, where the real environment and virtual objects exist simultaneously in one picture or space through superimposition in real time.
5G	5th generation mobile communication technology.
AI	Artificial Intelligence
Sensor Tower	A mobile application data analytical company that specializes in mobile application data analytics. It provides global mobile application economy with data at enterprise level.

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Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	37 Interactive Entertainment	Stock code	002555
Place of listing	Shenzhen Stock Exchange		
Company name in Chinese	三七互娱网络科技集团股份有限公司		
Abbr.	三七互娱		
Company name in English (if any)	37 INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY GROUP CO.,LTD.		
Legal representative	Li Weiwei		
Registered address	Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province		
Zip code	241000		
Change of registered address	For business development purposes, the registered address of the Company has changed from “11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province” to “Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province” on 31 March 2022.		
Office address	Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province		
Zip code	241000		
Company website	http://www.37wan.net/		
Email address	ir@37.com		

II Contact Information

	Board Secretary	Securities Affairs Representative
Name	Ye Wei	Wang Sijie
Office address	Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province	Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province
Tel.	0553-7653737	0553-7653737
Fax	0553-7653737	0553-7653737
Email address	ir@37.com	ir@37.com

III Media for Information Disclosure and Place where this Report Is Lodged

Stock exchange website where this Report is	China Securities Journal, Shanghai Securities News, Securities Times, and
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disclosed	Securities Daily
Media and website where this Report is disclosed	http://www.cninfo.com.cn
Place where this Report is lodged	Room 7001, 7/F, Tower B1, Wanjiang Fortune Plaza, 88 Ruixiang Road, Wuhu City, Anhui Province

IV Change to Company Registered Information

Organization code	91340200713927789U
Changes to the principal activities of the Company since going public (if any)	No changes in the Reporting Period
Every change of controlling shareholder since incorporation (if any)	No changes in the Reporting Period

V Other Information

The independent auditor hired by the Company:

Name	Huaxing Certified Public Accountants LLP
Office address	7-9/F, Tower B, Zhongshan Building, 152 Hudong Road, Gulou District, Fuzhou City, Fujian Province
Accountants writing signatures	Yang Xinchun and Lin Hualong

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

Name	Office address	Representative	Period of supervision
Orient Securities Investment Banking Co., Ltd.	24/F, 318 South Zhongshan Road, Huangpu District, Shanghai	Lu Shaoyu and Wang Bin	From 10 March 2021 to 31 December 2022

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes No

	2021	2020	2021-over-2020 change (%)	2019
Operating revenue (RMB)	16,216,498,239.02	14,399,703,084.56	12.62%	13,227,135,966.70
Net profit attributable to the Listed Company's shareholders	2,875,575,877.62	2,760,951,475.22	4.15%	2,114,770,061.55

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(RMB)				
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses (RMB)	2,626,749,135.34	2,391,804,997.01	9.82%	2,089,129,849.82
Net cash flows from operating activities (RMB)	3,658,748,941.03	2,927,937,304.65	24.96%	3,257,563,997.94
Basic earnings per share (RMB/share)	1.31	1.31	0.00%	1
Diluted earnings per share (RMB/share)	1.31	1.31	0.00%	1
Weighted average return on equity (%)	27.62%	34.84%	-7.22%	32.66%
	31 December 2021	31 December 2020	Change of 31 December 2021 over 31 December 2020 (%)	31 December 2019
Total assets (RMB)	14,437,181,242.76	10,564,331,499.85	36.66%	10,145,259,855.73
Equity attributable to the Listed Company's shareholders (RMB)	10,773,716,314.49	6,037,383,625.95	78.45%	7,029,307,859.08

Indicate by tick mark whether the lower of the net profit attributable to the Listed Company's shareholders before and after deducting non-recurring profits and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate by tick mark whether the lower of the net profit attributable to the Listed Company's shareholders before and after deducting non-recurring profits and losses was negative.

Yes No

VII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	3,817,828,434.02	3,721,120,944.51	4,571,714,142.74	4,105,834,717.75
Net profit attributable to the Listed Company's shareholders	116,773,000.58	736,944,855.07	867,467,406.86	1,154,390,615.11
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses	3,833,765.53	633,692,785.79	881,569,604.53	1,107,652,979.49
Net cash flows from operating activities	672,915,264.53	581,003,887.93	862,702,213.94	1,542,127,574.63

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Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

VIII Non-recurring Profits and Losses

Applicable Not applicable

Unit: RMB

Items	2021	2020	2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	7,111,889.34	-5,016,442.19	9,097,544.61	
Government grants through profit or loss (exclusive of government grants consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	78,301,526.84	94,879,456.95	83,976,058.58	Mainly due to refund of value-added tax and government grants other than super-deduction in the calculation of taxable amount for VAT
Capital occupation charges on non-financial enterprises that are recognized in current profits and losses			3,399,910.00	
Gain equal to the amount by which investment costs for the Company to acquire subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments			18,216.32	
Gain or loss on fair-value changes on trading financial assets and liabilities & income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	184,512,740.33	317,000,879.97	-73,399,855.36	
Reversed portions of impairment allowances for receivables which are tested individually for impairment	5,829,134.16			
Non-operating income and expenses other	-12,236,018.48	-6,978,497.94	2,855,883.24	

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than the above				
Other gains and losses that meet the definition of non-recurring profits and losses			21,156,420.83	
Less: Income tax effects	14,068,349.49	21,437,227.96	16,818,250.53	
Non-controlling interests effects (net of tax)	624,180.42	9,301,690.62	4,645,715.96	
Total	248,826,742.28	369,146,478.21	25,640,211.73	--

Particulars about other gains and losses that meet the definition of non-recurring profits and losses:

Applicable Not applicable

No such cases for the Reporting Period.

Explanation of why the Company reclassifies as recurrent a non-recurring profits and losses item listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Profits and Losses Items:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

1. Changes in industry-related economic situation and their impacts on the Company

Against the backdrop of a booming digital economy, China's game industry is also leveraging the advantages of resources and users. It pushes the boundaries and accelerates the pace of industrial development through methods such as technology drivers, industrial integration and cultural innovation. The game industry has seriously implemented the requirements of the central government, maintained righteousness and innovation, forged ahead, strove to take up the cultural mission, continuously strengthened the content construction, continued to regulate the development of the industry and made efforts to expand overseas markets. The industry's ecosystem has continued to be improved, the strength and competitiveness have been continuously enhanced, and the pace of high-quality development has become more determined. It insists on giving priority to social benefits, and actively assumes social responsibilities, which has increasingly become an industry consensus. The game industry has ushered into new development opportunities.

According to the 2021 China's Game Industry Report jointly released by Game Publishing Committee of China Audio-video and Digital Publishing Association (CADPA) and China Game Industry Research Institute, the actual sales revenue of China's game market still remained a trend of growth in 2021, and products with high quality led the innovation and development in many fields of the industry. The scale and capacity of users had a trend of saturation. It would become the focus of competition in future market to mine user segmentation needs. In 2021, the actual sales revenue of China's game market was RMB296.513 billion, an increase of RMB17.826 billion over 2020 and a year-over-year (YoY) increase of 6.4%. The scale of Chinese game users has kept growing steadily, with the user scale reaching 666 million, a year-over-year increase of 0.22%. The dividends of the game population had a trend of saturation. Meanwhile, the protection of minors reaped effective results because of the new anti-addiction regulation, and the user structure had a trend of being healthy and reasonable. On the other hand, the actual sales revenue of China's independently-developed games in the overseas market has kept relatively high growth momentum. The number of countries and regions of overseas markets has increased significantly. The types of products for global market have become more diversified. In 2021, China's actual sales revenue of independently-developed games in the overseas market was USD18.013 billion, an increase of USD2,563 million over 2020 and a YoY increase of 16.59%. The growth rate decreased by 17% YoY, mainly due to the fading of the surge effect on global ACG economy under COVID-19 last year. From the average growth rate in the past five years, the share of China's game export has shown a stable increase. Exported games have maintained better growth in the three aspects of download, use length and payment of users.

On the whole, the current game industry is still in a period of historical change from high-speed growth to high-quality development. Players are posing higher requirements for online games. The threshold of game development and barriers to competition have been substantially raised. Top game companies embracing strengths in the R&D and publishing of quality products and operation are more likely to benefit from the new situation. Against this backdrop, the Company adheres to the development strategy of "boutiqueization, diversification and globalization". It takes the main business as its core and deepens the strategy of "integration of R&D and operation" and "dual engines at home and abroad", with an aim to drive high-quality, sustainable development. During the Reporting Period, the Company kept its leading role in R&D capabilities by raising R&D investments and strengthening the output of quality games. Moreover, it advanced the "diversification" strategy from the aspects

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of R&D and publishing, and reserved varied quality games on different themes through independent development, investment in R&D-oriented companies, and enhanced cooperation with developers capable of producing quality games. In addition, the Company, through independently developed AI systems, consolidated refined operation, increased operating efficiency, and prolonged the life cycle of quality games. The Company's overseas business has grown rapidly and the pace of exporting has been accelerated. With the strategy of "tailored games", the Company has explored the global market through diversified high-quality games, and the overseas business has become the new growth engine of the Company.

In addition, with the continuous upgrading of industry technology, the development efficiency and product experience of games have been constantly improved, and the business transformation has accelerated. The rise of "Metaverse" and other emerging concepts have triggered extensive attention from many industries and investors. As the one with a proactive strategic vision, the Company continues to extend on the basis of early investment in VR/AR content, and enters fields involving multi-metaverse infrastructure such as arithmetic, semiconductor, optics, display, whole device, application and infrastructure technology, invests in many high-quality enterprises in the fields including optical module, optical display, AR glasses, VR content, cloud game, spatial intelligence technology and semiconductor materials, and carries out integration of technology and high-quality content. Through the investment layout in the field of technology, the Company has realized the collaboration of internal and external resources. The investments of the Company create new momentum for the existing game business to open new fields, and makes the Company's understanding of pan-entertainment more advanced and deeper. The relevant investment will feed the existing business ecosystem of 37 Interactive Entertainment and further stimulate its innovation and attempts to new business in the process of the new generation of industry change. The Company will continue exploring various possibilities of the combination with its existing advantages and leading technologies for application in the Metaverse, keep an eye on new things and new opportunities, explore new businesses, continue accumulating key technologies and build core strengths.

2. Changes in industrial policy environment and their impacts on the Company

(1) On 6 June 2021, the Guidelines on Enhancing the Protection of Minors of the Steering Group of the Protection of Minors of the State Council (hereinafter referred to as the "Guidelines") were officially issued. Revolving around the implementation of the Civil Code and the Law on the Protection of Minors, the Guidelines refined and specified the relevant articles of law, raising a total of 25 tasks. Specifically, in terms of cyber protection, the Guidelines raised requirements such as improving the system of regulations and policies, making more efforts to prevent minors from Internet addiction, and strengthening the online protection of minors' personal information.

On 30 August 2021, the National Press and Publication Administration issued the Notice on Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games (hereinafter referred to as the "Notice"), which addresses further strict management measures to resolutely prevent minors from being addicted to online games and effectively protect their physical and mental health in terms of the problem of excessive use and even addiction to online games of minors.

The Notice requires that online time for minors shall be strictly limited. All online game businesses can only provide online game services to minors for one hour from 20:00 to 21:00 on Fridays, Saturdays, Sundays and statutory holidays, and shall not provide online game services to minors in any form at other times; the requirements of real-name registration and login of online game for online game user accounts shall be strictly implemented, and no game service can be provided in any form to users without real-name registration and login; publication management department at all levels shall strengthen supervision and inspection of the implementation of measures to prevent minors from being addicted to online games. For online game businesses that fail to strictly implement the measures, they shall be severely punished by laws and regulations.

In response to the above Notice, the Company has now completed the connection to the national real-name authentication system, and all its independent online games have launched the upgraded version of "real-name registration and anti-addiction system for minors". The Company has also strictly implemented the restrictions on the length, time and transactions of games for minors. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

minors in accordance with the latest requirements. In addition, considering that the implementation of "anti-addiction" is connected to the user system, the Company has reconstructed the user system in the design process, and increased the real-name registration of players and anti-addiction system for minors in all aspects, including online face recognition technology to prevent the problem of minors using adult accounts fraudulently. The technology currently has been launched in some independent games of the Company's platform, and it will be promoted to all game products in the future. The Company actively proceeds with the online game age suitability reminders and strengthens the online management of age suitability reminders for new products. Age suitability reminders have currently been launched on the official channels of all independent games in the Company. For products that have not been reviewed by the editorial team for description terms of age suitability reminders and have not completed the age suitability reminders process, they will not be officially operated on the official website platform.

Additionally, the Company added contents applicable to children to its Privacy Policy in line with the user habits of juveniles under 14 years old and their guardians. It contributed to turning China's gaming industry more standardized by actively participating in the compilation of group standards for the gaming industry led by the China Audio-video and Digital Publishing Association ("CADPA"), such as the Specifications on Age Ratings of Online Games, the Specifications on Parent Monitoring Platforms, and Online Game Terminology.

In addition to various anti-addiction protection measures for minors, the Company has launched the "Guardianship Project of Online Games for Minors' Parents" many years ago, and connected parents to do a good job in supervising minors on the basis of the implementation of the new anti-addiction rules, allowing parents to limit or prohibit minor's game time in accordance with the actual situation. The Company has set up the special process and the customer compliant specialists to deal with all kinds of problems related to minor players. The Company will further upgrade the guardianship project for parents in the future, further upgrade and improve the protection system for minors through the positive synergy of multiple dimensions, and build a green and healthy game ecosystem to protect the healthy growth of minors.

(2) On 10 June 2021, the Data Security Law of the People's Republic of China (hereinafter referred to as the "Data Security Law") was adopted at the 29th session of the Standing Committee of the 13th National People's Congress of the People's Republic of China. The Data Security Law is enacted for the purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, and protecting the legal rights and interests of individuals and organizations.

In the process of management system construction for information security, the Company has identified and evaluated information security risks of products and services around more than ten aspects such as information asset management, access control, password management, information security event management, information security management in business continuity management, compliance management, etc., established information security policy, risk level evaluation and disposal measures for each sub-business module, improved system documents and management processes, and formed a complete information security management system.

In terms of information security management and user privacy protection, based on strict management policies and process system, the Company adopts industry-leading technologies and benchmark them with international standards, strictly controls information security risks, and guarantees data security to ensure the security of users' personal information to the maximum extent. In user privacy protection, for example, the Company implements the seven principles of legality, consistent authority and responsibility, minimum sufficient information collection, individual consent, user participation, and ensuring security in the management of the whole life cycle of user data. Around the security of user private information, the Company has also adopted a variety of technical means to prevent illegal access to unauthorized information by personnel. Meanwhile, the Company also encrypts, anonymizes and de-identifies sensitive information assets to protect them from being illegal cracked. Such technologies and measures strongly ensure the security of user privacy information. The Company ensures that it runs the business in compliance with applicable laws and regulations throughout the world, and protects the users' right to manage personal information. A response procedure has been stipulated to inform users of any possible cost and necessary actions needed to be taken. During the Reporting Period, the Company has obtained the international-standard ISO/IEC 27001 certification for

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information security management system issued by SGS, an internationally recognized inspection, testing and certification institution, which marks that the Company's information security management has been met the current international authoritative, strictly and widely used information security standard requirements.

(3) On 7 June 2021, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the National Development and Reform Commission jointly released the Work Arrangements for Deepening the Extensive Deployment and Application of IPv6 (hereinafter referred to as "the Work Arrangements"), which clarify the main goals and key tasks for the extensive deployment of IPv6 in 2021, and make careful and accurate arrangements mainly from the aspects of enhancing network carrying capacity, optimizing the service performance of apps, improving terminal support capacity, strengthening the R&D of key technologies, promoting the formulation of standard specifications, and reinforcing security assurance, and aim to promote the extensive deployment and application of IPv6 in a down-to-earth manner by taking multiple measures.

As one of the first batch of Internet enterprises responding to the Action Plan for Advancing the Extensive Deployment of Internet Protocol Version 6 (IPv6), the Company has completed the phased goals for upgrading and transformation of TOP100 domestic Internet apps to IPv6 with its products rated as excellent products in the overall assessment. Next, the Company will add more products to the IPv6 upgrading plan to promote the integrated innovation of the Next Generation Internet and businesses.

II Principal Activity of the Company in the Reporting Period

As one of the top 20 global public game companies, key cultural export companies of China, companies nominated for "Top 30 Cultural Enterprises of China", civilized institutions in Guangdong Province, and Top 30 Cultural Enterprises of Guangzhou, 37 Interactive Entertainment is an outstanding listed Chinese A-share company engaged in comprehensive cultural and entertainment offerings. The Company focuses on cultural and creative businesses based on the development, publishing, and operation of online games. It also invests in the VR segment as part of its Metaverse plan. Meanwhile, it continues to invest in segments such as film and television, music, artist agency, animation, social entertainment, e-sports, culture and health, and new consumption, with an aim to build a comprehensive ecosystem and drive mutual empowerment of business value and cultural value. It has been steadily advancing its development strategy of "boutiqueization, diversification and globalization". With "bringing joy to the world" as its mission, the Company is dedicated to becoming an excellent and sustainable entertainment enterprise.

The Company has been operating in a steady and healthy manner. It adhered to the strategy of "integration of R&D and operation", continued to pursue its strategic objectives, as well as kept driving product diversification and global marketing. During the Reporting Period, the Company recorded operating revenue of RMB16.216 billion, with a year-over-year (YoY) increase of 12.62%; and a net profit attributable to the Listed Company's shareholders of RMB2.876 billion, up by 4.15% YoY. With the continual rollout of the Company's "globalization" strategy, the overseas business soared to a new high in 2021 and the operating revenue from the overseas game business amounted to RMB4.777 billion, increasing by 122.94% YoY.

As a public company, 37 Interactive Entertainment focuses on corporate social responsibility and social welfare. In 2021, it continued to support rural education and industrial development, respond to major social events, etc., playing its part in building a better society. In addition, the Company plans to further invest RMB500 million by 2025 in six areas, including scientific and technological innovation, rural education, rural industrial development, industry-university-research talent training, functional game development, and employee career development, to create shared value with all sectors of society.

1. Main businesses and business models of the Company

During the Reporting Period, the Company's main businesses included the development, publishing, and operation of online games. The operating modes of the Company's online games mainly include independent operation and third-party joint operation.

Under the independent operation mode, the Company obtains the licenses of games through independent R&D or being an

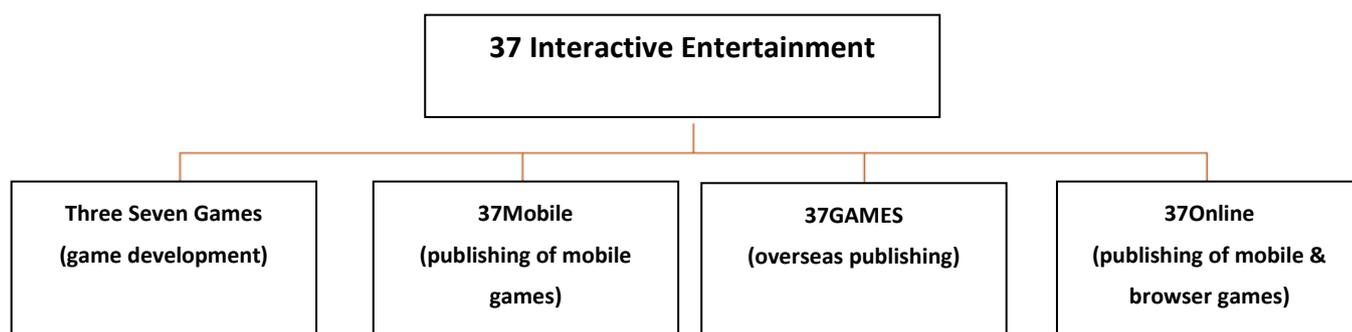
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operator of other games, and publishes and operates these products through its own or third-party channels. The Company is fully responsible for the operation, promotion and maintenance of the games; providing unified management services for online promotion, online customer service and top-up payment; and updating games along with game developers based on the real-time feedback of users and games.

Under the third-party joint operation mode, the Company cooperates with one or more game operators or game application platforms to jointly operate games. And the aforesaid parties are responsible for the management of their own channels, including operation, promotion, the recharge and charge system, while the Company provides technical support services along with game developers.

2. Overview of the Company's main businesses and products

The Company specializes in the development and publishing of games for global players, with the world's leading game development brand "Three Seven Games", as well as professional game publishing brands "37Mobile", "37GAMES" and "37Online". During the Reporting Period, the domestic game industry entered a period of high-quality development. Game players' requirements for the quality of online games have increased significantly, the effect of the boutique strategy has been obvious, and the development of high-quality games has been certified. The Company precisely grasped the industry development trends, made continuous improvements in operation, and remained a top performer in the industry, while adhering to the "boutiqueization, diversification and globalization" strategy.



(I) Mobile game business

During the Reporting Period, the Company recorded operating revenue of RMB 15.364 billion from mobile games, a YoY increase of 15.55%. The mobile game offering has become more diversified, game quality sees considerable improvement, and the mobile game business maintains the leading position in domestic and overseas markets. During the Reporting Period, the Company's newly launched games such as The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决), All for Glory (荣耀大天使), The Soul Land: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), and globally published games such as Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), and Song of the Castle in the Sky (云上城之歌) performed well, continuously promoting boutiqueization, diversification, and market globalization, and achieving milestones.

① Research and development of mobile games

The Company continuously exerts more efforts for R&D, emphasizes R&D investments and R&D talent cultivation, and refines management to improve quality and efficiency. During the Reporting Period, the Company's R&D investments amounted to RMB1.25 billion, up by 12.37% YoY, with an R&D expense ratio of 7.71% and more than 1900 R&D personnel, accounting for 48.97% of the total number of employees. The Company's self-developed team is mainly based in Guangzhou, while the Company has also established R&D subsidiaries or R&D branches in Suzhou, Xiamen, Wuhan and Chengdu to attract multi-category talents. In

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addition, on the basis of self-developed brand, the Company also strengthens its self-development capability by acquiring R&D teams, and cooperates with Shanghai Eyugame, Karma Game, and other excellent game developers in a long-term and in-depth manner through its investments, forming a rich external R&D reserve and diversifying the presence on the product supply side.

The Company gives play to the advantage of the "integration of R&D and operation" strategy, using its own numerical experience to polish the products together with the developers to ensure that the quality of the products reaches a better level before launching. The Company also assists the R&D team in polishing and adjusting the products with the feedback from the operation department, so as to improve the success rate of the products and prolong the product life cycle.

In July 2021, the Company's self-developed battle strategy mobile card game The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) performed well after its launch, ranking as high as the Top 4 of iOS grossing chart and the 11th on average, which is a proof of the Company's boutiqueization strategy. The game is developed using the Next-Gen 3D engine. Through technologies such as real-time seamless day-night switch and dynamic volume-based ray tracing, it creates The Soul Land that meets the fantasies of each fan of The Soul Land with its multi-aspect gameplay design and construction of a friendly social system. The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) represents a practice of the current cutting-edge R&D technologies. It has unified the Company's R&D process and underlying logic in the field of next-gen games, developed a set of systems that can be inherited and constantly iterated, effectively improved the efficiency of game R&D and the ceiling for idea creation, and laid a solid foundation for the Company's boutiqueization strategy.

During the Reporting Period, the Company's R&D profoundly implemented the strategy of "boutiqueization, diversification, and globalization", and its self-developed reserve product projects included game genres such as MMORPG, SLG, card games, and simulation games, while the Company considered the plan of global publishing of products at the early stage of the projects. The Company continued to explore diversification in product types, themes, gameplay, etc. and kept improving art quality. It is dedicated to in-depth exploration and becoming a first-class game company that can provide global players with various gaming products, based on quality content, operation experience in multiple types of products, and advantages in numerical value and gameplay.

Meanwhile, the R&D department has developed the Zeus platform, a middle platform with AI big data computing power. Supported by one-stop service module, the Zeus platform can do deep learning calculations flexibly and freely and realize automated operation and maintenance. It can realize the automation and standardization across the whole process of R&D, deployment and operation, and clear a path for interconnectivity between systems of different departments, thus greatly automating systems and the original business process. The emergence of the platform marks the transfer of equipment resources from reserved mode to on-demand dynamic expansion mode. It sharply cuts costs and increases margins, utilizes idle equipment and provides a flexible computing power environment for data analysts. Based on the three data analysis systems, "Athena", "Poseidon" and "Ares", it helped the research team find and solve problems in a quick and accurate way, further reduced development costs, substantially improved the quality of products, and provided assistance for the refined operation of games. Furthermore, the Company actively explores industry-leading technologies, including carrying out the research on "3D key point detection-based AI motion capture", conducting spatial modeling of videos, and using AI algorithms to achieve high-precision and high-performance motion capture, reduces R&D cost and improves R&D efficiency.

② Publishing of mobile games

1) Domestic market

The Company's advantages in refined operations in the domestic mobile games publishing were highlighted during the Reporting Period. The highest monthly gross billing of its domestic mobile games exceeded RMB1,700 million, with the total number of newly registered users surpassing 300 million and the highest number of MAUs of over 46 million.

During the Reporting Period, the Company brought diversified experiences to players through high-quality

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independently-developed and agency games, insisted on refined operation ideas, improved publishing efficiency through precise marketing methods such as interesting and sentimental marketing ideas and cross-sector collaboration between games and IPs, and achieved remarkable results. The Company was ranked among the top in terms of market share in China's mobile game publishing market.

For instance, The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) is released through "content-based publishing", in which the Company aims to construct a publishing system focusing on underlying gameplays, game content, user experience, and creation of community cultures with the game as the foundation. Highly loyal to the original novel and animation, the Company has consolidated the foundation of content-based publishing with excellent game quality. The publishing plan was made based on content. With the enormous momentum of the Dou Luo IP, the Company is able to constantly expand user boundaries and target audience by attracting potential game players. The Company's Chinese style simulation game The Road to Be Shopkeeper (叫我大掌柜) is developed based on the core gameplay, theme and style of the game, establishing cross-sector collaboration with national tourist attractions, singers, bands, animation IPs, restaurant brands, etc. to find users' interest points, effectively broadening the breadth of brand communication, and promoting the brand's image shaping towards the young generation. In addition, the adventure in another world theme MMORPG Song of the Castle in the Sky (云上城之歌), also breaks through the boundary of the marketing circle by introducing "virtual idol + original music" and establishing collaboration with animation IP, expanding the circle of users and driving the market of younger users.

The Company kept breaking through its previous ARPG-based product publishing ideas, with its publishing and operation capabilities in different categories such as MMORPG, SLG, card games and simulation having been greatly strengthened. Meanwhile, it kept exploring innovative marketing in the younger communities, laying a solid foundation for the publishing and operation of diversified products.

During the Reporting Period, the Company insisted on systematic digital marketing to accurately grasp user needs by delivering creative marketing plans. Through sophisticated operation of launched games, the Company provides players with meticulous and comprehensive long-term service, with a purpose of improving player satisfaction, activity and retention rate to prolong the product life cycle. Multiple games witnessed a second phase of growth in gross billing during the Reporting Period. In terms of multi-channel marketing, the Company had formed a unique marketing approach featuring "branding + sales effects". On the one hand, by selecting spokespersons that are consistent with the product's connotation, the Company produced high-quality micro-film-style promotional materials for promotion. By doing so, it can quickly "break the circle" and reach a wider user group; on the other hand, combinations were made with the short video platform to provide rich material output and to meet the different cultural consumption needs of users in different angles, to further expand the scope of users, and then to enlarge brand value and influence.

In addition, the independently developed intelligent ad platform "Quantum" and intelligent operation analysis platform "Destiny" have been brought to full play, increasing publishing efficiency. On the one hand, "Quantum" can connect with all mainstream channels to achieve rapid and automatic advertising. Meanwhile, the platform can be used together with multiple systems and connect procedures in series to greatly reduce the time to create plans, perform standardized processing of plans in batches, and maintain plans automatically and systematically. Moreover, the platform can improve promotion efficiency and effect through big data analysis and AI algorithms. On the other hand, "Destiny" is a comprehensive operational decision system for statistics, analysis and prediction of game data. The system can accurately predict the life cycle of games through data analysis models, so as to improve user stickiness and stabilize product life cycle.

2) Overseas market

The Company started to work on the overseas market in 2012. With years of overseas operations, the Company made substantial breakthroughs with respect to the strategic expansion of global footprint during the Reporting Period. Its overseas operating revenue amounted to RMB 4.777 billion, up by 122.94% YoY. Its overseas brand, 37GAMES, covered many countries and Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

regions, whose products included SLGs, MMORPG, simulation and card games. During the Reporting Period, the highest monthly gross billing of its overseas mobile games exceeded RMB 700 million, with the total number of newly registered users surpassing 55 million and the highest number of MAUs of over 8.5 million.

During the Reporting Period, the Company's overseas business has grown rapidly and the pace of exporting has been accelerated. Supported by years of accumulation of experience in publishing games overseas, the Company now adopts the strategy of "tailored games" to open up the global market with diversified high-quality games. On the one hand, the Company has formed a product matrix with MMORPG, SLG, card games and simulation games as the cornerstones in overseas market, and focuses on publishing different genres of games in different regions according to the characteristics of the markets. On the other hand, the Company has tailored its operation and promotion strategies to different markets in the publishing and promotion side, and made differentiation in game content and promotion materials in view of the characteristics of local users to better capture and retain local players. Using this strategy, in 2021, the Company's Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), Song of the Castle in the Sky (云上城之歌), The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) and other products achieved overseas revenue growth. In the second half of the year, the Company ranked among the top in overseas revenue chart of Chinese game publishers for several months, with overseas business becoming the second driver of the Company's steady development.

For example, Puzzles & Survival, the Company's phenomenal overseas product that integrates the "match-3 + SLG" gameplay, is attractive and its gameplay is innovative, perfectly integrating the most popular match-3 gameplay in the European and American markets with the traditional heavy SLG gameplay, offering a unique audio-visual experience to users, while deeply implementing the strategy of "tailored games". It achieves outstanding performance in Europe, the US, Japan, Korea and other countries and regions, and becomes a classic case of SLG fusion game that successfully gain new user groups. As at December 2021, the cumulative gross billing of Puzzles & Survival has exceeded RMB 2.50 billion, and the game successfully ranked 4th in the global mobile game revenue growth list in 2021 according to Sensor Tower. After the MMORPG mobile game Song of the Castle in the Sky (云上城之歌) with the theme of otherworldly adventure was launched on the Korean market, it successfully entered the top 5 of the grossing charts in Korean region, and ranked among the top 20 in the overseas revenue chart of domestic mobile games.

In addition, the overseas layout of China's game industry shoulders the important task of cultural transmission. As the "window" of China's cultural exchange, games have become an important way of foreign exchange and dissemination of excellent traditional Chinese culture with the advantage of natural landing and direct contact with people. In 2021, the Company was once again listed in the 2021-2022 national key export enterprises of culture by the Ministry of Commerce, the Central Propaganda Department, the Ministry of Finance, the Ministry of Culture and Tourism, and the General Administration of Radio, Film and Television. It tried to integrate excellent traditional Chinese culture into game themes, content and gameplay, and promotion materials, and constantly advanced foreign players to take interest in the Chinese Culture in their experience and exploration of games by promoting the deep integration of quality games and traditional Chinese culture. For example, The Road to Be Shopkeeper (叫我大掌柜), a mobile game simulating business operation in ancient China published overseas by the Company, integrated historical and cultural elements in innovative ways, adding elements rich in Chinese history and culture such as the Maritime Silk Road, dragon boat racing and shadow play, so as to arouse the interest of global users to experience and explore traditional Chinese culture in the product. The product achieved good responses after it was published in countries such as South Korea, Japan, and Vietnam, and has been ranking among the top in grossing charts in various regions.

After the self-developed mobile card game The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) was launched in 2021 in overseas markets, it quickly topped the grossing charts and free-play charts of Apple and Google in multiple overseas regions, achieving outstanding performance. Self-developed products are increasingly recognized by overseas players. In the future, the Company plans to publish the product in Japan, South Korea and other regions continuously, and integrates IP culture with user content creation for cultural dissemination, allowing local players to feel the unique charm of China's high-quality cultural IP.

The Company pursues the publishing model of publishing diversified, tailored games in big markets around the world, and continues offering more quality Chinese games to global players. During the Reporting Period, the Company steadily ranked in the Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

top 10 of the global revenue rank of Chinese mobile game publishers released every month by Sensor Tower, and ranked as high as the 4th, further proving its overseas multi-region and multi-category publishing ability.

3) Game pipeline

During the Reporting Period, the Company's popular multi-category games such as The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Song of the Castle in the Sky (云上城之歌), Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), The Elves Carnival: The Dawn (精灵盛典: 黎明), The Soul Land H5 (斗罗大陆H5), The Soul Land: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), All for Glory (荣耀大天使), Puzzle Continent (谜题大陆) performed well. In 2022, the Company insists on the strategy of product boutiqueization, diversification and market globalization, and reserves nearly 30 products at home and abroad through self-development, agency and customization, including MMORPG, card games, SLG, simulation games and other categories, covering multi-civilization, magic, fairy tale, urban, female-oriented and other genres. The Company's diversified product matrix has taken shape, and its product structure has been continuously optimized. Part of the Company's pipeline of games under development and testing at home and abroad is as follows:

Part of the Company's Pipeline of Games under Development and Testing— for Domestic Publishing

No.	Game	Expcted region for launch	Product category	Product type	Developer
1	Code Magic M (代号魔幻 M)	Domestic	MMORPG	Western magic	Self-developed
2	Code C6 (代号 C6)	Domestic	Card game	Theme of multi-civilization	Self-developed
3	Code Gu Feng (代号古风)	Domestic	MMORPG	Beautiful ancient style	Self-developed
4	Code WTB 3D (代号 3D 版 WTB)	Domestic	MMORPG	Chibi 3D	Self-developed
5	Code Three Kingdoms BY (代号三国 BY)	Domestic	SLG	Theme of the Three Kingdoms	Self-developed
6	Code AOE (代号 AOE)	Domestic	SLG	History of the medieval times	Self-developed
7	Code CY (代号 CY)	Domestic	Business simulation	Ancient style business	Self-developed
8	Dream of Voyager (梦想大航海)	Domestic	MMORPG	Voyage and shooting	Agency
9	Shu Guang Ji Hua (曙光计划)	Domestic	MMORPG	Future technologies	Agency
10	Kong Zhi Yao Sai: Qi Hang (空之要塞: 启航)	Domestic	Card game	Steampunk	Agency
11	Code YG (代号 YG)	Domestic	SLG	Theme of insects	Agency
12	Code Xiu Xian Zhuan (代号修仙传)	Domestic	MMORPG	Theme of immortality cultivation	Agency
13	Code Er Ci Yuan ZQ (代号二次元 ZQ)	Domestic	Card game	Anime	Agency
14	Code Match-3 Card (代号三消卡牌)	Domestic	Card game	RPG integration	Agency
15	Zui Hou De Yuan Shi Ren (最后的原始人)	Domestic	Card game	Turn-based idle	Agency
16	Code Forest (代号森林)	Domestic	Business	Farming	Agency

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			simulation		
17	Code Magic K Project (代号魔幻 K 计划)	Domestic	MMORPG	Western magic	Agency
18	Code Three Kingdoms CB (代号三国 CB)	Domestic	SLG	Theme of the Three Kingdoms	Agency
19	Code WG (代号 WG)	Domestic	SLG	Multi-civilization realism	Agency
20	Code DG (代号 DG)	Domestic	SLG	Urban construction in the Middle Ages/casual match-3	Agency

Part of the Company's Pipeline of Games under Development and Testing— for Overseas Publishing

No.	Game	Expcted region for launch	Product category	Product type	Developer
1	Code Magic M (代号魔幻 M)	Overseas	MMORPG	Western magic	Self-developed
2	Code C6 (代号 C6)	Overseas	Card game	Theme of multi-civilization	Self-developed
3	Code Gu Feng (代号古风)	Overseas	MMORPG	Beautiful ancient style	Self-developed
4	Code WTB 3D (代号 3D 版 WTB)	Overseas	MMORPG	Chibi 3D	Self-developed
5	Three Kingdoms: Honor of Heroes (三国: 英雄的荣光)	Overseas	SLG	Theme of the Three Kingdoms	Self-developed
6	Code AOE (代号 AOE)	Overseas	SLG	History of the medieval times	Self-developed
7	Code CY (代号 CY)	Overseas	Business simulation	Ancient style business	Self-developed
8	The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决)	Overseas	Card game	Oriental fantasy	Self-developed
9	Code Xiu Xian Zhuan (代号修仙传)	Overseas	MMORPG	Theme of immortality cultivation	Agency
10	Code Magic K Project (代号魔幻 K 计划)	Overseas	MMORPG	Western magic	Agency
11	Kong Zhi Yao Sai: Qi Hang (空之要塞: 启航)	Overseas	Card game	Steampunk	Agency
12	Code S (代号 S)	Overseas	SLG	Western magic	Agency
13	Ant Legion	Overseas	SLG	Theme of insects	Agency
14	Code BX (代号 BX)	Overseas	MMORPG	Western magic	Agency
15	Code ZH (代号 ZH)	Overseas	Business simulation	Business in Japan	Agency
16	Code PK (代号 PK)	Overseas	SLG	Steampunk	Agency

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(2) Browser games

In 2021, the actual sales revenue of China's browser game market was RMB6.03 billion, a decrease of RMB1.578 billion over 2020, down 20.74% YoY, accounting for 2.03% of China's game market revenue. The browser game market is continuing to shrink. During the Reporting Period, the Company's browser game business achieved operating revenue of RMB 829 million, which was lower than that of the same period of last year. It was mainly affected by both the shift of users to mobile phones and the decrease in the number of browser game products. During the Reporting Period, the Company strengthened partnership with domestic top browser game developers through strategic investment and business cooperation on the one hand, on the other hand, the Company also refined the operation of its major quality games, improved user stickiness, stabilized the product life cycle, and further maintained its operating revenue.

3. Business investments

In terms of investment layout, on the one hand, the Company focuses on its main business of games, actively develops quality game R&D companies through strategic investments with a strategic focus on quality content, establishes long-term and in-depth cooperation, enriches the supply of high-quality products in MMORPG, SLG, card games, simulation games and other categories, forms a rich external R&D reserve, diversifies the layout on the product supply side, and makes a strategic layout for the long-term sustainable development of the Company.

On the other hand, the Company has always adhered to the concept of long-term value investment, and continuously explores around the main business of games, while focusing on the new trends of cultural entertainment consumption and technology development of the next generation, following the footsteps of the development of Metaverse era, selecting high-quality tracks for forward-looking layout, realizing the mutual achievement of internal resources, and feeding the Company's main business of games, which has now formed a closed loop of investment ecology covering virtual reality industry chain, film and television, music, artist agency, animation, social entertainment, e-sports, culture and health, social media, new consumption and other fields.

Along with the rise of "Metaverse" and other emerging concepts, the curtain of technological change has been drawn. 37 Interactive Entertainment, as an enterprise that insists on technological innovation and keeps up with the changes in the industry, is firmly optimistic about the future development of the relevant fields.

At present, the Company continues to extend on the basis of early investment in VR/AR content, and enters fields involving multi-Metaverse infrastructure such as arithmetic, semiconductor, optics, display, whole machine, application and infrastructure technology, invests in many high-quality enterprises in the fields including optical module, optical display, AR glasses, VR content, cloud game, spatial intelligence technology and semiconductor materials, and carries out integration of technology and high-quality content. Through the investment layout in the field of technology, the Company realizes the collaboration of internal and external resources, and creates more globalized high-quality digital assets in learning and exploration.

As of the date of this report, cultural & creative and technology enterprises funded or acquired by the Company included:

Metaverse: Archiact, Wave Optics, Raxium, Digilens, Deep Mirror, INMO Technology, Optiark Semiconductor, Enkris Semiconductor, KP Cloud Games

Film and television: Huace Film&TV, Youying Culture, Zhonghui Television, Mowei Pictures, JinhaiShiyi, etc.

Music: FenghuaQishi

Artist agency: Original Plan, and T Entertainment

Animation: YHKT Entertainment, and IDRAGONS Creative Studio

Culture and health: Wake

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E-sports: AG E-Sports Club

Social Entertainment: Wuli Planet and Wonderful Party

Consumption: Nowwa Coffee, LINLEE, Yangji Mountain, Savasana, Duokitty, Dong Eating, GuanZhan, Weeget, HomeRun Technology, EZVALO

In the future, the Company will keep pace with the times, embrace future changes, continue to tap the incremental market of Generation Z, explore the collaboration of resources within the cultural innovation ecosystem, build a "young and diversified" cultural innovation brand trusted by the future Chinese young generation, and at the same time, drive startups with investment, participate in promoting social technology innovation, and collaborate with invested enterprises to achieve sustainable and high-quality growth.

III Core Competitiveness Analysis

During the Reporting Period, the Company steadily promoted the development strategy of "boutiqueization, diversification and globalization" and formed the following core competitiveness:

1. Industry-leading R&D strength

The Company carries on with its strategy of "integration of R&D and operation", as well as emphasizes R&D investments and talent cultivation. After years of efforts in R&D, the Company is ranked among the top in terms of R&D strengths. The Company's independently developed products are characterized by high output, a high success rate and a long period, and center on "boutiqueization, diversification and globalization". The Company keeps strengthening R&D. R&D investments amounted to RMB1.25 billion during the Reporting Period, up by 12.37% YoY. With the support of cutting-edge technologies like Next-Gen 3D engine, AI, and big data analysis platforms, the Company has established a professional layout in multiple market segments like MMORPG, card games, SLG, and simulation. With sophisticated efforts in gameplay, art quality, music and other details, as well as continued investments in product iteration and user experience, the "boutiqueization" strategy is embedded into the entire life cycle of the Company's homegrown products, making it a benchmark for the R&D of quality games in the industry.

Adhering to the long-term development idea, the Company opened up development channels for professionals, and embraced employee diversity. Moreover, it encouraged innovation by employees and increased the proportion of senior R&D staff to build an excellent team. The Company vigorously refined the mechanism for R&D project approval, shortened the evaluation cycle and established diversified indicators, so as to stimulate employees' innovative vitality. At the same time, the Company adjusted the incentive mechanism for the R&D department, established a tiered incentive system for different categories of products, promoted the incentive for new categories of products, and encouraged employees to be creative and step out of their comfort zone. The Company has also established a project lifecycle management process for game development, which run through many links, such as idea creation, project approval, process and review, to achieve the risk control of the entire R&D process, greatly improve the success rate of product R&D while effectively controlling the cost, and lay the foundation for creating diverse, high-quality games. Internal management continued to improve, with leaner and more scientific management in terms of game development. At the same time, the way of selecting the track for R&D personnel allocation by the producer makes him or her focus more on the category segment he or she is good at, further concentrate resources, form a joint force and improve R&D efficiency.

2. Excellent publishing strength

During the Reporting Period, the Company maintained its leading position in mobile game and browser game publishing business. 37 Interactive Entertainment enriched the product supply via independent R&D, investments, and cooperation with excellent developers, improved the ability in publishing diverse, high-quality games and promoted the publishing strength to a new

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height. In 2021, the Company expanded its product matrix and offered diversified gaming experience to players by launching quality games in different types and on varied themes, including The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Song of the Castle in the Sky (云上城之歌), The Soul Land H5 (斗罗大陆H5), The Soul Land: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), All for Glory (荣耀大天使), The Elves Carnival: The Dawn (精灵盛典: 黎明), Puzzle Continent (谜题大陆), and The City of Superpowers (异能都市) in the domestic mobile game market, all of which have recorded an excellent performance. Meanwhile, the Company has accumulated rich experience in overseas game publishing thanks to years of practice. Breakthroughs have been made in the publishing areas and game categories. With its overseas business covering over 200 countries and regions, the Company improved its global influence. The Company successfully launched multiple independently-developed and agent products such as Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), Song of the Castle in the Sky (云上城之歌), Swords of Archangels (大天使之剑), and The Soul Land H5 (斗罗大陆H5). Going forward, the Company will further play its existing advantages in overseas markets, constantly expand the scale of overseas business based on its strong game R&D capacity and localized marketing capabilities, and make new contributions to promoting the Chinese culture industry and boosting cultural confidence.

The Company constantly sought innovative publishing approaches, and thus created a barrier to entry for competitors in game publishing. First, the Company developed its own AI system to improve the ability of accurate ad placement. With this system, the Company has optimized placement methods, improved the quality of materials, took advantage of high-quality materials, and thereby effectively controlled the marketing cost. Second, the efficiency of publishing, including tool construction and data algorithm to help form a real-time monitoring system and reduce cost waste. The Company puts forward the publishing idea of “branding + sales effects”, grasps the market changes to carry out high-quality publicity, and attracts target users for better distribution results. The Company possesses strong capabilities for operation and optimization in numerical management, process optimization, event planning, etc. After the launch of games, the Company continues to improve the quality of games, attract users through better content and prolong the product life cycle.

3. Advantage of the model of “integration of R&D and operation”

As the Company’s business mode of “integration of R&D and operation” becomes sophisticated, it is conducive to making full use of resources and creating quality products from a long-term perspective. On the one hand, the Company can ensure the stable supply of quality products to support the operation development through strong R&D strengths. At the same time, the R&D team can utilize the feedback of the operation department to optimize products and extend the product life cycle. On the other hand, at the early stage of product R&D, the operation team can provide advises and suggestions to the R&D team based on its years of experience and keen market insights.

4. Team strengths

The Company has been deeply involved in the field of cultural and creative industries for many years. Its core management team has long been on the front lines of the industry, and has forward-looking capabilities for strategic layout. During the Reporting Period, thanks to its outstanding performance in terms of the development speed and personnel training and development, the Company won the title of “the Best Employer” of CNG. The Company has established a fully-fledged personnel training system. It has completed the personnel system reform, made new promotion mechanism, remuneration management system and incentive mechanism. The new promotion and remuneration management system does not only make the employee’s growth path clearer, more open and more transparent but also motivates their enthusiasm and creativity in a better way. The Company lays emphasis on the sharing of development achievements and is committed to improving the career development level of employees. During the Reporting Period, the Company launched a value co-creation plan with a further investment of RMB500 million in six directions, including the employee development plan before 2025, so as to encourage employees to better strive and create value and promote the long-term, sustainable and healthy development of the Company, realizing joint creation, responsibility sharing, growth sharing and common prosperity between the Company and its employees. The Company has always adhered to the entrepreneurial spirit like marathoners and been clear about its goals. It aims to promote sustainable development, and Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

progressively realize long-term goals rather than short-term ones.

IV Core Business Analysis

1. Overview

See “II Principal Activity of the Company in the Reporting Period” above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2021		2020		Change (%)
	Amount	As % of operating revenue (%)	Amount	As % of operating revenue (%)	
Total operating revenue	16,216,498,239.02	100%	14,399,703,084.56	100%	12.62%
By operating division					
Online games	16,216,498,239.02	100.00%	14,399,703,084.56	100.00%	12.62%
By product category					
Mobile games	15,363,931,421.93	94.74%	13,295,895,373.41	92.33%	15.55%
Browser games	829,434,830.89	5.11%	1,079,617,086.01	7.50%	-23.17%
Others	23,131,986.20	0.14%	24,190,625.14	0.17%	-4.38%
By operating segment					
Domestic	11,439,384,280.51	70.54%	12,256,885,640.40	85.12%	-6.67%
Overseas	4,777,113,958.51	29.46%	2,142,817,444.16	14.88%	122.94%
By marketing model					
Independent operation	13,040,897,289.84	80.42%	10,270,770,907.92	71.33%	26.97%
Joint operation and Others	3,175,600,949.18	19.58%	4,128,932,176.64	28.68%	-23.09%

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

Unit: RMB

	2021				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	3,817,828,43	3,721,120,94	4,571,714,14	4,105,834,71	4,343,108,71	3,645,566,47	3,300,855,13	3,110,172,75

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	4.02	4.51	2.74	7.75	9.33	6.24	2.34	6.65
Net profit attributable to the Listed Company's shareholders	116,773,000.58	736,944,855.07	867,467,406.86	1,154,390,615.11	728,824,406.61	970,911,716.85	560,489,992.17	500,725,359.59

Reasons for business seasonality (or periodicity) and risk of fluctuations:

There is no significant seasonality or periodicity in the operations of the Company.

(2) Operating Division, Product Category, Operating Segment and Marketing Model Contributing over 10% of Operating Revenue or Operating Profit

Applicable Not applicable

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Online games	16,216,498,239.02	2,466,077,310.61	84.79%	12.62%	40.29%	-3.00%
By product category						
Mobile games	15,363,931,421.93	2,210,997,062.20	85.61%	15.55%	49.09%	-3.24%
Browser games	829,434,830.89	239,981,069.59	71.07%	-23.17%	-8.67%	-4.59%
Others	23,131,986.20	15,099,178.82	34.73%	-4.38%	25.71%	-15.62%
By operating segment						
Domestic	11,439,384,280.51	1,664,591,263.72	85.45%	-6.67%	19.08%	-3.15%
Overseas	4,777,113,958.51	801,486,046.89	83.22%	122.94%	122.66%	0.02%

Core business data restated according to the changed methods of measurement that occurred in the Reporting Period:

Applicable Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue

Yes No

(4) Execution Progress of Major Signed Sales and Purchase Contracts in the Reporting Period

Applicable Not applicable

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(5) Breakdown of Cost of Sales

By operating division

Unit: RMB

Operating division	Items	2021		2020		Change (%)
		Amount	As % of cost of sales	Amount	As % of cost of sales	
Online games	Royalties	2,224,099,867.14	90.19%	1,560,019,412.64	88.75%	42.57%
Online games	Cost of servers	173,920,755.98	7.05%	147,742,407.21	8.41%	17.72%
Online games	Amortization of copyright money	51,480,589.10	2.09%	36,340,772.79	2.07%	41.66%
Online games	Other costs	16,576,098.39	0.67%	13,680,957.12	0.78%	21.16%
Online games	Total	2,466,077,310.61	100.00%	1,757,783,549.76	100.00%	40.29%

Note: Other costs are mainly labor costs.

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

Breakdown of the cost of sales for the core business:

Unit: RMB

Breakdown of cost	2021		2020		Change (%)
	Amount	As % of cost of sales	Amount	As % of cost of sales	
Royalties	2,224,099,867.14	90.19%	1,560,019,412.64	88.75%	42.57%
Cost of servers	173,920,755.98	7.05%	147,742,407.21	8.41%	17.72%
Amortization of copyright money	51,480,589.10	2.09%	36,340,772.79	2.07%	41.66%
Other costs	16,576,098.39	0.67%	13,680,957.12	0.78%	21.16%
Total	2,466,077,310.61	100.00%	1,757,783,549.76	100.00%	40.29%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

For details, see Note VIII Changes in the Scope of Consolidated Financial Statements in Part X.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

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Total sales to top five customers (RMB)	7,094,841,977.13
Total sales to top five customers as a % of total sales of the Reporting Period (%)	43.75%
Total sales to related parties among top five customers as a % of total sales of the Reporting Period (%)	0.00%

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As a % of total sales revenue (%)
1	Customer A	3,474,206,789.82	21.42%
2	Customer B	2,062,294,433.15	12.72%
3	Customer C	731,095,954.64	4.51%
4	Customer D	513,300,589.44	3.16%
5	Customer E	313,944,210.08	1.94%
Total	--	7,094,841,977.13	43.75%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	1,212,808,363.24
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	49.18%
Total purchases from related parties among top five suppliers as a % of total purchases of the Reporting Period (%)	0.00%

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As a % of total purchases (%)
1	Supplier A	432,350,198.01	17.53%
2	Supplier B	236,755,769.31	9.60%
3	Supplier C	227,832,000.82	9.24%
4	Supplier D	160,123,607.74	6.49%
5	Supplier E	155,746,787.36	6.32%
Total	--	1,212,808,363.24	49.18%

Other information about major suppliers:

Applicable Not applicable

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3. Expenses

Unit: RMB

Project	2021	2020	Change (%)	Reason for any significant change
Distribution and selling expenses	9,125,341,989.92	8,212,936,504.81	11.11%	The Company increased Internet traffic expenditures for a variety of newly launched games such as All for Glory (荣耀大天使), The Soul Land: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), Peerless King (绝世仙王), and Puzzles & Survival (launched globally), resulting in an increase in Internet traffic fee charges.
General and administrative expenses	462,767,933.71	366,208,400.81	26.37%	1) The increased number of management personnel compared with last year and the adjusted remuneration policy resulted in an increase in expenditures on employee benefits; 2) Right-of-land-use amortization expenses increased.
Financial expenses	-55,181,848.40	-23,004,271.22	-139.88%	1) Interest expense decreased during the Reporting Period; and 2) Gain on exchange increased.
Research and development expenses	1,250,238,810.24	1,112,654,352.49	12.37%	The Company increased R&D investments, and refined the remuneration and incentive mechanism, resulting in increased expenditures on the remunerations and benefits of the R&D personnel.

4. R&D Investments

√ Applicable □ Not applicable

Major R&D project	Purpose	Progress	Specific objectives	Expected impact on the Company
Code Magic M (代号 魔幻 M)	To enrich the product matrix and improve product competitiveness	Under development	To become a benchmark game product with Western magic realism and next-generation quality	To further enhance the R&D capacity and consolidate the leading position in the industry
Code C6 (代号 C6)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality card game product with next-generation quality	To further enhance the R&D capacity and consolidate the leading position in the

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				industry
Code Gu Feng (代号古风)	To enrich the product matrix and improve product competitiveness	Under development	To become a beautiful and exquisite female-oriented turn-based game product	To further enhance the R&D capacity and consolidate the leading position in the industry
Code WTB 3D (代号3D版WTB)	To enrich the product matrix and improve product competitiveness	Under development	To become a chibi version of Japanese fantastic style boutique game product	To further enhance the R&D capacity and consolidate the leading position in the industry
Code Three Kingdoms BY (代号三国BY)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality national war SLG game product with top art quality	To further enhance the R&D capacity and consolidate the leading position in the industry
Code AOE (代号AOE)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality SLG game product with in-depth battlefield strategies	To further enhance the R&D capacity and consolidate the leading position in the industry
Code CY (代号CY)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality simulative operation boutique game product	To further enhance the R&D capacity and consolidate the leading position in the industry
Three Kingdoms: Honor of Heroes (三国: 英雄的荣光)	To enrich the product matrix and improve product competitiveness	Launched in Hong Kong, Macao and Taiwan in January 2022	To become a high-quality national war SLG game product with top art quality	To further enhance the R&D capacity and consolidate the leading position in the industry

Details about R&D personnel:

	2021	2020	Change (%)
Number of R&D personnel	1,957	2,343	-16.47%
R&D personnel as % of total employees	48.97%	57.68%	-8.71%
Educational background of R&D personnel	---	---	---
Bachelor's degree	1,426	1,657	-13.94%
Master's degree	87	88	-1.14%
Junior college and below	444	598	-25.75%
Age structure of R&D personnel	---	---	---
Below 30	1,416	1,731	-18.20%
30~40	534	597	-10.55%
Over 40	7	15	-53.33%

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Details about R&D investments:

	2021	2020	Change (%)
R&D investments (RMB)	1,250,238,810.24	1,112,654,352.49	12.37%
R&D investments as % of operating revenue	7.71%	7.73%	-0.02%
Capitalized R&D investments (RMB)	0.00	0.00	0.00%
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	0.00%

Reasons for any significant change in the composition of R&D personnel and the impact:

Applicable Not applicable

Reasons for any significant YoY change in the percentage of R&D investments in operating revenue:

Applicable Not applicable

Reason for any sharp variation in the percentage of capitalized R&D investments and rationale:

Applicable Not applicable

5. Cash Flows

Unit: RMB

Items	2021	2020	Change (%)
Sub-total of cash inflows from operating activities	17,002,262,607.58	15,534,023,490.34	9.45%
Sub-total of cash outflows used in operating activities	13,343,513,666.55	12,606,086,185.69	5.85%
Net cash flows from operating activities	3,658,748,941.03	2,927,937,304.65	24.96%
Sub-total of cash inflows from investing activities	6,570,566,715.25	6,993,035,534.58	-6.04%
Sub-total of cash outflows used in investing activities	7,653,483,295.72	7,602,685,681.65	0.67%
Net cash flows used in investing activities	-1,082,916,580.47	-609,650,147.07	-77.63%
Sub-total of cash inflows from financing activities	3,450,887,344.10	889,324,326.07	288.03%
Sub-total of cash outflows used in financing activities	3,164,066,053.63	3,517,673,494.41	-10.05%
Net cash flows used in financing activities	286,821,290.47	-2,628,349,168.34	110.91%

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Net increase in cash and cash equivalents	2,844,312,226.83	-361,178,898.22	887.51%
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Explanation of why any of the data above varies significantly on a year-over-year basis:

Applicable Not applicable

Sub-total of cash inflows from financing activities increased 288.03% YoY, primarily driven by cash received in the new offering of shares implemented by the Company in the Reporting Period.

Explanation of why the net cash flows from operating activities varied significantly from the net profit of the Reporting Period:

Applicable Not applicable

The net cash flows from operating activities varied from the net profit of the Reporting Period primarily because items of asset impairment allowances, asset depreciation and amortization, deferred income tax expense, gain on changes in fair value, investment income, etc. did not affect cash flows from operating activities but did affect net profit, and there were movements in trade receivables and payables. For further information, see “52. Supplementary information for the cash flow statement” in Note VII of Part X.

V Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As % of profit before income tax expenses	Reason/source	Recurrent or not
Investment income	122,970,638.91	3.79%	Mainly due to gains on investments from disposal of equity investments, dividends during the period of holding equity investments, and wealth management products	Not
Gain/loss on changes in fair value	77,766,109.01	2.39%	Mainly due to changes in fair value of equity investments	Not
Impairment loss on assets	39,224,372.19	1.21%	Mainly due to impairment losses on long-term equity investments and credit	Impairment losses on long-term equity investments are not recurrent while impairment losses on credit risk are recurrent
Non-operating income	4,395,931.93	0.14%	Mainly due to compensation income	Not
Non-operating expenses	16,631,950.41	0.51%	Mainly due to charity donations	Not
Other income	167,198,424.90	5.15%	Mainly due to refund of VAT, over-deductions of VAT and input tax and other government grants given in the Company's ordinary course of business	Refund VAT and over-deductions of VAT and input tax is recurrent while other government grants are not.

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VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2021		1 January 2021		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary funds	4,618,532,776.92	31.99%	1,776,856,909.85	16.70%	15.29%	Cash received in the new offering of shares implemented by the Company in the Reporting Period
Accounts receivable	1,264,319,473.08	8.76%	1,164,657,998.35	10.95%	-2.19%	No significant change
Long-term equity investments	509,058,912.99	3.53%	360,566,552.56	3.39%	0.14%	Long-term equity investments as a percentage of total assets did not change significantly. The ending amount was higher than the beginning amount primarily driven by new equity investments made during the Reporting Period. For further information, see "7. Long-term equity investments" in Note VII of Part X.
Fixed assets	892,006,774.60	6.18%	922,736,638.76	8.67%	-2.49%	No significant change
Construction in progress	77,637,189.70	0.54%	4,180,019.75	0.04%	0.50%	Construction in progress as a percentage of total assets did not change significantly. The ending amount was higher than the beginning amount primarily driven by investments in the construction of the Company's Headquarters Building in Guangzhou in the Reporting Period.

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Right-of-use assets	59,925,125.24	0.42%	75,894,431.88	0.71%	-0.29%	No significant change
Short-term loans	445,635,500.00	3.09%	889,324,326.07	8.36%	-5.27%	Repayment of financings obtained through notes which became due in the Reporting Period
Contract liabilities	260,658,631.26	1.81%	204,231,829.45	1.92%	-0.11%	No significant change
Long-term loans	20,000,000.00	0.14%		0.00%	0.14%	New three-year bank loan in the Reporting Period
Lease liabilities	39,641,414.25	0.27%	57,211,118.22	0.54%	-0.27%	No significant change
Trading financial assets	2,098,526,001.60	14.54%	1,321,234,029.61	12.42%	2.12%	Increases in the balances of low-risk bank's wealth management products and structured deposits purchased by the Company for higher capital returns
Other payables	199,296,971.30	1.38%	1,317,972,818.79	12.39%	-11.01%	The Company paid for the acquisition of minority interests in Guangzhou 37 Network Technology Co., Ltd. in the Reporting Period
Prepayments	1,055,295,139.07	7.31%	999,890,031.00	9.40%	-2.09%	No significant change
Intangible assets	1,088,487,381.04	7.54%	1,108,434,647.51	10.42%	-2.88%	No significant change
Accounts payable	1,565,004,179.17	10.84%	1,078,096,658.12	10.13%	0.71%	Increase in Internet traffic fee charges payable, no significant change in the proportion of total assets

Indicate whether overseas assets account for a higher percentage of total assets.

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk or not
Monetary funds	Income from investments and operations	1,255,831,990.87	Hong Kong, the US, etc.		A sound business supervision mechanism and a		11.57%	

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					sound risk control mechanism have been put in place			
Other equity assets	Investments in overseas companies	384,394,357.14	Hong Kong, Canada, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place	77,747,984.66	3.54%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes through equity	Impairment allowance made in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Trading financial assets (exclusive of derivative financial assets)	1,321,234,029.61	95,277,092.81			6,451,873,382.71	5,765,955,380.98	-3,903,122.55	2,098,526,001.60
4. Other equity investments	294,824,927.02		-133,972,878.67		41,000,000.00	3,000,000.00	-902,496.77	326,561,477.94
Other non-current financial assets	372,195,483.93	-17,510,983.80			281,174,566.00	73,992,294.70	-186,141.40	561,680,630.03

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Total of the above	1,988,254,440.56	77,766,109.01	-133,972,878.67		6,774,047,948.71	5,842,947,675.68	-4,991,760.72	2,986,768,109.57
Financial liabilities	0.00							0.00

Contents of other changes:

Other changes were incurred by exchange rate fluctuations, etc.

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as at the End of the Reporting Period

Unit: RMB

Item	Ending carrying amount(RMB)	Reason for restriction
Monetary funds	139,041.54	Money frozen by bank and security deposits
Fixed assets-constructions	27,819,584.42	As collateral for bank loan to the Company
Total	27,958,625.96	

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount in 2021 (RMB)	Total investment amount in 2020 (RMB)	Change (%)
7,071,976,460.56	9,833,076,338.66	-28.08%

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

Unit: RMB

Investee	Principal activity	Way of investment	Amount of investment	The Company's interest	Funding source	Co-investor	Term of investment	Type of the investee's products	Investment progress as of the balance sheet date	Anticipated income	Investment income in the Reporting Period	Any legal matter involved or not	Date (if any) of disclosure	Index (if any) to disclosed information
Chengdu Longyou Tianxia Technology Co., Ltd.	Technology development, consultancy, transfer and services of computer software and hardware; Internet information technology services; computer system integration; basic software services; application software services; multimedia design; arts and crafts design; design, production, agency, and release of ads (excluding balloon ads); technology consultancy; information system integration services; network engineering design and construction (construction works operated with qualification certificate); communication and automation control system development.	Capital increase	5,000,000.00	20.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-905,944.48	Not		
Chengdu Jianguo Guangnian Technology Co., Ltd.	Licensed activities: All kinds of engineering construction activities. (Business activities that require approval according to law shall be carried out only after approval from relevant authorities is obtained. The specific business activities shall be subject to the approval documents or licenses issued by the relevant authorities.) General activities:	Incorporation	20,000,000.00	30.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-1,871,020.44	Not		

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	Software development; development of animation and gaming; information system integration services; graphic design and production; office services; information consultant services (excluding the information consultant services requiring any license); online sale (excluding the sale of goods requiring any license); technical services, technological development, technological consultation, technical exchange, technology transfer, technology promotion; sale of software; IT consultant services; big data services; sale of cloud computing equipment; Internet data services; the associated software and services of blockchain technology; sale of artificial intelligence hardware; application development of artificial intelligence; basic software development of artificial intelligence; research and development of Internet of Things technology; technical services of Internet of Things; sale of integrated circuit; professional design services; wholesale of computer software, hardware, and auxiliary equipment; sale of office supplies; sale of electronic products.												
Shanghai Dragons	Licensed activities: The second type of value-added telecommunication business;	Capital increase	21,000,000.00	21.00%	Self-funded	None	Permanent	Game development	Ownership change		-2,013,979.31	Not	

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Hunter Network Technology Co., Ltd.	import and export of goods; import and export of technologies. (Business activities that require approval according to law shall be carried out only after approval from relevant authorities is obtained. The specific business activities shall be subject to the approval documents or licenses issued by the relevant authorities.) General activities: Technical services, technological development, technological consultation, technical exchange, technology transfer, technology promotion; software development; retail of computer software, hardware, and auxiliary equipment; sale of telecommunication equipment; sale of electronic products; personal business services.								completed with the industrial and commercial administration				
FTX Technology Shenzhen Co. Ltd.	General business activities: Network technology development, with the licensed business activities as follows: Development, operation, and maintenance of online games (restrictive activities shall be put into operation after license is obtained); information service business (limited to Internet information services).	Capital increase	30,000,000.00	20.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-1,450,910.31	Not	
Shanghai Chimeng Network	General activities: Technical services, technological development, technological consultation, technical exchange, technology	Capital increase	15,000,000.00	25.00%	Self-funded	None	Permanent	Game development	Ownership change completed with		-2,570,641.60	Not	

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Technology Co., Ltd.	transfer, technology promotion; Internet data services; software development; information system integration services; intelligent control system integration; software development of digital culture originality; advertising design and agency; enterprise image planning; graphic design and production; organization of cultural and artistic exchange activities; enterprise management; information consultant services (excluding the information consultant services requiring any license); conference and exhibition services; wholesale of computer software, hardware, and auxiliary equipment; sale of toys.								the industrial and commercial administration				
Guangzhou Chumen Network Technology Co., Ltd.	Advertising production; advertising release (excluding that of radio and television stations, and newspaper and periodical publishers); advertising design and agency; technical services, technological development, technological consultation, technical exchange, technology transfer, technology promotion; production and services of digital content (excluding publication and issuance); software development; professional design services; information system integration services; the second type of value-added	Incorporation	12,500,000.00	30.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-72,297.65	Not	

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	telecommunication business; Internet information services; import and export of technologies.													
Shanghai Woowii Network Technology Co., Ltd.	It is engaged in technological development, technology transfer, technical services, and technological consultation in the fields of network; computer, and information technologies; animation design; sale of computer software, hardware, and auxiliary equipment, handicrafts (excluding ivory and its products), toys; stationery, clothing and accessories, articles of daily use, and communication equipment; import and export of goods and technologies; e-commerce (value-added telecommunication and financial business is prohibited).	Capital increase	70,000,000.00	20.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-560,860.28	Not		
Guangzhou Shilizuo Catering Management Co., Ltd.	Wholesale of fresh fruits; sale of vending machines; brand management; management services of commercial complex; trade brokerage; sale of daily used glassware; investment activities with self-owned funds; hotel management; catering management; take-out delivery services; enterprise management; enterprise management consultation; enterprise image planning; consultation planning services; conference and exhibition	Capital increase	27,000,000.00	18.00%	Self-funded	None	Permanent	Food	Ownership change completed with the industrial and commercial administration		-1,908,322.97	Not		

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	services; sale of daily used articles; sale of daily used groceries; retail of fresh fruits; sale of enamelware; sale of special ceramics; domestic trading agency; beverage production; catering services; small-sized catering; food business (selling pre-packed food); food business (selling unpacked food); small-sized business of catering, grocery, and mill.													
Suzhou Xingli Network Technology Co., Ltd.	Software development; network engineering; IT consultant services; information system integration services; distribution of computer software, hardware, and auxiliary equipment; professional design services; organization and planning of large-scale activities; design, production, agency and release of advertisements; conference and exhibition services; analytic and investigating services of market; commercial consultant services; enterprise marketing planning; design services of animation products; broker services of cultural entertainment. (Business activities that require approval according to law shall be carried out only after approval from relevant authorities is obtained.) Licensed activities: Food business; online sale of food (Business activities that require	Capital increase	30,000,000.00	6.90%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration				Not	

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	approval according to law shall be carried out only after approval from relevant authorities is obtained. The specific business activities shall be subject to the approval documents or licenses issued by the relevant authorities). General activities: Online sale (excluding the sale of goods requiring any license).												
Beijing Qixu Beibei Technology Co., Ltd.	Technological development; technological consultation; technology transfer; technical services, technology promotion (excluding those for stem cells, genetic diagnosis and treatment of human); software development; conference services; sale of electronic products, clothing, shoes and hats; communication equipment; clocks and watches; glasses; electric appliances; design, production, agency, and release of advertisements; marketing planning; undertaking of exhibitions and shows; manufacturing consignment of food; sale of food. (This enterprise was domestically invested before December 3, 2020; and was changed to be foreign invested after December 3, 2020. Market entities have the right to select and carry out business activities in accordance with laws and regulations; business activities that involve	Capital increase	15,000,000.00	6.64%	Self-funded	None	Permanent	Food	Ownership change completed with the industrial and commercial administration			Not	

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	food selling and that require approval in accordance with law shall be subject to approval by relevant authorities for an approved scope; business activities are subject to the prohibition and restriction of the industrial policies of the state and the city.)												
YOULIFE HOLDINGS	Licensed activities: Labor dispatch services; job intermediary activities. (Business activities that require approval according to law shall be carried out only after approval from relevant authorities is obtained. The specific business activities shall be subject to the approval documents or licenses issued by the relevant authorities.) General activities: Technological development, technology transfer, technological consultation, and technical services in the field of Information technology; software development; information system integration services; design, production, agency and release of advertisements; services of exhibitions and shows, consultant services of commercial information; warehousing (excluding hazardous goods); manual loading and unloading (excluding hazardous goods); production section management in the	Capital increase	20,000,000.00	0.90%	Self-funded	None	Permanent	Blue collar employment + vocational education	Ownership change completed with the industrial and commercial administration			Not	

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	means of service outsourcing; human resources management in the means of service outsourcing; plant operation management, sale of electronic and network equipment.												
Guangzhou Moji Technology Co., Ltd.	Technological research and development of electronics, communication, and automatic control; technical services of information electronics; technological development and technical services of computer; research and development of network technologies, design services of packing and decoration; advertising industry; wholesale trade of commodities (excluding the commodities requiring any license or approval); retail trade of commodities (excluding the commodities requiring any license or approval); wholesale of vegetables; retail of vegetables; wholesale of fruits; wholesale of grains and potatoes; wholesale of grain by-products; purchasing of agricultural and sideline products; retail of other meat products (excluding pork, beef, and mutton); comprehensive retail of daily used groceries; wholesale of electric appliances; domestic services; wholesale of fresh poultry; retail of fresh poultry; information system integration services; data services of	Capital increase	16,000,000.00	5.00%	Self-funded	None	Permanent	New consumer goods	Ownership change completed with the industrial and commercial administration			Not	

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	processing and storage; software development; design of integrated circuit; IT consultant services; retail of fruits; retail of pre-packed food; wholesale of pre-packed food; wholesale of health-care food (the specific business activities are subject to <i>Food Business License</i>); retail of health-care food (the specific business activities are subject to <i>Food Business License</i>).													
Dongguan HomeRun Technology Co., Ltd.	Research and development and design of robots, intelligent furniture, electronic products, communication products, telecommunication equipment, mobile client terminals, as well as provision of associated technological consultation and technical services; wholesale and retail of pet supplies, pet food, and daily used articles; technological development, technology transfer, online sale, and domestic trade agency of computer software, educational equipment, and toys; design and production of computer software; business information consulting, and pet beauty services; design, production, release, and agency of domestic and overseas advertisements; import and export of goods and technologies (excluding import and export of those prohibited by the state	Capital increase	21,000,000.00	9.00%	Self-funded	None	Permanent	New consumer goods	Ownership change completed with the industrial and commercial administration			Not		

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	and subject to administrative approval).													
Guangzhou Leyaoyao Information Technology Co., Ltd.	Retail trade of commodities (excluding the commodities subject to license or approval); import and export of goods (except franchised and specially controlled goods); online sale of commodities (excluding the commodities subject to license or approval); import and export of technologies; wholesale trade of commodities (excluding the commodities subject to license or approval); retail of electronic products; retail of software; services of software; development of software; research and development of computer hardware; wholesale of products of safety technologies and protection; retail of products of safety technologies and protection; research and development of network technologies; IT consultant services; promotion services of network information technology; advertising industry; wholesale of electronic products; value-added telecommunication services (business categories subject to the content clarified by <i>License of Value-added Telecommunication Services</i>).	Capital increase	50,000,000.00	2.59%	Self-funded	None	Permanent	Equipment renovation	Ownership change completed with the industrial and commercial administration			Not		
Guangdong Ginseng	Research services for food science and technology; research and development on health science projects; wholesale of dry	Capital increase	20,000,000.00	2.08%	Self-funded	None	Permanent	Food	Ownership change completed with			Not		

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Essence Health and Technology Co., Ltd.	seafood; retail of dry seafood; services for developing biological technologies; services of conference and exhibition; consultant services of enterprise management; investment of enterprise with self-owned funds; planning services for marketing; retail of edible mushrooms; wholesale of edible mushrooms; comprehensive retail of daily used groceries; services of planning originality; import and export of goods (except franchised and specially controlled goods); retail of pre-packed food; wholesale of pre-packed food; retail of dairy products; wholesale of dairy products.								the industrial and commercial administration					
Gongqing cheng Feidian Hongchuan Investment Partnership (Limited Partnership)	General activities: Venture capital, project investment, and industrial investment. (Without the authorization of financial regulators, the entity is prohibited to undertake such financial business as absorption of deposits, financing assurance, provision of financial management for clients; or collecting funds (financing) to the society and public.) (Apart from licensed business activities, the entity may make its own decision to operate its business activities that are not prohibited or restricted by law or regulation.)	Capital increase	13,079,470.20	20.66%	Self-funded	None	Permanent	Fund	Ownership change completed with the industrial and commercial administration			Not	30 October 2021	http://www.cninfo.com.cn
Beijing	Catering services; retail of publications; sale	Capital	10,000,000.00	10.00%	Self-fun	None	Permanent	Food	Ownership			Not		

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Qingchun Zhaolu Tea Co., Ltd.	of food; sale of ceramics, glassware, leather products, daily used articles, bags and suitcases, furniture, electric appliances, electronic products, and primary edible produces; catering management; product design; technological development and technology promotion, marketing planning, business information consulting and enterprise management consulting.	increase			ded				change completed with the industrial and commercial administration					
Shenzhen Optiark Semiconductor Technology Co., Ltd.	General business activities: Development, technological consultation, and technology transfer of the software for designing micro-nano chips. Licensed business activities include such high-end and advanced technological development and manufacturing as semiconductor chips; diffraction optical chips; optical modules; modules for micro-projection; micro-nano semiconductor materials and processes.	Capital increase	15,000,000.00	1.87%	Self-funded	None	Permanent	Visual display	Ownership change completed with the industrial and commercial administration			Not		
Guangzhou Blispring Cosmetics Technology Co., Ltd.	The natural and scientific research and experimental development of cosmetics; wholesale of cosmetics; retail of daily used groceries; manufacturing of daily used groceries; sale of electric appliances; manufacturing of electric appliances; sale of Class II medical appliances; consultant services of sale information (excluding information consultant services subject to a	Capital increase	15,000,000.00	1.72%	Self-funded	None	Permanent	New consumer goods	Ownership change completed with the industrial and commercial administration			Not		

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	license); production of cosmetics.													
Weeget Inc.	Technological development and technical services of computer; technical services of information electronics; research and development of network technologies; planning services of marketing; social legal consultation; legal document agency; wholesale trade of commodities (excluding the commodities subject to license or approval); retail trade of commodities (excluding the commodities subject to license or approval); IT consultant services; value-added telecommunication services (business categories subject to the content clarified by License of Value-added Telecommunication Services), retail of health-care food (the specific business activities are subject to Food Business License); retail of pre-packed food.	Capital increase	32,043,896.69	1.80%	Self-funded	None	Permanent	e-commerce platform	Ownership change completed with the industrial and commercial administration			Not		
DigiLens Inc.	Supplier for solutions of optical waveguide.	Capital increase	19,127,099.11	0.70%	Self-funded	None	Permanent	Visual display	Ownership change completed with the industrial and commercial administration			Not		
RAXIUM, INC.	Manufacturer of Micro-LED micro-displays.	Capital increase	12,751,400.00	1.19%	Self-funded	None	Permanent	Visual display	Ownership change completed with			Not		

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										the industrial and commercial administration					
Total	--	--	489,501,866.00	--	--	--	--	--	--	--	0.00	-11,353,977.04	--	--	--

3. Major Non-Equity Investments Ongoing in the Reporting Period

√ Applicable □ Not applicable

Unit: RMB

Name of project	Way of investment	Investment in fixed assets or not	Industry of investment	Investment in the Reporting Period	Cumulative investment as of the period-end	Funding source	Project progress	Anticipated income	Cumulative income as of the period-end	Reason for failing to reach the scheduled progress and anticipated income	Date (if any) of disclosure	Index (if any) to disclosed information
Guangzhou HQ Building construction project	Other	Yes	Commercial property	97,428,511.85	1,207,071,932.87	Self-funded and raised funds-funded	6.04%			N/A	7 January 2020	Announcement No. 2020-003 on a Wholly-Owned Subsidiary Bidding for the Use Rights of State-Owned Land
Total	--	--	--	97,428,511.85	1,207,071,932.87	--	--	0.00	0.00	--	--	--

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4. Financial Investments

(1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement method	Beginning carrying amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes through equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying amount	Accounting title	Funding source
Domestic/foreign stock	002445- SZSE	ZNHI	21,743,091.99	Fair value method	4,058,398.15	1,250,294.70			5,308,692.85	961,123.42		Trading financial assets	Self-funded
Domestic/foreign stock	02660- HKEX	ZENGAME	18,000,000.00	Fair value method	21,856,632.40	1,013,780.22				2,147,451.02	22,358,908.67	Trading financial assets	Self-funded
Domestic/foreign stock	950180- KRX	SNK	1,036.35	Fair value method	31,669,701.53	5,381,681.38			36,689,287.98	8,416,427.17		Trading financial assets	Self-funded
Domestic/foreign stock	02400- HKEX	XD INC	49,977,148.52	Fair value method	169,222,061.74	20,281,860.50			115,672,719.93	67,759,035.96	70,801,678.67	Trading financial assets	Self-funded
Domestic/foreign stock	835067- NEEQ	Mokylin	60,000,000.00	Fair value method			-60,000,000.00					Other equity investments	Self-funded
Domestic/foreign stock	300133- SZSE	Huace Film&TV	140,000,000.00	Fair value method		44,748,060.00		140,000,000.00	25,351,795.00	50,342,811.72	159,396,265.00	Trading financial assets	Self-funded
Domestic/foreign stock	SNAP.N-NYSE	Snap	13,355,082.71	Fair value method		1,430,482.22		13,355,082.71	14,785,564.90	2,714,083.92		Trading financial assets	Self-funded
Total			303,076,359.57	--	226,806,793.82	74,106,159.02	-60,000,000.00	153,355,082.71	197,808,060.66	132,340,933.21	252,556,852.34	--	--

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Disclosure date of the announcement on the board's approval of the securities investments	
Disclosure date of the announcement on the general meeting of shareholders' approval of the securities investment (if any)	

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

Applicable Not applicable

(1) General Information about Use of Raised Funds

Applicable Not applicable

Unit: RMB'0,000

Year of raising	Way of raising	Total amount raised	Used in the Current Period	Cumulatively used	Re-purposed amount in the Reporting Period	Cumulative re-purposed amount	Cumulative re-purposed amount as % of total amount raised	Unused amount	Purpose and whereabouts of the unused amount	Amount being idle for more than two years
2021	Private placement	293,286.15	12,285.61	12,285.61	0	0	0.00%	283,644.79	Used for cash management or deposited in the	0

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									raised funds account	
Total	--	293,286.15	12,285.61	12,285.61	0	0	0.00%	283,644.79	--	0

More information

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the China Securities Regulatory Commission (CSRC), the Company issued 105,612,584 RMB-denominated common shares (A-stock) in a private placement, with the par value per share at RMB1.00 and the offering price at RMB27.77/share. With the gross raised amount of RMB2,932,861,457.68 minus the issuance costs (net of tax) of RMB31,309,777.95, the net raised amount stood at RMB2,901,551,679.73. Up to 10 February 2021, the raised funds were deposited in the Company's raised funds account. And Huaxing Certified Public Accounts LLP issued the Capital Verification Report No. Huaxing Verification [2021] 21000650029 on the raised funds on 10 February 2021.

(2) Promised Use of Raised Funds

Applicable Not applicable

Unit: RMB'0,000

Promised project funded with raised funds and investment with over-raised funds	Re-purposed or partially re-purposed or not	Total promised investment amount with raised funds	Adjusted total investment amount (1)	Investment in the Reporting Period	Cumulative investment amount at the period-end (2)	Investment progress as at the period-end (3) = (2)/(1)	Time when the project is ready for its intended use	Returns derived in the Reporting Period	Meeting the expected returns or not	Significant change to project feasibility or not
Promised projects										
Online games development and operation project	Not	154,500	87,376.64	2,122.91	2,122.91	2.43%	10 February 2024		N/A	Not
5G-based cloud gaming platform project	Not	159,500	87,178.53				10 February 2024		N/A	Not
Guangzhou headquarters building project	Not	115,600	115,600	10,162.7	10,162.7	8.79%	31 December 2024		N/A	Not

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Subtotal of promised projects	--	429,600	290,155.17	12,285.61	12,285.61	--	--	0	--	--
Over-raised funds invested in										
N/A										
Total	--	429,600	290,155.17	12,285.61	12,285.61	--	--	0	--	--
Reasons for not reaching the scheduled progress or expected returns (project by project)	N/A									
Particulars about significant change to project feasibility	N/A									
Amount, purpose and use progress of over-raised funds	N/A									
Change of implementation location of raised funds investment projects	N/A									
Adjustments to the way of implementation of raised funds investment projects	N/A									
Advance investments in promised projects funded with raised funds and subsequent swaps	Applicable In 2021, the Company swapped the self-pooled funds which had been used in advance for raised funds investment projects and issuance costs with raised funds of RMB8.404 million in total.									
Use of idle raised funds for temporarily supplementing the working capital	N/A									

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Surplus amount of raised funds upon project implementation and the reasons	N/A
Purpose and whereabouts of unused raised funds	Used for cash management or deposited in the raised funds account
Problems or other issues arising in the use and disclosure of raised funds	N/A

Note 1: As games in the online games development and operation project were still in the development stage and had not been launched for operation, estimated returns were not available for now.

Note 2: As the 5G-based cloud gaming platform project was still in the development stage, estimated returns were not available for now.

Note 3: Estimated returns are not applicable for the Guangzhou headquarters building project.

(3) Re-purposed Raised Funds

Applicable Not applicable

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Investments

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

Applicable Not applicable

IX Principal Subsidiaries and Joint Stock Companies

Applicable Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Jiangsu Aurora	Subsidiary	Development of mobile and browser games	6,250,000.00	4,476,703,059.76	3,290,672,973.15	2,035,372,930.67	807,297,122.38	747,538,333.33
Guangzhou 37	Subsidiary	Publishing and operation of mobile games	11,764,706.00	2,694,451,240.75	1,223,253,984.93	8,789,261,986.13	1,843,572,022.18	1,625,559,026.93

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable Not applicable

Name of subsidiary	How it was obtained or disposed of	Effects on the overall operations and performance
Frontier Games Co., Limited	Acquisition	In line with the Company's strategic planning and helpful for business development of the Company

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Guangzhou Tiejie Network Technology Co., Ltd.	Transfer	No material effects on the overall operations and performance of the Company
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Other information on principal subsidiaries and joint stock companies:

N/A

X Prospects

(I) Industry landscape and trends

After years of development, the current game industry is in a period of historical change from high-speed growth to high-quality development. On the one hand, China's innovation capacity of developing original game products is generally enhanced. Types of game products will be expanded towards multiple directions. High-quality works focus on long-term development. Boutiqueization has become an industry trend. On the other hand, the pace of China's game industry going overseas has accelerated, and game enterprises continue to take the global publishing strategy, opening up diversified development paths with refined operation and localized marketing. The number of countries and regions playing China's games has soared, and the international competitiveness has been strengthened day by day. Going overseas has become an important way to boost the "going global" of Chinese culture, and the international influence of Chinese culture and Chinese elements has been continuously improved.

(II) Development strategy and business plan of the Company

Based on the current industry pattern and development trend, the Company will continue to steadily take the development strategy of "boutiqueization, diversification, and globalization", continuously improve the operation quality, and practice the socialist core values. With "bringing joy to the world" as its mission, the Company is dedicated to becoming an excellent and sustainable entertainment enterprise, which will continue to provide high-quality and healthy entertainment products for the public.

1. Effectively enhance self-development capacity and expand the diversified product matrix

In the future, the Company will continue to scale up R&D, pay attention to the cultivation of R&D talents, deepen the core advantages of "boutiqueization", give full play to the strategic advantages of "integration of R&D and operation", create a next-generation game production pipeline, develop next-generation high-quality games, break through the ceiling of self-research ability, and carry out diversified layout on the product supply side through rich self-research and external R&D reserves to bring more high-quality boutique games to players.

In 2022, the Company insists on the strategy of boutiqueization, diversification and market globalization, and reserves nearly 30 products at home and abroad through self-development, agency and customization, such as Code C6 (代号C6), Code CY (代号CY), Code BY (代号BY), Code Gu Feng (代号古风), including MMORPG, card games, SLG, simulation games and other categories, covering multi-civilization, magic, fairy tale, urban, female-oriented and other genres. The Company's diversified product matrix has taken shape, and its product structure has been continuously optimized. Please refer to "II Principal Activity of the Company in the Reporting Period" for the product pipeline.

2. Expand the advantages of overseas business and help spread Chinese culture

Since 2012, the Company has begun to lay emphasis on overseas markets. With the accumulation of many years of experience of overseas business, the Company has made significant breakthroughs in its global strategic layout during the Reporting Period. In the future, the Company will strengthen its pace of "Going Global", give further play to the first mover advantage in the overseas

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market, continuously expand the scale of overseas business by relying on its strong game R&D capacity and localized marketing ability, and continuously integrate Chinese excellent traditional culture in game themes, content gameplay and promotion materials. Deeply integrating high-quality games with Chinese traditional culture, the Company will continue to arouse foreign players' interest in experiencing and exploring Chinese culture from the game, and launch more excellent works with Chinese characteristics, reflecting Chinese spirit and containing Chinese wisdom.

3. Explore the frontier of science and technology in a forward-looking way and focus on the leading business forms in the industry

The Company continues to build the ecological layout of entertainment technology in the whole industry chain and promote the mutual empowerment of industrial value and cultural value. Nowadays, new concepts such as "Metaverse" have become more and more popular. As an enterprise with a proactive strategic vision, the Company continues to extend on the basis of early investment in VR/AR content, and enters fields involving multi-metaverse infrastructure such as arithmetics, semiconductor, optics, display, whole machine, application and infrastructure technology, invests in many high-quality enterprises in the fields including optical module, optical display, AR glasses, VR content, cloud game, spatial intelligence technology and semiconductor materials, and carries out integration of technology and high-quality content. At the same time, The Company carries out technical research on using AI algorithm to realize high-precision and high-performance motion capture within the Company, and explore the immersive UGC ecology of the combination of players' independent content creation and virtual game image. Taking advantage of the high-quality digital collection platform to launch its self-developed IP digital collection such as The Epoch of Eternity (永恒纪元), the Company will simultaneously build the 37 Interactive Entertainment Metaverse Game Art Museum, and explore new interactive gameplay in the social field of non-fungible tokens (NFT) and Metaverse. In the future, the Company will continue to conduct external exploration and internal breakthrough based on the existing principal business, core R&D capability and industrial ecological layout, focusing on the integration of emerging technologies and industries, and continue its attempt and exploration in the new generation of industrial transformation.

4. Earnestly shoulder its own responsibilities and achieve long-term, healthy and sustainable development

As a public company, 37 Interactive Entertainment always adheres to the unity of economic and social benefits. The Company abides by the bottom line of compliance, establishes an all-round content audit mechanism, actively responds to and strictly implements the relevant policies, requirements and rules and regulations of the industry, and continuously takes actions in the direction of juvenile protection, information security, user personal privacy protection, ecological governance of network information content, cultural inheritance and dissemination. At the same time, the Company continues to increase investment in scientific and technological innovation, rural revitalization, rural assistance, industry-university-research training, functional game development, employee development plan and other directions, so as to firmly shoulder its social responsibilities. In the future, 37 Interactive Entertainment will stick to its content baseline, further give play to its advantages, serve society with its professional ability, practice corporate social responsibilities, and share the development achievements with society to the greatest extent.

(III) Possible Risks

1. Changes in industry policies, risks of violation and countermeasures

In recent years, the authority in charge has attached great importance to the development of game industry, made a series of major decisions and arrangements and issued a series of policies and measures to guide the industry to develop in a standardized and healthy way. For example, clear new standards and requirements have been put forward for protection of minors and anti-addiction of online games. Further strict management measures have been taken to promote standardized management of game industry. At the same time, information security and protection of users' privacy have drawn much attention from the society. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

In the long term, the regulation of the online game industry is becoming more and more standardized, which is conducive to the healthy development of the industry. The enterprises with standardized operation will benefit from it. However, in the future, if the Company fails to make corresponding adjustments timely in accordance with changes in industry policies or has a deviation in understanding management regulations in its operation, there may be a risk that the Company will be punished by relevant departments or the works will not go online as planned, which will have a significant negative impact on the Company's business development and brand image. In this regard, 37 Interactive Entertainment will strictly abide by various industry policies, rules and regulations, actively implement relevant requirements for industry development, establish an internal sound quality management and control mechanism, strengthen industry policy risk management capability, and fully reduce and avoid the business risks caused by changes in industry policies.

2. Market competition risks and countermeasures

The online game industry is facing increasingly fierce competition as it gradually matures. At the same time, online game users are maturing with higher quality demand for game products. The industry is characteristic of fast product transition, limited product life cycle and volatile player preferences, among others. Intense market competition will challenge the Company's development in terms of products and market channels.

In response, the Company will continue to implement the strategy of "boutiqueization, diversification and globalization". On the one hand, it will strengthen its core competitiveness of its own business, pay continuous attention to self-research investment, carry out R&D and innovation in product creativity, gameplay, theme, art and technology, and keep up with industry technology development trend; at the same time, it will maintain close cooperation with excellent developers to guarantee the supply of quality products, and continue to expand domestic game categories through independently-developed and agency games to deepen the competitive edge of "integration of R&D and operation". Meanwhile, the Company will speed up the pace of exporting, give full play to the edges of it in overseas markets, face diversified operations of overseas markets, deepen the cultivation of key markets, and broaden the categories of games and increase market share. In addition, the Company will dig deeper into operational data through independently developed AI systems, and timely adjust operational and R&D strategies, to meet the core demands of users, further play the role of new ideas of digital marketing operation, deepen the business strategy of multi-channel marketing and long-term service, and continuously enhance core competitiveness in the market.

Facing the current industrial competition pattern, the top-performing enterprise has obvious edges in technology R&D ability, channel operation ability, product promotion ability, user scale and market share. The Company will continue to consolidate and cement its competitive edges, actively respond to changes in the industry, reduce market competition risks and seize market opportunities.

3. Risks of core personnel turnover and countermeasures

A stable and high-quality talent team is an important guarantee for the Company to maintain its core competitive advantage. If the Company fails to effectively build a core talent team, give reasonable incentives and manages the core personnel, the employees' enthusiasm and creativity will be affected, which will have an adverse impact on the Company's core competitiveness.

In response, much attention has been attached to cultivation and acquisition of professional talents. The Company creatively builds a platform-based talent management mechanism, according to which excellent game producers are rewarded with high project bonus, and given discretion of research and creation. In order to attract and retain outstanding management talents and business elites, the Company has vigorously reformed the project mechanism, shortened the review cycle and established diversified objectives, so as to stimulate the innovative vitality of employees. In terms of employee performance management, the Company has set up diversified KPIs based on employees' contribution and ability, as well as reasonable team objectives to encourage employees' creativity. Through refining the remuneration system with diversified incentives such as employee stock

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ownership plans, the Company increases the attractiveness to core staffs and R&D personnel. During the Reporting Period, the Company continuously promoted the reform of rank system, ability system and development system, optimized talent structure, differentiated talent management and activated talents.

In addition, the Company cares about the long-term development of employees. The Company has established "37 Interactive Entertainment Learning and Development Center" to provide sufficient training and learning opportunities for employees and help them grow rapidly. The Company actively carried out training for newcomers and professional abilities such as "Marathon Leadership Training Camp", "Huangpu New Army", "X+ Plan" and "37TALK", explored seedlings of game industry, promoted talent upgrading to meet the needs of business upgrading, paid attention to internal sharing, established a team of internal professional lecturers among employees, spread culture of sharing, built a talent echelon and upgraded talent development system.

Centering on the cultural concept of "health, happiness and sustainability", the Company upgraded colorful welfare system, strengthened humanistic care and promoted retention of talents. The colorful welfare system encompasses interest-free loan, love fund, commercial insurance and employee health management. In addition, seasonal activities on holidays, annual physical examination, singles' fellowship, "Family Day", "Boss Face-to-Face", "37 Battle Talk", "Carnival" and other thematic activities were regularly held. Inter-departments' team building promoted the connection between employees and their friends, relatives and colleagues. In addition, the Company built employee clubs with interest activities such as e-sports, table games and dances, created cultural atmosphere that meets the characteristics of Generation Z, strengthened employees' sense of belonging, balanced employees' work and life, and took care of employees' physical and mental health in various forms.

XI Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

√ Applicable □ Not applicable

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions and materials provided by the Company	Index to the relevant information
28 January 2021	Conference call	By phone	Institution	Institutional investors and research analysts from securities firms	About the operations and outlook of the Company	Log Sheet of Investor Relations Activities (No. 2021-001)
14 March 2021	Conference call	By phone	Institution	Institutional investors and research analysts from securities firms	About the operations and outlook of the Company	Log Sheet of Investor Relations Activities (No. 2021-002)
6 May 2021	Conference call	By phone	Institution	Institutional investors and research analysts from securities firms	About the 2020 Annual Report and the 2021 First Quarterly Report	Log Sheet of Investor Relations Activities (No. 2021-003)

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18 May 2021	Video conferencing	Other	Other	Investors at the Company's 2020 Annual Report Online Roadshow through the Qianjing platform	About the Company's fundamentals	Log Sheet of Investor Relations Activities (No. 2021-004)
19 May 2021	Company Conference Room	By visit	Institution	Institutional investors and research analysts from securities firms	About the operations and outlook of the Company	Log Sheet of Investor Relations Activities (No. 2021-005)
31 August 2021	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the operations of the Company in H1 and its outlook	Log Sheet of Investor Relations Activities (No. 2021-006)
1 November 2021	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the 2021 Third Quarterly Report	Log Sheet of Investor Relations Activities (No. 2021-007)

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Part IV Corporate Governance

I Corporate Governance Overview

Since it went public, the Company has been improving its corporate governance structure in strict accordance with the Company Law, the Securities Law, and relevant laws and regulations laid down by the China Securities Regulatory Commission and Shenzhen Stock Exchange. It has gradually established a strict system for functioning of the general meeting of shareholders, the Board of Directors and the Supervisory Committee. Meanwhile, the Company has also strengthened and improved its internal management and control systems to further improve its corporate governance. The Company carries out operations and discloses information in compliance with standards, and its actual situation of corporate governance meets the relevant requirements of the normative documents on the governance of listed companies issued by the China Securities Regulatory Commission.

(I) Shareholders and general meeting of shareholders

The Company convenes and holds general meetings of shareholders in strict accordance with the Company Law, the Securities Law, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, the Company's Articles of Association, the Rules of Procedure for General Meetings of Shareholders and other relevant laws and regulations, and engages lawyers to attend as witnesses, to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

(II) The controlling shareholder and the Company

The Company is able to independently do business and operate. The controlling shareholder of the Company strictly regulates his behaviors, and, through the general meetings of shareholders, exercises his rights as an investor. He has not directly or indirectly intervened the Company's decisions or operating activities without holding a general meeting of shareholders, and the Company and its controlling shareholder are independent of each other in terms of personnel, assets, finance, structure and business. The Board of Directors, the Supervisory Committee and the internal management bodies of the Company operate independently according to the rules of procedure and the Company's systems.

(III) Directors and the Board of Directors

The Company elects directors in accordance with the provisions and requirements of the Company Law, the Securities Law, the Company's Articles of Association, the Rules of Procedure for General Meetings of Shareholders, and the Rules of Procedure for the Board of Directors, etc. The number of members of and composition of the Company's Board of Directors complies with relevant requirements of laws, regulations and the Company's Articles of Association. All directors of the Company do their jobs according to the laws, regulations, Standardized Operation Guidelines, the Company's Rules of Procedure for the Board of Directors, the Independent Director System, etc., earnestly attend meetings of the Board of Directors and the general meeting of shareholders, actively participate in training, study relevant laws and regulations, and earnestly perform their duties as directors honestly, diligently and conscientiously. Under the Board of Directors, there are four special committees, i.e. the Audit Committee, the Compensation and Appraisal Committee, the Nomination Committee and the Strategy Committee, which play an important role in promoting the standardized operation and sound and sustainable development of the Company.

(IV) Supervisors and the Supervisory Committee

The Company elects supervisors in strict accordance with the relevant provisions of the laws, regulations, the Company's Articles of Association, the Rules of Procedure for General Meetings of Shareholders, the Rules of Procedure for the Supervisory Committee, etc. The number of members of and composition of the Company's Supervisory Committee complies with the requirements of laws, regulations and the Company's Articles of Association. The Supervisory Committee currently consists of three supervisors, including two Employee Representative Supervisors elected by the Employees' Congress of the Company. In

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accordance with the requirements of laws, regulations, the Rules of Procedure for the Supervisory Committee, etc., to protect the interests of shareholders, all supervisors of the Company earnestly perform their duties, supervises the financial affairs of the Company as well as the legality and compliance of the performance of duties by directors and senior managers of the Company, and safeguards the legitimate rights and interests of the Company and its shareholders loyally and diligently.

(V) Information disclosure and transparency

The Company fulfills its information disclosure obligations in strict accordance with relevant laws and regulations as well as the Measures for the Management of Information Disclosure by Listed Companies. The Company can disclose information in a truthful, accurate, complete and timely manner without false records, misleading statements or material omissions, thus ensuring that all investors have equal access to corporate information, enhancing the transparency of the Company and effectively protecting the right to know of small and medium investors.

(VI) Stakeholders

While maintaining its steady development and maximizing shareholders' interests, the Company actively concerns itself with the welfare, undertakings for the public good and other issues of the region where it is located, attaches importance to social responsibilities, fully respects and safeguards the legitimate right of employees, creditors and other stakeholders, and strengthens communication and cooperation with all parties to promote its sustainable and sound development with them.

(VII) The Company and investors

In accordance with the provisions of the Investor Relations Management System, the Company has strengthened investor relations management, and expressly specified the Board Secretary as the person in charge of investor relations management, who organizes and implements the daily management of investor relations. During the Reporting Period, the Company strengthened its communication with investors through the online briefing on its annual report, telephone answering, online interactions, on-site surveys and other means.

(VIII) Internal audit system

The Company has set up an Internal Audit Department and employed full-time auditors, who audit and supervise the quality of economic operations, economic benefits, internal control system and implementation, use of expenses and assets of the Company and its subsidiaries under the leadership of the Audit Committee of the Board of Directors.

(IX) Protection of legitimate rights and interests of shareholders

The Company protects the rights of shareholders in accordance with law, attaches importance to reasonable investment returns for shareholders, and expressly prescribes the profit allocation policies in the Company's Articles of Association, especially the cash dividend policies. In addition, it has formulated the Shareholder Dividend Plan of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for the Next Three Years (2020-2022). Thus, its profit distribution policies have been continuous and stable, with the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company taken into account.

Indicate whether the actual situation of corporate governance significantly deviates from the laws, administrative regulations and regulations issued by the China Securities Regulatory Commission on listed company governance.

Yes No

No such cases.

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II Independence of the Company from the Controlling Shareholder and Actual Controller in Terms of Assets, Personnel, Finance, Structure and Business

The Company has independent production and operation capacity and independent production, supply and sales systems, and is independent from its controlling shareholder and major shareholders in terms of business, personnel, assets, structure and finance. The Company owns complete assets necessary for production and operation, and legally and independently owns the technologies necessary for production and operation, over which there is no ownership dispute; the Company has a complete business system and the ability to operate independently in the market; the Company manages labor and salary independently of its controlling shareholder and major shareholders; its directors, supervisors, senior management and core technical personnel have not been cross-appointed in a way prohibited by law; the Company has an independent financial department, an independent financial accounting system and an independent financial accounting system, and independent bank accounts, and it pays taxes independently according to law. Details of independent operation are as follows:

1. Independence of business

The Company is an enterprise legal person engaged in production and operation independently, owns independent and complete R&D, purchasing and sales systems, an independent and complete business system and the ability to operate independently in the market. It does not rely on its shareholders or any other related party, and there is no horizontal competition between the Company and its controlling shareholder, who has not directly or indirectly intervened in the operations of Company.

2. Independence of personnel

The Company's senior management, including its General Manager, Deputy General Manager, Board Secretary and Chief Financial Officer, and its core technical personnel all work at the Company on a full-time basis and receive remunerations. They do not hold any administrative position at or receive salary from the corporate shareholders; the directors, supervisors and senior management of the Company are all selected in strict accordance with the relevant provisions of the Company Law and the Company's Articles of Association. The controlling shareholder has not made decisions on appointment and removal by bypassing the general meetings of shareholders, the Board of Directors and the Supervisory Committee of the Company. The employees of the Company are independent of its corporate shareholders and related parties, and the Company implements independent labor, personnel and salary management systems.

3. Independence of assets

The ownership of assets of the Company, its controlling shareholder and major shareholders is clear, and its controlling shareholder and major shareholders have not illegally occupied or used the Company's funds, assets or other resources. The Company independently owns all of its land use rights, real estate, machinery and equipment, trademarks, patents, proprietary technologies and other assets, and does not rely on the assets of shareholders for production and operation. The Company has full right to control and dispose of all of its assets.

4. Independence of structure

The Company has established and improved the general meetings of shareholders, the Board of Directors, the Supervisory Committee, the management team headed by the General Manager and some other bodies, as well as the corresponding rules for the general meetings of shareholders, the Board of Directors and the Supervisory Committee and the Work Rules for the General Manager, thus creating a sound corporate governance structure; each functional department operates independently according to the prescribed responsibilities; there is no superior-subordinate relationship between the functional departments of the Company and its corporate shareholders or their functional departments, and no corporate shareholder has intervened in the establishment or operation of the Company's organizational structure.

5. Independence of finance

The Company has an independent financial department, an independent accounting system and an independent financial system. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

management system, and independently makes financial decisions; the Company has opened bank accounts independently and does not share bank accounts with its corporate shareholders. The Company files taxes and performs tax payment obligations independently in accordance with the law. None of its corporate shareholders and other related parties have illegally occupied or used the Company's monetary funds or other assets; the Company signs external contracts independently.

III Horizontal Competition

Applicable Not applicable

IV Annual and Extraordinary General Meetings of Shareholders Convened during the Reporting Period

1. General Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Date of disclosure	Resolutions of the meeting
The First Extraordinary General Meeting of Shareholders of 2021	Extraordinary General Meeting of Shareholders	38.51%	29 March 2021	30 March 2021	Announcement on Resolutions of the First Extraordinary General Meeting of Shareholders of 2021 (Announcement No. 2021-017)
The 2020 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	47.76%	22 June 2021	23 June 2021	Announcement on Resolutions of the 2020 Annual General Meeting of Shareholders (Announcement No. 2021-038)
The Second Extraordinary General Meeting of Shareholders of 2021	Extraordinary General Meeting of Shareholders	37.38%	16 September 2021	17 September 2021	Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders of 2021 (Announcement No. 2021-064)

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2. Extraordinary General Meetings of Shareholders Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V Directors, Supervisors and Senior Management

1. General Information

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/decrease (share)	Ending shareholding (share)	Reasons for share changes
Li Weiwei	Chairman of the Board and General Manger	Incumbent	Male	44	20 January 2015	7 April 2022	361,413,019		39,300,000		322,113,019	
Zeng Kaitian	Vice Chairman of the Board	Incumbent	Male	46	5 July 2019	7 April 2022	245,344,374				245,344,374	
Hu Yuhang	Director	Incumbent	Male	45	16 September 2020	7 April 2022	147,857,684	53,740,000			201,597,684	
Yang Jun	Director and Deputy General Manager	Incumbent	Male	42	20 January 2015	7 April 2022	693,400	2,100,000	693,400		2,100,000	
Li Yang	Independent Director	Incumbent	Male	53	24 December 2019	7 April 2022						

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Chen Jianlin	Independent Director	Incumbent	Male	42	13 May 2016	7 April 2022						
Ye Xin	Independent Director	Incumbent	Male	46	24 December 2019	7 April 2022						
Liu Guangqiang	Independent Director	Incumbent	Male	39	24 December 2019	7 April 2022						
He Yang	Chairman of the Supervisory Committee	Incumbent	Male	40	27 December 2018	7 April 2022						
Cheng Lin	Supervisor	Incumbent	Female	39	27 November 2015	7 April 2022						
Liu Fengyong	Supervisor	Incumbent	Female	44	20 January 2015	7 April 2022						
Zhu Huaimin	Deputy General Manager	Incumbent	Male	39	21 January 2019	7 April 2022						
Ye Wei	Chief Financial Officer and Board Secretary	Incumbent	Male	38	12 October 2016	7 April 2022						
Total	--	--	--	--	--	--	755,308,477	55,840,000	39,993,400	0	771,155,077	--

Indicate whether any director, supervisor or senior management resigned before the expiry of their tenures during the Reporting Period.

Yes No

Changes of directors, supervisors and senior management:

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Applicable Not applicable

2. Biographical Information

Professional backgrounds, major work experience and current posts in the Company of the incumbent directors, supervisors and senior management:

Mr. Li Weiwei was born in November 1977. Mr. Li is a member of the CPC and has no right of permanent residence in a foreign country. He received an EMBA degree from Cheung Kong Graduate School of Business and is working on a Doctor of Business Administration program at the school. From August 2000, he worked for Shenzhen Zhuanjia Network Technology Co., Ltd., then Shenzhen Quanzhi Information Technology Co., Ltd. and then Guangzhou Haiyan Network Technology Co., Ltd. From October 2011 to 18 March 2015, he served as Executive Director and General Manager of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 20 January 2015, he became Vice Chairman of the Third Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. On 24 August 2015, he was also appointed General Manager of the Company. On 21 January 2019, he became Chairman of the Fourth Board of Directors and General Manager of the Company. On 8 April 2019, he became Chairman of the Fifth Board of Directors and General Manager of the Company. Mr. Li is currently Chairman of the Fifth Board of Directors and General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zeng Kaitian, Han nationality, was born in March 1975. Mr. Zeng is of Chinese nationality and has no right of permanent residence in a foreign country. He received an EMBA degree from China Europe International Business School. He is a co-founder of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. In October 2011, he became Director of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd., overseeing the overseas publishing of the company's online game business. On 5 July 2019, he became Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Zeng is currently Vice Chairman of the Fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Hu Yuhang, Han nationality, was born in February 1976. He graduated from Lanzhou University and received an EMBA degree from Cheung Kong Graduate School of Business. He has no right of permanent residence in a foreign country. Mr. Hu became President of 37 Interactive Entertainment in October 2013 in charge of the strategic planning and day-to-day management of 37 Games, an R&D brand of 37 Interactive Entertainment. He is a seasoned expert in game R&D management and has rich experience in game R&D and project management. On 16 September 2020, he became Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.. Mr. Hu is currently Director of the Fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Yang Jun, born in January 1979, is a member of the CPC and has no right of permanent residence in a foreign country. He has received a master's degree in corporate management and is working on a Doctor of Business Administration program at the Cheung Kong Graduate School of Business. He is a Chinese certified public accountant. From June 2006 to April 2012, he worked for Deloitte Touche Tohmatsu (special general partner) as the Manager of the Audit Department. From April 2012 to present, he served as CFO of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 20 January 2015, he became Director and Deputy General Manager of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. He is currently Director of the Fifth Board of Directors and Deputy General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Chen Jianlin, Han nationality, was born in April 1979. He is of Chinese nationality and has no right of permanent residence in a foreign country. He holds a Ph.D. and is a certified Independent Director. From July 2009 to present, he worked at Guangdong University of Finance & Economics, serving as Lecturer, then Associate Professor and then Professor. He is currently Vice Dean, Professor and Master's Degree Supervisor of the School of Accounting, Guangdong University of Finance & Economics. In 2015, he was included in the list of Ministry of Finance National (Reserve) Leading Accounting Talents (Academics). On 13 May 2016, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Li is currently Independent Director of the Fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

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Mr. Li Yang, Han nationality, was born in June 1968. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received an LL.B. from Zhongnan University of Economics and Law and an LL.M. and a J.D. from Peking University and completed a postdoctoral research program in laws at Wuhan University. He is a certified Independent Director. Since December 2020, he has been serving as Professor and Doctorate Supervisor of the Civil, Commercial and Economic Law School of China University of Political Science and Law, with concurrent roles as Vice Chairman of the Intellectual Property Law Association of China Law Society, Guest Consultant (the Fifth Session) of the Supreme People's Court, Researcher of the Intellectual Property Right Judicial Protection Research Center of the Supreme People's Court, and Expert Consultant to Guangzhou Intellectual Property Court, among other roles. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Li is currently Independent Director of the Fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Ye Xin, Han nationality, was born in July 1975. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received a bachelor's degree in accounting from Xi'an Jiaotong University, a Master of Management degree from Xi'an University of Technology and an EMBA degree from Guanghua School of Management, Peking University and Cheung Kong Graduate School of Business. He is a certified Independent Director. From 1995 to 2003, he worked at the Civil Aviation Administration of China. From 2003 to 2005, he served as Deputy General Manager of Tsinghua Unisplendour Venture Investment Co., Ltd. From 2005 to 2015, he served as Director, Deputy General Manager, Board Secretary and General Manager of Shenzhen Coship Electronics Co., Ltd.. From 2016 to present, he was General Manager of Tianshi Fund Management (Shenzhen) Co., Ltd. And since 12 July 2021, he has been acting as Executive Director of Huili Resources. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Ye is currently Independent Director of the Fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Liu Guangqiang, Han nationality, was born in February 1982. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received a Ph.D. in public economic management from Wuhan University. He is a member of the CPC and a certified Independent Director. From July 2014 to present, he worked at Zhongnan University of Economics and Law, holding positions of Associate Professor of the School of Accounting, Vice Dean of the Faculty of Accounting and Director of the Accounting Information Research Center. He is currently on the list of National High-end (Reserve) Accounting Talents. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Liu is currently Independent Director of the fifth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. He Yang, Han nationality, was born in June 1981. He is of Chinese nationality, is a member of the CPC and has no right of permanent residence in a foreign country. He received an MBA degree from University of Electronic Science and Technology of China. From June 2012 to July 2014, he was Deputy General Manager of Chengdu 37Wan Network Technology Co., Ltd.. In July 2014, he became Director and General Manager of Jiangsu Aurora Network Technology Co., Ltd. In December 2018, he became Employee Supervisor of the Fourth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. In January 2019, he became Chairman of the Fourth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. He is currently Chairman of the Fifth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Ms. Cheng Lin, Han nationality, was born in July 1982. She is of Chinese nationality and has no right of permanent residence in a foreign country. She is working on an EMBA program at Lingnan College, Sun Yat-sen University. From 2011 to 2016, she was Director of Public Affairs of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. She is currently Shareholder Supervisor of the Fifth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Ms. Liu Fengyong, Han nationality, was born in April 1977. She is of Chinese nationality and has no right of permanent residence in a foreign country. She has received a university degree and is a member of the CPC. From July 2000 to September 2005, she worked for Guangzhou Pearl River Piano Group Co., Ltd. as a Legal Specialist. From November 2005 to August 2012, she was

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Legal Director of Guangzhou Rockmobile Network Co., Ltd. In August 2012, she became Legal Manager of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. In January 2015, she became Employee Supervisor of the Third Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. And in January 2017, she became Employee Supervisor of the Fourth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. She is currently Employee Supervisor of the Fifth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zhu Huaimin, Han nationality, was born in January 1982. He is of Chinese nationality and has no right of permanent residence in a foreign country. He holds an EMBA degree of China Europe International Business School. From July 2004 to July 2008, he worked for Beijing Sina Internet Information Service Co., Ltd. From August 2008 to December 2009, he was Technical Manager of Molihe Network Technology (Beijing) Co., Ltd. In October 2011, he joined 37 Interactive Entertainment (Shanghai) Technology Co., Ltd., serving as Vice President of Technology. On 21 January 2019, he became Deputy General Manager of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Zhu is currently Deputy General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Ye Wei was born in December 1983. He is a member of the CPC and has no right of permanent residence in a foreign country. He has received a bachelor's degree, is a Certified Public Accountant in China, and is a Shenzhen Stock Exchange certified Board Secretary. From August 2006 to July 2013, he was Audit Manager of Ernst & Young Guangzhou Office. From July 2013 to March 2015, he was Chief Financial Officer of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 30 March 2015, he became Chief Financial Officer of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. On 6 January 2017, he became Chief Financial Officer and Secretary to the Fourth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Ye is currently Chief Financial Officer and Board Secretary of 37 Interactive Entertainment Network Technology Group Co., Ltd.

3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

1. Procedure for determining the remunerations of directors, supervisors and senior management: The Remuneration and Performance Assessment Committee of the Company's Board of Directors formulates the policy and plan for compensating the Company's directors, supervisors and senior management. The remunerations of directors and supervisors are reviewed and approved by the General Meeting of Shareholders. The remunerations of senior management are reviewed and approved by the Board of Directors. The Human Resources and Finance Departments of the Company support the Remuneration and Performance Assessment Committee to implement the remuneration plan for the Company's directors, supervisors and senior management.

2. Criteria for determining the remunerations of directors, supervisors and senior management: The remunerations of directors, supervisors and senior management are determined based on the operational performance of the Company and the current market conditions. The remunerations of senior management are determined according to the Company's relevant regulations, the Company's annual operational targets for 2021 and the functions and duties the senior management have fulfilled in achieving the annual operational targets and sustainable development objectives.

3. Payment of remunerations of directors, supervisors and senior management: The remunerations of independent directors are paid semiannually to their personal accounts as scheduled. The remunerations of other directors, supervisors and senior management are determined based on the results of their performance assessment and are paid monthly or as scheduled in the remuneration payment system.

4. To further improve the Company's non-independent director remuneration management, stimulate their initiative and creativity, improve the Company's operations and management, promote healthy, sustainable and stable development of the

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Company and ensure the realization of the strategic development objectives for the Company, the Proposal for Revising the Remuneration Plan for the Directors of the Fifth Board of Directors was reviewed and approved by the First Extraordinary General Meeting of Shareholders of 2020 on 15 May 2020. The remuneration plan is revised as follows: each independent director is compensated a fixed amount of director fees of RMB120,000 per annum, which is paid out in two half-year disbursements. On 30 April 2021, the Proposal for Revising the Remuneration Plan for the Non-independent Directors of the Fifth Board of Directors was reviewed and approved by the 2020 Annual General Meeting of Shareholders. The remuneration plan for non-independent directors is revised as follows: All non-independent directors work full time for the Company, tackle day-to-day decision-making tasks and perform important functions and duties, so they are compensated RMB0.6 million to RMB8 million per annum, with the exact amount of remuneration to be determined based on their job functions and duties and the Company's performance. The compensation described above does not include the reward covered under ESOPs or equity incentive programs.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Remuneration from any related party or not
Li Weiwei	Chairman of the Board and General Manger	Male	44	Incumbent	558.69	Not
Zeng Kaitian	Vice Chairman of the Board	Male	46	Incumbent	575.49	Not
Hu Yuhang	Director	Male	45	Incumbent	786.97	Not
Yang Jun	Director and Deputy General Manager	Male	42	Incumbent	527.42	Not
Li Yang	Independent Director	Male	53	Incumbent	12	Not
Chen Jianlin	Independent Director	Male	42	Incumbent	12	Not
Ye Xin	Independent Director	Male	46	Incumbent	12	Not
Liu Guangqiang	Independent Director	Male	39	Incumbent	12	Not
He Yang	Chairman of the Supervisory Committee	Male	40	Incumbent	511.03	Not
Cheng Lin	Supervisor	Female	39	Incumbent	156.92	Not
Liu Fengyong	Supervisor	Female	44	Incumbent	69.89	Not

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Zhu Huaimin	Deputy General Manager	Male		39	Incumbent	217.42	Not
Ye Wei	Chief Financial Officer and Board Secretary	Male		38	Incumbent	177.34	Not
Total	--	--	--	--	--	3,629.17	--

VI Duty Performance by Directors during the Reporting Period

1. Board Meetings Convened during the Reporting Period

Meeting	Date of the meeting	Date of disclosure	Resolutions of the meeting
The 17 th Meeting of the Fifth Board of Directors	10 March 2021	11 March 2021	Announcement on Resolutions of the 17 th Meeting of the Fifth Board of Directors (Announcement No. 2021-005)
The 18 th Meeting of the Fifth Board of Directors	29 April 2021	30 April 2021	Announcement on Resolutions of the 18 th Meeting of the Fifth Board of Directors (Announcement No. 2021-018)
The 19 th Meeting of the Fifth Board of Directors	12 July 2021	13 July 2021	Announcement on Resolutions of the 19 th Meeting of the Fifth Board of Directors (Announcement No. 2021-040)
The 20 th Meeting of the Fifth Board of Directors	1 August 2021	2 August 2021	Announcement on Resolutions of the 20 th Meeting of the Fifth Board of Directors (Announcement No. 2021-048)
The 21 st Meeting of the Fifth Board of Directors	30 August 2021	31 August 2021	Announcement on Resolutions of the 21 st Meeting of the Fifth Board of Directors (Announcement No. 2021-055)
The 22 nd Meeting of the Fifth Board of Directors	22 September 2021	23 September 2021	Announcement on Resolutions of the 22 nd Meeting of the Fifth Board of Directors (Announcement No. 2021-066)
The 23 rd Meeting of the Fifth Board of Directors	29 October 2021	30 October 2021	Announcement on Resolutions of the 23 rd Meeting of the Fifth Board of Directors (Announcement No. 2021-068)

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2. Attendance of Directors at Board Meetings and General Meetings of Shareholders

Attendance of directors at board meetings and general meetings of shareholders							
Director	Total number of board meetings the director was supposed to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings or not	General meetings of shareholders attended
Li Weiwei	7	7	0	0	0	Not	3
Zeng Kaitian	7	7	0	0	0	Not	3
Hu Yuhang	7	7	0	0	0	Not	2
Yang Jun	7	7	0	0	0	Not	3
Li Yang	7	0	7	0	0	Not	1
Chen Jianlin	7	0	7	0	0	Not	1
Ye Xin	7	0	7	0	0	Not	1
Liu Guangqiang	7	0	7	0	0	Not	1

Explanation of why any director failed to attend two consecutive board meetings:

3. Objections Raised by Directors on Matters of the Company

Indicate whether any directors raised any objections on any matter of the Company.

Yes No

No such cases in the Reporting Period.

4. Other Information about Duty Performance by Directors

Indicate whether any recommendations from directors were adopted by the Company.

Yes No

Explanation on adoption/rejection of recommendations of directors:

All the directors of the Company have faithfully and diligently performed their duties, worked diligently, done a lot of work for realization of the resolutions of the general meeting of shareholders and Board of Directors, and actively provided valuable suggestions, which has played an effective role in promoting development of various businesses and improving corporate governance level. As per the Company Law, the Securities Law, the Articles of Association, as well as other applicable laws and regulations, the independent directors paid attention to compliance in the Company's operations, performed their duties independently, and offered valuable professional recommendations with respect to the Company's system improvement and decision-making. During the Reporting Period, they issued their independent and fair opinion on matters of the Company that required their opinion, including the appointment of the independent auditor for the annual financial statements, related-party transactions, provision of guarantees for external entities, the private placement, etc. They have played their part to refine the

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Company's supervision mechanism and protect the lawful rights and interests of the Company and its shareholders.

VII Duty Performance by Specialized Committees under the Board of Directors during the Reporting Period

Committee	Members	Number of meetings convened	Date of meeting	Topic of meeting	Substantial opinion and recommendations	Other information on duty performance	Particulars about objections (if any)
Audit Committee	Chairman: Chen Jianlin Other members: Yang Jun and Liu Guangqiang	1	29 April 2021	1. The full 2020 Annual Report was approved. 2. The Proposal on Appointment of Independent Auditor for Financial Statements was approved. 3. The full 2021 First Quarterly Report was approved.	N/A	N/A	
			30 August 2021	1. The full 2021 Interim Report was approved.	N/A	N/A	
			29 October 2021	1. The full 2021 Third Quarterly Report was approved.	N/A	N/A	
Remuneration and Appraisal Committee	Chairman: Ye Xin Other members: Zeng Kaitian and Chen Jianlin	1	29 April 2021	1. The Proposal for Revising the Remuneration Plan for the Non-independent Directors of the Fifth Board of Directors was approved.	N/A	N/A	

VIII Duty Performance by the Supervisory Committee

Indicate whether the Supervisory Committee identified any risk to the Company during its supervision in the Reporting Period.

Yes No

The Supervisory Committee raised no objections with respect to matters of the Company.

IX Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the parent at the period-end	1
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Number of in-service employees of principal subsidiaries at the period-end	3,995
Total number of in-service employees at the period-end	3,996
Total number of paid employees in the Reporting Period	3,996
Number of retirees to whom the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Marketing	1,225
Technical	403
Financial	100
Administrative	51
R&D	1,554
Teaching	120
Operation	252
Others	291
Total	3,996
Educational backgrounds	
Educational background	Employees
Master's degree and above	240
Bachelor's degree	2,723
Junior college and below	1,033
Total	3,996

2. Employee Remuneration Policy

The Company strictly observes the Labor Law of the People's Republic of China and other relevant laws and regulations, including rules, regulations and normative documents issued by the various ministries and commissions of the State Council, and has implemented an employment contract system. The Company protects the rights and interests of employees by strictly implementing China's employment system, labor protection system, social security system and medical security system and paying premiums of pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance and making contributions to the Housing Provident Fund for employees.

The Company provides employees with generous welfare benefits, such as supplementary commercial insurance, interest-free housing loans, solid breakfast, meal allowances, flower tea, transportation allowances, telecommunication allowances, notebook allowances, physical checks, extra holidays, and employee clubs.

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

The total amount of employee remunerations of the Reporting Period is RMB1.647 billion, accounting for 12.38% of the total costs (including cost of sales, distribution and selling expenses, general and administrative expenses and R&D expenses). The profitability of the Company has a low sensitivity to the variation in the total amount of employee remunerations. At the end of the Reporting Period, the Company's core technical staff accounts for 17.67% of the total number of employees, and their remunerations account for 30.26% of the total amount of employee remunerations.

3. Training Plans

The Company conducts staff training focusing on improving employee's quality and working skills, promoting their occupational development, and attracting and developing talents to support the Company's business development and human resources appreciation. In addition, the training program is committed to building a unified corporate culture, values and code of conduct to form a core centripetal force. In line with the Company's long-term development strategy, the program also introduced advanced management concepts, and facilitated internal management progress, which was a booster for cadre training and strategy implementation.

The Company established "37 Interactive Entertainment Learning Development Center" to provide employees with sufficient training and learning opportunities to help them grow rapidly. The Company actively carried out training for newcomers and professional abilities such as "Marathon Leadership Training Camp", "Huangpu New Army", "X+ Plan" and "37TALK", covering 26,573 people.

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	1,062,224.66
Total payment for labor outsourcing (RMB)	58,735,450.10

X Profit Distribution (in the Form of Cash and/or Stock)

The profit distribution policy, especially the formulation, implementation and amendments to the cash dividend policy, in the Reporting Period:

Applicable Not applicable

The Company formulated the Shareholder Return Plan for the Next Three Years (2020-2022) of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (hereinafter referred to as the "Shareholder Return Plan") to further promote the establishment of a sound, sustainable and stable shareholder return mechanism, increase the transparency and operability of the profit distribution policy and effectively protect the legitimate rights and interests of public investors.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting of shareholders	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling shareholders are able to fully express their opinion and desire and their legal rights and	Yes

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interests are fully protected	
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	Yes

Indicate whether the Company fails to put forward a cash dividend proposal despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable are positive.

Applicable Not applicable

Final dividend plan:

Applicable Not applicable

Bonus issue from profit (share/10 shares)	0
Cash dividend/10 shares (RMB) (tax inclusive)	3.70
Share base (share)	2,217,864,281
Cash dividends (RMB) (tax inclusive)	820,609,783.97
Cash dividends in other forms (such as share repurchase) (RMB)	299,954,365.22
Total cash dividends (including those in other forms) (RMB)	1,120,564,149.19
Distributable profit (RMB)	1,888,900,038.53
Total cash dividends (including those in other forms) as % of total profit to be distributed	100.00%
Applicable cash dividend policy	
If it is difficult to identify the development stage of the Company but it has a significant capital expenditure arrangement, when making profit distribution, cash dividends shall account for no less than 20% in the profit distribution.	
Details of the cash and/or stock dividend plan	
Upon approval by the Board of Directors, the Company's 2021 final dividend plan is as follows: With a fixed dividend payout ratio, based on the total issued share capital (exclusive of shares in the Company's account for repurchased shares) on the date of record, a cash dividend of RMB 3.70 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders of the Company, with the remaining undistributed profit carried forward to the next year; and there will be no bonus issue from either profit or capital reserves. The above dividend plan is consistent with the Company's performance growth, and also in line with relevant provisions of the Company Law, the Articles of Association and the Company's shareholder return plan. The independent directors of the Company have expressed consent as their independent opinion on the above dividend plan.	

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

1. Equity Incentives

N/A

Equity incentives granted to directors and senior management:

Applicable Not applicable

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Appraisal mechanism and incentives for senior management:

N/A

2. Implementation of Employee Stock Ownership Plans

Applicable Not applicable

Outstanding employee stock ownership plans during the Reporting Period:

Awardee coverage	Number of awardees	Total shares held	Change	As % of the total share capital	Funding source
The leadership team of the Company (directors, supervisors and senior management); chief officers and deputy chief officers; key management and technological staff (mid-level employees); and other employees approved by the Company	341	They held 9,119,783 shares in total at the period-end.	N/A	0.41%	Shares under the employee stock ownership plans were transferred from repurchased shares for no compensation.

Shares held by directors, supervisors and senior management under employee stock ownership plans during the Reporting Period:

Name	Office title	Number of shares held at the period-begin	Number of shares held at the period-end	As % of the total share capital
Hu Yuhang	Director	1,045,144	610,000	0.03%
Yang Jun	Director and Deputy General Manager	245,000	140,000	0.01%
He Yang	Chairman of the Supervisory Committee	210,000	120,000	0.01%
Cheng Lin	Supervisor	56,000	32,000	0.00%
Liu Fengyong	Supervisor	31,500	18,000	0.00%
Ye Wei	Chief Financial Officer and Board Secretary	175,000	100,000	0.00%
Zhu Huaimin	Deputy General Manager	126,000	72,000	0.00%

Change of the asset management institution during the Reporting Period:

Applicable Not applicable

Share ownership changes due to share disposal by holders and other reasons during the Reporting Period:

Applicable Not applicable

During the Reporting Period, certain awardees reduced, in compliance with applicable regulations, their shareholdings upon the expiry of the second lockup period of the Third Employee Stock Ownership Plan. As at the end of the Reporting Period, 9,119,783 shares were held under the Third Employee Stock Ownership Plan, accounting for 0.41% of the total share capital.

Exercise of shareholder rights during the Reporting Period:

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N/A

Other information about employee stock ownership plans during the Reporting Period:

Applicable Not applicable

According to the Third Employee Stock Ownership Plan (draft), if the Company's performance target defined in the ESOP is achieved -- that is, the total net profit (which is measured based on the net profit attributable to the Listed Company's shareholders and does not include costs incurred by the shares under this ESOP) from 2019 to 2021 is not lower than RMB5.2 billion), then 30% of the total number of shares in this ESOP can be unlocked. According to the Audit Report issued by Huaxing Certified Public Accountants LLP (special general partnership), the net profit attributable to the Listed Company's shareholders in 2021 of RMB2.876 billion, and the net profit attributable to the Listed Company's shareholders minus the cost incurred by this ESOP in 2021 is RMB2.942 billion. Therefore, the total net profit attributable to the Listed Company's shareholders from 2019 to 2021 minus the cost incurred by this ESOP is RMB8.019 billion. That is, the Company's performance target defined in the ESOP has been achieved. Therefore, 40% of the total number of shares under this ESOP were unlocked 36 months after the date (27 July 2019) of the Company's announcement on the transfer of the last shares to this ESOP upon the confirmation that the performance target has been achieved. That is, the lock-up period of the third batch of shares (8,939,015 shares) under the Company's third ESOP will expire on 26 July 2022.

Changes in the members of the employee stock ownership plan management committee:

Applicable Not applicable

Impact of employee stock ownership plans on the finance of the Company during the Reporting Period and the relevant accounting treatments:

Applicable Not applicable

As per the Accounting Standard No. 11 for Business Enterprises—Share-based Payments, the amortized share-based payments were approximately RMB66.4262 million for 2021.

Termination of employee stock ownership plans during the Reporting Period:

Applicable Not applicable

Other information:

N/A

3. Other Incentive Measures for Employees

Applicable Not applicable

The Company is subject to the disclosure requirements for listed companies engaged in software and IT services as stated in Guideline No. 3 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Industry-specific Information Disclosure.

XII Establishment and Implementation of Internal Control System during the Reporting Period

1. Internal Control Establishment and Implementation

In accordance with Company Law, Securities Law, Code of Corporate Governance for Listed Companies, Guideline for Compliant Operation, Basic Standards for Enterprise Internal Control and other relevant laws and regulations and Company's Articles of Association, the Company formulated Rules of Procedure for General Meeting of Shareholders, Rules of Procedure for Board of Directors, Rules of Procedure for Supervisory Committee, Rules for the Work of General Manager, System of Independent

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Directors, System for the Work of Board Secretary, Code of Daily Behavior of Directors, Supervisors and Senior Managers, Management Policy for Holding Subsidiaries, Management Policy for External Guarantees, Management Policy for Foreign Investment, Management Policy for Related Party Transactions, Management Policy for Information Disclosure, Internal Reporting Policy for Major Events, Management Measures for Raising Funds, Reporting Policy for Insiders, Registration Management Policy for Insiders and Management Policy for Investor Relations and other important rules and regulations, so as to ensure the convening of general meeting of shareholders and meetings of the Board of Directors and Supervisory Committee, major decisions and other behaviors are lawful, compliant, authentic and effective. The internal management and control system formulated by the Company is based on the Company's basic control system. It covers the entire production and operation procedures, including financial management, human resources management operation management, procurement management, R&D management, foreign investment, organization establishment and department responsibilities, and administrative management. It ensures that all work has rules to follow and forms a normative management policy system. The Company implemented and evaluated the effectiveness of its internal control system in eight aspects, namely, corporate governance, financial and accounting system, related party transaction control, major investment management, management of the use of raised funds, information disclosure management, management of subsidiaries and internal audit, which reasonably ensured the legality and compliance of operation and management, asset safety, authenticity and integrity of financial reports and related information, so as to improve operation efficiency and promote the implementation of strategies.

2. Material Internal Control Weaknesses Identified during the Reporting Period

Yes No

XIII Subsidiary Management during the Reporting Period

Subsidiary	Management plan	Progress	Problems	Solutions	Solution progress	Subsequent plan
Frontier Games Co., Limited and other subsidiaries newly included in the consolidated financial statements of the Reporting Period, see Note VIII Changes to the Consolidation Scope in Part X.	In strict accordance with the Rules for the Management of Majority-owned Subsidiaries, the Company strengthened guidance and compliance with respect to the subsidiaries newly included in the consolidated financial statements. Under the authorization of the Company, the subsidiaries carried out activities and operated independently.	Completed	N/A	N/A	N/A	N/A

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XIV Internal Control Self-assessment Report or Internal Control Audit Report

1. Internal Control Self-Assessment Report

Date of full disclosure of the internal control assessment report	26 April 2022	
Index of full disclosure of the internal control assessment report	http://www.cninfo.com.cn	
Ratio of the total assets of the organizations included in the assessment to the Company's consolidated total assets	100.00%	
Ratio of the revenue of the organizations included in the assessment to the Company's consolidated revenue	100.00%	
Deficiency identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Signs of material deficiencies in financial report include: (1) Failure of control environment. (2) Misconduct of directors, supervisors or senior managers. (3) Major mistakes in current financial report which fail to be identified by the Company's internal control. (4) The supervision of the Audit Committee and audit department on the Company's financial report and on the internal control over internal report is ineffective. Signs of significant deficiencies in financial report include: (1) Failure to choose and apply accounting policies according to widely accepted accounting standards. (2) Failure to establish anti-fraud procedures and control management. (3) Lack of corresponding control mechanism for accounting treatment of unconventional or special transactions or lack of corresponding compensatory control. (4) One or more deficiencies in the control of the period-end financial reporting process and failure to reasonably ensure true and complete financial reports. General deficiencies refer to the control deficiencies other than material and</p>	<p>The identification of deficiencies in non-financial reports is mainly based on the degree of impact of the deficiencies on the effectiveness of business procedures and the possibility of their occurrence. If the possibility of the deficiency is relatively low, it will reduce the work efficiency or effectiveness, increase the uncertainty of the effectiveness, or make the work result deviate from the expected goal, the deficiency is a general deficiency. If the possibility of the deficiency is relatively high, it will significantly reduce the work efficiency or effectiveness, significantly increase the uncertainty of the effectiveness, or make the work result significantly deviate from the expected goal, the deficiency is a significant deficiency. If the possibility of the deficiency is relatively high, it will severely reduce the work efficiency or effectiveness, severely increase the</p>

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	significant deficiencies mentioned above.	uncertainty of the effectiveness, or make the work result severely deviate from the expected goal, the deficiency is a general deficiency.
Quantitative criteria	The Company views 5% of the total profit as the indicator of overall importance of its income statement, and views 5% of net assets as the indicator of overall importance of its balance sheet. When a potential misstatement is larger than or equal to 5% of the total profit in the income statement, or a potential misstatement is larger than or equal to 5% of net assets in the balance sheet, it is considered as a material deficiency. If a potential misstatement is lower than 5% but larger than or equal to 3% of the total profit in the income statement, or a potential misstatement is lower than 5% but larger than or equal to 3% of the net assets in the balance sheet, it is considered as a significant deficiency. If a potential misstatement is lower than 3% of the total profit in the income statement, or a potential misstatement is lower than 3% of the net assets in the balance sheet, it is considered as a general deficiency.	The Company views 5% of direct loss of the Company's net assets as the indicator of importance of non-financial report. When the direct loss is larger than or equal to 5% of the net assets, it is considered as a material deficiency. If the direct loss is lower than 5% but larger than or equal to 3% of the net assets, it is considered as a significant deficiency. If the direct loss is lower than 3% of the net assets, it is considered as a general deficiency.
Number of material deficiencies in financial reports		0
Number of material deficiencies in non-financial reports		0
Number of significant deficiencies in financial reports		0
Number of significant deficiencies in non-financial reports		0

2. Internal Control Audit Report

Applicable Not applicable

XV Remediation of Problems Identified by Self-inspection in the Special Action on the Governance of Listed Companies

After self-examination, the Company has established and improved a relatively complete and reasonable corporate governance system. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

governance structure in accordance with relevant laws and regulations such as the Company Law, the Code of Corporate Governance for Listed Companies and the Listing Rules of Shenzhen Stock Exchange. The Company will continue to improve itself, further improving its corporate governance in light of actual situation, promoting standardized operation of the Company, and promoting the high-quality development of the Company. Relevant matters have been remedied as required.

Part V Environmental and Social Responsibility

I Material Environmental Issues

Indicate whether the Company or any of its subsidiaries falls into major pollutant-discharge entities published by environmental protection authorities.

Yes No

Administrative punishments received during the Reporting Period due to environmental issues:

Name of the Company or subsidiary	Reason for punishment	Regulation violated	Punishment	Impact on the Company	Rectification
N/A	N/A	N/A	N/A	N/A	N/A

Other environmental information in relation to major pollutant-discharge entities:

N/A

Actions taken during the Reporting Period to reduce carbon emissions and the results:

Applicable Not applicable

37 Interactive Entertainment actively responds to the strategic deployment of the target "Peak Carbon Emission and Carbon Neutralization". Combining with its own carbon emission reality, the Company manages its carbon emissions by controlling energy consumption and exploring green power certificate trading.

According to ISO 14064: 2013 Standard for Greenhouse Gas Emission Accounting, in 2021, the Company's direct greenhouse gas emissions (Scope 1) were 152.13 tons, down 10.12% year-over-year; indirect greenhouse gas emissions from energy (Scope 2) were 1,793.91 tons, down 25.11% year-over-year; and carbon emissions from the Company's production and operation decreased by 618.60 tons, down 24.12% year-over-year. The Company made the first detailed disclosure of indirect carbon emissions from the Company's value chain (Scope III) through its social responsibility report, which amounted to 13,208.09 tons, and received the carbon emissions report rating of D (a disclosure level) from the Carbon Disclosure Project (CDP) for the first time.

The Company responds to the policies of the National Development and Reform Commission and other departments on the issuance of the Implementation Plan for Promoting Green Consumption and other policies, and independently explores green power certificate trading. In 2021, the Company purchased 4.29 million kWh of green power certificates from the 49.5MW project of Tianrun Sanying, a wind farm in Guyuan, Ningxia. 65.77% of the power consumed by the Company in the year was green power.

The construction of the Company's Guangzhou Headquarters, was carried out in accordance with the highest three-star standard for green buildings in China, focusing on the economical and intensive use of land and the adoption of sponge city technology to realize the recycling of water resources. It also focused on the green performance of the whole life cycle of the building in the areas of sustainable building site, water resource utilization and building energy saving, and strictly complied with the requirements of LEED, the most influential international green building standard, to reduce the carbon emission in future operation.

37 Interactive Entertainment has actively participated in environmental protection initiatives, joining the Playing for the Planet Alliance initiated by the UN Environment Program, using games to drive public attention to environmental protection issues; through its on-line programming education brand Miaocode and the Nature Conservancy jointly organized a public welfare-themed

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graphic programming competition to stimulate young people's thinking about ecological environmental protection; in response to the call of the World Earth Day, it launched an environmental protection week to encourage employees to participate in energy saving and emission reduction actions.

Reasons for the non-disclosure of other environmental information:

The Company is not a major pollutant-discharge entity published by environmental protection authorities. During the Reporting Period, the Company received no punishments due to violation of environmental protection laws and regulations.

II Corporate Social Responsibility (CSR)

In September 2021, 37 Interactive Entertainment released the Notice on the Framework Scheme of Investment in Six Directions: Scientific and Technological Innovation, Rural Revitalization, Rural Assistance, Industry-University-Research Incubation, Functional Game Development and Staff Development Plan, marking the official launch of the social value co-creation plan. It will invest RMB500 million by 2025 to further support the work in the above six directions so as to create shared value for people's better life and boost common prosperity.

Under the guidance of the plan, In 2021, the Company continued to support rural education and industrial development, respond to major social events, etc., playing its part in building a better society.

(I) Support scientific and technological innovation and make strategic investment

For more details, please refer to the "Social Value Co-creation" section of the Corporate Social Responsibility Report 2021.

37 Interactive Entertainment makes investment in value co-creation by comprehensively evaluating factors such as industrial value, social contribution, environmental impact and sustainable value, driving the emergence of excellent digital content products. The Company also actively gets involved in technology industry related to Metaverse, explores the deep integration of digital technology and real life, and advances breakthroughs in cutting-edge scientific and technological innovation. As of December 2021, the Company has invested more than 100 startup teams, indirectly driving the employment scale of more than 10,000 people and promoting the prosperity of digital economy, cultural creativity and other industries.

(II) Get involved in industry-university-research incubation and enhance talent support

For more details, please refer to the "Social Value Co-creation" and "Human Capital Development" sections of the Corporate Social Responsibility Report 2021.

1. Educational empowerment of college students:

In order to strengthen the talent reserve of digital economy and nurture young innovative talents, 37 Interactive Entertainment launched college education empowerment project, supporting 205 students from six universities, including Sun Yat-sen University, South China University of Technology and South China Normal University, to achieve all-round self-development through social practice exploration, innovation and entrepreneurship incentive and other activities.

2. College innovation challenge on sustainable development:

The Company held the first "College Innovation Challenge on Sustainable Development", the purpose of which is to lead college students to have a deeper understanding of the connotation of sustainable development, encourage them to use scientific and technological means to solve social problems in an innovative way, and improve their digital literacy and skills. The event attracted a total of 202 student teams from 48 universities at home and abroad, including Tsinghua University and China Academy of Art. The student teams created digital works on seven themes, including rural revitalization, carbon neutrality and network

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protection for minors, and their works covered various genres such as anime, H5 and game demo, interpreting their vision of a sustainable future in an innovative way.

3. Industry-university-research project:

The Company has jointly built a university-enterprise practice base with four universities including Sichuan University and South China University of Technology, and has cooperated with Jinan University, Xiangtan University and other universities to develop systematic education projects and set up software technology product training courses, aiming to narrow the difference between universities and society in demands for talent nurturing and encourage students to carry out innovative practice.

During the Reporting Period, the Company also engaged in active negotiation, expecting to carry out in-depth industry-university-research cooperation with Sun Yat-sen University on corporate social responsibility management, Beijing Normal University and Guangdong University of Finance and Economics on digital empowerment, and Xiangtan University on the digital application of national culture.

(III) Promote digital empowerment and lead positive social trend

For more details, please refer to the "Digital Empowerment" section of the Corporate Social Responsibility Report 2021.

37 Interactive Entertainment actively promotes the integration of enterprise products, traditional culture and social values, and enhances the cultural, educational and social service functions of its games.

1. Independently develop/publish games to promote traditional culture

(1) In the self-developed game The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决), the South School's Hongquan, part of the Guangdong intangible cultural heritage culture, is creatively integrated into actions of characters.

(2) The Road to Be Shopkeeper (叫我大掌柜) adds elements such as Maritime Silk Road and paper cutting for window decoration in gameplay, showing the long history and rich and colorful ancient customs of China to global players.

2. Endow games with multiple functions to deliver positive social values

(1) Star Life Paradise (星星生活乐园) provides auxiliary training for preschool children with autism;

(2) Qingfengxia Go Go Go (清风侠冲冲冲), the country's first functional game themed on "Combat Pornography and Illegal Publications; Protect Minors", shows teenagers how to deal with various network hazards in a Parkour game;

(3) Functional games Come to the Ice Games (来一场冰嬉运动会) and I Am a Scroll Restorer (我是画卷修复师) present ancient paintings and intangible heritage crafts in a digital way, injecting vitality into traditional culture.

3. Launch special projects and incorporate cultural elements

(1) The Social Responsibility Report 2020 incorporates traditional cultural elements such as the Book of Songs, bronzes and tiles;

(2) The Company co-organized the "Guangzhou Red" intangible cultural heritage activity to show the application scenario of intangible cultural heritages in the Internet era and release the vitality of intangible cultural heritage.

(3) As shown in the Corporate Social Responsibility Report 2021, the Company continued to explore cultural relic activation by embracing cultural relic elements such as The Songs of Chu, The Classic of Mountains and Seas, Huai Nan Zi, stone portraits of the Han dynasty, and the Grand Seal Character before the Qin dynasty. The report also adopts China's traditional colors as the main colors, demonstrating the beauty of Chinese culture.

4. Carry out network literacy education to empower minors

(1) Carry out the first lesson of "Network Literacy" for students receiving education support;

(2) Cooperate with colleges and universities to develop middle school curriculum package of network literacy education with game literacy as the core;

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(3) Miaocode, the Company's online programming education brand, leads children to explore the unknown through a wealth of activities on the popularization of scientific knowledge. Also, it helps Hong Kong students continue learning while schools are suspended by launching the "Learn More despite the Pandemic" jointly with Knowledge, a notable teenage journal in Hong Kong, and 12 quality education platforms in Mainland China.

(IV) Promote employee growth and share the fruits of development

For more details, please refer to the "Human Capital Development" section of the Corporate Social Responsibility Report 2021.

Through the learning and development center, the Company provides all employees with professional development resources, skills learning support, industry general education courses and support on academic qualification upgrading, and launches high-quality programs such as "Marathon Leadership Extraordinary Class" and "Marathon Leadership Elite Class" to boost the all-round development of employees. In 2021, the Company's expenditure on employee training was RMB7.0915 million, with the number of participants in training courses reaching 26,573.

In 2021, the Company set aside RMB30 million of interest-free loan for employee housing and continued to carry out employee stock ownership plan, insisting on joint creation, responsibility sharing, growth sharing and common prosperity between the Company and its employees.

III Efforts in Poverty Alleviation and Rural Revitalization

For details, please refer to the "Social Value Co-creation" section of the Corporate Social Responsibility Report 2021.

(I) Strategic public welfare to help rural education revitalization

Focusing on the revitalization of rural education, 37 Interactive Entertainment initiated the establishment of Guangdong Youxin Foundation in 2014, carrying out the "Youxin Peers" high school education assistance program, the high school enrollment guarantee program for ethnic minority girls, the county high school free reading program, and the "Vocational Wisdom Calling" career program. Through resource donations, volunteer services, and thought enlightenment, the foundation is helping the balanced development of education in less developed areas and empowering outstanding high school students.

Three new key support areas were added in 2021, including Ji'an, where the holy land of red revolution Jinggangshan is located. During the Reporting Period, 37 Interactive Entertainment's education support footprint has spread to 60 high schools in 11 provinces/autonomous regions, including Sichuan, Gansu, Guangdong, Jiangxi and Anhui, supporting a total of 3,315 students. Some of the sponsored students who participated in the college entrance examination in 2021 performed well and were admitted to double first-class universities such as Xi'an Jiaotong University, Jilin University and Sun Yat-sen University.

In addition, in order to support the healthy growth of children at primary and junior high school levels in some less developed areas, 37 Interactive Entertainment provided financial assistance to 119 students in need in Gansu and Guangdong, and joined hands with local charity organizations to carry out rural aesthetic education support in three rural primary schools in Guangdong, continuously strengthening its educational support.

(II) Multi-party collaboration to support rural industry

In Yunnan and Guizhou, 37 Interactive Entertainment has invested RMB0.9999 million to support the development of regional featured industries with local agricultural produces such as tea and honey with the help of multiple parties. In addition to sending working groups to visit villages, the Company also worked with experts in various fields, upstream and downstream enterprises, and academics from universities to design scientific planting, breeding and marketing plans for local villagers, and set up specific standards for villagers to refer to in various industrial segments, in order to improve product quality and drive sustainable income for villagers.

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Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	743,503,103	35.20%				-56,457,025	-56,457,025	687,046,078	30.98%
1.1 Shares held by the government									
1.2 Shares held by state-owned corporations									
1.3 Shares held by other domestic investors	743,503,103	35.20%				-56,457,025	-56,457,025	687,046,078	30.98%
Including: Shares held by domestic corporations									
Shares held by domestic natural persons	743,503,103	35.20%				-56,457,025	-56,457,025	687,046,078	30.98%
1.4 Shares held by overseas investors									

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Including: Shares held by overseas corporations									
Shares held by overseas natural persons									
2. Un-restricted shares	1,368,748,594	64.80%	105,612,584			56,457,025	162,069,609	1,530,818,203	69.02%
2.1 RMB-denominated common shares	1,368,748,594	64.80%	105,612,584			56,457,025	162,069,609	1,530,818,203	69.02%
2.2 Domestically listed foreign shares									
2.3 Overseas listed foreign shares									
2.4 Others									
3. Total shares	2,112,251,697	100.00%	105,612,584			0	105,612,584	2,217,864,281	100.00%

Reasons for share changes:

Applicable Not applicable

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. In the event of a changed share capital resulted from any bonus issue from profit or capital reserves, the number of shares to be issued could be adjusted accordingly. Eventually, the Company issued 105,612,584 RMB-denominated common shares (A-stock) in a private placement to 14 specified entities, increasing its total share capital from 2,112,251,697 shares to 2,217,864,281 shares. These newly issued shares were allowed for public trading on 10 March 2021. For further information, see the Report on the Private Placement of Shares by Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. & the Listing Announcement of these Shares (Summary) disclosed by the Company dated 8 March 2021.

Approval of share changes:

Applicable Not applicable

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. In the event of a changed share capital resulted from any bonus issue from profit or capital reserves, the number of shares to be issued could be adjusted accordingly. For further information, see the Announcement No. 2021-001 on the Receipt of the CSRC Approval Document for the Private Placement disclosed by the Company on 13 January 2021.

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Transfer of share ownership:

Applicable Not applicable

Effects of share changes on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's common shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

Based on the diluted share capital of 2,217,864,281.00 shares, for the 12 months ended 31 December 2021, the basic earnings per share, diluted earnings per share, and equity per share attributable to the Company's common shareholders were RMB1.30, RMB1.30 and RMB4.86, respectively.

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Beginning restricted shares	Shares with restriction lifted in the Reporting Period	Increase in restricted shares in the Reporting Period	Ending restricted shares	Reason for restriction	Lifting date
Li Weiwei	302,743,539	0	31,683,775	271,059,764	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Zeng Kaitian	245,344,330	0	61,336,050	184,008,280	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Hu Yuhang	110,893,263	40,305,000	0	151,198,263	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Wu Weihong	84,001,921	0	7,852,200	76,149,721	Locked-up shares of senior	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior

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					management	management in the Company Law, etc.
Yang Jun	520,050	1,575,000	0	2,095,050	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Zhang Yun	0	2,535,000	0	2,535,000	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Total	743,503,103	44,415,000	100,872,025	687,046,078	--	--

II Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable Not applicable

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issued number	Listing date	Number approved for public trading	Termination date of transaction	Index to disclosed information	Disclosure date
Stocks								
Private Placement of 37 Interactive Entertainment	24 February 2021	27.77	105,612,584	10 March 2021	105,612,584		http://www.cninfo.com.cn	8 March 2021
Convertible corporate bonds, convertible corporate bonds with warrants, and corporate bonds								
Other derivative securities								

Particulars about the securities (exclusive of preferred shares) issued in the Reporting Period:

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. Eventually, the Company issued 105,612,584 RMB-denominated common shares (A-stock) in a private placement to 14 specified entities, increasing its total share capital from 2,112,251,697 shares to 2,217,864,281 shares. These newly issued shares were allowed for public trading on 10 March 2021.

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

See "1. Reasons for share changes" in Item I of this Part.

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3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Holdings as at the Period-End

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Shares held	Increase/decrease in the Reporting Period	Restricted shares held	Un-restricted shares held	Pledged, marked or frozen status	
							Status	Shares
Li Weiwei	Domestic natural person	14.52%	322,113,019	-39,300,000	271,059,764	51,053,255	Pledged	9,100,000
Zeng Kaitian	Domestic natural person	11.06%	245,344,374	0	184,008,280	61,336,094	Pledged	9,800,000
Hu Yuhang	Domestic natural person	9.09%	201,597,684	53,740,000	151,198,263	50,399,421	Pledged	19,800,000
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	3.88%	85,981,106	3,209,020	0	85,981,106		
Wu Weihong	Domestic natural person	3.69%	81,852,962	-19,680,000	76,149,721	5,703,241		
Wu Weidong	Domestic natural person	2.83%	62,843,457	-27,675,800	0	62,843,457		
Xu Zhigao	Domestic natural person	1.66%	36,853,103	23,430,103	0	36,853,103		
China Merchants	Other	1.14%	25,204,534	14,203,056	0	25,204,534		

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Bank Co., Ltd.— Xingquan Herun Mixed Securities Investment Fund								
Wu Xushun	Domestic natural person	0.94%	20,801,682	-29,269,000	0	20,801,682		
China Merchants Bank Co., Ltd.— Xingquan Heyi Dynamic Asset Allocation Mixed Securities Investment Fund (LOF)	Other	0.87%	19,289,712	6,863,404	0	19,289,712		
Strategic investor or general corporation becoming a top-10 common shareholder in a rights issue (if any) (see note 3)	Not applicable							
Related or acting-in-concert parties among the shareholders above	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>							
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A							
Special account for share repurchases (if any) among the top 10 shareholders (see note 10)	N/A							
Top 10 un-restricted shareholders								
Name of shareholder	Un-restricted shares held	Shares by class						
		Class	Shares					
Hong Kong Securities Clearing Company Ltd.	85,981,106	RMB-denominated common shares	85,981,106					
Wu Weidong	62,843,457	RMB-denominated common shares	62,843,457					
Zeng Kaitian	61,336,094	RMB-denominated common shares	61,336,094					

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Li Weiwei	51,053,255	RMB-denominated common shares	51,053,255
Hu Yuhang	50,399,421	RMB-denominated common shares	50,399,421
Xu Zhigao	36,853,103	RMB-denominated common shares	36,853,103
China Merchants Bank Co., Ltd. — Xingquan Herun Mixed Securities Investment Fund	25,204,534	RMB-denominated common shares	25,204,534
Wu Xushun	20,801,682	RMB-denominated common shares	20,801,682
China Merchants Bank Co., Ltd. — Xingquan Heyi Dynamic Asset Allocation Mixed Securities Investment Fund (LOF)	19,289,712	RMB-denominated common shares	19,289,712
Industrial and Commercial Bank of China Limited — Fullgoal Innovative Technology Mixed Securities Investment Fund	18,963,683	RMB-denominated common shares	18,963,683
Related or acting-in-concert parties among the top 10 un-restricted shareholders, as well as between the top 10 un-restricted shareholders and the top 10 shareholders	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>		
Related or acting-in-concert parties among the top 10 un-restricted shareholders, as well as between the top 10 un-restricted shareholders and the top 10 shareholders	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>		

Indicate whether any of the top 10 common shareholders or the top 10 un-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by a natural person

Type of the controlling shareholder: natural person

Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

Name of the controlling shareholder	Nationality	Residency in other countries or regions or not
Li Weiwei	Chinese	Not
Main occupation and position	Chairman of the Board and General Manager	
Interests held in other domestically and overseas listed companies in the Reporting Period	None	

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Acting-in-Concert Parties

Nature of the actual controller: domestic natural person

Type of the actual controller: natural person

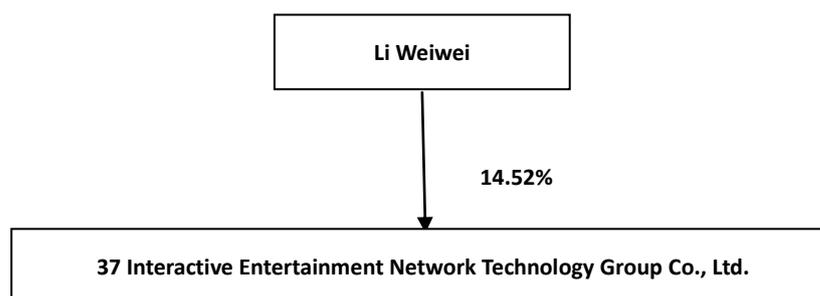
Name of the actual controller	Relationship with the actual controller	Nationality	Residency in other countries or regions or not
Li Weiwei	Actual controller himself	Chinese	Not
Main occupation and position	Chairman of the Board and General Manager		
Controlling interests in other domestically and overseas listed companies in the past 10 years	None		

Change of the actual controller in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relationship between the actual controller and the Company:



IV Share Repurchases during the Reporting Period

Progress on share repurchases:

Applicable Not applicable

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Date of the repurchase plan's disclosure	Number of shares to be repurchased	As % of total share capital	Amount to be used for repurchase	Intended repurchase period	Purpose of repurchased shares	Number of shares repurchased	Shares repurchased as % of total target shares (if any) under equity incentive plan
2 August 2021	10,714,285	0.0048	300,000,000	Within six months following the Board's approval of the repurchase plan	For subsequent employee stock ownership plans or other equity incentive plans	16,301,534	

Progress on reducing the repurchased shares by way of centralized bidding:

Applicable Not applicable

Part VII Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of report signing	25 April 2022
Name of the independent auditor	Huaxing Certified Public Accountants LLP
Number of the independent auditor's report	Huaxing [2022] No. 21013050010
Name of the certified public accountants	Yang Xinchun and Lin Hualong

Independent Auditor's Report

To all the shareholders of 37 Interactive Entertainment Network Technology Group Co., Ltd.:

I Opinion

We have audited the financial statements of 37 Interactive Entertainment Network Technology Group Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2021, the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements, and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial positions as at 31 December 2021, and the consolidated and the Company's operating results and cash flows for the year then ended, in conformity with China's Accounting Standards for Business Enterprises (CAS).

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Description

As described in Notes III - XXXI Revenue and V - XXXV Operating Revenue and Cost of Sales," the Company is mainly engaged in the R&D and (independent and joint) operation of online games. The operation of online games depends highly on internal control and IT system, leading to inherent risk in revenue recognition, so we highlighted the revenue recognition of online games as a key audit matter.

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2. Audit response

(1) The Company investigated and tested revenue-related internal controls and assessed the appropriateness of the key control points of internal control and the effectiveness of the operation of internal controls.

(2) The Company performed IT audit. The consistency between the background recharge amount and consumption amount of substantial self-developed games and the financial information was tested. The exactness of the consumption amount of ingots at period end was verified. Game operation data such as average number of online users, number of paying uses and average consumption amount per user were checked for their consistency with revenue data.

(3) The Company checked the accuracy of revenue accounting and estimate. To align the accounting process with the time cycle of reconciliation or settlement and follow the accrual basis of accounting, the Company makes revenue estimates based on the recharge amount and the agreed revenue distribution scheme or the actual consumption amount at month end and adjusts the revenue estimates according to the actually settled revenues; thus, the accuracy of revenue estimates directly influences the accuracy of revenue recognition. The accuracy of revenue estimates was assessed by sampling major games and checking the estimated monthly or annual revenues of these sampled games against the settled revenues in terms of the average discrepancy between the estimated and settled revenues.

(4) The Company checked the collection of accounts receivable from sales. Third-party collections/payments or bank deposit receipts were checked, focusing on the consistency between the original documents and book records in terms of the recipient and amount of payment.

(5) The Company performed follow-up test. A follow up test was conducted on accounts receivable to check whether they were collected in time and whether there were chargebacks to customers. Period-end estimated revenues were checked against revenues settled after the Reporting Period for assessing the existence of major discrepancies between the estimated and actually settled revenues.

(II) Internet traffic fee charges

1. Description

As described in Note V. (XXXVII) Distribution and Selling Expenses, the Internet traffic fee charges in the 2021 consolidated financial statements amount to RMB8.77 billion. Because Internet traffic fee charges amount to a substantial amount and there is inherent risk in terms of their exactness and accuracy, we highlighted the exactness and accuracy of Internet traffic charges as a key audit matter.

2. Audit response

The major audit procedures performed to address the exactness and accuracy of Internet traffic fee charges include:

(1) We investigated and tested Internet traffic fee charges-related internal controls and assessed the effectiveness of the design and operation of relevant internal controls;

(2) We performed an analytical review to comparatively analyze the proportion of and variation in the monthly Internet traffic fee charges and assess the appropriateness of the variation;

(3) We performed a detail test on Internet traffic charges by checking the supporting documents of large vouchers, such as contracts, invoices, bills of payment and statements of accounts, and reviewing the accuracy of such charges;

(4) We performed external confirmations by checking the amounts of transactions and the balance of the accounts payable/receivable between the Company and its major suppliers and verifying the exactness and completeness of distribution and selling expenses through letters of confirmation;

(5) We performed a cut-off test on the Internet traffic fee charges recognized before and after the date of balance sheet, focusing on whether there are major inter-period adjustments.

IV Other Information

Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2021 Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V Responsibilities of Management and Those Charged with Governance for Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinion on the effectiveness of internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements

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represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by 37 Interactive Entertainment Network Technology Group Co., Ltd.

31 December 2021

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary funds	4,618,532,776.92	1,776,856,909.85
Transaction settlement funds		
Loans to other banks		
Trading financial assets	2,098,526,001.60	1,321,234,029.61
Derivative financial assets		
Notes receivable		
Accounts receivable	1,264,319,473.08	1,164,657,998.35
Accounts receivable financing		
Prepayments	1,055,295,139.07	999,890,031.00
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract		

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reserve		
Other receivables	89,898,027.86	85,138,773.10
Including: Interest receivable		
Dividends receivable	14,481,435.97	10,100,000.00
Redemptory monetary capital for sale		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	60,264,139.07	452,435,284.38
Total current assets	9,186,835,557.60	5,800,213,026.29
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	509,058,912.99	360,566,552.56
Other equity investments	326,561,477.94	294,824,927.02
Other non-current financial assets	561,680,630.03	372,195,483.93
Investment properties		
Fixed assets	892,006,774.60	922,736,638.76
Construction in progress	77,637,189.70	4,180,019.75
Productive living assets		
Oil and gas assets		
Right-of-use assets	59,925,125.24	
Intangible assets	1,088,487,381.04	1,108,434,647.51
Development expenditure		
Goodwill	1,589,065,048.53	1,589,065,048.53
Long-term deferred expenses	97,947,759.66	71,442,122.88
Deferred income tax assets	17,700,526.83	9,967,411.35
Other non-current assets	30,274,858.60	30,705,621.27
Total non-current assets	5,250,345,685.16	4,764,118,473.56

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Total assets	14,437,181,242.76	10,564,331,499.85
Current liabilities:		
Short-term loans	445,635,500.00	889,324,326.07
Loans from the central bank		
Loans from other banks		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	208,000,000.00	393,351,017.72
Accounts payable	1,565,004,179.17	1,078,096,658.12
Advances from customers		
Contract liabilities	260,658,631.26	204,231,829.45
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	455,632,387.06	410,000,161.52
Taxes payable	188,987,667.45	160,224,192.87
Other payables	199,296,971.30	1,317,972,818.79
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Liabilities held for sale		
Non-current liabilities due within one year	23,773,918.12	
Other current liabilities	52,341,276.62	45,287,027.61
Total current liabilities	3,399,330,530.98	4,498,488,032.15
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	20,000,000.00	

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Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	39,641,414.25	
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		
Deferred income tax liabilities	120,873,287.67	391,763.97
Other non-current liabilities		
Total non-current liabilities	180,514,701.92	391,763.97
Total liabilities	3,579,845,232.90	4,498,879,796.12
Shareholders' equity:		
Share capital	2,217,864,281.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	2,978,593,891.37	114,693,519.91
Less: Treasury shares	299,999,563.27	
Other comprehensive income	-184,243,331.38	-149,074,272.37
Special reserves		
Surplus reserves	166,559,856.09	
General risk reserves		
Retained earnings	5,894,941,180.68	3,959,512,681.41
Total equity attributable to shareholders of the Company	10,773,716,314.49	6,037,383,625.95
Non-controlling interests	83,619,695.37	28,068,077.78
Total shareholders' equity	10,857,336,009.86	6,065,451,703.73
Total liabilities and shareholders' equity	14,437,181,242.76	10,564,331,499.85

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

2. Balance Sheet of the Company

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary funds	998,498,059.53	274,246.17
Trading financial assets	753,493,150.68	
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts receivable financing		
Prepayments		
Other receivables	1,180,095,000.00	1,000,017,597.10
Including: Interest receivable		
Dividends receivable		1,000,000,000.00
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	5,345,366.16	3,352,745.35
Total current assets	2,937,431,576.37	1,003,644,588.62
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	9,516,402,451.17	9,449,976,259.36
Other equity investments		
Other non-current financial assets	29,040,909.54	29,040,909.54
Investment properties		
Fixed assets		
Construction in progress		
Productive living assets		
Oil and gas assets		
Right-of-use assets	8,855,941.39	

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Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	9,554,299,302.10	9,479,017,168.90
Total assets	12,491,730,878.47	10,482,661,757.52
Current liabilities:		
Short-term loans	350,000,000.00	
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable		186,277.50
Advances from customers		
Contract liabilities		
Employee benefits payable	2,653,397.00	492,264.00
Taxes payable	8,909,954.92	4,749,796.66
Other payables	1,122,108,240.45	3,062,581,644.17
Including: Interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	2,205,420.44	
Other current liabilities		
Total current liabilities	1,485,877,012.81	3,068,009,982.33
Non-current liabilities:		
Long-term loans	20,000,000.00	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	7,298,895.06	
Long-term payables		
Long-term employee benefits payable		

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Provisions		
Deferred income		
Deferred income tax liabilities	873,287.67	
Other non-current liabilities		
Total non-current liabilities	28,172,182.73	
Total liabilities	1,514,049,195.54	3,068,009,982.33
Shareholders' equity:		
Share capital	2,217,864,281.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	6,622,294,870.41	3,759,929,582.87
Less: Treasury shares	299,999,563.27	
Other comprehensive income	-60,000,000.00	-60,000,000.00
Special reserves		
Surplus reserves	608,622,056.26	442,062,200.17
Retained earnings	1,888,900,038.53	1,160,408,295.15
Total shareholders' equity	10,977,681,682.93	7,414,651,775.19
Total liabilities and shareholders' equity	12,491,730,878.47	10,482,661,757.52

3. Consolidated Income Statement

Unit: RMB

Item	2021	2020
1. Total operating revenue	16,216,498,239.02	14,399,703,084.56
Including: Operating revenue	16,216,498,239.02	14,399,703,084.56
Interest income		
Premium income		
Handling charge and commission income		
2. Total operating costs and expenses	13,287,295,471.69	11,468,915,314.31
Including: Cost of sales	2,466,077,310.61	1,757,783,549.76
Interest expense		
Handling charge and commission expenses		
Surrenders		

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Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expenses		
Taxes and surcharges	38,051,275.61	42,336,777.66
Distribution and selling expenses	9,125,341,989.92	8,212,936,504.81
General and administrative expenses	462,767,933.71	366,208,400.81
Research and development expenses	1,250,238,810.24	1,112,654,352.49
Financial expenses	-55,181,848.40	-23,004,271.22
Including: Interest expense	26,788,458.65	41,162,339.42
Interest income	75,730,210.86	73,943,032.87
Add: Other income	167,198,424.90	162,027,080.81
Investment income (“-” for loss)	122,970,638.91	155,254,765.65
Including: Share of profits and losses of joint ventures and associates	804,477.28	28,694,143.21
Gain on derecognition of financial assets measured at amortised cost (“-” for loss)		
Gain on exchange (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	77,766,109.01	195,629,632.38
Impairment loss on credit (“-” for loss)	-3,403,348.29	4,606,858.28
Impairment loss on assets (“-” for loss)	-35,821,023.90	-192,660,311.72
Gain on disposal of assets (“-” for loss)	2,771,407.94	304,974.69
3. Operating profit (“-” for loss)	3,260,684,975.90	3,255,950,770.34
Add: Non-operating income	4,395,931.93	4,066,295.96
Less: Non-operating expenses	16,631,950.41	11,044,793.90
4. Profit before income tax expenses (“-” for loss)	3,248,448,957.42	3,248,972,272.40
Less: Income tax expenses	398,477,803.90	213,140,950.93
5. Net profit (“-” for net loss)	2,849,971,153.52	3,035,831,321.47
5.1 Classified by continuity of operations		
5.1.1 Net profit from continuing operations (“-” for net loss)	2,849,971,153.52	3,035,831,321.47
5.1.2 Net profit from discontinued operations (“-” for net		

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loss)		
5.2 Classified by ownership of the equity		
5.2.1 Net profit attributable to shareholders of the Company	2,875,575,877.62	2,760,951,475.22
5.2.2 Net profit attributable to non-controlling interests	-25,604,724.10	274,879,846.25
6. Other comprehensive income, net of tax	-35,169,059.01	-54,736,001.82
Other comprehensive income attributable to shareholders of the Company, net of tax	-35,169,059.01	-54,491,772.24
6.1 Other comprehensive income that will not be reclassified subsequently to profit or loss	-5,360,952.31	-7,240,888.31
6.1.1 Changes caused by remeasurement of defined benefit pension schemes		
6.1.2 Share of the other comprehensive income of the investee accounted for using equity method that will not be reclassified subsequently to profit or loss		
6.1.3 Changes in fair value of other equity investments	-5,360,952.31	-7,240,888.31
6.1.4 Changes in the fair value of the company's own credit risk		
6.1.5 Others		
6.2 Other comprehensive income that will be reclassified subsequently to profit or loss	-29,808,106.70	-47,250,883.93
6.2.1 Share of the other comprehensive income of the investee accounted for using equity method that will be reclassified subsequently to profit or loss		
6.2.2 Changes in fair value of other equity investments		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Allowance for credit impairments in other debt investments		
6.2.5 Cash flow hedge reserve		
6.2.6 Exchange differences on translation of foreign currency financial statements	-29,808,106.70	-47,250,883.93
6.2.7 Others		
Other comprehensive income attributable to non-controlling interests, net of tax		-244,229.58

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7. Total comprehensive income	2,814,802,094.51	2,981,095,319.65
Total comprehensive income attributable to shareholders of the Company	2,840,406,818.61	2,706,459,702.98
Total comprehensive income attributable to non-controlling interests	-25,604,724.10	274,635,616.67
8. Earnings per share:		
8.1 Basic earnings per share	1.31	1.31
8.2 Diluted earnings per share	1.31	1.31

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB , with the amount for the same period of last year being RMB .

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

4. Income Statement of the Company

Unit: RMB

Item	2021	2020
1. Operating revenue	0.00	0.00
Less: Cost of sales	0.00	0.00
Taxes and surcharges	47,537.79	1,469,257.30
Distribution and selling expenses		
General and administrative expenses	11,020,080.50	6,412,086.86
Research and development expenses		
Financial expenses	-17,358,639.34	785,537.00
Including: Interest expense	9,303,621.14	
Interest income	27,153,413.37	3,662.65
Add: Other income	6,442,351.75	1,636,316.93
Investments income ("-" for loss)	1,652,647,399.27	1,055,329,436.91
Including: Share of profits and losses of joint ventures and associates		-530,563.09
Gain on derecognition of financial assets measured at amortised cost ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	3,493,150.68	-2,665,863.25

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Impairment loss on credit (“-” for loss)	10,000.00	38,468.66
Impairment loss on assets (“-” for loss)		-25,856,711.23
Gain on disposal of assets (“-” for loss)		
2. Operating profit (“-” for loss)	1,668,883,922.75	1,019,814,766.86
Add: Non-operating income	0.38	0.63
Less: Non-operating expenses		
3. Profit before income tax expenses (“-” for loss)	1,668,883,923.13	1,019,814,767.49
Less: Income tax expenses	3,285,362.21	
4. Net profit (“-” for net loss)	1,665,598,560.92	1,019,814,767.49
4.1 Net profit from continuing operations (“-” for net loss)	1,665,598,560.92	1,019,814,767.49
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax		-7,240,888.31
5.1 Other comprehensive income that will not be reclassified subsequently to profit or loss		-7,240,888.31
5.1.1 Changes caused by remeasurement of defined benefit pension schemes		
5.1.2 Share of the other comprehensive income of the investee accounted for using equity method that will not be reclassified subsequently to profit or loss		
5.1.3 Changes in fair value of other equity investments		-7,240,888.31
5.1.4 Changes in the fair value of the company's own credit risk		
5.1.5 Others		
5.2 Other comprehensive income that will be reclassified subsequently to profit or loss		
5.2.1 Share of the other comprehensive income of the investee accounted for using equity method that will be reclassified subsequently to profit or loss		
5.2.2 Changes in fair value of other equity investments		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Allowance for credit impairments in other		

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debt investments		
5.2.5 Cash flow hedge reserve		
5.2.6 Exchange differences on translation of foreign currency financial statements		
5.2.7 Others		
6. Total comprehensive income	1,665,598,560.92	1,012,573,879.18
7. Earnings per share:		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2021	2020
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	16,798,146,507.23	15,289,245,739.20
Net increase in customer deposits and interbank deposits		
Net increase in loans from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in loans from other banks		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Refunds of taxes and levies	11,104,760.98	32,303,345.84
Cash received relating to other operating activities	193,011,339.37	212,474,405.30
Sub-total of cash inflows from operating activities	17,002,262,607.58	15,534,023,490.34
Cash paid for purchases of goods and services	2,450,903,325.34	2,189,923,584.52
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and other		

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banks and financial institutions		
Payments for claims on original insurance contracts		
Net increase in loans to other banks		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and on behalf of employees	1,599,562,488.60	1,097,401,697.48
Payments of taxes and levies	373,899,171.10	398,994,011.54
Cash paid relating to other operating activities	8,919,148,681.51	8,919,766,892.15
Sub-total of cash outflows used in operating activities	13,343,513,666.55	12,606,086,185.69
Net cash flows from operating activities	3,658,748,941.03	2,927,937,304.65
2. Cash flows from investing activities:		
Cash received from disposal of investments	427,481,175.20	244,768,186.69
Cash received from investment income	91,728,871.90	83,046,513.56
Cash received from disposal of fixed assets, intangible assets and other long-term assets	2,172,540.15	1,093,427.90
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	6,049,184,128.00	6,664,127,406.43
Sub-total of cash inflows from investing activities	6,570,566,715.25	6,993,035,534.58
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	341,688,985.43	1,071,675,513.91
Cash paid to acquire investments	816,411,556.23	396,190,603.30
Net increase in pledged loans granted		
Net cash paid for the acquisition of subsidiaries and other business units	6,860,763.05	
Cash paid relating to other investing activities	6,488,521,991.01	6,134,819,564.44
Sub-total of cash outflows used in investing activities	7,653,483,295.72	7,602,685,681.65
Net cash flows from/used in investing activities	-1,082,916,580.47	-609,650,147.07
3. Cash flows from financing activities:		
Cash received from capital contributions	2,983,232,843.10	
Including: Cash received from capital contributions by non-controlling interests of subsidiaries	79,700,000.00	
Cash received from borrowings	466,754,500.00	889,324,326.07
Cash received relating to other financing activities	900,001.00	
Sub-total of cash inflows from financing activities	3,450,887,344.10	889,324,326.07

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Cash repayments of borrowings	889,324,326.07	281,176,106.33
Cash paid for interest and dividends	793,119,332.95	1,508,520,111.64
Including: Dividends paid by subsidiaries to non-controlling interests		200,000,000.00
Cash paid relating to other financing activities	1,481,622,394.61	1,727,977,276.44
Sub-total of cash outflows used in financing activities	3,164,066,053.63	3,517,673,494.41
Net cash flows from/used in financing activities	286,821,290.47	-2,628,349,168.34
4. Effect of foreign exchange rate changes on cash and cash equivalents	-18,341,424.20	-51,116,887.46
5. Net increase/decrease in cash and cash equivalents	2,844,312,226.83	-361,178,898.22
Add: Cash and cash equivalents at beginning of the period	1,774,081,508.55	2,135,260,406.77
6. Cash and cash equivalents at end of the period	4,618,393,735.38	1,774,081,508.55

6. Cash Flow Statement of the Company

Unit: RMB

Item	2021	2020
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services		
Refunds of taxes and levies		
Cash received relating to other operating activities	2,456,722,480.09	3,035,884,451.81
Sub-total of cash inflows from operating activities	2,456,722,480.09	3,035,884,451.81
Cash paid for purchases of goods and services		
Cash paid to and on behalf of employees	1,713,081.92	734,366.23
Payments of taxes and levies	2,340,276.64	41,881.80
Cash paid relating to other operating activities	4,409,233,445.81	1,112,962,155.21
Sub-total of cash outflows used in operating activities	4,413,286,804.37	1,113,738,403.24
Net cash flows from/used in operating activities	-1,956,564,324.28	1,922,146,048.57
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from investment income	2,652,647,399.27	1,055,860,000.00
Cash received from disposal of fixed assets, intangible assets and other long-term assets		

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Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	1,710,000,000.00	
Sub-total of cash inflows from investing activities	4,362,647,399.27	1,055,860,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	1,140,480,000.00	1,710,720,000.00
Net cash paid for the acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	2,460,000,000.00	426,330.01
Sub-total of cash outflows used in investing activities	3,600,480,000.00	1,711,146,330.01
Net cash flows from/used in investing activities	762,167,399.27	-655,286,330.01
3. Cash flows from financing activities:		
Cash received from capital contributions	2,903,532,843.10	
Cash received from borrowings	370,000,000.00	
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	3,273,532,843.10	
Cash repayments of borrowings		
Cash paid for interest and dividends	779,504,461.46	1,267,351,018.20
Cash paid relating to other financing activities	301,407,643.27	
Sub-total of cash outflows used in financing activities	1,080,912,104.73	1,267,351,018.20
Net cash flows from/used in financing activities	2,192,620,738.37	-1,267,351,018.20
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase/decrease in cash and cash equivalents	998,223,813.36	-491,299.64
Add: Cash and cash equivalents at beginning of the period	274,246.17	765,545.81
6. Cash and cash equivalents at end of the period	998,498,059.53	274,246.17

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7. Consolidated Statement of Changes in Shareholders' Equity

2021

Unit: RMB

Item	2021														
	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others			Sub-total
	Preferred shares	Perpetual bonds	Others												
1. Balance as at the end of prior year	2,112,251,697.00				114,693,519.91		-149,074,272.37				3,959,512,681.41		6,037,383,625.95	28,068,077.78	6,065,451,703.73
Add: Adjustments for changed accounting policies											-3,040,560.81		-3,040,560.81	-2,224.58	-3,042,785.39
Adjustments for corrections of previous errors															
Adjustments															

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for business combinations under common control															
Others															
2. Balance as at beginning of year	2,112,251,697.00				114,693,519.91		-149,074,272.37				3,956,472,120.60		6,034,343,065.14	28,065,853.20	6,062,408,918.34
3. Increase/decrease in the period ("-" for decrease)	105,612,584.00				2,863,900,371.46	299,999,563.27	-35,169,059.01		166,559,856.09		1,938,469,060.08		4,739,373,249.35	55,553,842.17	4,794,927,091.52
3.1 Total comprehensive income							-35,169,059.01				2,875,575,877.62		2,840,406,818.61	-25,604,724.10	2,814,802,094.51
3.2 Capital contribution and withdrawal by shareholders	105,612,584.00				2,862,365,287.54	299,999,563.27							2,667,978,308.27	78,500,000.00	2,746,478,308.27
3.2.1 Common shares contribution and withdrawal by	105,612,584.00				2,795,939,095.73								2,901,551,679.73	78,500,000.00	2,980,051,679.73

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shareholders																
3.2.2 Capital contribution and withdrawal by holders of other equity instruments																
3.2.3 Share-based payments included in shareholders' equity					66,426,191.81								66,426,191.81			66,426,191.81
3.2.4 Others						299,999,563.27							-299,999,563.27			-299,999,563.27
3.3 Profit distribution									166,559,856.09		-937,106,817.54		-770,546,961.45			-770,546,961.45
3.3.1 Appropriation to surplus reserves									166,559,856.09		-166,559,856.09					
3.3.2 Appropriation to general risk reserves																

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	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total	interests	shareholders' equity
		Preferred shares	Perpetual bonds	Others											
1. Balance as at the end of prior year	2,112,251,697.00				73,153,800.49	-94,582,500.13		227,390,965.90			4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Others															
2. Balance as at beginning of	2,112,251,697.00				73,153,800.49	-94,582,500.13		227,390,965.90			4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53

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year														
3. Increase/ decrease in the period ("-" for decrease)				41,539,719.42		-54,491,772.24		-227,390,965.9 0		-751,581,214.41		-991,924,233.13	-236,332,666.6 7	-1,228,256,899.80
3.1 Total comprehensive income						-54,491,772.24				2,760,951,475.22		2,706,459,702.98	274,635,616.67	2,981,095,319.65
3.2 Capital contribution and withdrawal by shareholders				131,668,677.7 9								131,668,677.79	-310,968,283.3 4	-179,299,605.55
3.2.1 Common shares contribution and withdrawal by shareholders													-317,165,286.0 5	-317,165,286.05
3.2.2 Capital contribution and withdrawal by holders of other equity instruments														
3.2.3 Share-based payments included in				131,668,677.7 9								131,668,677.79	6,197,002.71	137,865,680.50

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shareholders' equity															
3.2.4 Others															
3.3 Profit distribution								101,981,476.75		-1,369,332,494.95		-1,267,351,018.20	-200,000,000.00	-1,467,351,018.20	
3.3.1 Appropriation to surplus reserves								101,981,476.75		-101,981,476.75					
3.3.2 Appropriation to general risk reserves															
3.3.3 Distribution to shareholders										-1,267,351,018.20		-1,267,351,018.20	-200,000,000.00	-1,467,351,018.20	
3.3.4 Others															
3.4 Internal transfers within shareholders' equity															
3.4.1 Capital reserves transferred into capital (or share capital)															
3.4.2 Surplus															

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reserves transferred into capital (or share capital)															
3.4.3 Surplus reserves for making up losses															
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings															
3.4.5 Other comprehensive income transferred into retained earnings															
3.4.6 Others															
3.5 Special reserves															
3.5.1 Increase in the period															
3.5.2 Used in the															

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period														
3.6 Others				-90,128,958.3 7				-329,372,442.6 5		-2,143,200,194.68		-2,562,701,595.7 0		-2,562,701,595.70
4. Balance as at the end of the period	2,112,251,697.00			114,693,519.9 1				-149,074,272.3 7		3,959,512,681.41		6,037,383,625.95	28,068,077.78	6,065,451,703.73

8. Statement of Changes in Shareholders' Equity of the Company

2021

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others								
1. Balance as at the end of prior year	2,112,251,697.00				3,759,929,582.87		-60,000,000.00		442,062,200.17	1,160,408,295.15		7,414,651,775.19
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,112,251,697.00				3,759,929,582.87		-60,000,000.00		442,062,200.17	1,160,408,295.15		7,414,651,775.19

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3. Increase/ decrease in the period ("-" for decrease)	105,612,584.00				2,862,365,287.54	299,999,563.27			166,559,856.09	728,491,743.38		3,563,029,907.74
3.1 Total comprehensive income										1,665,598,560.92		1,665,598,560.92
3.2 Capital contribution and withdrawal by shareholders	105,612,584.00				2,862,365,287.54	299,999,563.27						2,667,978,308.27
3.2.1 Common shares contribution and withdrawal by shareholders	105,612,584.00				2,795,939,095.73							2,901,551,679.73
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity					66,426,191.81							66,426,191.81
3.2.4 Others						299,999,563.27						-299,999,563.27
3.3 Profit distribution									166,559,856.09	-937,106,817.54		-770,546,961.45
3.3.1 Appropriation to surplus reserves									166,559,856.09	-166,559,856.09		
3.3.2 Distribution to shareholders										-770,546,961.45		-770,546,961.45
3.3.3 Others												
3.4 Internal transfers within shareholders' equity												
3.4.1 Capital reserves												

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transferred into capital (or share capital)												
3.4.2 Surplus reserves transferred into capital (or share capital)												
3.4.3 Surplus reserves for making up losses												
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings												
3.4.5 Other comprehensive income transferred into retained earnings												
3.4.6 Others												
3.5 Special reserves												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Others												
4. Balance as at the end of the period	2,217,864,281.00				6,622,294,870.41	299,999,563.27	-60,000,000.00		608,622,056.26	1,888,900,038.53		10,977,681,682.93

2020

Unit: RMB

Item	2020											
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	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others								
1. Balance as at the end of prior year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
3. Increase/ decrease in the period ("-" for decrease)					137,865,680.50		-7,240,888.31		101,981,476.75	-349,517,727.46		-116,911,458.52
3.1 Total comprehensive income							-7,240,888.31			1,019,814,767.49		1,012,573,879.18
3.2 Capital contribution and withdrawal by shareholders					137,865,680.50							137,865,680.50
3.2.1 Common shares contribution and withdrawal by shareholders												
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												

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3.2.3 Share-based payments included in shareholders' equity					137,865,680.50							137,865,680.50
3.2.4 Others												
3.3 Profit distribution									101,981,476.75	-1,369,332,494.95		-1,267,351,018.20
3.3.1 Appropriation to surplus reserves									101,981,476.75	-101,981,476.75		
3.3.2 Distribution to shareholders										-1,267,351,018.20		-1,267,351,018.20
3.3.3 Others												
3.4 Internal transfers within shareholders' equity												
3.4.1 Capital reserves transferred into capital (or share capital)												
3.4.2 Surplus reserves transferred into capital (or share capital)												
3.4.3 Surplus reserves for making up losses												
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings												
3.4.5 Other comprehensive												

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income transferred into retained earnings												
3.4.6 Others												
3.5 Special reserves												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Others												
4. Balance as at the end of the period	2,112,251,697.00				3,759,929,582.87		-60,000,000.00		442,062,200.17	1,160,408,295.15		7,414,651,775.19

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