

37 Interactive Entertainment Network

Technology Group Co., Ltd.

2023 Annual Report (Summary)

April 2024

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.

Xu Zhigao, 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.

Any plans and other forward-looking statements in this Report shall not be deemed as promises to investors. Investors and other stakeholders shall be fully aware of the risk and understand the difference between plans, forecasts and promises. Most of these forward-looking contents can be found in “XI Prospects” of “Part III Management Discussion and Analysis” herein.

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 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 no bonus issue from either profit or capital reserves.

Table of Contents

Part I Important Notes, Table of Contents and Definitions	2
Part II Corporate Information and Key Financial Information	4
Part III Management Discussion and Analysis	8
Part IV Corporate Governance	32
Part V Environmental and Social Responsibility	50
Part VI Share Changes and Shareholder Information	54
Part VII Financial Statements	62

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	Xu Zhigao		
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	https://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 disclosed	China Securities Journal, Shanghai Securities News, Securities Times, and 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

Unified social credit code	91340200713927789U
Changes to the principal activities of the Company since going public (if any)	No changes in the Reporting Period

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

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	Zhang Fengbo and Gao Yunjun

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	Wang Bin and Wang Dehui	From 10 March 2021 until the proceeds of the private placement are used up

VI Key Financial Information

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

Yes No

Reasons for the retrospective restatement:

Change to the accounting policies

	2023	2022		2023-over-2022 change (%)	2021	
		Before	Restated	Restated	Before	Restated
Operating revenue (RMB)	16,546,871,737.85	16,406,034,152.65	16,406,034,152.65	0.86%	16,216,498,239.02	16,216,498,239.02
Net profit attributable to the Listed Company's shareholders (RMB)	2,658,570,193.44	2,954,376,856.53	2,954,377,452.38	-10.01%	2,875,575,877.62	2,875,575,877.62
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses (RMB)	2,497,299,725.79	2,883,121,625.90	2,883,122,221.75	-13.38%	2,626,749,135.34	2,626,749,135.34
Net cash flows from operating activities (RMB)	3,147,037,336.46	3,557,168,897.26	3,557,168,897.26	-11.53%	3,658,748,941.03	3,658,748,941.03
Basic earnings per share (RMB/share)	1.20	1.34	1.34	-10.45%	1.31	1.31
Diluted earnings per share (RMB/share)	1.20	1.34	1.34	-10.45%	1.31	1.31
Weighted average return on equity (%)	20.83%	25.41%	25.41%	-4.58%	30.24%	30.24%
	31 December 2023	31 December 2022		Change of 31 December 2023 over 31 December 2022 (%)	31 December 2021	

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

		Before	Restated	Restated	Before	Restated
Total assets (RMB)	19,134,551,079. 36	17,094,617,736. 46	17,095,183,320. 91	11.93%	14,437,181,24 2.76	14,437,181,242. 76
Equity attributable to the Listed Company's shareholders (RMB)	12,706,945,475. 87	12,183,346,432. 51	12,184,007,604. 82	4.29%	10,773,716,31 4.49	10,773,716,314. 49

Reasons for the change to the accounting policies and the correction of accounting errors:

The Ministry of Finance issued Interpretation No. 16 for the Accounting Standards for Business Enterprises (C.K. [2022] No. 31) on 30 November 2022, which stipulates the “accounting treatments for deferred income taxes associated with assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply”. For a single transaction that is not a business combination and does not affect either accounting profit or taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences in equal amounts (including lease transactions where the lessee initially recognises a lease liability on the commencement date of the lease term and records it in the right-of-use assets, and transactions where a provision is recognised and recorded in the cost of the relevant assets because of the existence of a disposal obligation for a fixed asset, etc., hereinafter referred to as a “single transaction to which this Interpretation applies”), the provisions pertaining to exemption from the initial recognition of deferred income tax liabilities and assets as stipulated in Articles 11.2 and 13 of Accounting Standard No. 18 for Business Enterprises - Income Tax shall not apply. An enterprise shall recognise the corresponding deferred income tax liabilities and deferred income tax assets at the time of the transaction in accordance with the relevant provisions of Accounting Standard No. 18 for Business Enterprises - Income Tax and other relevant regulations for taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the transaction.

The Company has implemented the said accounting policy since 1 January 2023, and has adjusted the cumulative effect to the opening retained earnings and other related financial statement items. For details of the adjusted items and amounts, please refer to “35. Changes to Significant Accounting Policies and Accounting Estimates” under Item V of Part X herein.

VII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	3,764,728,286.75	3,995,845,600.54	4,282,389,285.62	4,503,908,564.94
Net profit attributable to the Listed Company's shareholders	774,563,286.72	451,498,048.35	966,242,525.44	466,266,332.93
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses	670,414,241.63	445,076,877.11	962,355,135.09	419,453,471.96
Net cash flows from operating activities	1,311,265,301.83	1,008,691,874.58	337,531,636.81	489,548,523.24

VIII Non-recurring Profits and Losses

Applicable Not applicable

Unit: RMB

Items	2023	2022	2021	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	2,836,160.40	2,302,146.59	7,111,889.34	

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

Government grants recognised in profit or loss (exclusive of those that are closely related to the Company's normal business operations and given in accordance with defined criteria and in compliance with government policies, and have a continuing impact on the Company's profit or loss)	59,144,627.86	44,774,565.68	78,301,526.84	Mainly due to government grants other than the rebates of value-added tax
Gain or loss on fair-value changes in financial assets and liabilities held by a non-financial enterprise, as well as on disposal of financial assets and liabilities (exclusive of the effective portion of hedges that is related to the Company's normal business operations)	113,869,356.66	40,786,428.45	184,512,740.33	
Reversed portions of impairment allowances for receivables which are tested individually for impairment		4,029,906.92	5,829,134.16	
Non-operating income and expenses other than the above	7,082,898.99	-7,376,565.55	-12,236,018.48	
Less: Income tax effects	25,007,516.39	16,473,069.34	14,068,349.49	
Non-controlling interests effects (net of tax)	-3,344,940.13	-3,211,817.88	624,180.42	
Total	161,270,467.65	71,255,230.63	248,826,742.28	--

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

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

1. The domestic market gradually picked up, while overseas markets saw further expansion

According to the 2023 China's Game Industry Report issued by the Game Publishing Committee of the China Audio-video and Digital Publishing Association (CADPA), in 2023, the domestic game market recorded RMB302.964 billion in sales revenue, marking a year-over-year (YoY) increase of 13.95% and surpassing RMB300 billion for the first time. The total number of users reached 668 million, with a YoY increase of 0.61%, hitting a new record high.

Specifically, mini-games reached a new milestone in development. Their total number skyrocketed in 2023, with multiple standing out. This helped the Company tap into previously unexplored user bases in the existing application scenarios. Characterised by easy accessibility, mini-games proved instrumental in attracting target players with precision. Their features, such as fragmented gameplay and portability, offered players a more lightweight gaming option, meeting players' demands for light and fragmented entertainment. This opened up new growth opportunities in the game industry.

As to the overseas market, China's self-developed games achieved USD16.366 billion in sales revenue in 2023, marking the fourth consecutive year with a scale exceeding RMB100 billion. However, a YoY decline of 5.65% was observed in the statistics, reflecting increasing challenges and operating costs for overseas expansion. The US, Japan and South Korea remained the major overseas markets for China's mobile games, accounting for 32.51%, 18.87% and 8.18%, respectively. Among the top 100 self-developed mobile games in terms of overseas revenue, strategy games accounted for 40.31%, while role-playing games (RPGs) constituted 15.97%. Shooting and casual games represented 10.03% and 5.11%, respectively. Strategy games (SLGs) have been the main driver of overseas revenue in the recent three years, with the combined revenue of the top three games climbing from 63.87% last year to 66.31% this year, while the revenue share of shooting games declined. Casual games experienced notable growth in revenue share.

2. Industry regulations prioritised sustainability, aiming to advance the promotion of Chinese culture

To enhance the guiding role of online games in disseminating positive values and uplifting content and drive the healthy and orderly development of the game industry, the National Press and Publication Administration (NPPA), in the second half of 2023, determined to initiate the Select Online Game Publishing Project. By selecting a range of online games that embody correct values and cultural depth and combine education and entertainment, this initiative was aimed at making positive energy the main tone of the development of online games. The unswerving pursuit of boutique, premium, and healthy products in the industry has led to a constant stream of exceptional works, substantially contributing to the preservation and promotion of traditional Chinese culture.

In response to national policies, the Company has earnestly implemented management requirements and delved into the essence of traditional culture in game R&D and operational strategies. We have sought to integrate cultural significance into player experiences and apply innovative technologies, thereby empowering both cultural and industrial values. For example, the Company incorporated Peking opera facial makeup, Cantonese culture, and the ancient Maritime Silk Road into its globally published game *The Road to Be Shopkeeper* (叫我大掌柜), helping overseas players gain a deeper understanding of Chinese culture. Furthermore, we have launched an innovative model that combines the virtual character "CongMei" and real-world cultural tourism scenarios to facilitate the promotion of urban cultural tourism. The ultimate goal is to advance the digital promotion and preservation of traditional culture in the new era. The Company focuses on youth-oriented expression, continuously excavating historical and cultural resources, hoping to showcase the beauty of Chinese traditional culture in an

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

integrated way through "Games+".

3. Active efforts were made to implement protective and anti-addiction measures for minors

The State Council, in the second half of 2023, released the Regulation on the Protection of Minors in Cyberspace. This regulation has provided specific guidelines for the game industry to refine and implement protection for minors, advance minors' web literacy, enforce stricter regulations on online content, strengthen the protection of the personal information of minors, and curb Internet addiction among minors.

In terms of protection for minors, apart from implementing the real-name authentication system and anti-addiction requirements required by competent authorities, the Company has strengthened protection for minors by consistently improving and upgrading its protection system for minors. We have always advanced various tasks in a proactive and positive manner to ensure minors are well-protected in cyberspace. The Company has rolled out an upgraded version of the "real-name registration and anti-addiction system for minors" for our proprietary platforms. Additionally, we have optimised the logo and wording of the "age-appropriate prompt". Meanwhile, the Company has refined and upgraded our "Parent Monitoring Platform", optimised our customer service procedures, and aided guardians in queries and verification, all aimed at creating a clean and healthy cyberspace for minors. Furthermore, during the Reporting Period, the Company participated in drafting association standards such as the Guidelines on Account Names of Internet Users, the Basic Requirements for Game Distribution and Promotion, and the Guidelines on the Implementation of Social Responsibilities of Online Game Enterprises, furthering the collective effort towards a community of shared responsibility.

4. The role of technologies in the industry became increasingly prominent, heightening the effects of cross-sector empowerment

Technological innovation contributes to the boom of the game industry, and industry advancements inject fresh impetus into innovative technological breakthroughs. Empowering each other, they jointly propel constant technological innovation and breakthroughs and guide the industry to new heights.

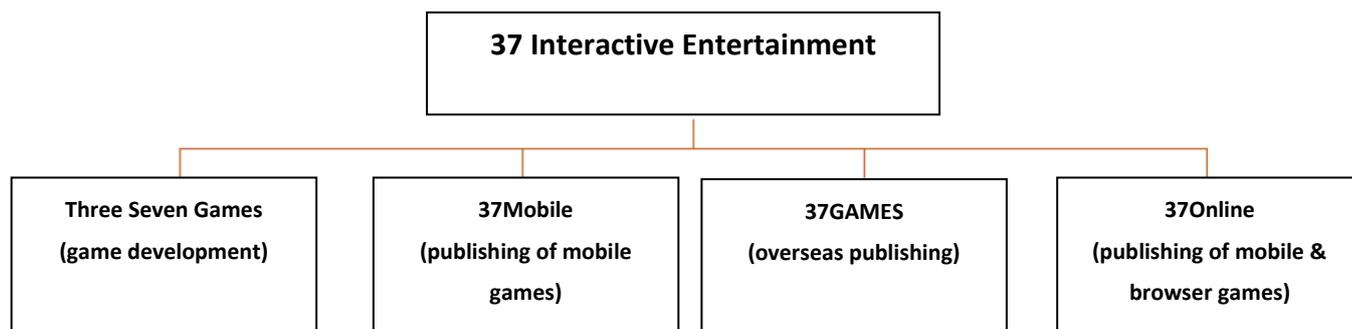
The Company adheres to technology-driven innovation, closely follows the latest trends in scientific and technological innovation, actively embraces cutting-edge technologies like generative AI, and explores the potential for deep integration of AI and other emerging technologies with the Company's business, continuously improving creative efficiency. At the same time, focusing on promoting the cross-industry integration of game technologies, the Company launched a series of popular science games with rich themes covering medicine, traditional Chinese medicine, aerospace, intangible cultural heritage, and more to maximise the positive social impact of games by leveraging the unique interactivity and vividness of games. Furthermore, the Company also ventures into the fields of computing power, optical displays, XR integrated devices, entertainment content, semiconductors and materials, space computing engines, artificial intelligence, new-type sensor and the AIGC gaming and social platform, among other entertainment technology domains. By strategically embracing "hard technology" investments and integrating ecological resources, the Company seizes opportunities for business innovation brought by cutting-edge technology, thereby further propelling the high-quality development of its corporate ecosystem.

Amidst this industry trend, the Company has remained focused on its core business and deepened its "integration of R&D and operation" strategy. We have continued to enhance our capability of producing quality games, solidify our core competitive edge in overseas expansion, and explore possibilities of integrating technology into our business by leveraging resources both within and outside the technology domain. With steady strides, we have advanced high-quality and sustainable business development, dedicated to offering the public a wealth of premium cultural content.

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

II Principal Operations of the Company in the Reporting Period

The Company specializes in the development and publishing of games for global players, with the excellent game development brand “Three Seven Games”, as well as professional game publishing brands “37Mobile”, “37GAMES” and “37Online”. 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.



1. Breakthroughs in diverse game genres bolstered the Company's capability of long-term operation

During the Reporting Period, multiple games of the Company, including The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), Fan Ren Xiu Xian Zhuan: Ren Jie Pian (凡人修仙传: 人界篇), Song of the Castle in the Sky (云上城之歌), Underground Kingdom (小小蚁国), Xun Dao Da Qian (寻道大千), and Ling Hun Xu Zhang (灵魂序章), exhibited outstanding performance, maintaining a notable presence in the market.

In response to industry trends, the Company has consistently adhered to the "diversification" strategy, understanding the demands of diverse user bases and continuously expanding its user base. By tapping into new markets and nurturing new growth drivers, we have continuously pushed back the boundaries of our game genres. In addition to delving into the existing four primary genres: Massive multiplayer online role playing games (MMORPGs), SLGs, card games, and simulation games, we have developed games where RPG, casual, and puzzle elements are incorporated. These diverse and lightweight games have diversified player experiences.

On one hand, the Company's R&D team avoids staying within comfort zones and actively expands into various categories, developing products with a global perspective. The Company carefully worked out details regarding gameplay design, art quality, music effects, etc., and continued to invest in product iteration, user experience and other aspects, formed professional layouts in MMORPGs, SLGs and light games, remaining "Dedicated to Making Premium Games". On the other hand, based on our self-developed brands, the Company has deepened our cooperation with external R&D teams through investments to bolster our self-development capabilities. This approach has allowed us to accumulate abundant external R&D reserves, which is conducive to our diversified arrangements for product supply.

During the Reporting Period, the most anticipated MMORPG mobile game, Fan Ren Xiu Xian Zhuan: Ren Jie Pian (凡人修仙传: 人界篇), distributed by the Company as the agent, became a big hit among MMO players. This success can be attributed to the game's respect for and full reconstruction of the original storyline, its creative and engaging gameplay, and diverse artistic expressions. Meanwhile, we adopted an innovative marketing approach combined with top-tier celebrity endorsements for Ba Ye (霸业), one of our self-developed strategy mobile games on the theme of the Three Kingdoms. With a constant stream of creative materials, this game exhibited robust performance after being launched, helping the Company stabilise the structure of its SLG portfolio.

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

The Road to Be Shopkeeper (叫我大掌柜), a Chinese-style simulation mobile game rolled out by the Company in 2020, has successfully converted new players through an engaging and nostalgic marketing approach and intellectual property (IP) collaborations. By creating a long-term ecosystem with a focus on user interactions, this game has consistently sparked a boom and achieved long-term operation. During the Reporting Period, this game still performed robustly in gross billing, solidifying the Company's expertise in the long-term operation of simulation games.

The 3D realistic ant-themed strategy mobile game, Underground Kingdom (小小蚁国), has earned continuous player favour since its launch in 2022. Its success is attributed to its unique theme and gameplay and its launch on both mini-game platforms and applications. It has maintained a trend towards robust long-term operation.

The Chinese-style fun cultivation game Xun Dao Da Qian (寻道大千) has secured constant breakthroughs in user pool, and achieved long-term operation through brand empowerment and social interaction. This game helps the Company garner leading experience in the mini-game domain and lay a solid foundation for future products. Additionally, the self-developed game based on the Soul Land IP, Ling Hun Xu Zhang (灵魂序章), has displayed robust potential since its launch, further reinforcing the Company's competitive edge in the mini-game industry.

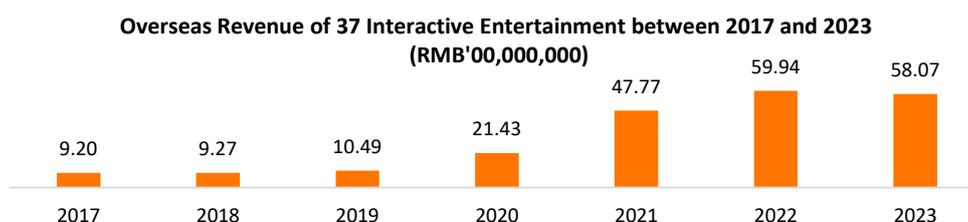
The Company consistently adheres to long-term operation, providing players with meticulous and comprehensive long-term services. It deeply integrates the highlights of its intellectual property (IP) to continuously innovate in terms of reflow methods and activities, consistently prolonging the product life cycle and igniting product vitality. Games that have been launched for years, such as The Road to Be Shopkeeper (叫我大掌柜), The Soul Land: Hun Shi Dui Jue (斗罗大陆：魂师对决), and Song of the Castle in the Sky (云上城之歌), have maintained enduring popularity.

During the Reporting Period, 8 products operated by the Company globally each recorded monthly average gross billing exceeding RMB100 million. In terms of the monthly gross billing achieved by mobile games the Company launched globally, the highest amount surpassed RMB 2.3 billion.

2. Effective global market expansion contributed to the promotion of excellent Chinese culture

According to the 2023 China's Game Industry Report, the actual sales revenue of China's self-developed games in overseas markets was USD16.366 billion, down 5.65% YoY. The main reasons are that the consumption willingness and capacity of users in major overseas markets have been adversely affected by economic downturn, and the market competition has become increasingly fierce, leading to higher overseas market marketing costs. This has increased hurdles for overseas expansion.

Against this backdrop, the Company, drawing upon its years of experience in overseas expansion, has continuously explored its overseas markets in line with the "tailored games" strategy. We have consolidated our strengths in sectors such as MMORPGs, SLGs, card games, and simulation games, and opened up opportunities in the casual game market, thereby boosting the steady growth of our overseas business. According to Sensor Tower's rankings, the Company secured a spot among the top three Chinese mobile game publishers in terms of overseas revenue in 2023, firmly establishing itself as a frontrunner among Chinese game developers expanding into overseas markets.



During the Reporting Period, the Company achieved overseas operating revenue of RMB 5,807 million. In the global market, it has established a product portfolio anchored in MMORPG, SLG, card games, and simulation games. Multiple benchmark

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

products for overseas expansion such as Puzzles & Survival, The Road to Be Shopkeeper (叫我大掌柜), 데블 M, 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 Ant Legion have shown steady performance.

The Company has deeply integrated the gameplay themes and promotional materials of its products with excellent traditional Chinese culture. This approach creates a communication method that resonates with diverse regional, national, and audience groups, promoting the global expression of Chinese stories.

Puzzles & Survival, a phenomenal product launched overseas by the Company, integrates "Match-3 gameplay + SLG". It demonstrates the continuous efforts made by the Company to explore the in-depth integration of creative elements and games. For example, the Company rolled out the "Kung Fu version" that revolves around traditional Chinese martial arts to immerse players in the charm of Chinese kung fu. This strategy has helped the Company continuously acquire more active users and prolong the product's life cycle. It has become a benchmark for long-term operation within the Company. Puzzles & Survival made innovative breakthroughs in the fusion of game genres and the integration of game themes and regional cultures. In April 2023, the game once again set a new record in monthly billing. From its launch in 2020 to February 2024, Puzzles & Survival has recorded over RMB10 billion in the cumulative total of gross billing.



The Road to Be Shopkeeper (叫我大掌柜) adopted a localised publishing strategy in various regions worldwide. The Company collaborated with official cultural institutions in Guangzhou to promote Cantonese culture, authentically representing the prosperity of the ancient Maritime Silk Road. The game integrates gameplay such as treasure salvage and restoration to combine education and entertainment. By incorporating elements of traditional Chinese culture such as the lion dance, traditional festivals, Dunhuang Caves, and Peking Opera, players vividly experience the charm of ancient Chinese trade and culture, allowing overseas users to immerse themselves in the beauty of Chinese culture and achieving a historic breakthrough for historical simulation games in the European and American regions.

The Company has also implemented a strategy of "lightening hardcore games and intensifying light games" to create differentiated competitive edges. For example, 데블 M focuses on highlighting the core enjoyment through "simplification", thus establishing a distinctive edge in the gaming experience. This approach has enabled the game to stand out in the fiercely competitive MMORPG mobile game market in South Korea, contributing to sustained and robust gross billing. Furthermore, plans are underway for its subsequent launch in Vietnam and Japan. Song of the Castle in the Sky (云上城之歌), an MMORPG mobile game focusing on adventures in different worlds, has emerged as the highest-grossing overseas game in the South Korean market in 2022. By offering a unique gaming experience coupled with its combined marketing and operational strategy of branding + sales effects, it has achieved remarkable success in the Japanese and South Korean markets, solidifying its position as the flagship product in the Company's overseas MMORPG segment. The Company has also continuously optimised its strategies for product content iteration and accumulated experience in long-term operation to consolidate its competitive edge in the overseas MMORPG market.

The Company has made ongoing attempts to promote casual incremental games overseas. For example, the casual incremental mobile game Xiao Yao Wen Dao (小妖问道) has garnered exceptional market performance after its launch in regions

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

including China's Hong Kong, Macao and Taiwan, Japan, South Korea, Southeast Asia, Europe and the US. This success can be attributed to its meticulously customised promotions in localities and thematic packaging. It has laid a solid foundation for the Company's expansion into overseas markets of casual incremental games.

3. Arrangements for both self-developed and agency games enriched the portfolio of products in the pipeline

The Company focuses on its core gaming business, continuously expanding the boundaries of self-development capabilities, and delving into core genre tracks, accumulating a variety of refined self-developed mobile games. Furthermore, the Company consistently prioritises high-quality content as its strategic direction. Through multi-dimensional approaches such as investment empowerment and business support, the Company has carried out in-depth collaborations with reputable game developers such as EyuGame and Yanqu Network. These collaborations involve agency and customisation to enrich the Company's supply of high-quality products and deepen the diversification of its product portfolio.

The Company has amassed a pipeline of over 40 premium self-developed or agency mobile games, covering various genres such as MMORPGs, SLGs, card games, simulation games, as well as incremental RPGs, casual and puzzle games. These products will be rolled out in global markets.

Certain key games in the pipeline are presented below:

Self-developed games: Code Soul MMO (代号斗罗 MMO), a Chinese comic oriental fantasy MMORPG; Code MLK (代号MLK), a Japanese Chibi-style MMORPG; Code Xiu Xian SLG (代号休闲 SLG), a Chibi-style SLG integrating war elements; Code Zheng Qi SLG (代号正奇 SLG), a realistic Three Kingdoms SLG; Code Battle Song M (代号战歌 M), a Western magic MMORPG; Code DQ (代号 DQ), a cartoon-style incremental RPG on a Japanese fantasy theme; Code M1 (代号 M1), a casual game with European and American cartoon elements; Code TD (代号 TD), a tower defence game set in a fantasy world.

Agency games: Shi Guang Za Huo Dian (时光杂货店), a modern-themed simulation game; Zhui Xu (赘婿), a traditional Chinese ink painting-themed simulation game; Shi Guang Da Bao Zha (时光大爆炸), a picture book-style simulation game on a Chinese cultural theme; Yes Your Highness, a simulation game set in the medieval era; Code Shang Tu (代号商途), a simulation game focusing on temporal travel and business competition; Zhu Shen Huang Hun: Zheng Fu (诸神黄昏: 征服), a Western magic MMORPG; Heroes of the Three Kingdoms: Hong Hu Ba Ye (三国群英传: 鸿鹄霸业) and Battle of Chibi 2 (赤壁之战 2), two SLGs based on the Three Kingdoms; Mecha Domination, an SLG game featuring giant monsters; Primal Conquest: Dino Era, a cartoon-style SLG on the theme of dinosaurs; Abyss Survivor, a magical, cartoon-style SLG; Lost Star Ring (失落星环), an interstellar card game; Code Xiu Xian (代号休闲), a modern resort leisure game; Match Cozy 3D, a modern cartoon-style casual puzzle game; Code Dreamland (代号梦境), a realistic urban female-oriented game set in modern times.

Several of the Company's key products have been officially licenced in China and are progressing towards launch. We hope to deliver diverse gaming experiences to players.

4. Artificial intelligence (AI) empowerment bolstered the Company's R&D and operations, improved its quality and efficiency, and optimised experiences

With the rapid advancement of technology, AI has brought limitless possibilities and profound impacts to the game industry. Embracing the application of AI in the game industry, the Company has adopted a "Three-step AI" strategy.

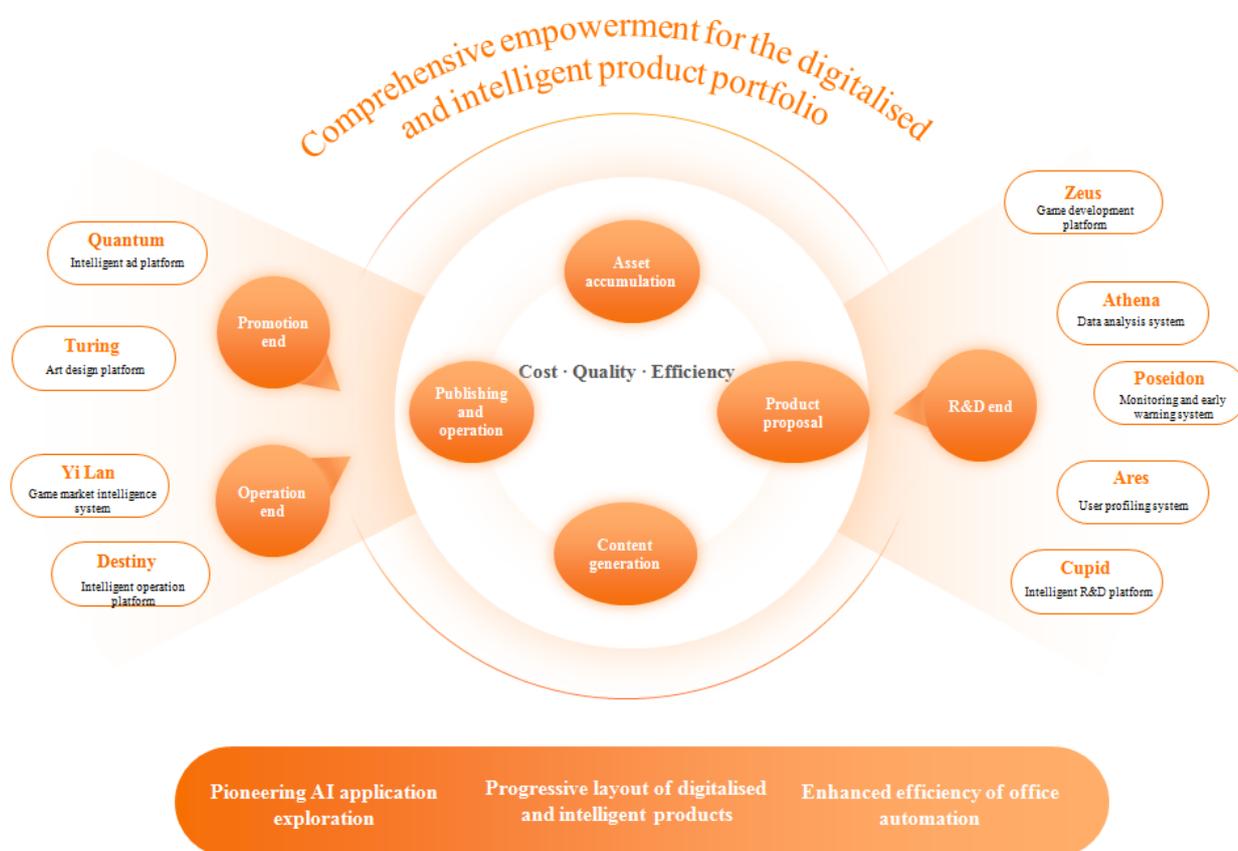
First, pioneering arrangements for AI applications have been made to progressively incorporate AI into various business processes. Second, leveraging accumulated experience, the Company has striven to achieve tool- and module-based development, thereby establishing a more automated and intelligent pipeline of game industrialisation. Third, the Company has explored more possibilities of enriching gameplay through AI.

In 2018, the Company made ongoing efforts to explore the application of industrialised AI in gaming. By deeply integrating cutting-edge technologies such as AI and big data into its business, the Company effectively empowered various processes, ranging from product proposal, content generation, publishing and operation to asset accumulation. This has allowed the

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

Company to enhance efficiency and accumulate a wealth of data and technological advantages over the years.

Since then, we have bolstered the tool-based and module-based development of our capabilities in alignment with our business procedures, integrating discriminant AI and generative AI into each process of our business. This has culminated in the development of a digitalised and intelligent product portfolio that runs through our entire R&D and operational procedures. This portfolio covers nine platforms, including "Zeus", "Athena", "Poseidon", "Ares", and "Cupid" on the R&D end and "Turing", "Quantum", "Destiny", and "Yi Lan" on the ends of promotion and operations. Additionally, our self-developed internal AI Agent platform enables autonomous decision-making regarding the upgrading of each digitalised and intelligent product and enhances the efficiency of collaborative offices, improving the industrialisation of the game R&D and operation pipeline and the overall operational efficiency of the Company. At present, our generative AI technology has been well-applied in sectors such as 2D drawings, intelligent customer service, localisation and translation, copywriting, and collaborative offices, leading to significant improvements in human efficiency.



For example, our art design platform "Turing" has substantially facilitated the collaborative management of art processes on the creativity end, art asset preservation and retrieval, and the intelligent generation of 2D images, significantly boosting asset reuse efficiency and design-production synergy. By carrying out consistent training of its proprietary art assets garnered over the years, the Company has experienced substantial efficiency improvements in 2D art-related tasks through AI empowerment, with a combined monthly output of over 280,000 AI-generated 2D drawings across R&D and publishing business lines. In the concept design process for characters, the Company has implemented a new process of AI-generated 2D drawings, resulting in an average saving of 60% to 80% in working hours.

In terms of R&D, the Company has utilised its intelligent R&D platform "Cupid" to conduct a variety of technological studies and applications, including AI balance testing, the translation of art materials, AI imitation learning, game Q&A assistant, natural

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

language processing (NLP) public opinion analysis, and data trend forecasting. Moreover, AI algorithms have been employed to capture high-precision and high-performance motions, addressing the pain points such as high costs and overly long periods typically identified with specialised traditional motion capture equipment. This has enhanced both R&D efficiency and quality. Many of our self-developed products such as The Soul Land: Hun Shi Dui Jue (斗罗大陆: 魂师对决) and Ba Ye (霸业) have benefited from the AI-assisted stat balance testing function, resulting in improved player experiences and prolonged game life cycles.

AI technology has been deeply integrated into each business type of the Company, notably enhancing the operational efficiency of each process. Furthermore, as to the exploration of AI's potential for enriching gameplay, the Company is wholeheartedly embracing the AI trend, continually delving into novel gameplay mechanics and experiences internally. This includes exploring methods to recommend and generate images, elements, and gameplay preferred by players using AI-generated content (AIGC). The ultimate goal is to lower the barriers to content creation, encourage player engagement in creation, and tap into the possibility of creating non-linear gaming procedures and experiences.

Benefiting from our pioneering strides in the exploration of AI applications, we have remained open-minded about transformations in industry technologies and ecosystems. Marching forwards steadily and surely, we have insisted on a progressive layout of AI applications and continuously iterated and optimised innovative tools in better alignment with the Company's business development requirements. Furthermore, taking into consideration the requirements of each business process, we have been exploring the in-depth integration of advanced technologies and business.

In addition, while conducting self-exploration and internal incubation, the Company strives to open up AI opportunities through technology investments. Focusing on large models and application layers, the Company has directly or indirectly invested in Zhipu AI, as well as leading tech firms, including DeepLang AI, and aiXcoder. As to spatial computing and game social platforms, companies in which the Company has invested, such as DeepMirror Technology and YAHABA, have embraced AIGC tools to empower their primary business. In integrated devices, investments in enterprises such as Rayneo, INMO, and Ximmerse were aimed at facilitating their transformation into premier AI platforms, capable of hosting diverse AI content and functions. The Company remains focused on hard & core technology, continuously monitoring hardware and technological advancements to empower innovative and sustainable business growth through investments, thereby forging new competitive edges in the industry.

(III) The Company's principal operations and business models

The Company is principally engaged in the development, publishing, and operation of online games (mostly mobile and browser games). The business models 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 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.

(IV) The Company's presence on the market and primary growth drivers

Focusing on cultural and creative businesses based on the development, publishing, and operation of online games, the

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

Company is an excellent comprehensive entertainment provider in China's A-stock market. It is one of the top 20 global public game companies, key cultural export companies of China, civilized institutions in Guangdong Province, and Top 30 Cultural Enterprises of Guangzhou, and MSCI ESG A-rated Companies, among others. With "bringing joy to the world" as its mission, the Company is dedicated to becoming an excellent and sustainable entertainment provider.

During the Reporting Period, the Company steadily advanced with the development strategy of "boutiqueization, diversification and globalization", adhered to the strategy of "dual engines at home and abroad", as well as continuously promoted high-quality and sustainable development.

III Core Competitiveness Analysis

1. Forging ahead with determination, the team has seized market opportunities swiftly

The Company has been deeply engaged in the cultural and creative industry for many years. Its core management team is deeply involved in the front line of business, working hard together with all the employees. Always upholding the spirit of marathon-like perseverance, the Company has been forging ahead with breakthroughs, as well as pursuing better financial results and faster growth while maintaining sound operation. Over the years, the Company has demonstrated keen market insight, seizing emerging opportunities in the industry through a robust team of skilled professionals and scientific management mechanisms. Anticipating the "shift from web games to mobile games" in its early stages, the Company spearheaded overseas market penetration over a decade ago. Presently, we remain aligned with the trend towards mini-games. Navigating numerous industry transitions, we have achieved sustained growth. Throughout the development, the Company has consistently emphasised talent cultivation and team building. The Company has built a high-calibre talent pool. Through a scientific talent promotion mechanism, remuneration management system, and performance incentive scheme, the Company inspires employee motivation and creativity. With "bringing joy to the world" as its mission, the Company is advancing towards the vision of "becoming an excellent and sustainable entertainment provider".

2. Strengths in the integration of R&D and operation have been consolidated, enriching the product portfolio

The Company has continuously advanced its strategy of "integration of R&D and operation", deepened its diversified product portfolio, and established a robust and efficient multidimensional product supply system. First, the Company has consistently pushed back the boundaries of its self-development capabilities, delved into core product categories, and adopted a global perspective to create a central supply layer with self-developed products at the core. Second, through investment empowerment and business support, the Company has fostered deeper partnerships with numerous high-quality developers both domestically and internationally, continuously accumulating deeply customised premium products. Third, by collaborating with long-term and stable developers, the Company has further refined its product offerings. Under this supply system, the Company has built a robust product supply chain, continuously enriched the portfolio of high-quality products and drove steady business growth.

With the "integration of R&D and operation" model, the Company can fully combine its strengths in product R&D and operation. This, on the one hand, facilitates a deeper understanding of the market and user demands by the R&D team, thereby increasing the success rate of products under development. On the other, through close collaboration between R&D and operations teams, the Company can optimise the updates and promotions of already launched products, thus effectively achieving long-term operation and prolonging product life cycles.

3. Publishing capabilities have been continuously iterated to facilitate long-term operation from a global perspective

Over the years, the Company's publishing team has successfully launched numerous quality games across diverse genres and themes in global markets. During this journey, we have kept abreast of the latest market trends, and accordingly, innovated our marketing strategies. By employing various creative marketing strategies, such as collaboration with renowned IP, celebrity endorsements, and immersive storytelling, we have established a long-term ecosystem revolving around user interactions, thus fortifying robust publishing barriers and facilitating the long-term operation of multiple products. Moreover, the Company has placed significant emphasis on the impact of AI technology and automated production tools on the Company's business. Leveraging a wealth of data accumulated over the years, the Company has continually iterated our self-developed intelligent ad and operational platforms to boost promotional efficiency and effectiveness. The Company has made comprehensive arrangements for digitalised and intelligent products on the publishing end. This has bolstered the Company's capabilities of intelligent and sophisticated operations, allowing the Company to effectively manage marketing expenses, amplify publishing effectiveness, and prolong product life cycles.

IV Analysis of Principal Operations

1. Overview

See "II Principal Operations of the Company in the Reporting Period" above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2023		2022		Change (%)
	Amount	As % of operating revenue (%)	Amount	As % of operating revenue (%)	
Total operating revenue	16,546,871,737.85	100%	16,406,034,152.65	100%	0.86%
By operating division					
Online games	16,546,871,737.85	100.00%	16,406,034,152.65	100.00%	0.86%
By product category					
Mobile games	15,898,475,091.13	96.09%	15,631,909,881.38	95.28%	1.71%
Browser games	497,165,026.29	3.00%	599,189,194.88	3.65%	-17.03%
Others	151,231,620.43	0.91%	174,935,076.39	1.07%	-13.55%
By operating segment					
Domestic	10,739,497,361.46	64.90%	10,412,051,866.74	63.46%	3.14%
Overseas	5,807,374,376.39	35.10%	5,993,982,285.91	36.54%	-3.11%
By marketing model					
Independent operation	14,691,612,109.38	88.79%	14,213,891,135.04	86.64%	3.36%
Joint operation and others	1,855,259,628.47	11.21%	2,192,143,017.61	13.36%	-15.37%

Unit: RMB

	2023				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	3,764,728,286.75	3,995,845,600.54	4,282,389,285.62	4,503,908,564.94	4,089,237,792.70	4,003,000,891.70	3,585,841,376.32	4,727,954,091.93

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

Net profit attributable to the Listed Company's shareholders	774,563,28 6.72	451,498,04 8.35	966,242,52 5.44	466,266,33 2.93	759,344,27 4.35	935,428,14 7.13	561,705,33 8.71	697,899,69 2.19
--	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

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

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	16,546,871,737.85	3,391,580,579.32	79.50%	0.86%	11.25%	-1.92%
By product category						
Mobile games	15,898,475,091.13	3,221,697,799.51	79.74%	1.71%	12.87%	-2.00%
Browser games	497,165,026.29	149,033,406.59	70.02%	-17.03%	-15.55%	-0.53%
Others	151,231,620.43	20,849,373.22	86.21%	-13.55%	17.65%	-3.66%
By operating segment						
Domestic	10,739,497,361.46	1,789,104,263.23	83.34%	3.14%	4.55%	-0.23%
Overseas	5,807,374,376.39	1,602,476,316.09	72.41%	-3.11%	19.83%	-5.28%

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

Applicable Not applicable

(3) Breakdown of Cost of Sales

By operating division

Unit: RMB

Operating division	Items	2023		2022		Change (%)
		Amount	As % of cost of sales	Amount	As % of cost of sales	
Online games	Royalties	3,046,472,983.28	89.82%	2,761,332,426.03	90.58%	10.33%
	Cost of servers	210,656,293.98	6.21%	192,141,722.90	6.30%	9.64%
	Amortization of copyright money	106,404,582.53	3.14%	65,480,367.38	2.15%	62.50%
	Other costs	28,046,719.53	0.83%	29,585,123.55	0.97%	-5.20%
Total		3,391,580,579.32	100.00%	3,048,539,639.86	100.00%	11.25%

Note:

Other costs are mainly labor costs and technical service charges.

Breakdown of the cost of sales for the principal operations:

Unit: RMB

Breakdown of cost	2023		2022		Change (%)
	Amount	As % of cost of sales	Amount	As % of cost of sales	
Royalties	3,046,472,983.28	89.82%	2,761,332,426.03	90.58%	10.33%
Cost of servers	210,656,293.98	6.21%	192,141,722.90	6.30%	9.64%
Amortization of	106,404,582.53	3.14%	65,480,367.38	2.15%	62.50%

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

copyright money					
Other costs	28,046,719.53	0.83%	29,585,123.55	0.97%	-5.20%
Total	3,391,580,579.32	100.00%	3,048,539,639.86	100.00%	11.25%

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

Yes No

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

(5) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	7,041,778,587.57
Total sales to top five customers as a % of total sales of the Reporting Period (%)	42.55%
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	2,447,320,251.65	14.79%
2	Customer B	2,387,617,269.50	14.43%
3	Customer C	1,538,658,532.93	9.30%
4	Customer D	510,353,285.92	3.08%
5	Customer E	157,829,247.57	0.95%
Total	--	7,041,778,587.57	42.55%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	2,348,118,098.40
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	69.24%
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	1,090,931,371.53	32.17%
2	Supplier B	520,539,074.78	15.35%
3	Supplier C	378,970,902.89	11.17%
4	Supplier D	254,739,925.68	7.51%
5	Supplier E	102,936,823.52	3.04%
Total	--	2,348,118,098.40	69.24%

Other information about major suppliers:

Applicable Not applicable

3. Expenses

Unit: RMB

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

	2023	2022	Change (%)	Main reason for change
Distribution and selling expenses	9,090,808,791.22	8,732,600,168.08	4.10%	
General and administrative expenses	592,119,581.61	526,013,657.81	12.57%	
Financial expenses	-221,476,247.52	-74,038,437.25	-199.14%	Interest income from deposits increased during the Reporting Period as compared to last year.
Research and development expenses	713,563,181.73	904,696,560.53	-21.13%	In the second half of 2022, the Company optimised its product development structure, reducing R&D investments in some non-strategic categories and increasing R&D investments in strategic ones.

4. R&D Investments

Applicable Not applicable

Major R&D project	Purpose	Progress	Specific objectives	Expected impact on the Company
Code Battle Song M (代号战歌 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, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code MLK (代号 MLK)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality MMO game in Japanese Chibi style.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code Zheng Qi SLG (代号正奇 SLG)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality SLG game in a realistic Three Kingdoms style.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code Xiu Xian SLG (代号休闲 SLG)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality SLG game featuring Chibi-style war elements.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code M1 (代号 M1)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality casual game in European and American cartoon style.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code Soul MMO (代号斗罗 MMO)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality MMO game in the style of Chinese comic oriental fantasy.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code DQ (代号 DQ)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality incremental game in Japanese fantasy cartoon style.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio
Code TD (代号 TD)	To enrich the product matrix and improve product competitiveness	Under development	To become a high-quality tower defence game featuring fantasy elements.	To further enhance the R&D capacity, strengthen the capability to develop quality games, and enrich the diversified product portfolio

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

Details about R&D personnel:

	2023	2022	Change (%)
Number of R&D personnel	1,471	1,654	-11.06%
R&D personnel as % of total employees	42.67%	46.57%	-3.90%
Educational background of R&D personnel			
Bachelor's degree	1,108	1,221	-9.25%
Master's degree	71	83	-14.46%
Junior college and below	292	350	-16.57%
Age structure of R&D personnel			
Below 30	831	1,071	-22.41%
30~40	625	572	9.27%
Over 40	15	11	36.36%

Details about R&D investments:

	2023	2022	Change (%)
R&D investments (RMB)	713,563,181.73	904,696,560.53	-21.13%
R&D investments as % of operating revenue	4.31%	5.51%	-1.20%
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%

5. Cash Flows

Unit: RMB

Items	2023	2022	Change (%)
Sub-total of cash inflows from operating activities	17,171,716,871.55	17,126,009,759.70	0.27%
Sub-total of cash outflows used in operating activities	14,024,679,535.09	13,568,840,862.44	3.36%
Net cash flows from operating activities	3,147,037,336.46	3,557,168,897.26	-11.53%
Sub-total of cash inflows from investing activities	13,847,650,873.38	10,742,510,933.45	28.91%
Sub-total of cash outflows used in investing activities	15,293,575,099.80	14,072,934,577.10	8.67%
Net cash flows from investing activities	-1,445,924,226.42	-3,330,423,643.65	56.58%
Sub-total of cash inflows from financing activities	3,267,000,000.00	1,847,151,400.00	76.87%
Sub-total of cash outflows used in financing activities	5,553,398,865.79	3,431,725,758.42	61.83%
Net cash flows from financing activities	-2,286,398,865.79	-1,584,574,358.42	-44.29%
Net increase in cash and cash equivalents	-574,990,372.12	-1,297,921,636.44	55.70%

Explanation of why any of the data above varies significantly on a year-over-year basis:

Applicable Not applicable

1. Net cash flows from investing activities increased 56.58% YoY, primarily driven by the increased net cash inflows from the Company's purchase and redemption of wealth management instruments and time deposits in the Reporting Period.

2. Net cash flows from financing activities decreased 44.29% YoY, primarily driven by the combined effects of the increased dividend payout, and the use of repurchased shares for employee incentives in the Reporting Period.

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

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

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 “55. Supplementary information for the cash flow statement” in Note VII of Part X.

V Analysis of Non-principal Operations

Applicable Not applicable

Unit: RMB

	Amount	As % of profit before income tax expenses	Reason/source	Recurrent or not
Investment income	7,525,623.19	0.25%	Mainly due to gains on investments from disposal of equity investments, dividends during the period of holding equity investments, and wealth management products	No
Gain/loss on changes in fair value	103,982,672.05	3.41%	Mainly due to changes in fair value of equity investments and wealth management products	No
Impairment loss on assets	-125,473,870.50	-4.12%	Mainly due to impairment losses on long-term equity investments and credit risks	Impairment losses on long-term equity investments are not recurrent, while impairment losses on credit risks are recurrent
Non-operating income	20,123,970.73	0.66%	Mainly due to the write-off of inactive payables and compensation income	No
Non-operating expenses	13,041,071.75	0.43%	Mainly due to expenditure on donations	No
Other income	110,038,707.84	3.61%	Mainly due to refund of VAT, over-deductions of input VAT, refund of handling fee for personal income tax, and other government grants that are related to normal business operations	Refund of VAT is recurrent while other government grants are not.

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

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2023		1 January 2023		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary funds	6,176,992,875.55	32.28%	5,129,481,882.65	30.01%	2.27%	No significant change occurred to this item as a percentage of total assets, while the ending balance was higher than the beginning balance mainly due to net cash flows from operating activities. For further information, see “II 5. Consolidated Cash Flow Statement”, “54. Cash flow statement items” and “55. Supplementary information for the cash flow statement” under Note VII, in “Part X Financial Statements”.
Accounts receivable	1,479,267,695.67	7.73%	1,433,563,842.43	8.39%	-0.66%	No significant change
Long-term equity investments	520,735,613.55	2.72%	621,794,374.74	3.64%	-0.92%	No significant change
Fixed assets	823,508,284.60	4.30%	850,030,034.92	4.97%	-0.67%	No significant change
Construction in progress	534,491,192.20	2.79%	242,508,087.97	1.42%	1.37%	No significant change occurred to this item as a percentage of total assets, while the ending balance was higher than the beginning balance mainly due to the investments in the Guangzhou Headquarters Building construction project during the Reporting Period.
Right-of-use assets	16,622,471.20	0.09%	31,967,946.49	0.19%	-0.10%	No significant change occurred to this item as a percentage of total assets, while the ending balance was lower than the beginning balance mainly due to the depreciation provisions and the termination of certain lease contracts during the Reporting Period.
Short-term loans	1,554,577,083.34	8.12%	901,046,888.89	5.27%	2.85%	Mainly due to the increased note

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

						financings and bank loans during the Reporting Period
Contract liabilities	280,023,602.87	1.46%	259,519,734.14	1.52%	-0.06%	No significant change
Long-term loans	306,000,000.00	1.60%	323,000,000.00	1.89%	-0.29%	No significant change
Lease liabilities	3,944,589.05	0.02%	16,786,536.53	0.10%	-0.08%	No significant change occurred to this item as a percentage of total assets, while the ending balance was lower than the beginning balance mainly due to the decreased lease payables as a result of rental payments made during the Reporting Period.
Trading financial assets	2,024,681,502.03	10.58%	2,792,984,819.12	16.34%	-5.76%	Mainly because the Company recovered mature bank's wealth management instruments and structured deposits during the Reporting Period
Prepayments	1,143,237,497.90	5.97%	855,193,135.12	5.00%	0.97%	No significant change occurred to this item as a percentage of total assets, while the ending balance was higher than the beginning balance mainly due to the increased prepayments for Internet traffic charges as a result of new game launches during the Reporting Period.
Intangible assets	1,040,204,870.96	5.44%	1,059,676,921.41	6.20%	-0.76%	No significant change
Goodwill	1,578,065,048.53	8.25%	1,589,065,048.53	9.30%	-1.05%	No significant change occurred to this item as a percentage of total assets, while the ending balance was lower than the beginning balance mainly due to goodwill impairment provisions made during the Reporting Period.
Other non-current assets	2,280,577,680.43	11.92%	1,024,113,999.86	5.99%	5.93%	Mainly due to the increased balance of over-one-year deposits purchased to increase return on capital, and the purchase of additional land
Accounts payable	1,825,714,480.74	9.54%	1,648,560,259.52	9.64%	-0.10%	No significant change
Notes payable	1,087,000,000.00	5.68%	555,000,000.00	3.25%	2.43%	Mainly due to the increased bank acceptance bills paid to suppliers during the Reporting Period.

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

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

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
Other equity assets	Investments in overseas companies	418,382,339.31	Hong Kong in China, Canada, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place	58,803,256.67	3.29%	No
Monetary funds	Income from investments and operations	1,494,843,060.13	Hong Kong in China, the US, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place		11.76%	No

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)	2,792,984,819.12	112,238,705.37			7,650,510,435.98	8,532,575,914.07	1,523,455.63	2,024,681,502.03
2. Other equity investments	269,990,212.51		-240,478,042.75				714,360.74	247,132,794.34
3. Other non-current financial assets	685,698,473.75	-8,183,428.72			170,956,341.77	24,171,912.50	1,361,213.10	825,660,687.40
Subtotal of financial assets	3,748,673,505.38	104,055,276.65	-240,478,042.75		7,821,466,777.75	8,556,747,826.57	3,599,029.47	3,097,474,983.77
Total of the above	3,748,673,505.38	104,055,276.65	-240,478,042.75		7,821,466,777.75	8,556,747,826.57	3,599,029.47	3,097,474,983.77
Financial liabilities	-84,380.59	-72,604.60				-85,096.02	-2,422.24	-74,311.41

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

Contents of other changes:

Other changes were incurred by exchange rate fluctuations, etc.

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

Item	Ending carrying amount (RMB)	Reason for restriction
Monetary funds	40,880,261.11	Money frozen by bank and security deposits
Monetary funds	1,388,919,536.10	Principals and interest of term deposits with a maturity within one year as pledges
Non-current assets due within one year	112,347,024.36	Principals and interest of term deposits with a maturity of over one year (due in 2023) as pledges
Other non-current assets	951,809,927.98	Principals and interest of term deposits with a maturity of over one year as pledges
Fixed assets-buildings and constructions	657,116,164.90	As collateral for bank loan to the Company
Total	3,151,072,914.45	

VII 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
Anhui 37 Jiyu Network Technology Co., Ltd.	Subsidiary	Development of mobile and browser games	6,250,000.00	2,302,031,506.86	1,623,408,561.03	1,651,453,817.81	956,486,033.70	906,528,263.47
37 Interactive Entertainment (Shanghai) Technology Co., Ltd.	Subsidiary	Publishing and operation of mobile games	10,000,000.00	14,688,462,786.75	5,014,409,770.06	16,561,550,611.68	2,199,358,148.44	1,846,249,982.54

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

VIII 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. The implementation of the Select Online Game Publishing Project has further propelled the game industry towards quality games. The introduction of the Regulation on the Protection of Minors in Cyberspace has provided clearer guidelines for enhancing and implementing measures to safeguard minors by the game industry, marking a shift towards regular protection for minors. Concurrently, breakthroughs in key technologies such as AI have presented the industry with fresh opportunities, not only leading to breakthroughs in game technologies but also offering new ways to demonstrate the fulfilment of social benefits and corporate responsibilities through "Games+" cross-sector empowerment.

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. Games 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. In this sense, the game industry is making remarkable contributions to the inheritance and promotion of the traditional Chinese culture and the telling of China's stories to the rest of the world.

(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", and give full play to the strategic advantages of "integration of R&D and operation". With an inheritable and iterative R&D system, it will build a pipeline for the development of next-generation games, empower product development with innovative technologies, and enhance industrialization of research findings. Also, it will 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 games to players.

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 achieved remarkable results in the globalization of its business. In the future, the Company will strengthen its pace of "Going Global", give further play to the first mover advantage in the overseas market, accelerate overseas business development, and continuously integrate Chinese excellent traditional culture in game themes, content gameplay and promotion materials. Deeply integrating high-quality games with Chinese

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

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. Continuously ignite talent vitality to erect a strong talent fortress

Talent stands as the core driver of enterprise progress. The Company is committed to igniting talent vitality and identifying organisational prospects, establishing a unique talent development paradigm, and consistently building the Company's talent fortress. Through multidimensional measures such as safeguarding employee rights, ensuring comprehensive welfare and healthcare benefits, fostering diversity, equality, and inclusivity, and incentivising employee growth, the Company has supported the retention and sustainable development of innovative talent. Introducing diverse initiatives, including core sequence and pivotal role recognition, capability enhancement, promotion incentives, and talent development challenge initiatives, the Company has actively propelled the transition of the talent structure's focus towards individuals in core roles or exhibiting great potential, offering talent wider ways to growth and diverse organisational opportunities. This ongoing endeavour is aimed at propelling the trend towards young talent and elites and establishing a healthy and reasonable talent pool. In the future, the Company will continually optimise its talent cultivation system and development model to adeptly navigate market challenges and facilitate business growth, thus driving the growth of both the Company and its employees.

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

The Company will remain dedicated to its dual identity as both a technology-driven Internet enterprise and a social entertainment service provider. Grounded in an ecosystem of high-quality content, the Company will strive to enhance the national fundamental innovation capabilities and accumulate cutting-edge technologies. The ultimate goal is to support talent development using innovation and utilise technology for the betterment of society.

The Company has continuously refined the layout of entertainment technology ecosystem and actively embraced industrial transformations brought about by the rapid advancement of technologies such as AI. Through independent incubation and external investments, the Company has explored the in-depth integration of AIGC technology with business and seized opportunities presented by technological innovation. In combination with its business requirements, the Company has consistently iterated and optimised its self-developed digitalised and intelligent products and developed AI tools tailored to its game business procedures, thereby empowering its own business. Furthermore, we have relentlessly explored AI's potential for optimising game content and user experiences. 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 will capitalise on opportunities arising from industrial transformation.

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

The Company 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. Going

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

forward, the Company will continue to 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 and Countermeasures

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 regulations 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. 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, the Company 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 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, 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.

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

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 project bonus, and given discretion of research and project concept 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 and innovative incentive activities to encourage employees' creativity, so as to increase the attractiveness to core staffs and R&D personnel.

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", 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", "Healthy 37ers" 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 has established recreational clubs for employees, covering "Super Runners", e-sports, table games, dancing, badminton, football and yoga, created cultural atmosphere that meets the characteristics of the younger generation, strengthened employees' sense of belonging, balanced employees' work and life, and took care of employees' physical and mental health in various forms.

4. Technology iteration and innovation risk and countermeasures

The game industry has seen rapid technology iteration and faster changes in cutting-edge technologies, and demand for new types of products has emerged among young users. Against this backdrop, if a game company fails to grasp the industry development trend in a forward-looking manner and promptly innovate its technology and products, its R&D and application of key technologies will be outdated, resulting in the risk of products falling behind the market.

In response, the Company continued to focus on changes in the industry's cutting-edge technologies. First, it closely followed industry changes and probed into cutting-edge technologies through investment layout to maintain sensitive to leading technologies. Second, it intensified the incubation of internal technologies, valued investment in self-developed games, improved self-development system, established an effective R&D system framework, and introduced diversified incentives to encourage employees to explore new technologies. By taking these actions, the Company has reserved technologies and products for the industry development trend.

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

5. Risk associated with being investigated by the China Securities Regulatory Commission with no clear conclusion yet

On 27 June 2023, the Company, Mr. Li Weiwei (the actual controller and Chairman of the Board of the Company), and Mr. Zeng Kaitian (the Vice Chairman of the Board of the Company) received the "Notification of the China Securities Regulatory Commission on Case Filing" (CSRC Case No. 03720230061, No. 03720230062, No. 03720230063) from the said commission (hereinafter referred to as the "CSRC") respectively. For suspected information disclosure violations, according to the Securities Law of the People's Republic of China, the Law of the People's Republic of China on Administrative Penalties and other applicable laws and regulations, the CSRC decided to file a case against the Company, Li Weiwei and Zeng Kaitian.

During the period of investigation, the Company will actively cooperate with the CSRC's investigation and fulfil its information disclosure obligations in strict accordance with applicable laws, regulations and regulatory requirements.

Part IV Corporate Governance

I Corporate Governance Overview

The Company has been improving its corporate governance structure in strict accordance with the Company Law, the Securities Law, the Stock Listing Rules of the Shenzhen Stock Exchange, Guideline No. 1 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Operation Standards for Main Board Listed Companies and other applicable laws and regulations, as well as the Company's Articles of Association. It has established a sound and strict system for functioning of the general meeting of shareholders, the Board of Directors and the Supervisory Committee. Meanwhile, the Company has also put in place sound internal management and control systems to further improve its corporate governance. In the Reporting Period, the Company carried out operations and discloses information in compliance with standards, the decision-making procedures for operation and management were compliant and effective, and its actual situation of corporate governance met 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 has an independent business system and is able to operate on its own. The Company and its controlling shareholder are independent of each other in terms of business, personnel, assets, organization and finance. 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. 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. The controlling shareholder does not have any occupation of the Company's funds, nor does Company provides any guarantee for the controlling shareholder or any of his related parties.

(III) Directors and the Board of Directors

The Company elects directors in strict accordance with the applicable laws and regulations, as well as the Company's Articles of Association. At the end of the Reporting Period, there were nine members in the Company's Board of Directors, including four independent directors. The number of members of and composition of the Company's Board of Directors complies with relevant requirements of laws and regulations. All directors of the Company do their jobs earnestly according to the laws, regulations, Guideline No. 1 of the Shenzhen Stock Exchange for Self-regulation of Listed Companies—Operation Standards for Main Board Listed Companies, the Articles of Association, the Company's Rules of Procedure for the Board of Directors, the Independent Director System, etc., attend meetings of the Board of Directors and the general meeting of shareholders on time, actively participate in training, study relevant laws and regulations, and earnestly perform their duties as directors honestly, diligently and conscientiously. The independent directors of the Company have maintained full

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

independence in their work, actively participated in the meetings of the Board of Directors, carefully deliberated on proposals, and expressed independent opinions on the relevant matters, so as to effectively safeguard the interests of the Company and its minority shareholders. 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. At the end of the Reporting Period, the Supervisory Committee consisted of three supervisors, including two employee supervisors elected by the Employees' Congress of the Company. 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. In 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. Meanwhile, it has designated China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and www.cninfo.com.cn as the newspapers and website for its information disclosure, 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 minority 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 lawful interests 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, answering investors' phone calls, online interactions, on-site surveys and other means.

(VIII) Internal audit system

The Company has put in place an internal audit system, 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

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

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. 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.

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

The Company and its controlling shareholder are independent of each other in terms of business, personnel, assets, organization and finance. It has an independent and complete business system and is able to operate on its own.

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,

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

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 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 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 2022 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	50.25%	23 May 2023	24 May 2023	Announcement on Resolutions of the 2022 Annual General Meeting of Shareholders (Announcement No. 2023-032), disclosed on www.cninfo.com.cn
The First Extraordinary General Meeting of Shareholders of 2023	Extraordinary General Meeting of Shareholders	44.97%	18 September 2023	19 September 2023	Announcement on Resolutions of the First Extraordinary General Meeting of Shareholders of 2023 (Announcement No. 2023-057), disclosed on www.cninfo.com.cn

IV Directors, Supervisors and Senior Management

1. General Information

Name	Gender	Age	Office title	Incumbent/ Former	Start of tenure	End of tenure	Beginning shareholdin g (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/dec rease (share)	Ending shareholding (share)	Reasons for share changes
Li Weiwei	Male	46	Chairman of the Board	Incumbent	20 January 2015	23 March 2025	322,113,019	1,115,300			323,228,319	Volunteered increase in shareholding
Zeng Kaitian	Male	48	Vice Chairman of the Board	Incumbent	5 July 2019	23 March 2025	245,344,374				245,344,374	
Hu Yuhang	Male	47	Vice Chairman of the Board	Incumbent	16 September 2020	23 March 2025	201,597,684				201,597,684	
Xu Zhigao	Male	45	General Manger	Incumbent	23 May 2023	23 March 2025	36,453,903				36,453,903	
Yang Jun	Male	44	Director and Deputy General Manager	Incumbent	20 January 2015	23 March 2025	2,100,000				2,100,000	
Liu Jun	Male	43	Director and Deputy General Manager	Incumbent	24 March 2022	23 March 2025	5,296,801				5,296,801	
Li Yang	Male	55	Independent Director	Incumbent	24 December 2019	23 March 2025						
Ye Xin	Male	48	Independent Director	Incumbent	24 December 2019	23 March 2025						
Lu Rui	Male	48	Independent Director	Incumbent	24 March 2022	23 March 2025						
Tao Feng	Male	43	Independent Director	Incumbent	24 March 2022	23 March 2025						
He Yang	Male	42	Chairman of the Supervisory Committee	Incumbent	27 December 2018	23 March 2025						
Cheng Lin	Female	41	Supervisor	Incumbent	27 November 2015	23 March 2025						
Liu Fengyong	Female	46	Supervisor	Incumbent	20 January 2015	23 March 2025						
Zhu Huaimin	Male	41	Deputy General Manager	Incumbent	21 January 2019	23 March 2025						
Ye Wei	Male	40	Chief Financial Officer and Board Secretary	Incumbent	12 October 2016	23 March 2025						
Total	--	--	--	--	--	--	812,905,781	1,115,300	0	0	814,021,081	--

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

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

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:

Applicable Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Xu Zhigao	General Manger	Appointed	23 May 2023	Job arrangements
Li Weiwei	General Manger	Resigned	23 May 2023	Job arrangements

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 1977. Mr. Li is a member of the CPC and has no right of permanent residence in a foreign country. He has received an EMBA degree from Cheung Kong Graduate School of Business and a Doctor of Business Administration degree from Singapore Management University. 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 Boarder of Directors and General Manager of the Company. Mr. Li is currently Chairman of the sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zeng Kaitian, Han nationality, was born in 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 sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Hu Yuhang, Han nationality, was born in 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 Vice Chairman of the sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Xu Zhigao was born in 1978. Mr. Xu is a member of the CPC, with a bachelor's degree from Sun Yat-Sen University, and has no right of permanent residence in a foreign country. With more than a decade of experience in Mobile Internet, Mr. Xu Zhigao successively founded several Internet enterprises, and entered the industry of mobile games in 2012; in 2014, he Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

joined 37 Interactive Entertainment, holding the post of the President of the branch company Guangzhou 37 Network Technology Co., Ltd., and taking charge of establishing the mobile-game-publishing team of the Company and developing its mobile-game-publishing business, and now, he assumes the post of the President of 37Mobile; since 23 May 2023, he has assumed the office of the General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Yang Jun, born in 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 sixth Board of Directors and Deputy General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Liu Jun was born in 1980, with Chinese nationality, and has no right of permanent residence in a foreign country. At present, Mr. Liu Jun holds the offices of a Vice President of the 37 Interactive Entertainment Group, and a Senior Vice President of 37Mobile, in charge of overseas cooperation business; since 24 March 2022, he has assumed the posts of a Director and a Deputy General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.; now, he is a Director of the Sixth Board of Directors and a Deputy General Manager of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Li Yang, Han nationality, was born in 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, and Hearing Officer of The Supreme People's Procuratorate, 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 sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Ye Xin, Han nationality, was born in 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 sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Lu Rui, Han nationality, was born in 1975, with Chinese nationality, and has no right of permanent residence in a foreign country. In 2006, he graduated from Accounting Department, Sun Yat-Sen University where he obtained the Doctor's degree in Management Science, and he has become a leading accounting talent nationwide. At present, he is a Professor and a Doctoral Supervisor in the Accounting Department, School of Business, Sun Yat-sen University. From July 1996 to August 2003, he served successively as a Teaching Assistant and a Lecturer in the Department of Finance and Accounting, Guangzhou Finance and Trade Management Cadre Institute; from July 2006 to December 2008, he worked as a Lecturer at Lingnan (University) College, Sun Yat-sen University; from January 2009 to June 2016, he was an Associate Professor at Lingnan (University) College, Sun Yat-sen University; from July 2016 to December 2021, he became a Professor and a Doctoral Supervisor at Lingnan (University) College, Sun Yat-sen University; since January 2022, he has served as a Professor and a Doctoral Supervisor at School of Business, Sun Yat-sen University. From April 2010 to July 2018, he was an Independent Director of Guangzhou GCI Science & Technology Co. Ltd.; from July 2011 to January 2017, he was an Independent Director of Guangzhou Haozhi Industrial Co., Ltd.; from January 2015 to May 2019, he was an Independent Director of Xilong Scientific Co., Ltd; from December 2015 to October 2021, he was an Independent Director of Foshan Electrical and Lighting Co., Ltd.; from April 2015 to December 2018, he was an Independent Director of Guangzhou Huayuan Landscape Architecture Co., Ltd.; from April 2016 to March 2019, he was an Independent Director of Youmi Technology Co., Ltd.; from January 2017 to March 2021, he concurrently held the posts of a Director and the General Manager of Sun Yat-sen University Zijing Education Co., Ltd., Guangzhou; from August 2019 to October 2021, he was an Independent Director of Huabang Construction and Investment Group Co., Ltd.; from September 2019 to September 2022, he was an Independent Director of Shenzhen Kingsino Technology Co., Ltd.; from May 2017 to May 2023, he was an Independent Director of Guangzhou Goaland Energy Conservation Tech Co., Ltd.; Since April 2019, he has been an Independent Director of Bank of Guangzhou Co., Ltd.; Since May 2020, he has been an Independent Director of PSBC Consumer Finance Co., Ltd.; Since November 2021, he has been an Independent Director of Guangzhou Resource Environmental Protection Technology Co., Ltd.; Since 24 March 2022, he has served as an Independent Director of 37 Interactive Entertainment Network Technology Group Co., Ltd.; at present, he assumes the post of an Independent Director of the Sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Tao Feng, Han nationality, was born in 1980, with Chinese nationality, and has no right of permanent residence in a foreign country. He received the Doctor's degree in Industrial Economics from Jinan University, and has obtained the Independent Director Qualification Certificate. From March 2013 to April 2014, he was engaged in the scientific research in the direction of Industrial Economics at University of California, Irvine in the United States; since July 2009, he has successively held posts, such as Deputy Director of Institute of Industrial Economics, at Jinan University, and at present, he assumes the posts of the Director of Institute of Industrial Economics, Jinan University, a Deputy Director of "the Belt and Road Initiative" and the Guangdong-Hong Kong-Macao Greater Bay Area Research Institute, the Chief Expert of JNU's Urban High-Quality Development Research Think Tank, and a Doctoral Supervisor. Since 2020, he has held a concurrent post of a Vice President of the China Society of Industrial Economics; from February 2021 to June 2023, he was an Independent Director of Guangxi Bossco Environmental Protection Technology Co., Ltd.; Since 24 March 2022, he has served as an Independent Director of 37 Interactive Entertainment Network Technology Group Co., Ltd.; at present, he assumes the post of an Independent Director of the Sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. He Yang, Han nationality, was born in 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

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

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 Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. He is currently Chairman of the sixth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Ms. Cheng Lin, Han nationality, was born in 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 sixth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Ms. Liu Fengyong, Han nationality, was born in 1977. She is of Chinese nationality, a member of the CPC, and a bachelor's degree holder. And she has no right of permanent residence in a foreign country. 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 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 sixth Supervisory Committee of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zhu Huaimin, Han nationality, was born in 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 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 Secretary to the sixth Board of Directors of 37 Interactive Entertainment Network Technology Group Co., Ltd.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Offices held concurrently in other entities:

Applicable Not applicable

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

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Paid by the entity or not
Li Yang	the Civil, Commercial and Economic Law School of China University of Political Science and Law	Professor and Doctorate Supervisor	1 December 2020		Yes
Ye Xin	Tianshi Fund Management (Shenzhen) Co., Ltd.	General Manager	20 January 2016		Yes
Lu Rui	The School of Business of Sun Yat-Sen University	Professor and Doctorate Supervisor	1 January 2022		Yes
Tao Feng	The Institute of Industrial Economics of the Jinan University	Dean and Doctorate Supervisor	1 January 2020		Yes
Other information	<p>Li Yang: 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.</p> <p>Ye Xin: From 2016 to present, he was General Manager of Tianshi Fund Management (Shenzhen) Co., Ltd. And since July 2021, he has been acting as Executive Director of Huili Resources.</p> <p>Lu Rui: Since January 2022, he has been serving as Professor and Doctorate Supervisor at The School of Business of Sun Yat-Sen University.</p> <p>Tao Feng: Since January 2020, he has been serving as Dean and Doctorate Supervisor at The Institute of Industrial Economics of the Jinan University.</p>				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who resigned in the Reporting Period:

Applicable Not applicable

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 and supervisors 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, taking into account the overall remuneration of the gaming industry and the remuneration of comparable companies with a similar business size, as well as the responsibilities and contributions of the senior management in the Company.

(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.

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

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

Unit: RMB'0,000

Name	Gender	Age	Office title	Incumbent/ Former	Total before-tax remuneration from the Company	Paid by any related party or not
Li Weiwei	Male	46	Chairman of the Board	Incumbent	852.85	No
Zeng Kaitian	Male	48	Vice Chairman of the Board	Incumbent	895.72	No
Hu Yuhang	Male	47	Vice Chairman of the Board	Incumbent	979.62	No
Yang Jun	Male	44	Director and Deputy General Manager	Incumbent	895.33	No
Liu Jun	Male	43	Director and Deputy General Manager	Incumbent	873.59	No
Li Yang	Male	55	Independent Director	Incumbent	21	No
Ye Xin	Male	48	Independent Director	Incumbent	21	No
Lu Rui	Male	48	Independent Director	Incumbent	21	No
Tao Feng	Male	43	Independent Director	Incumbent	21	No
He Yang	Male	42	Chairman of the Supervisory Committee	Incumbent	226.37	No
Cheng Lin	Female	41	Supervisor	Incumbent	287.18	No
Liu Fengyong	Female	46	Supervisor	Incumbent	74.53	No
Xu Zhigao	Male	45	General Manager	Incumbent	940.73	No
Zhu Huaimin	Male	41	Deputy General Manager	Incumbent	316.63	No
Ye Wei	Male	40	Chief Financial Officer and Board Secretary	Incumbent	455.84	No
Total	--	--	--	--	6,882.39	--

Other information:

 Applicable Not applicable

In terms of the remuneration of its relevant directors and senior management in 2023, the Company has comprehensively considered its actual situation, the overall remuneration level of the game industry and that of the comparable companies with equivalent business volume as the Company, as well as the responsibility assumed by the relevant personnel for the Company and the contribution made by them to it. Compared with the market average, the remuneration of the Company's principal directors and senior management is reasonable, because the remuneration can basically reflect the efforts and contribution given by the principal senior management to the Company's development, and the Company has performed the procedures for the examination and approval of the high remuneration of both the directors and the supervisors. Therefore, there are no circumstances where the interests of the Company's shareholders are damaged.

V 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 Seventh Meeting of the Sixth Board of Directors	3 March 2023	4 March 2023	Announcement on Resolutions of the Seventh Meeting of the Sixth Board of Directors (Announcement No. 2023-009), disclosed on www.cninfo.com.cn
The Eighth Meeting of the Sixth Board of Directors	27 April 2023	28 April 2023	Announcement on Resolutions of the Eighth Meeting of the Sixth Board of Directors (Announcement No. 2023-013), disclosed on www.cninfo.com.cn
The Ninth Meeting of the Sixth Board of Directors	28 April 2023	29 April 2023	Announcement on Resolutions of the Ninth Meeting of the Sixth Board of Directors (Announcement No. 2023-027), disclosed on www.cninfo.com.cn

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

			on www.cninfo.com.cn
The 10th Meeting of the Sixth Board of Directors	23 May 2023	24 May 2023	Announcement on Resolutions of the 10th Meeting of the Sixth Board of Directors (Announcement No. 2023-033), disclosed on www.cninfo.com.cn
The 11th Meeting of the Sixth Board of Directors	3 July 2023	4 July 2023	Announcement on Resolutions of the 11th Meeting of the Sixth Board of Directors (Announcement No. 2023-039), disclosed on www.cninfo.com.cn
The 12th Meeting of the Sixth Board of Directors	15 August 2023	16 August 2023	Announcement on Resolutions of the 12th Meeting of the Sixth Board of Directors (Announcement No. 2023-044), disclosed on www.cninfo.com.cn
The 13th Meeting of the Sixth Board of Directors	30 August 2023	31 August 2023	Announcement on Resolutions of the 13th Meeting of the Sixth Board of Directors (Announcement No. 2023-047), disclosed on www.cninfo.com.cn
The 14th Meeting of the Sixth Board of Directors	30 October 2023	31 October 2023	Announcement on Resolutions of the 14th Meeting of the Sixth Board of Directors (Announcement No. 2023-061), disclosed on www.cninfo.com.cn
The 15th Meeting of the Sixth Board of Directors	26 December 2023	28 December 2023	Announcement on Resolutions of the 15th Meeting of the Sixth Board of Directors (Announcement No. 2023-070), disclosed on www.cninfo.com.cn

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	9	9	0	0	0	No	2
Zeng Kaitian	9	9	0	0	0	No	2
Hu Yuhang	9	9	0	0	0	No	2
Yang Jun	9	9	0	0	0	No	2
Liu Jun	9	9	0	0	0	No	2
Li Yang	9	1	8	0	0	No	2
Ye Xin	9	1	8	0	0	No	2
Lu Rui	9	0	9	0	0	No	1
Tao Feng	9	1	8	0	0	No	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.

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

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:

During the Reporting Period, all directors of the Company actively performed their duties in accordance with the Company Law, the Securities Law and other laws and regulations, as well as the Articles of Association of the Company and other regulations and requirements. They put forward relevant proposals on important operational matters of the Company in the light of the actual situation of the Company. The Company listened carefully to the suggestions of the directors to ensure that the decision-making was scientific, timely and efficient, and that the interests of the listed Company and the shareholders were effectively safeguarded.

VI 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.

VII Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the parent at the period-end	2
Number of in-service employees of principal subsidiaries at the period-end	3,445
Total number of in-service employees at the period-end	3,447
Total number of paid employees in the Reporting Period	3,447
Number of retirees to whom the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Marketing	1,073
Technical	323
Financial	111
Administrative	49
R&D	1,148
Teaching	181
Operation	251
Others	311
Total	3,447
Educational backgrounds	
Educational background	Employees
Master's degree and above	257
Bachelor's degree	2,399
Junior college and below	791
Total	3,447

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

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, physical checks, extra holidays, employee clubs, and gifts for holidays.

The total amount of employee remunerations of the Reporting Period is RMB 1,599 million, accounting for 11.60% 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 21.85% of the total number of employees, and their remunerations account for 26.85% 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, developing and retaining 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 strengthen cohesion. Guided by the Company's sustainable development strategy, the program also introduced advanced management concepts, and facilitated internal management progress, which was a booster for cadre training and strategy implementation.

In 2023, centering on the organisational objectives of "retention of core talents" and "accumulation of organisational experience", 37 Interactive Entertainment Learning and Development Centre (the "Centre") started with four aspects, namely boosting leadership, deepening professional competence, consolidating core general ability, and establishing systems and improving efficiency synergistically. Focusing on core talent empowerment, the Centre carried out such training as Leading Leap Plan, Integration Plan, "Super Assistance" mentor and lecturer training, AIGC series of livestreaming courses, 37TALK professional sharing, core general ability empowerment, and training of regularly and on-campus recruited new hires. Based on business requirements, the Centre customised training solutions to help solve practical business problems.

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	840,597.26
Total payment for labor outsourcing (RMB)	47,097,830.46

VIII 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

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

Reporting Period:

Applicable Not applicable

The Company actively strengthens the awareness of returning to shareholders, promotes the concept of returning to shareholders and value creation, and shares the growth of the Company with shareholders. During the Reporting Period, the Company put forward the 2022 final dividend plan and the 2023 interim dividend plan on the premise of ensuring the normal operation and development of the Company, taking into account the reasonable investor returns and the sustainable development of the Company. The dividend plans of the Company are all in compliance with the Articles of Association of the Company.

The Company's 2022 final dividend plan was approved at the Eighth Meeting of the Sixth Board of Directors and the 2022 Annual General Meeting of Shareholders. According to the plan, 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 RMB4.50 (tax inclusive) per 10 shares was planned to be distributed to all the shareholders of the Company, with the remaining undistributed profit carried forward to the next year; and there would be no bonus issue from either profit or capital reserves.

The Company's 2023 interim dividend plan was approved at the 13th Meeting of the Sixth Board of Directors and the First Extraordinary General Meeting of Shareholders of 2023. According to the plan, 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 RMB4.50 (tax inclusive) per 10 shares was planned to be distributed to all the shareholders of the Company; and there would be no bonus issue from either profit or capital reserves.

The above-mentioned dividend plans were carried out on 2 June 2023 and 28 September 2023, representing a total dividend payout of RMB1.988 billion (tax inclusive) in cash.

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
If the Company has no dividend plan, it should disclose the specific reasons and the next steps it intends to take to enhance investor returns	N/A
Non-controlling shareholders are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	N/A

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
---	---

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

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)	217,418,706.23
Total cash dividends (including those in other forms) (RMB)	1,038,028,490.20
Distributable profit (RMB)	4,846,565,105.07
Total cash dividends (including those in other forms) as % of total profit to be distributed	100%
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 2023 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, etc. The independent directors of the Company have expressed consent as their independent opinion on the above dividend plan.	

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

1. Internal Control Establishment and Implementation

During the Reporting Period, in strict accordance with the requirements of the CSRC, the Shenzhen Stock Exchange, and such laws and regulations as the Company Law and the Company's Articles of Association, the Company established a strict internal control management system. Based on this, in combination with industry characteristics and actual business operation, the Company continuously improved and refined its internal control system, and intensified internal audit supervision. Meanwhile, the Company continuously intensified the internal control awareness and responsibility of the Board of Directors and key positions, fully recognised the significance of complete internal control system in improving business management, enhancing risk prevention and control, and helping enterprises to achieve high-quality development, and strengthened the awareness of operation in compliance. By doing so, the Company has ensured that its internal control system has been effectively executed, practically boosted its level of standardised operation, promoted its healthy and sustainable development, and protected the interests of the Company and all of its shareholders.

2. Material Internal Control Weaknesses Identified during the Reporting Period

Yes No

XI Subsidiary Management during the Reporting Period

Subsidiary	Management plan	Progress	Problems	Solutions	Solution progress	Subsequent plan
Guangzhou Runyi Network Technology Co., Ltd. and other subsidiaries newly included in the consolidated financial statements of the Reporting	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	Completed	N/A	N/A	N/A	N/A

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

Period, see Note IX Changes to the Consolidation Scope in Part X.	statements. Under the authorization of the Company, the subsidiaries carried out activities and operated independently.					
---	---	--	--	--	--	--

XI Internal Control Assessment Report or Internal Control Audit Report

1. Internal Control Assessment Report

Date of full disclosure of the internal control assessment report	20 April 2024	
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	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 significant deficiencies mentioned above.	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 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	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

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

	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.	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

Opinion paragraph	
Huaxing Certified Public Accountants LLP is of the opinion that 37 Interactive Entertainment Network Technology Group Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2023, based on the Basic Rules on Enterprise Internal Control and other applicable regulations.	
Report disclosed or not	Disclosed
Disclosure date	20 April 2024
Index to the disclosed report	http://www.cninfo.com.cn
Type of opinion	Unmodified unqualified opinion
Material defects in internal control not related to financial reporting	No

Indicate whether any modified opinion is expressed in the Internal Control Audit Report.

Yes No

Indicate whether the Internal Control Audit Report is consistent with the internal control self-assessment report issued by the Company's Board of Directors.

Yes No

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

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

Incorporating “sustainable development” into its corporate vision, 37 Interactive Entertainment has established its objective of achieving carbon neutrality within its scope of business operations by 2025, continuously optimised its carbon neutrality path, and implemented high-quality carbon emission management, so as to advance the zero-carbon transformation of the enterprise, boost the development of its green productive forces, and jointly respond to climate change.

In terms of green operations management, the Company proactively carries out the analysis of climate risks and opportunities, optimises the energy efficiency of administrative operations management, advances the green construction of the Guangzhou Headquarters building, and joins hands with the value chain partner Alibaba Cloud to explore how to boost green decision making through cloud-service carbon bills. The Company continuously monitors and discloses the carbon emissions throughout the full life cycle of the enterprise. In 2023, its direct emissions (Scope 1) were 162.59 tons, and its indirect emissions from energy (Scope 2) were 704.98 tons. The two items were the carbon emissions within the Company’s operation boundary, down 37.30% YoY.

In terms of green market trading, the Company continuously explores green electricity certificate trading and carbon sink trading. In 2023, the Company domestically purchased 6,600 MWh of wind electricity and photovoltaic green electricity through the certificates, with the green electricity usage accounting for 81% of the annual total, thus supporting the development of China’s renewable energy industry. To participate in forestry carbon sink trading, the Company purchased 200 tons of carbon credits through the project of converting logged to protected forests in Inner Mongolia, and boosted the development of the under-forestry economy and sustainable ecology of the Great Khingan Region. The Company also plans to explore the direct use of green electricity in the Guangzhou Headquarters building in 2024, so as to further reduce carbon emissions caused by electricity usage.

In terms of the initiatives for green transformation, the Company carried out the environmental protection month of “Act Now to Shape a Zero-Carbon Future”, and led employees to the establishment of green lifestyles; participated in industry communication, and shared the Company’s practical experience in carbon neutrality; also participated in action for global climate change, such as the “Race to Zero” initiative, the Science Based Targets initiative (SBTi), the temperature-

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

limiting target of Business Ambition for 1.5°C, and the “Playing for the Planet” Alliance initiated by the United Nations Environment Programme, thus strengthening international cooperation.

On the occasion of World Environment Day 2023, the Company issued the first Climate Risk Management Progress Report. Prepared in line with the internationally recognised climate risk management frameworks, this report offered a systematic disclosure of the Company’s environmental information, including the Company’s performance and achievements in governance, strategy, risk management, and performance indicators. It demonstrated our ongoing efforts to strengthen the transparency of environmental information.

Due to our exceptional performance in carbon neutrality practices, we improved our rating from D (disclosure rating) in 2021 to B- (management rating) in the CDP Scores for Climate Change 2023 released by CDP. This achievement positioned us ahead of the industry average. Furthermore, our sustainable development case has been included in the Harvard Business School Case Selections, underscoring our leadership and exemplary role in the industry.

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)

37 Interactive Entertainment is dedicated to fulfilling its corporate social responsibility, persevering in high-quality socially responsible practices to contribute to the co-creation of social value and a better life for everyone.

1. Deepening industry-research cooperation in the collaborative cultivation of talent

The Company has been deepening resource sharing and complementary cooperation with renowned domestic universities such as Sun Yat-sen University, Xi’an Jiaotong University, South China University of Technology, and Sichuan University, aiming to build a sustainable collaborative talent cultivation system. We have organised diverse activities such as practical sessions for professional skills, campus meetings on the theme of “The Fun with Games”, and corporate training camps to foster the pre-employment cultivation of young talent and provide them with broader employment opportunities.

We have also helped cultivate innovation and sustainable development capabilities among young talent through competitions such as innovation challenges. Specifically, the inaugural “Innovation+” micro-innovation competition for college and university students focused on nurturing talent with great potential. It encouraged students to unleash their creativity in small game development and game publishing. This allowed students to practice technical skills and develop diverse perspectives during creation. The event attracted over 1,000 students from prestigious domestic and international universities to participate. Furthermore, the “2023 Sustainable Development Innovation Challenge for College and University Students” drew students’ attention to topics such as cultural preservation and promotion, rural revitalisation, rural aesthetic education, carbon neutrality, marine ecosystem conservation and volunteer services. Through digital creations, young talent contributed their ingenuity to the cause of building a sustainable future.

2. Contributing to building a better society

37 Interactive Entertainment has always been concerned about social development and actively responded to major social events. During the Reporting Period, the Company donated RMB 1 million to support earthquake relief and post-disaster reconstruction in Jishishan Bonan-Dongxiang-Salar Autonomous County of Gansu Province.

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

Under the leadership of the Party Committee of 37 Interactive Entertainment, we mobilised employees from various business units to participate in volunteer services spanning 55 sessions. In the process, a variety of activities were organised, including blood donations, providing care for children with special needs and their families, visiting sick children and residents in need in communities, supporting youth in enhancing their digital literacy, and assisting in the operation of community charity supermarkets, aiming to spread warmth throughout society.

As a pioneer in social responsibility fulfilment in the industry, we have been actively engaged in cultivating innovative talent, safeguarding a safe cyberspace, regulating corporate governance, and promoting the establishment of a responsible ecosystem. Collaborating with stakeholders, we aspire to build a community of shared responsibility. For specific initiatives regarding the aforementioned topics, please refer to the relevant sections of the Environmental, Social and Governance Report 2023.

III Efforts in Poverty Alleviation and Rural Revitalization

For details, please refer to the "Practices of Strategic Philanthropy" section of the Environmental, Social and Governance Report 2023.

1. Supporting the high-quality educational development of high schools in counties

In 2014, 37 Interactive Entertainment initiated the establishment of the Guangdong Youxin Charity Foundation, which would focus on "supporting rural educational revitalisation and promoting the cultivation of outstanding talent". We have been concerned about the high-quality and balanced development of high school education in counties, providing support to rural young talent through scholarships, grants, knowledge enrichment, and technology literacy enhancement programmes.

During the Reporting Period, the Company, through the Guangdong Youxin Foundation, launched programmes such as the "Youxin Peers" high school education assistance programme, the high school enrolment guarantee programme for ethnic minority girls, the "Vocational Wisdom Calling" career programme, the "Embrace Exploration" Guangzhou Summer Camp, and the free reading programme. The ultimate goal was to empower the diversified development of rural young talent.

To further support rural young talent in developing core competencies required in the future and bolster their technological innovation capabilities, we have encouraged our employee volunteers to conduct specialised sharing sessions for high school students, thereby inspiring them to explore how technology can enrich their lives. Furthermore, certain recipients of our financial aid have been invited to partake in aerospace-related programme-based learning journeys. Through field exploration and study at the aerospace science popularisation base and the co-creation of games aimed at disseminating aerospace knowledge, students are allowed to apply the scientific theories and knowledge they have acquired.

By the end of 2023, our rural educational revitalisation efforts had reached 5,072 high school students across 49 counties in 11 provinces/autonomous regions, including Anhui, Sichuan, Gansu, Guizhou, and Jiangxi. Among these students, 2,598 were receiving our aid during the Reporting Period. Certain sponsored students who took the 2023 National College Entrance Examination performed impressively, securing spots in Double First-Class-recognised universities such as Nanjing University, Sun Yat-sen University, and Wuhan University.

With years of dedication to the field of rural education, 37 Interactive Entertainment's "Youxin Peers" County-Level High School Scholarship Programme for underdeveloped areas was selected as a "Brand Programme" in the 2022 National Charity Federation Role Models Campaign.

2. Driving the improvement of quality and efficiency of industry assistance

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

In 2023, 37 Interactive Entertainment actively leveraged its corporate influence to engage in rural industry assistance, contributing to the “Project of Promoting the High-quality Development of Villages, Towns, and Counties”. Guided by government authorities, 37 Interactive Entertainment reached an agreement of intent with Huangjin Town, Fengshun County, Meizhou City, on special assistance. Leveraging our expertise in creative expression, we formulated a special assistance plan focusing on “Huangjin Ginger Candy”, an agricultural product recognised as an intangible cultural heritage in the local ginger specialty industry. We also designed creative gift boxes showcasing traditional cultural elements for Huangjin Ginger Candy and launched a special cultural promotional video titled “Sweet ‘Ginger’ Love”, showcasing the phase achievements of rural revitalisation and targeted assistance efforts and expanding the distribution channels for Huangjin Ginger Candy.

Additionally, we have enhanced the value of rural specialty products by infusing them with cultural significance. Specifically, collaborating with a professional rural cooperative in Wuhu, Anhui Province, we introduced the “Anhui Tea Culture” non-profit gift box, incorporating the artistic style of the national intangible cultural heritage “Wuhu Iron Picture” into its design. Additionally, we showcased the craftsmanship of Huangshan Maofeng tea leaves through hand-drawn comics in festive gift boxes.

During the Reporting Period, 37 Interactive Entertainment spent RMB 1.0364 million to support the development of characteristic industries such as tea and ginger in Anhui, Guizhou, Guangdong, and other regions.

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	582,338,908	26.26%				28,176,902	28,176,902	610,515,810	27.53%
1.1 Shares held by the government									
1.2 Shares held by state-owned corporations									
1.3 Shares held by other domestic investors	582,338,908	26.26%				28,176,902	28,176,902	610,515,810	27.53%
Including: Shares held by domestic corporations									
Shares held by domestic natural persons	582,338,908	26.26%				28,176,902	28,176,902	610,515,810	27.53%
1.4 Shares held by overseas investors									
Including: Shares held by overseas corporations									
Shares held by overseas natural persons									
2. Un-restricted shares	1,635,525,373	73.74%				-28,176,902	-28,176,902	1,607,348,471	72.47%
2.1 RMB-denominated common shares	1,635,525,373	73.74%				-28,176,902	-28,176,902	1,607,348,471	72.47%

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

2.2 Domestically listed foreign shares									
2.3 Overseas listed foreign shares									
2.4 Others									
3. Total shares	2,217,864,281	100.00%				0	0	2,217,864,281	100.00%

Reasons for share changes:

Applicable Not applicable

During the Reporting Period, the shares held by the newly appointed general manager in the Company were locked up according to applicable laws, regulations and regulatory documents.

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

During the Reporting Period, the Company implemented share repurchases with its securities account for repurchased shares by the way of centralized bidding. For details of the repurchases, see the announcements on repurchase progress. As per the Accounting Standards for Business Enterprises, the aforesaid repurchased shares were excluded in the calculation of basic earnings per share.

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	241,584,764	836,475	0	242,421,239	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	184,008,280	0	0	184,008,280		
Hu Yuhang	151,198,263	0	0	151,198,263		
Xu Zhigao	0	27,340,427	0	27,340,427		
Yang Jun	1,575,000	0	0	1,575,000		
Liu Jun	3,972,601	0	0	3,972,601		
Total	582,338,908	28,176,902	0	610,515,810	--	--

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

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	14.57%	323,228,319	1,115,300	242,421,239	80,807,080		
Zeng Kaitian	Domestic natural person	11.06%	245,344,374	0	184,008,280	61,336,094		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	10.98%	243,610,204	81,199,478	0	243,610,204		
Hu Yuhang	Domestic natural person	9.09%	201,597,684	0	151,198,263	50,399,421	Pledged	19,650,000
Xu Zhigao	Domestic natural person	1.64%	36,453,903	0	27,340,427	9,113,476		
Wu Weihong	Domestic natural person	1.59%	35,253,178	-36,314,684	0	35,253,178		
China Minsheng Banking Corp., Ltd.—China Securities Cartoon Games Trading Open-ended Index Securities Investment Fund	Other	1.12%	24,870,003	20,628,403	0	24,870,003		
Industrial and Commercial Bank of China Limited—Dongfanghong Ruixi Three-year Fixed Term Open-ended Dynamic Asset	Other	1.02%	22,633,000	A new top 200 shareholder during the Reporting Period, with the increase in its	0	22,633,000		

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

Allocation Mixed Securities Investment Fund				shareholding unknown				
Wu Weidong	Domestic natural person	1.00%	22,091,357	-38,505,200	0	22,091,357		
Shanghai Dongyonghong Business Management Partnership (Limited Partnership)	Domestic non-state-owned corporation	0.90%	20,000,000	20,000,000	0	20,000,000		
Strategic investor or general corporation becoming a top-10 shareholder in a rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	<p>1. Among the top 10 shareholders of the Company, Wu Weihong, Wu Weidong and Shanghai Dongyonghong Business Management Partnership (Limited Partnership) are 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.	243,610,204	RMB-denominated common shares	243,610,204					
Li Weiwei	80,807,080	RMB-denominated common shares	80,807,080					
Zeng Kaitian	61,336,094	RMB-denominated common shares	61,336,094					
Hu Yuhang	50,399,421	RMB-denominated common shares	50,399,421					
Wu Weihong	35,253,178	RMB-denominated common shares	35,253,178					
China Minsheng Banking Corp., Ltd. — China Securities Cartoon Games Trading Open-ended Index Securities Investment Fund	24,870,003	RMB-denominated common shares	24,870,003					
Industrial and Commercial Bank of China Limited — Dongfanghong Ruixi Three-year Fixed Term Open-ended Dynamic Asset Allocation Mixed Securities Investment Fund	22,633,000	RMB-denominated common shares	22,633,000					

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

Wu Weidong	22,091,357	RMB-denominated common shares	22,091,357
Shanghai Dongyonghong Business Management Partnership (Limited Partnership)	20,000,000	RMB-denominated common shares	20,000,000
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	16,549,583	RMB-denominated common shares	16,549,583
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	1. Among the top 10 shareholders of the Company, Wu Weihong, Wu Weidong and Shanghai Dongyonghong Business Management Partnership (Limited Partnership) are shareholders acting in concert. 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.		
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	As of the end of the Reporting Period, shareholder China Minsheng Banking Corp., Ltd. — China Securities Cartoon Games Trading Open-ended Index Securities Investment Fund held 5,167,400 shares that were lent in refinancing.		

Top 10 shareholders involved in refinancing shares lending:

Applicable Not applicable

Unit: Share

Top 10 shareholders involved in refinancing shares lending								
Full name of shareholder	Shares in the common account and credit account at the period-begin		Shares lent in refinancing and not yet returned at the period-begin		Shares in the common account and credit account at the period-end		Shares lent in refinancing and not yet returned at the period-end	
	Total shares	As % of total share capital	Total shares	As % of total share capital	Total shares	As % of total share capital	Total shares	As % of total share capital
China Minsheng Banking Corp., Ltd. — China Securities Cartoon Games Trading Open-ended Index Securities Investment Fund	4,241,600	0.19%	230,000	0.01%	24,870,003	1.12%	5,167,400	0.23%

Changes in top 10 shareholders compared with the prior period:

Applicable Not applicable

Unit: Share

Changes in top 10 shareholders compared with the end of the prior period			
Full name of shareholder	Newly added to or exiting from top 10 shareholders in the Reporting Period	Shares lent in refinancing and not yet returned at the period-end	Shares in the common account and credit account plus shares lent in refinancing and not yet returned at the period-end

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

		Total shares	As % of total share capital	Total shares	As % of total share capital
China Construction Bank Corporation — Lombarda China Senior Care Industry Mixed Securities Investment Fund	Exiting	0	0.00%	As this shareholder was no longer among the top 200 shareholders at the end of the Reporting Period, its shareholding is unknown.	As this shareholder was no longer among the top 200 shareholders at the end of the Reporting Period, its shareholding is unknown.
Industrial Bank Co., Ltd. — Fullgoal Xingyuan Selected 12-month-holding Mixed Securities Investment Fund	Exiting	0	0.00%	6,579,572	0.30%
37 Interactive Entertainment Network Technology Group Co., Ltd.-The Fourth Employee Stock Ownership Plan	Exiting	0	0.00%	16,301,534	0.74%
China Minsheng Banking Corp., Ltd. — China Securities Cartoon Games Trading Open-ended Index Securities Investment Fund	Newly added	5,167,400	0.23%	30,037,403	1.35%
Industrial and Commercial Bank of China Limited — Dongfanghong Ruixi Three-year Fixed Term Open-ended Dynamic Asset Allocation Mixed Securities Investment Fund	Newly added	0	0.00%	22,633,000	1.02%
Shanghai Dongyonghong Business Management Partnership (Limited Partnership)	Newly added	0	0.00%	20,000,000	0.90%

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.

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

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by a natural person

Type of the controlling shareholder: natural person

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	
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

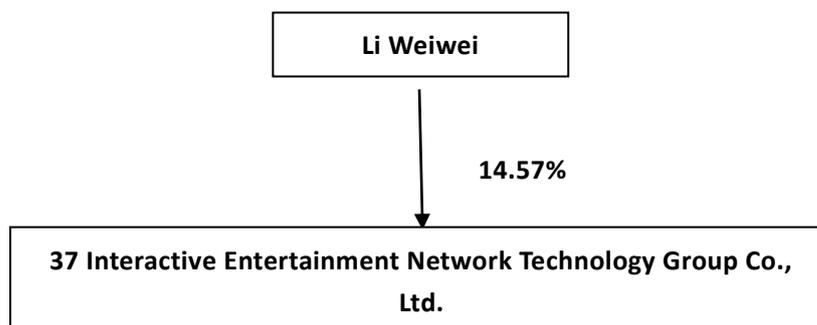
Name of the actual controller	Relationship with the actual controller	Nationality	Residency in other countries or regions or not
Li Weiwei	Actual controller himself	Chinese	Not
Main occupation and position	Chairman of the Board		
Controlling interests in other domestically and overseas listed companies 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:



Indicate whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

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

6. Restrictions on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Undertaking Makers

Applicable Not applicable

Mr. Li Weiwei, the controlling shareholder and actual controller of the Company, increased his shareholding in the Company by 1,115,300 shares by way of centralised bidding through the trading system of the Shenzhen Stock Exchange on 28 December 2023. Mr. Li has undertaken to strictly comply with the relevant provisions of the China Securities Regulatory Commission and the Shenzhen Stock Exchange in respect of relevant laws, regulations and regulatory documents, refrain from insider trading, trading in shares during sensitive periods and short-term trading, and not to voluntarily reduce his holdings of the Company's shares within six months from the date of completion of the increase in holdings.

IV Share Repurchases during the Reporting Period

Progress on share repurchases:

Applicable Not applicable

Date of the repurchase plan's disclosure	Number of shares to be repurchased	As % of total share capital	Amount to be used for repurchase (RMB'0,000)	Intended repurchase period	Purpose of repurchased shares	Number of shares repurchased	Shares repurchased as % of total target shares (if any) under equity incentive plan
11 November 2022	26,086,956	1.18%	30,000-60,000	Within 12 months following the Board's approval of the repurchase plan	For subsequent employee stock ownership plans or other equity incentive plans	12,539,547	
28 December 2023	5,899,705	0.27%	10,000-20,000	Within 12 months following the approval of the repurchase plan by a general meeting of shareholders	All to be retired to reduce the registered capital	0	

Note: The Proposal on the Plan to Repurchase Shares by Way of Centralized Bidding was approved at the 15th Meeting of the Sixth Board of Directors on 26 December 2023 and the First Extraordinary General Meeting of Shareholders of 2024 on 12 January 2024. According to the Announcement on Progress on the Share Repurchase disclosed by the Company on 2 April 2024, as of 31 March 2024, a cumulative number of 5,626,600 shares had been repurchased, accounting for 0.25% of the Company's existing total share capital.

Part VII Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unqualified opinion with emphasis paragraph
Name of the independent auditor	Huaxing Certified Public Accountants LLP
Name of the certified public accountants	Zhang Fengbo and Gao Yunjun

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 2023, 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 2023, 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 Emphasis Matter

Users of the financial statements are kindly reminded to pay attention to Note XVI (VII) "Other Significant Transactions and Events with Influence on Investors' Decision-making" to the financial statements: For suspected information disclosure violations, On 27 June 2023, the Company, Mr Li Weiwei (the actual controller and Chairman of the Board of the Company), and Mr Zeng Kaitian (the Vice Chairman of the Board of the Company) received the Notification of the China Securities Regulatory Commission on Case Filing (CSRC Case No. 03720230061, No. 03720230062, No. 03720230063) from the said commission (hereinafter referred to as the "CSRC"), respectively. As of the date of the auditor's report issuance, the CSRC's investigation is ongoing, and no definitive conclusions or decisions have been reached regarding the aforementioned matter under investigation. The content of this paragraph does not affect the issued audit opinion.

IV 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

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

1. Description

As described in Notes III - XXIX Revenue and V - XXXVIII 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.

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 users 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. (XXXX) Distribution and Selling Expenses, the Internet traffic fee charges in the 2023 consolidated financial statements amount to RMB 8,466 million. 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

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

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.

V Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2023 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.

VI 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, disclosing going concern-related matters (if applicable), 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.

VII 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.

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

(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 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 2023

Unit: RMB

Item	31 December 2023	1 January 2023
Current assets:		
Monetary funds	6,176,992,875.55	5,129,481,882.65
Transaction settlement funds		
Loans to other banks		
Trading financial assets	2,024,681,502.03	2,792,984,819.12
Derivative financial assets		
Notes receivable		
Accounts receivable	1,479,267,695.67	1,433,563,842.43
Accounts receivable financing		
Prepayments	1,143,237,497.90	855,193,135.12

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

Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	46,247,241.46	87,419,373.81
Including: Interest receivable		
Dividends receivable	10,000,000.00	0.00
Redemptory monetary capital for sale		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year	164,307,298.27	225,739,517.70
Other current assets	88,085,256.86	62,124,622.63
Total current assets	11,122,819,367.74	10,586,507,193.46
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	520,735,613.55	621,794,374.74
Other equity investments	247,132,794.34	269,990,212.51
Other non-current financial assets	825,660,687.40	685,698,473.75
Investment properties		
Fixed assets	823,508,284.60	850,030,034.92
Construction in progress	534,491,192.20	242,508,087.97
Productive living assets		
Oil and gas assets		
Right-of-use assets	16,622,471.20	31,967,946.49
Intangible assets	1,040,204,870.96	1,059,676,921.41
Development expenditure		
Goodwill	1,578,065,048.53	1,589,065,048.53
Long-term deferred expenses	90,785,937.93	99,473,412.05
Deferred income tax assets	53,947,130.48	34,357,615.22
Other non-current assets	2,280,577,680.43	1,024,113,999.86
Total non-current assets	8,011,731,711.62	6,508,676,127.45
Total assets	19,134,551,079.36	17,095,183,320.91
Current liabilities:		
Short-term loans	1,554,577,083.34	901,046,888.89
Loans from the central bank		
Loans from other banks		
Trading financial liabilities	74,311.41	84,380.59
Derivative financial liabilities		
Notes payable	1,087,000,000.00	555,000,000.00
Accounts payable	1,825,714,480.74	1,648,560,259.52
Advances from customers		
Contract liabilities	280,023,602.87	259,519,734.14
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	408,786,174.15	374,469,366.73
Taxes payable	280,471,436.39	294,163,918.06
Other payables	201,521,074.52	210,926,206.25
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		

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

Liabilities held for sale		
Non-current liabilities due within one year	212,167,632.34	45,909,085.65
Other current liabilities	55,277,993.63	51,763,224.36
Total current liabilities	5,905,613,789.39	4,341,443,064.19
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	306,000,000.00	323,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	3,944,589.05	16,786,536.53
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		
Deferred income tax liabilities	106,630,292.58	101,348,616.16
Other non-current liabilities		
Total non-current liabilities	416,574,881.63	441,135,152.69
Total liabilities	6,322,188,671.02	4,782,578,216.88
Shareholders' equity:		
Share capital	2,217,864,281.00	2,217,864,281.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	2,823,040,832.04	2,776,585,669.95
Less: Treasury shares	300,524,656.78	83,105,950.55
Other comprehensive income	-129,511,563.25	-153,044,746.45
Special reserves		
Surplus reserves	666,869,940.33	666,869,940.33
General risk reserves		
Retained earnings	7,429,206,642.53	6,758,838,410.54
Total equity attributable to shareholders of the Company	12,706,945,475.87	12,184,007,604.82
Non-controlling interests	105,416,932.47	128,597,499.21
Total shareholders' equity	12,812,362,408.34	12,312,605,104.03
Total liabilities and shareholders' equity	19,134,551,079.36	17,095,183,320.91

Legal representative: Xu Zhigao

Chief Financial Officer:

Ye Wei

Board Secretary: Ye Wei

2. Balance Sheet of the Company

Unit: RMB

Item	31 December 2023	1 January 2023
Current assets:		
Monetary funds	802,609,416.49	808,790,749.20
Trading financial assets	800,986,301.37	802,418,630.14
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts receivable financing		
Prepayments	66,418.86	

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

Other receivables	3,679,202,452.33	3,829,192,595.78
Including: Interest receivable		
Dividends receivable		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	7,068,190.52	5,937,414.70
Total current assets	5,289,932,779.57	5,446,339,389.82
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	9,659,679,501.59	9,614,010,297.65
Other equity investments		
Other non-current financial assets	76,589,599.00	76,589,599.00
Investment properties		
Fixed assets		
Construction in progress		
Productive living assets		
Oil and gas assets		
Right-of-use assets	4,605,089.46	6,730,515.43
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	9,740,874,190.05	9,697,330,412.08
Total assets	15,030,806,969.62	15,143,669,801.90
Current liabilities:		
Short-term loans	200,155,833.34	
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		
Contract liabilities		
Employee benefits payable	30,200.00	922,157.55
Taxes payable	11,281,109.24	9,115,058.72
Other payables	28,901,705.53	40,786,313.26
Including: Interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	200,318,482.28	30,122,770.55
Other current liabilities		
Total current liabilities	440,687,330.39	80,946,300.08
Non-current liabilities:		
Long-term loans	306,000,000.00	323,000,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	2,552,367.43	4,983,409.97
Long-term payables		
Long-term employee benefits payable		
Provisions		

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

Deferred income		
Deferred income tax liabilities	142,444.51	803,191.39
Other non-current liabilities		
Total non-current liabilities	308,694,811.94	328,786,601.36
Total liabilities	749,382,142.33	409,732,901.44
Shareholders' equity:		
Share capital	2,217,864,281.00	2,217,864,281.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	6,468,587,957.50	6,421,769,953.60
Less: Treasury shares	300,524,656.78	83,105,950.55
Other comprehensive income	-60,000,000.00	-60,000,000.00
Special reserves		
Surplus reserves	1,108,932,140.50	1,108,932,140.50
Retained earnings	4,846,565,105.07	5,128,476,475.91
Total shareholders' equity	14,281,424,827.29	14,733,936,900.46
Total liabilities and shareholders' equity	15,030,806,969.62	15,143,669,801.90

3. Consolidated Income Statement

Unit: RMB

Item	2023	2022
1. Total operating revenue	16,546,871,737.85	16,406,034,152.65
Including: Operating revenue	16,546,871,737.85	16,406,034,152.65
Interest income		
Premium income		
Handling charge and commission income		
2. Total operating costs and expenses	13,603,488,187.84	13,169,671,748.81
Including: Cost of sales	3,391,580,579.32	3,048,539,639.86
Interest expense		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as policy reserve		
Expenditure on policy dividends		
Reinsurance premium expenses		
Taxes and surcharges	36,892,301.48	31,860,159.78
Distribution and selling expenses	9,090,808,791.22	8,732,600,168.08
General and administrative expenses	592,119,581.61	526,013,657.81
Research and development expenses	713,563,181.73	904,696,560.53
Financial expenses	-221,476,247.52	-74,038,437.25
Including: Interest expense	65,589,638.61	46,685,488.68
Interest income	306,044,467.16	146,860,105.25
Add: Other income	110,038,707.84	133,197,530.89
Investment income ("-" for loss)	7,525,623.19	75,647,461.76
Including: Share of profits and losses of joint ventures and associates	-17,776,565.55	-59,373,741.59
Gain on derecognition of financial assets measured at amortised cost ("-" for loss)		
Gain on exchange ("-" for loss)		

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

Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	103,982,672.05	-39,816,230.89
Impairment loss on credit (“-” for loss)	-13,743,024.22	-8,381,295.23
Impairment loss on assets (“-” for loss)	-111,730,846.28	-90,420,714.53
Gain on disposal of assets (“-” for loss)	1,431,156.84	2,302,146.59
3. Operating profit (“-” for loss)	3,040,887,839.43	3,308,891,302.43
Add: Non-operating income	20,123,970.73	11,149,873.50
Less: Non-operating expenses	13,041,071.75	18,526,439.05
4. Profit before income tax expenses (“-” for loss)	3,047,970,738.41	3,301,514,736.88
Less: Income tax expenses	414,443,596.24	391,772,296.96
5. Net profit (“-” for net loss)	2,633,527,142.17	2,909,742,439.92
5.1 Classified by continuity of operations		
5.1.1 Net profit from continuing operations (“-” for net loss)	2,633,527,142.17	2,909,742,439.92
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 Classified by ownership of the equity		
5.2.1 Net profit attributable to shareholders of the Company	2,658,570,193.44	2,954,377,452.38
5.2.2 Net profit attributable to non-controlling interests	-25,043,051.27	-44,635,012.46
6. Other comprehensive income, net of tax	23,533,183.20	31,198,584.93
Other comprehensive income attributable to shareholders of the Company, net of tax	23,533,183.20	31,198,584.93
6.1 Other comprehensive income that will not be reclassified subsequently to profit or loss	-23,571,778.91	-75,133,385.17
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	-23,571,778.91	-75,133,385.17
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	47,104,962.11	106,331,970.10
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		524,693.70
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	47,104,962.11	105,807,276.40
6.2.7 Others		
Other comprehensive income attributable to non-controlling interests, net of tax		
7. Total comprehensive income	2,657,060,325.37	2,940,941,024.85

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

Total comprehensive income attributable to shareholders of the Company	2,682,103,376.64	2,985,576,037.31
Total comprehensive income attributable to non-controlling interests	-25,043,051.27	-44,635,012.46
8. Earnings per share:		
8.1 Basic earnings per share	1.20	1.34
8.2 Diluted earnings per share	1.20	1.34

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB 0.00 with the amount for the same period of last year being RMB 0.00.

Legal representative: Xu Zhigao

Chief Financial Officer:

Ye Wei

Board Secretary: Ye Wei

4. Income Statement of the Company

Unit: RMB

Item	2023	2022
1. Operating revenue	9,433.96	0.00
Less: Cost of sales	0.00	0.00
Taxes and surcharges	50,349.85	359,344.65
Distribution and selling expenses		
General and administrative expenses	19,286,684.94	12,473,738.25
Research and development expenses		
Financial expenses	1,373,974.08	-14,096,585.25
Including: Interest expense	23,604,095.16	13,877,655.65
Interest income	23,391,950.84	28,940,424.67
Add: Other income	6,938,175.62	3,014,074.12
Investments income ("-" for loss)	1,704,272,876.72	5,319,803,261.37
Including: Share of profits and losses of joint ventures and associates		
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)	18,294,520.55	12,333,374.40
Impairment loss on credit ("-" for loss)		
Impairment loss on assets ("-" for loss)		
Gain on disposal of assets ("-" for loss)		
2. Operating profit ("-" for loss)	1,708,803,997.98	5,336,414,212.24
Add: Non-operating income	1,478.73	2.59
Less: Non-operating expenses	70,214.21	31,234.89
3. Profit before income tax expenses ("-" for loss)	1,708,735,262.50	5,336,382,979.94
Less: Income tax expenses	2,444,671.89	5,827,837.11
4. Net profit ("-" for net loss)	1,706,290,590.61	5,330,555,142.83
4.1 Net profit from continuing operations ("-" for net loss)	1,706,290,590.61	5,330,555,142.83
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax		
5.1 Other comprehensive income that will not be reclassified subsequently to profit or loss		

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

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		
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 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	1,706,290,590.61	5,330,555,142.83
7. Earnings per share:		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2023	2022
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	16,904,176,555.70	16,885,987,333.81
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		

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

Refunds of taxes and levies	2,434,967.58	26,604,668.69
Cash received relating to other operating activities	265,105,348.27	213,417,757.20
Sub-total of cash inflows from operating activities	17,171,716,871.55	17,126,009,759.70
Cash paid for purchases of goods and services	3,413,825,692.72	2,869,139,576.62
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and other 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	1,564,676,531.31	1,669,997,016.50
Payments of taxes and levies	645,283,417.51	479,137,620.16
Cash paid relating to other operating activities	8,400,893,893.55	8,550,566,649.16
Sub-total of cash outflows used in operating activities	14,024,679,535.09	13,568,840,862.44
Net cash flows from operating activities	3,147,037,336.46	3,557,168,897.26
2. Cash flows from investing activities:		
Cash received from disposal of investments	150,435,928.42	193,845,697.24
Cash received from investment income	172,415,699.41	143,313,003.86
Cash received from disposal of fixed assets, intangible assets and other long-term assets	3,105,437.71	3,238,847.63
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	13,521,693,807.84	10,402,113,384.72
Sub-total of cash inflows from investing activities	13,847,650,873.38	10,742,510,933.45
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,311,950,763.69	319,970,836.68
Cash paid to acquire investments	237,738,371.40	274,845,766.52
Net increase in pledged loans granted		
Net cash paid for the acquisition of subsidiaries and other business units	59,324.28	136,258.81
Cash paid relating to other investing activities	13,743,826,640.43	13,477,981,715.09
Sub-total of cash outflows used in investing activities	15,293,575,099.80	14,072,934,577.10
Net cash flows from/used in investing activities	-1,445,924,226.42	-3,330,423,643.65
3. Cash flows from financing activities:		
Cash received from capital contributions	620,000.00	93,310,000.00
Including: Cash received from capital contributions by non-controlling interests of subsidiaries	620,000.00	93,310,000.00
Cash received from borrowings	2,911,380,000.00	1,640,448,000.00
Cash received relating to other financing activities	355,000,000.00	113,393,400.00
Sub-total of cash inflows from financing activities	3,267,000,000.00	1,847,151,400.00
Cash repayments of borrowings	2,104,998,000.00	859,003,000.00
Cash paid for interest and dividends	2,052,191,844.69	1,634,202,543.31
Including: Dividends paid by subsidiaries to non-controlling interests		405,402.09
Cash paid relating to other financing activities	1,396,209,021.10	938,520,215.11

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

Sub-total of cash outflows used in financing activities	5,553,398,865.79	3,431,725,758.42
Net cash flows from/used in financing activities	-2,286,398,865.79	-1,584,574,358.42
4. Effect of foreign exchange rate changes on cash and cash equivalents	10,295,383.63	59,907,468.37
5. Net increase/decrease in cash and cash equivalents	-574,990,372.12	-1,297,921,636.44
Add: Cash and cash equivalents at beginning of the period	3,320,472,098.94	4,618,393,735.38
6. Cash and cash equivalents at end of the period	2,745,481,726.82	3,320,472,098.94

6. Cash Flow Statement of the Company

Unit: RMB

Item	2023	2022
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	10,000.00	
Refunds of taxes and levies		
Cash received relating to other operating activities	2,866,152,757.49	3,146,560,844.15
Sub-total of cash inflows from operating activities	2,866,162,757.49	3,146,560,844.15
Cash paid for purchases of goods and services		
Cash paid to and on behalf of employees	1,939,875.23	5,196,912.26
Payments of taxes and levies	4,280,167.75	4,903,666.87
Cash paid relating to other operating activities	2,710,211,734.70	6,890,189,374.35
Sub-total of cash outflows used in operating activities	2,716,431,777.68	6,900,289,953.48
Net cash flows from/used in operating activities	149,730,979.81	-3,753,729,109.33
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from investment income	1,737,876,392.74	5,340,237,466.85
Cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	4,580,000,000.00	4,220,000,000.00
Sub-total of cash inflows from investing activities	6,317,876,392.74	9,560,237,466.85
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	15,000,000.00	20,000,000.00
Net cash paid for the acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	4,280,000,000.00	4,870,000,000.00
Sub-total of cash outflows used in investing activities	4,295,000,000.00	4,890,000,000.00
Net cash flows from/used in investing activities	2,022,876,392.74	4,670,237,466.85
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received from borrowings	690,000,000.00	640,000,000.00
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	690,000,000.00	640,000,000.00
Cash repayments of borrowings	337,000,000.00	659,500,000.00

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

Cash paid for interest and dividends	2,011,301,921.19	1,604,022,872.37
Cash paid relating to other financing activities	220,234,866.23	85,922,110.55
Sub-total of cash outflows used in financing activities	2,568,536,787.42	2,349,444,982.92
Net cash flows from/used in financing activities	-1,878,536,787.42	-1,709,444,982.92
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase/decrease in cash and cash equivalents	294,070,585.13	-792,936,625.40
Add: Cash and cash equivalents at beginning of the period	205,561,434.13	998,498,059.53
6. Cash and cash equivalents at end of the period	499,632,019.26	205,561,434.13

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

7. Consolidated Statement of Changes in Shareholders' Equity

2023

Unit: RMB

Item	2023														
	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
	Preferr ed shares	Perpe tual bonds	Oth ers												
1. Balance as at the end of prior year	2,217,864,281.00				2,776,585,669.95	83,105,950.55	-153,044,746.45		666,869,940.33		6,758,838,410.54		12,184,007,604.82	128,597,499.21	12,312,605,104.03
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Others															
2. Balance as at beginning of year	2,217,864,281.00				2,776,585,669.95	83,105,950.55	-153,044,746.45		666,869,940.33		6,758,838,410.54		12,184,007,604.82	128,597,499.21	12,312,605,104.03
3. Increase/ decrease in the period ("-" for decrease)					46,455,162.09	217,418,706.23	23,533,183.20				670,368,231.99		522,937,871.05	-23,180,566.74	499,757,304.31
3.1 Total comprehensive income							23,533,183.20				2,658,570,193.44		2,682,103,376.64	-25,043,051.27	2,657,060,325.37
3.2 Capital contribution and withdrawal by shareholders					46,690,199.89	217,418,706.23							-170,728,506.34	1,847,283.95	-168,881,222.39
3.2.1 Common														1,719,479.	1,719,479.94

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

shares contribution and withdrawal by shareholders														94	
3.2.2 Capital contribution and withdrawal by holders of other equity instruments															
3.2.3 Share-based payments included in shareholders' equity					46,690,199.89								46,690,199.89	127,804.01	46,818,003.90
3.2.4 Others						217,418,706.23							-	217,418,706.23	-
3.3 Profit distribution													-	1,988,201,961.45	-
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general risk reserves															
3.3.3 Distribution to shareholders													-	1,988,201,961.45	-
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 reserves transferred into capital (or share capital)															
3.4.3 Surplus reserves for making up losses															

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

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					-235,037.80								-235,037.80	15,200.58	-219,837.22
4. Balance as at the end of the period	2,217,864,281.00				2,823,040,832.04	300,524,656.78	-	129,511,563.25	666,869,940.33		7,429,206,642.53		12,706,945,475.87	105,416,932.47	12,812,362,408.34

2022

Unit: RMB

Item	2022														
	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		
	Preferr ed shares	Perpetual bonds	Oth ers												
1. Balance as at the end of prior year	2,217,864,281.00				2,978,593,891.37	299,999,563.27	-	184,243,331.38	166,559,856.09		5,894,941,180.68		10,773,716,314.49	83,619,695.37	10,857,336,009.86
Add: Adjustments for changed accounting policies											660,576.46		660,576.46	5,684.56	666,261.02
Adjustments for corrections of															

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

previous errors														
Others														
2. Balance as at beginning of year	2,217,864,281.00				2,978,593,891.37	299,999,563.27	-184,243,331.38		166,559,856.09		5,895,601,757.14	10,774,376,890.95	83,625,379.93	10,858,002,270.88
3. Increase/decrease in the period ("-" for decrease)					-202,008,221.42	-216,893,612.72	31,198,584.93		500,310,084.24		863,236,653.40	1,409,630,713.87	44,972,119.28	1,454,602,833.15
3.1 Total comprehensive income							31,198,584.93				2,954,377,452.38	2,985,576,037.31	-44,635,012.46	2,940,941,024.85
3.2 Capital contribution and withdrawal by shareholders					-200,521,571.29	-216,893,612.72						16,372,041.43	90,012,533.83	106,384,575.26
3.2.1 Common shares contribution and withdrawal by shareholders					227,361.52							227,361.52	89,788,517.83	90,015,879.35
3.2.2 Capital contribution and withdrawal by holders of other equity instruments														
3.2.3 Share-based payments included in shareholders' equity					99,250,630.46							99,250,630.46	224,016.00	99,474,646.46
3.2.4 Others					-299,999,563.27	-216,893,612.72						-83,105,950.55		-83,105,950.55
3.3 Profit distribution									500,310,084.24		-2,091,140,798.98	-1,590,830,714.74	-405,402.09	-1,591,236,116.83
3.3.1 Appropriation to surplus reserves									500,310,084.24		-500,310,084.24			

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

end of the period	81.00				669.95	,950.55	153,044,746.45		940.33		410.54		04.82	9.21	04.03
-------------------	-------	--	--	--	--------	---------	----------------	--	--------	--	--------	--	-------	------	-------

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

2023

Unit: RMB

Item	2023											
	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	2,217,864,281.00				6,421,769,953.60	83,105,950.55	-60,000,000.00		1,108,932,140.50	5,128,476,475.91		14,733,936,900.46
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,217,864,281.00				6,421,769,953.60	83,105,950.55	-60,000,000.00		1,108,932,140.50	5,128,476,475.91		14,733,936,900.46
3. Increase/decrease in the period ("-" for decrease)					46,818,003.90	217,418,706.23				-281,911,370.84		-452,512,073.17
3.1 Total comprehensive income										1,706,290,590.61		1,706,290,590.61
3.2 Capital contribution and withdrawal by shareholders					46,818,003.90	217,418,706.23						-170,600,702.33
3.2.1 Common shares contribution and withdrawal by												

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

shareholders												
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity					46,818,003.90							46,818,003.90
3.2.4 Others						217,418,706.23						-217,418,706.23
3.3 Profit distribution												
3.3.1 Appropriation to surplus reserves												
3.3.2 Distribution to shareholders												
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												

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

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				6,468,587,957.50	300,524,656.78	-60,000,000.00		1,108,932,140.50	4,846,565,105.07		14,281,424,827.29

2022

Unit: RMB

Item	2022											
	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	2,217,864,281.00				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
Add: Adjustments for changed accounting policies										162,093.53		162,093.53
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,217,864,281.00				6,622,294,870.41	299,999,563.27	-60,000,000.00		608,622,056.26	1,889,062,132.06		10,977,843,776.46
3. Increase/decrease in the period ("-" for decrease)					-200,524,916.81	-216,893,612.72			500,310,084.24	3,239,414,343.85		3,756,093,124.00
3.1 Total comprehensive income										5,330,555,142.83		5,330,555,142.83

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

3.2 Capital contribution and withdrawal by shareholders					-200,524,916.81	-216,893,612.72						16,368,695.91
3.2.1 Common shares contribution and withdrawal by shareholders												
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity					99,474,646.46							99,474,646.46
3.2.4 Others					-299,999,563.27	-216,893,612.72						-83,105,950.55
3.3 Profit distribution								500,310,084.24	-2,091,140,798.98			-1,590,830,714.74
3.3.1 Appropriation to surplus reserves								500,310,084.24	-500,310,084.24			
3.3.2 Distribution to shareholders									-1,590,830,714.74			-1,590,830,714.74
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												

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

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				6,421,769,953.60	83,105,950.55	-60,000,000.00		1,108,932,140.50	5,128,476,475.91		14,733,936,900.46

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