



**Wuhu 37 Interactive Entertainment Network
Technology Group Co., Ltd.
2020 Annual Report (Summary)**

April 2021

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

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

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

Possible risks facing the Company have been detailed in the section under the heading of “Prospects” under “Part IV Operating Performance Discussion and Analysis” herein, which investors are kindly reminded to pay attention to.

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

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

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Definitions

Term	Definition
CSRC	China Securities Regulatory Commission
SZSE/the Stock Exchange	Shenzhen Stock Exchange
Company/ the Company/ the Listed Company/ 37 Interactive Entertainment	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./ Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.
37 Interactive Entertainment (Shanghai)	37 Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd./Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./Articles of Association of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.
RMB, RMB'0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
Reporting Period/the Reporting Period	The period from 1 January 2020 to 31 December 2020
Period-end/end of the Reporting Period	31 December 2020
Browser games	Clientless or browser kernel-based micro-client games that are based on web development technologies and utilize standard protocols as basic transmission modes. Game users can play browser games directly through an Internet browser
Mobile games	Games that are downloaded via mobile network and run on mobile phones or other mobile terminals
RPG	Role playing game
ARPG	Action role playing game
SLG	Strategy game
STG	Shooting game
MMO	Massive Multiplayer Online
MOBA	Multiplayer Online Battle Arena
MMORPG	Massive Multiplayer Online Role-Playing Game
Chengdu Pengwan Technology Co., Ltd.	Chengdu Pengwan Technology Co., Ltd. and its subsidiaries
Zengame Technology	Zengame Technology Holding Limited and its business entities
X.D.Network	XD Inc. and its business entities
Jiangsu Aurora/Aurora Network/Jiangsu Aurora Network	Jiangsu Aurora Network Technology Co., Ltd.
Guangzhou 37	Guangzhou 37 Network Technology Co., Ltd.

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Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	37 Interactive Entertainment	Stock code	002555
Place of listing	Shenzhen Stock Exchange		
Company name in Chinese	芜湖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)	WUHU SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY GROUP CO.,LTD.		
Legal representative	Li Weiwei		
Registered address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province		
Zip code	241000		
Office address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province		
Zip code	241000		
Company website	http://www.37wan.net/		
Email address	ir@37.com		

II Contact Information

	Board Secretary	Securities Affairs Representative
Name	Ye Wei	Wang Sijie
Office address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, 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

Newspapers designated by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News, and Securities Daily
-----------------------------------------------------------------	--------------------------------------------------------------------------------------------

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Website designated by the CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is lodged	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province

IV Change to Company Registered Information

Organization code	71392778-9
Changes to the principal activities of the Company since going public (if any)	No changes in the Reporting Period
Every change of controlling shareholder since incorporation (if any)	No changes in the Reporting Period

V Other Information

The independent auditor hired by the Company:

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

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

Applicable Not applicable

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

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

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue (RMB)	14,399,703,084.56	13,227,135,966.70	8.86%	7,632,679,668.47
Net profit attributable to the Listed Company's shareholders	2,760,951,475.22	2,114,770,061.55	30.56%	1,008,503,357.80

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(RMB)				
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses (RMB)	2,391,804,997.01	2,089,129,849.82	14.49%	474,909,138.00
Net cash flows from operating activities (RMB)	2,927,937,304.65	3,257,563,997.94	-10.12%	1,954,433,620.84
Basic earnings per share (RMB/share)	1.31	1.00	31.00%	0.47
Diluted earnings per share (RMB/share)	1.31	1.00	31.00%	0.47
Weighted average return on equity (%)	34.84%	32.66%	2.18%	16.59%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets (RMB)	10,564,331,499.85	10,145,259,855.73	4.13%	8,395,761,716.98
Equity attributable to the Listed Company's shareholders (RMB)	6,037,383,625.95	7,029,307,859.08	-14.11%	5,972,675,405.86

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

Yes No

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

Yes No

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable Not applicable

No difference for the Reporting Period.

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VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	4,343,108,719.33	3,645,566,476.24	3,300,855,132.34	3,110,172,756.65
Net profit attributable to the Listed Company's shareholders	728,824,406.61	970,911,716.85	560,489,992.17	500,725,359.59
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses	651,124,068.35	813,818,252.89	486,017,500.51	440,845,175.26
Net cash flows from operating activities	1,753,949,281.15	696,277,265.75	-6,019,821.61	483,730,579.36

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

Yes No

IX Non-recurring Profits and Losses

Applicable Not applicable

Unit: RMB

Items	2020	2019	2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-5,016,442.19	9,097,544.61	56,085,328.82	
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	94,879,456.95	83,976,058.58	38,851,289.40	Mainly due to refund of value-added tax and government grants other than super-deduction in the calculation of taxable amount for VAT
Capital occupation charges on non-financial enterprises that are recognized in current profits and losses		3,399,910.00	17,307,831.49	
Gain equal to the amount by which investment costs for the Company to acquire subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments		18,216.32		
Gain or loss on assets entrusted to other entities for investment or management			16,941,398.12	

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Gain or loss on fair-value changes on trading and derivative financial assets and liabilities & income from disposal of trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	317,000,879.97	-73,399,855.36	-9,740,417.35	
Non-operating income and expenses other than the above	-6,978,497.94	2,855,883.24	2,945,610.96	
Other gains and losses that meet the definition of non-recurring profits and losses		21,156,420.83	446,156,583.73	
Less: Income tax effects	21,437,227.96	16,818,250.53	33,857,857.74	
Non-controlling interests effects (net of tax)	9,301,690.62	4,645,715.96	1,095,547.63	
Total	369,146,478.21	25,640,211.73	533,594,219.80	--

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

Applicable Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

During the Reporting Period, the Company focused on cultural and creative businesses based on the development, publishing, and operation of mobile and browser games, as well as the development in segments such as 5G cloud gaming, film and television, music, anime, VR/AR, cultural health, e-learning, esports, and social entertainment. The Company steadily advanced its development strategy of “boutiqueization, diversification and globalization”. It ranks No. 1 among game companies listed on the A-shares market in 2020 China’s Top 100 Internet Companies Ranking.

During the Reporting Period, the Company achieved robust performance growth and recorded operating revenue of RMB14.4 billion, with a year-over-year (YoY) increase of 8.86%; a profit before income tax expenses of RMB3,249 million, up by 20.50% YoY; and a net profit attributable to the Listed Company’s shareholders of RMB2,761 million, rising by 30.56% YoY. The above growth was mainly attributable to the sound development of the main business, which promoted continuous growth in the overall operating results.

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

In 2020, under the support and guidance of a series of industrial policies, the game industry has resisted the impact of COVID-19, and has developed steadily. According to the 2020 China's Game Industry Report, there are more than 660 million game users in China in 2020; the actual sales revenue of China's game market is RMB278.687 billion, with a year-over-year increase of 20.71%, and the growth rate was 13.05% higher year-over-year. The scale of "Games Export" has been further expanded. The actual sales revenue of independently-developed games in the oversea market was USD15.450 billion with a year-over-year increase of 33.25%, and a year-over-year growth rate of 12.3%. The internationalization level was further improved.

The competition landscape of the gaming industry has changed. On the one hand, with the gradual disappearance of demographic dividend and the increasing demand of players for content quality, the mobile games have gradually transitioned from enjoying demographic dividend period to enjoying content dividend, which led to the result that players were posing higher requirements for online games. Game companies need to improve the quality of games to expand user base and willingness to pay, and ultimately achieve an increase in the return on product investment. On the other hand, the industry's attention was increasingly concentrated on top-performing games and leading manufacturers, suggesting a prominent "head" effect in the industry.

The threshold of game development and barriers to competition have been substantially raised under this situation. Top game companies embracing strengths in the R&D and publishing of quality products and operation are more likely to benefit from the new situation. In 2020, the Company has stepped into a high-quality development stage. In the new stage of development, the Company takes the main business as its core and deepens the strategy of "integration of R&D and operation" and "dual engines at home and abroad". During the Reporting Period, the Company kept its leading role in R&D capabilities by raising R&D investments, expanding the R&D team and strengthening the output of quality games. Moreover, it advanced the "diversification" strategy from the aspects of R&D and publishing, and reserved varied quality games on different themes through independent development,

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investment in R&D-oriented companies, and enhanced cooperation with developers capable of producing quality games. In addition, the Company, through independently developed AI systems, consolidated refined operation, prolonged the life cycle of quality games, and improved operation efficiency.

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

(1) The Law of the People's Republic of China on the Protection of Minors, as revised for the second time at the 22nd Session of the Standing Committee of the 13th National People's Congress of the People's Republic of China in October 2020, shall come into force commencing from 1 June 2021. The Law of the People's Republic of China on the Protection of Minors strengthened juvenile protection online, required to build a unified online game electronic authentication system for minors nationwide, and specified the online game service time for minors. It required classification of online games with age suitability reminders. Besides, it asked Internet service providers ("ISPs") to enhance user and information management and timely adopt appropriate measures to control illegal information or criminal offenses against juveniles. Meanwhile, it specified penalties for ISPs who fail to fulfill obligations, such as anti-addiction and anti-cyberbully obligations. In December 2020, China Audio-video and Digital Publishing Association issued the Online Game Age Suitability Reminders, a standard to make clear specifications on available game contents for juveniles of different age groups. It will be a requisite for the approval and release of games this year.

During the Reporting Period, 37 Interactive Entertainment fully upgraded the "real-name registration and anti-addiction system for minors" and launched it on all its independent operation online games (including browser and mobile games) in early 2020. According to the requirements of the government authorities, 37 Interactive Entertainment now gradually employs the national real-name authentication system on all its games in batches so as to strictly implement the anti-addiction regulations for minors. At the same time, adhering to the standard of the Online Game Age Suitability Reminders for different age groups, 37 Interactive Entertainment has improved the marks and texts of the reminders on the basis of previous reminders. The new standard has been piloted in representative independently developed and exclusive agency products such as Yong Heng Ji Yuan (永恒纪元), Rong Yao Da Tian Shi (荣耀大天使) and Yun Shang Cheng Zhi Ge (云上城之歌) of the Company., and the full application to all games will be made subsequently. Additionally, the Company added contents applicable to children to its Privacy Policy in line with the user habits of juveniles under 14 years old and their guardians. It contributed to turning China's gaming industry more standardized by actively participating in the compilation of group standards for the gaming industry led by the China Audio-video and Digital Publishing Association ("CADPA"), such as the Specifications on Age Ratings of Online Games, the Specifications on Parent Monitoring Platforms, and Online Game Terminology.

(2) On 2 August 2020, the Online Game Copyright Committee of Copyright Society of China was established in Beijing. The decision on amending the Copyright Law of the People's Republic of China has been adopted at the 23rd Session of the Standing Committee of the 13th National People's Congress on November 11 in 2020, and the revised Copyright Law of the People's Republic of China shall come into force on 1 June 2021. The Copyright Law of the People's Republic of China provides guidelines for authorization, use and protection of copyright in the game industry, making the copyright management increasingly normative.

During the Reporting Period, 37 Interactive Entertainment increased the efforts in the research and development of high-quality games, and protected intellectual property with great efforts at the same time. The Company used multiple methods to protect its own legitimate rights and interests, and improved copyright awareness and copyright management to ensure its compliance operation.

3. Main businesses and business models of the Company

During the Reporting Period, the Company's main businesses included the development, publishing, and operation of mobile

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games and browser games. The operating modes of the Company's mobile games and browser 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 for third parties along with game developers.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	No significant change in equity assets
Fixed assets	The ending balance of fixed assets increased 1858.98%, or RMB876 million, compared to the beginning balance, primarily driven by the transfer of office building from construction in progress to fixed assets.
Intangible assets	The ending balance of intangible assets increased 6421.20%, or RMB1,091 million, compared to the beginning balance, primarily driven by the acquisition of land use rights.
Construction in progress	The ending balance of construction in progress decreased 99.48%, or RMB793 million, compared to the beginning balance, primarily driven by the transfer of office building from construction in progress to fixed assets.
Trading financial assets	The ending balance of trading financial assets decreased 35.33%, or RMB722 million, compared to the beginning balance, primarily driven by the maturity of low-risk bank wealth management products and structured deposits.
Prepayments	The ending balance of prepayments increased 51.25%, or RMB339 million, compared to the beginning balance, primarily driven by an increase prepayments for Internet traffic fee charges.
Other current assets	The ending balance of other current assets increased 259.40%, or RMB327 million, compared to the beginning balance, primarily driven by the combined effects of the increase in term deposits held in bank and of the decrease in overpaid and pending VAT.
Other equity investments	The ending balance of other equity investments increased 146.67%, or RMB175 million, compared to the beginning balance, primarily driven by new equity investments.
Other non-current assets	The ending balance of other non-current assets decreased 88.67%, or RMB240 million, compared to the beginning balance, primarily driven by the transfer of the payment for acquisition of land

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use rights to intangible assets.

2. Major Assets Overseas

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk or not
Monetary funds	Income from investments and operations	720,711,692.59	Hong Kong, the US, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place		11.88%	Not
Other equity assets	Investments in overseas companies	457,056,404.79	Hong Kong, South Korea, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place	120,176,469.22	7.54%	Not
Other information	None							

III Core Competitiveness Analysis

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

1. Industry-leading R&D strength

The Company has always emphasized R&D investments and talent cultivation. After years of efforts in R&D, the Company is ranked among the top in terms of R&D strengths. Meanwhile, the Company's independently developed products are characterized by high output, a high success rate and a long period, and center on "boutiqueization and diversification". During the Reporting Period, a number of independently developed quality games, such as Jing Ling Sheng Dian (精灵盛典), and Dou Luo Da Lu H5 (斗罗大陆H5), have achieved steady gross billing in the markets after being published for more than one year.

During the Reporting Period, the Company's R&D investments increased significantly year-over-year. The Company's R&D investments amounted to RMB1.113 billion during the Reporting Period, up by 36.66% YoY. It expanded from product upgrading to talent cultivation, opened up development channels for professionals, and embraced employee diversity. Moreover, the Company encouraged innovation by employees, increased the proportion of senior R&D staff, and welcomed employees with diversified backgrounds.

First, the "boutiqueization" strategy greatly improved the R&D success rate. The "boutiqueization" strategy runs through the entire life cycle of the Company's independently developed products. Before the launch of games, the Company carefully worked out details regarding product planning, art quality, music effects, etc.; after the launch of games, the Company continued to invest

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in product iteration, process optimization, user experience and other aspects to ensure high gross billing and a long period of games. In the meantime, its independently developed AI systems assisted in producing "quality games". The Company offered precise reference value for the design of new products and iteration and optimization of existing products, improved product development and procedure optimization, and substantially enhanced product experience, by analyzing and studying the enormous data accumulated with the two independently developed AI ad systems, i.e., "Quantum" and "Destiny", as well as the three platform-based big data products—"Athena", "Ares", and "Poseidon".

Second, the Company made breakthroughs in the "diversification" strategy. During the Reporting Period, the Company's R&D team, based on its R&D strengths in ARPGs, expanded its game categories to MMORPG, SLG, SRPG, and simulation. It will continue to innovate in diversified aspects, including product types, themes, art performance, and gameplay.

During the Reporting Period, the Company vigorously reformed the mechanism for R&D project approval, encouraged the "bottom-up" project approval approach based on the "top-down" approach, shortened the evaluation cycle and established diversified indicators, so as to stimulate employees' innovative vitality. At the same time, the Company adjusted the incentive mechanism for the R&D department, established a tiered incentive system for different categories of products, promoted the incentive for new categories of products, and encouraged employees to be creative and step out of their comfort zone. The Company has also established a project lifecycle management process for game development, which run through many links, such as idea creation, project approval, process and review, to achieve the risk control of the entire R&D process, greatly improve the success rate of product R&D while effectively controlling the cost, and lay the foundation for creating diverse, high-quality games.

2. Excellent publishing strength

During the Reporting Period, the Company maintained its leading position in mobile game and browser game publishing business. 37 Interactive Entertainment enriched the product supply via independent R&D, investments, and cooperation with excellent developers, improved the ability in publishing diverse, high-quality games and promoted the publishing strength to a new height. During the Reporting Period, the Company expanded its product matrix and offered diversified gaming experience to players by publishing quality games in different types and on varied themes, including Yun Shang Cheng Zhi Ge (云上城之歌), Hun Dun Qi Yuan (混沌起源) to the domestic mobile game market.

The Company constantly sought innovative publishing approaches, and thus created a barrier to entry for competitors in game publishing. First, the Company developed its own AI system to improve the ability of accurate ad placement. With this system, the Company has optimized placement methods, improved the quality of materials, took advantage of high-quality materials, and thereby effectively controlled the user acquisition cost. Second, the efficiency of publishing, including tool construction and data algorithm to help form a real-time monitoring system and reduce cost waste. The Company puts forward the publishing idea of "branding + sales effects", grasps the market changes to carry out high-quality publicity, and uses good publishing ability to attract target users to achieve good results.

In terms of operation optimization, the Company possesses strong capabilities for operation and optimization in numerical management, process optimization, event planning, etc. After the launch of games, the Company continues to improve the quality of games, attract users through better contents, prolong the product life cycle, and accumulate higher gross billing.

In regard to promotion, through the two AI ad systems, i.e., "Quantum" and "Destiny", as well as the three products—"Athena", "Ares", and "Poseidon", 37 Interactive Entertainment mined big data on user demand graphs according to behavior characteristics like browsing of game ads and in-game activities. 37 Interactive Entertainment, based on the AI systems, diverted users with the same demands to the same game or the same server. Therefore, it conducted differentiated iteration and refined operation for specific types of users of specific games and servers in order to enhance user interaction and activity, activate

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the paid game ecology, and maximize the effect of life time value ("LTV").

The Company has accumulated rich experience in overseas game publishing thanks to years of practice. During the Reporting Period, the overseas publishing became a highlight as breakthroughs were made in the publishing areas and game categories. The Company has successfully opened the European and North American markets, led the Asian market and improved its global influence.

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

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

4. Team strengths

The Company has been deeply involved in the field of cultural and creative industries for many years. Its core management team has long been at the top of the industry, and have strong and forward-looking capabilities for strategic layout. The core team consists of highly skilled R&D personnel, creative operators, and highly efficient managers. During the Reporting period, the Company took over the 20% minority equity of Guangzhou 37 Network Technology Co., Ltd. and adjusted the equity structure to tie the management team to the Company's interests.

The Company has established a fully-fledged personnel training system. During the Reporting Period, the Company completed the personnel system reform, made new promotion mechanism, appraisal mechanism and incentive mechanism. The new system does not only make the employee's growth path clearer, more open and more transparent but also motivates their enthusiasm and creativity in a better way. The Company has always adhered to the entrepreneurial spirit like marathoners and been clear about its goals. It has aimed to promote sustainable development and to progressively realize the long-term goal rather than the short-term goal, and constantly caught up to surpass the industry leader.

Part IV Operating Performance Discussion and Analysis

I Overview

The competition landscape of the domestic gaming industry underwent changes during the Reporting Period. The "head" effect was prominent. The industry ushered in a new period of development. 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.

In 2020, the Company recorded operating revenue of RMB14.4 billion, with a year-over-year (YoY) increase of 8.86%; a profit before income tax expenses of RMB3,249 million, up by 20.50% YoY; and a net profit attributable to the Listed Company's shareholders of RMB2,761 million, rising by 30.56% YoY. The stable growth in the mobile game business was the main driver for the increase in revenue and profit during the Reporting Period. The overseas business in 2020 soared to a new high and the operating revenue from the overseas game business increased by 104.34% compared to the same period last year.

(I) Mobile game business

During the Reporting Period, the Company recorded operating revenue of RMB13,296 million from mobile games, a YoY increase of 10.9%. The Company's business revenue from, and R&D investments in, mobile games continue to increase, and the mobile game business maintains the leading position in domestic and overseas markets.

1. Research and development of mobile games

During the Reporting Period, the Company continuously exerted more efforts for R&D, and R&D investments grew YoY. The Company's R&D investments amounted to RMB1,113 million during the Reporting Period, up by 36.66% YoY, higher than that of the operating revenue. The total R&D investments have reached RMB2.467 billion over the last three years. The size of the research team has grown bigger. By the end of the Reporting Period, there were 2343 game and system R&D developers, 761 more than last year, up by 48.1%, among which the number of senior developers also rose.

The R&D investments were mainly concentrated on improvement of product quality and exploration of product categories.

The "boutiqueization" strategy runs through the entire life cycle of the Company's independently developed products. The Company is committed to making better the product engines, art design and sound quality of gaming products to meet the user demand in experiencing high-quality games at the technical level; it is dedicated to gameplay innovation and process optimization to meet user demand in fun and smooth experience at the planning level. High-quality development and high-frequency iterations turned new products more attractive to users, and allowed most independently developed products to maintain high gross billing for a long time.

The Company improved the "diversification" of product R&D. R&D projects included game genres such as MMORPG, SLG, SRPG and simulation. Extensive numbers and categories of products were prepared for the year 2021. The Company will continue innovation in diversified aspects, including product types, themes, art performance, and gameplay. It will pay close attention to the in-depth exploration of MMORPG, SLG, SRPG, simulation and endeavor to become a first-class game company that can provide global players with various gaming products, based on quality content, operation experience in multiple types of products, and advantages in numerical value and gameplay.

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Meanwhile, the Company turned the product supply side more diversified, by buying a stake in and joining hands with excellent developers. In order to further raise the product success rate, the Company established a rigorous evaluation process, utilized its own advantages in user data and numerical experiences to work out products along with game developers, thus ensuring a better quality of games before their publishing.

During the Reporting Period, the R&D department developed the Zeus Middle Platform, a middle platform with AI big data computing power. Supported by one-stop service module, the Zeus Middle Platform can do deep learning calculations flexibly and freely and realize automated operation and maintenance. It can realize the automation and standardization across the whole process of R&D, deployment and operation, and clear a path for interconnectivity between systems of different departments, thus greatly automating systems and the original business process. The emergence of the Middle Platform marks the transfer of equipment resources from reserved mode to on-demand dynamic expansion mode. It sharply cuts costs and increases margins, utilizes idle equipment and provides a flexible computing power environment for data analysts.

Construction of 5G cloud gaming system. The Company is currently committed to building a better cloud gaming system, including: building internal cloud, providing computing and network supports for cloud gaming; building cloud gaming operation services, proactively developing efficient game video transcoding and decoding technologies; developing a universal framework with user interaction, video decoding, and cloud server communication, so as to support the universal light apps for cloud gaming. During the Reporting Period, 37 Interactive Entertainment signed a cooperative agreement with Huawei. The two sides will set up a "Joint Team of Cloud Gaming Technology Solutions" to improve current cloud gaming solutions and explore the development direction and technological innovation hand in hand. In the upcoming 5G era, the Company's smooth transition among cloud gaming technologies is expected to bring new experiences to game players.

2. Publishing of mobile games

(1) Domestic market

The Company's advantages in refined operations in the domestic mobile games publishing were highlighted during the Reporting Period. The highest monthly gross billing of its domestic mobile games exceeded RMB1.8 billion, with the total number of newly registered users surpassing 384 million and the highest number of MAUs of over 84.87 million.

During the Reporting Period, the Company offered diversified gaming experience to players by publishing quality games in different types and on varied themes, including Yun Shang Cheng Zhi Ge (云上城之歌), Fu Sheng Yao Hui Juan (浮生妖绘卷), Wan Gu Feng Ling Jue (万古封灵诀) and so on.

Among them, the adventure in another world theme MMORPG Yun Shang Cheng Zhi Ge (云上城之歌) published by the Company became the representative of the Company's "diversification" strategy in operation and publishing. Yun Shang Cheng Zhi Ge (云上城之歌) was published in April 2020 with good results in a number of operational and distributional aspects. The successful release of this product brought positive significance to the Company in two ways. On the one hand, it broke through the Company's previous ARPG-based product distribution ideas, the Company's distribution and operation capabilities in different categories such as MMORPG have been greatly strengthened; on the other hand, different from the Company's products in the past, Yun Shang Cheng Zhi Ge (云上城之歌) is a pan-two-dimensional product with younger public. This distribution is also a successful exploration of the Company in younger communities, laying a solid foundation for the following company's distribution and operation of diversified products.

The Company applied the "diversification" strategy to multiple aspects, including products, promotion, and services, based on its capabilities of operating multiple types of games. Thanks to the strategy, the Company reserved adequate products in terms of type, theme, and quantity. Its product matrix covered different types of games, such as MMORPGs, card games, SLGs, and SIM games, as well as varied themes, such as fantasy, mythology/martial arts, city life, campus and women-orientation.

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During the Reporting Period, the Company insisted on operating with systematic flow management and adopted a diversified approach of “multi-channel marketing + targeted advertising + long-term service” to accurately grasp user needs, accurately deliver creative marketing plans to target groups and provide players with meticulous and comprehensive long-term service, with a purpose of improving player satisfaction, activity and retention rate to prolong the product life cycle and accumulate higher gross billing.

In terms of multi-channel marketing, the Company had formed a unique marketing approach featuring "branding + sales effects". On the one hand, by selecting spokespersons that are consistent with the product's connotation, the Company produced high-quality micro-film-style promotional materials for promotion. With more advanced technology, more advanced visual performance, more realistic force, more diverse production methods, and richer story content, it can quickly "break the circle" and reach a wider user group; on the other hand, combinations were made with the short video platform to provide rich material output and to meet the different cultural consumption needs of users in different angles, to further expand the scope of users, and then to enlarge brand value and influence.

During the Reporting Period, the Company put its independently developed intelligent ad platform, "Quantum" and intelligent operation analysis platform, "Destiny", into production. On the one hand, "Quantum" can connect with all mainstream channels to achieve rapid and automatic advertising. Meanwhile, the platform can be used together with multiple systems and connect procedures in series to greatly reduce the time to create plans, perform standardized processing of plans in batches, and maintain plans automatically and systematically. Moreover, the platform can improve promotion efficiency and effect through big data analysis and AI algorithms. On the other hand, "Destiny" is a comprehensive operational decision system for statistics, analysis and prediction of game data. The system can accurately predict the life cycle of games through data analysis models. It supports operation teams to adopt differentiated event marketing based on user data, so that customer service can focus on higher value user services to generate more revenue.

(2) Overseas market

During the Reporting Period, the Company significantly accelerated the strategic expansion of global footprint. Its overseas operating revenue rose by 104.34% year-over-year. As of the end of the Reporting Period, its overseas brand, 37GAMES, covered many countries and regions, whose products included SLGs, MMORPG, simulation and card games.

Benefited from the adjustment of overseas operations, the Company's overseas business grew rapidly during the Reporting Period. After years of accumulation of experience in publishing games overseas, the Company adjusted its overseas strategy from the original "partition breakthrough" to publishing based on the organization structure of the tracks and categories. Under the guidance of the new strategy, publishing personnel have a deeper understanding of the products and can be more effective. More means of localized operations can be used by them.

In terms of "globalization", on the one hand, the Company continued to develop its global layout through the deployment of SLG games in various themes such as western and military. After years of accumulation, during the Reporting Period, the Company has effectively entered the European and American markets with SLG products, and its impact has been improved globally. SLG games are products with long life cycles in the game field. After the initial growth, there will be a long-term payback period in the following period, thus ensuring the stable growth of the gross billing of the Company's overseas business in the future. On the other hand, in Southeast Asia, Japan and South Korea, the Company still stayed ahead.

Specifically, the Company had achieved excellent results in a number of games published in the global market. The market's first "Match 3 + SLG" product "Puzzles & Survival" had filled the gaps in the European and American markets, with outstanding performance and faster growth than similar mobile games. After the product was published in August 2020, it has topped some regional strategy games top grossing charts, entered the top 50 top grossing charts in many regions in Europe and the United States, and No. 1 in iOS and Google Play charts in Japan. The theme of "Puzzles & Survival" is attractive and its gameplay is innovative. It should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

perfectly integrated the most popular match-3 gameplay in the European and American markets with the traditional heavy SLG gameplay, which is well received by overseas players. This product is a classic case of SLG game that successfully “go out of the circle”. The product not only attracted core SLG players, but also charmed match-3 players with a large base in Europe and America, and player retention had also risen sharply. Since the publishing of this product, the gross billing contribution had been outstanding. As of the date of issuance of the report, the monthly gross billing of this product had exceeded RMB100 million, and it is still breaking through the peak. After a good reputation among players was earned in Europe and the United States, it is expected that this product will be strongly promoted in Hong Kong, Macau, Taiwan, South Korea and other markets in 2021.

In addition, Miracle MU: Across the Times (奇迹MU:跨时代) was published in Hong Kong, Macao and Taiwan in February 2020, which quickly topped the iOS top grossing chart and Google Play free download chart in Taiwan. Jing Ling Sheng Dian (精灵盛典) was published in Vietnam in December 2020, currently ranking first on the iOS and Google Play top grossing charts. Call Me the Big Shopkeeper (叫我大掌柜) was published in Hong Kong, Macao and Taiwan regions in October 2020, staying on the free download charts for several weeks. Then, respectively, it was released in Japan and Korea in January and February 2021, which has achieved good response in Korea as of the announcement date. Swords of Archangels H5 (大天使之剑H5) has been on top of the top grossing chart in the Vietnamese market for a long time, becoming a phenomenon game in the local market.

(II) Browser games

During the Reporting Period, the Company’s browser game business achieved operating revenue of RMB1.08 billion, which was lower than that of last year. It was mainly affected by both the shift of users to mobile phones and the decrease in the number of browser game products. During the Reporting Period, the Company strengthened partnership with domestic top browser game developers through strategic investment and business cooperation on the one hand, on the other hand, the Company also refined the operation of its major quality games, improved user stickiness, stabilized the product life cycle, and further maintained its operating revenue.

(III) Cultural industry

The Company invested into other fast-growing cultural and creative segments, while maintaining the high-speed growth of its core business. The Company exploited opportunities in 5G cloud gaming, film and television, anime, music, VR/AR, cultural health, e-learning, e-sports, and social entertainment with a strategic focus on quality content. As of the date of this report, cultural and creative enterprises funded or acquired by the Company included:

Film and television: DSMovie, Youying Culture, Zhonghui Television, Mowei Pictures, JinhaiShiyi, etc.

Music: FenghuaQiushi

Talent agent: Original Plan and Haohao Bangyang

Anime: YHKT Entertainment, and IDRAGONS Creative Studio

VR/AR: Archiact and WaveOptics

Cultural health: Wake

E-sports: AG E-Sports Club

E-learning: KaDa Story

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Social Entertainment: Wuli Planet and Wonderful Party

Consumption: Mutual Help Parking, Nowwa Coffee and Yangji Mountain Wild Nanchang Rice Noodles

The Company adhered to the long-term investment concept. Based on the main business of games, it reached audiences in varied segments by investing in the upstream and downstream companies of the industry chain. With respect to investment strategies, the Company paid close attention to new products and technologies in the industry and overseas and international distribution of products. In regard to the selection of investment targets, the Company valued the ability to constantly output quality products, excellent team or talent reserves, and future growth potential. The Company continuously consolidated its status in the cultural and creative industry by integrating quality resources in the industry.

The Company made constant efforts to create a closed loop of the entertainment eco-system and achieved favorable multi-directional synergy in 2020. 37 Interactive Entertainment's mobile game, "The King of Fighters All Star (KOF ALLSTAR) (拳魂觉醒)", performed noticeably well and achieved outstanding results at home and abroad, thanks to the integration of the SNK IP under DIGital Color where the Company holds equity. Puzzles & Survival, a mobile game product invested by Shanghai Eyu Game in 2020, entered the top 30 of APP Annie's global revenue rank of Chinese manufacturers' overseas apps in January 2021. In addition, companies in vertical fields where the Company invests have been more closely connected. For instance, Zhonghui Television and YHKT Entertainment cooperated to purchase the copyright of Incarnation, a sci-fi blockbuster on bilibili.com, and would make a series. "Original Plan", the talent agent, and "Haohao Bangyang" are working with FenghuaQiushi, Zhonghui Television, and 37 Interactive Entertainment to maximize the outstanding talent resources. Besides, "DSMovie", a superb domestic Multi-Channel Network (MCN), is used as a promotional channel to exert an amplified and superimposed effect on the entertainment eco-system of 37 Interactive Entertainment.

In terms of e-learning, the audiobook platform "KaDa Story" has become a top platform in China, doubling its operating revenue last year. Likewise, "Wake Yoga", an online yoga platform, has turned profitable despite the pandemic. Overall, the Company has achieved sound progress in the e-learning sector by devoting enormous resources in quality content and traffic.

In terms of film and television, the Company has invested a number of excellent film and television production enterprises, having a successful participation in the production of excellent works such as Peace Breaker, Suspect X, Forever Young, Till The End Of The World, Better Days, Crane New Arrival and Serenade of Peaceful Joy. The Company will gradually release more excellent film and television works in the future. In terms of animation, the Company has invested in several outstanding domestic animation producers. The Three-Body Problem, an animation adapted from Liu Cixin's science fiction novel, is expected to be released in 2021 by YHKT ENTERTAINMENT.

As of the date of this report, the Company's many subject companies have shown the great potential for development, and the Company's investment strategies in the whole cultural and creative industry chain have begun to show its outcomes. In March 2020, the Company exited from ZLONGAME and obtained considerable return. In 2020, the Company partially exited from X.D. Network after its IOP, gaining substantial return. This deal won the Company the Best Exit of the Year. Fuhai 37, a fund to which the Company is a partner, has completed the exit of its investment in Weimob and received good returns after its IPO.

The Company is further building a full industry chain in cultural and entertainment ecological layout. To promote the mutual empowerment between industrial and cultural value, the Company has already integrated emerging fields into the 5G era, including interactive games, virtual streamers, VR/AR industry chain and e-sports through M&A and equity investment. At the same time, the Company will empower and coordinate strategically with the invested companies, offer more high-quality content with new experience, create a one-stop cultural and entertainment ecosystem, and become the most trusted cultural brand of China's younger generation.

(IV) Internal system reform

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During the Reporting Period, the Company upgraded its corporate culture system, specified its mission of “bringing joy to the world”, proposed its vision of “becoming an excellent and sustainable entertainment enterprise”, and established its corporate values of “innovation, aggressiveness, sharing and respect”. The Company vigorously reformed its project approval mechanism, encouraged “bottom-up” project creation, shortened the evaluation period and established diversified indicators, so as to stimulate employees’ creativity.

II Core Business Analysis

1. Overview

See “I Overview” above.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2020		2019		Change (%)
	Amount	As % of operating revenue (%)	Amount	As % of operating revenue (%)	
Total operating revenue	14,399,703,084.56	100%	13,227,135,966.70	100%	8.86%
By operating division					
Online games	14,399,703,084.56	100.00%	13,227,135,966.70	100.00%	8.86%
By product category					
Mobile games	13,295,895,373.41	92.33%	11,988,656,847.84	90.64%	10.90%
Browser games	1,079,617,086.01	7.50%	1,231,554,163.27	9.31%	-12.34%
Others	24,190,625.14	0.17%	6,924,955.59	0.05%	249.33%
By operating segment					
Domestic	12,256,885,640.40	85.12%	12,178,494,820.53	92.07%	0.64%
Overseas	2,142,817,444.16	14.88%	1,048,641,146.17	7.93%	104.34%

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

Unit: RMB

	2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	4,343,108,719.33	3,645,566,476.24	3,300,855,132.34	3,110,172,756.65	3,246,955,520.81	2,824,001,982.25	3,488,924,731.71	3,667,253,731.93

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Net profit attributable to the Listed Company's shareholders	728,824,406.61	970,911,716.85	560,489,992.17	500,725,359.59	454,380,284.86	578,694,120.52	522,761,921.29	558,933,734.88
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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 or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

Applicable Not applicable

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

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	14,399,703,084.56	1,757,783,549.76	87.79%	8.86%	-1.03%	1.22%
By product category						
Mobile games	13,295,895,373.41	1,483,000,672.30	88.85%	10.90%	0.36%	1.18%
Browser games	1,079,617,086.01	262,771,345.31	75.66%	-12.34%	-11.93%	-0.11%
By operating segment						
Domestic	12,256,885,640.40	1,397,827,063.26	88.60%	0.64%	-3.01%	0.43%
Overseas	2,142,817,444.16	359,956,486.50	83.20%	104.34%	7.49%	15.13%

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

Applicable Not applicable

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

Yes No

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

Applicable Not applicable

(5) Breakdown of Cost of Sales

By operating division

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Unit: RMB

Operating division	Items	2020		2019		Change (%)
		Amount	As % of cost of sales	Amount	As % of cost of sales	
Online games	Royalties	1,560,019,412.64	88.75%	1,522,715,776.54	85.74%	2.45%
Online games	Cost of servers	147,742,407.21	8.40%	124,912,548.47	7.03%	18.28%
Online games	Amortization of copyright money	36,340,772.79	2.07%	127,866,853.04	7.20%	-71.58%
Online games	Other costs	13,680,957.12	0.78%	571,141.29	0.03%	2,295.37%

Other costs are mainly labor costs.

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

Breakdown of the cost of sales for the core business:

Unit: RMB

Breakdown of cost	2020		2019		Change (%)
	Amount	As % of cost of sales	Amount	As % of cost of sales	
Royalties	1,560,019,412.64	88.75%	1,522,715,776.54	85.74%	2.45%
Cost of servers	147,742,407.21	8.40%	124,912,548.47	7.03%	18.28%
Amortization of copyright money	36,340,772.79	2.06%	127,866,853.04	7.20%	-71.58%
Other costs	13,680,957.12	0.78%	571,141.29	0.03%	2,295.37%

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

Yes No

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

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

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	4,739,902,816.65
Total sales to top five customers as a % of total sales of the Reporting Period (%)	32.92%

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Total sales to related parties among top five customers as a % of total sales of the Reporting Period (%)	0.00%
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Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As a % of total sales revenue (%)
1	Customer A	1,517,308,351.91	10.54%
2	Customer B	1,152,409,531.00	8.00%
3	Customer C	961,456,579.61	6.68%
4	Customer D	614,280,222.59	4.27%
5	Customer E	494,448,131.54	3.43%
Total	--	4,739,902,816.65	32.92%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	634,954,764.28
Total purchases from top five suppliers as a % of total purchases of the Reporting Period (%)	36.12%
Total purchases from related parties among top five suppliers as a % of total purchases of the Reporting Period (%)	5.01%

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As a % of total purchases (%)
1	Supplier A	178,628,597.58	10.16%
2	Supplier B	155,842,616.17	8.87%
3	Supplier C	119,059,890.05	6.77%
4	Supplier D	93,293,165.19	5.31%
5	Supplier E	88,130,495.29	5.01%
Total	--	634,954,764.28	36.12%

Other information about major suppliers:

Applicable Not applicable

3. Expenses

Unit: RMB

	2020	2019	Change (%)	Reason for any significant change
Distribution and selling expenses	8,212,936,504.81	7,737,205,528.07	6.15%	In the Reporting Period, the Company increased traffic investments in newly launched games and primary games

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				that were being promoted so as to attract users in an effective manner, which resulted in an increase in Internet traffic fee charges.
General and administrative expenses	366,208,400.81	221,857,572.82	65.06%	Increase in depreciation of office building transferred to fixed assets, and increase in the remuneration and equity incentives for employees in the Reporting Period
Financial expenses	-23,004,271.22	-14,903,861.33	54.35%	Increase in interest income from term deposits at bank in the Reporting Period
Research and development expenses	1,112,654,352.49	820,387,890.10	35.63%	Increase in employee remuneration and design expenses in research and development projects as a result of greater investments in this respect in the Reporting Period

4. R&D Investments

Applicable Not applicable

As of the end of the Reporting Period, the Company is developing a number of games such as Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Code BY, Chuan Shi Zhi Guang (传世之光), Code C6 and so on, covering various genres such as MMORPG, SLG, SRPG, simulation and card game. With its profound accumulation and spirit of innovation, the Company expects to be able to produce more long-period quality games.

Details about R&D investments:

	2020	2019	Change (%)
Number of R&D personnel	2,343	1,582	48.10%
R&D personnel as % of total employees	57.68%	56.14%	1.54%
R&D investments (RMB)	1,112,654,352.49	814,182,093.94	36.66%
R&D investments as % of operating revenue	7.73%	6.16%	1.57%
Capitalized R&D investments (RMB)	0.00	0.00	0.00%
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	0.00%

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

Applicable Not applicable

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

Unit: RMB

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Name of project	Capitalized R&D investments	Project overview	Progress
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Reason for any sharp variation in the percentage of capitalized R&D investments and rationale:

Applicable Not applicable

5. Cash Flows

Unit: RMB

Items	2020	2019	Change (%)
Sub-total of cash inflows from operating activities	15,534,023,490.34	14,249,193,491.07	9.02%
Sub-total of cash outflows used in operating activities	12,606,086,185.69	10,991,629,493.13	14.69%
Net cash flows from operating activities	2,927,937,304.65	3,257,563,997.94	-10.12%
Sub-total of cash inflows from investing activities	6,993,035,534.58	4,584,256,827.50	52.54%
Sub-total of cash outflows used in investing activities	7,602,685,681.65	5,627,684,529.27	35.09%
Net cash flows used in investing activities	-609,650,147.07	-1,043,427,701.77	-41.57%
Sub-total of cash inflows from financing activities	889,324,326.07		100.00%
Sub-total of cash outflows used in financing activities	3,517,673,494.41	1,602,201,622.61	119.55%
Net cash flows used in financing activities	-2,628,349,168.34	-1,602,201,622.61	64.05%
Net increase in cash and cash equivalents	-361,178,898.22	619,520,061.98	-158.30%

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

Applicable Not applicable

1. Sub-total of cash inflows from investing activities increased 52.54% YoY, primarily driven by an increase in cash inflows upon the maturity of wealth management products in which the Company made a greater investment in the Reporting Period.

2. Sub-total of cash outflows used in investing activities increased 35.09% YoY, primarily driven by the payment for the acquisition of land use rights and a greater investment in wealth management products in the Reporting Period.

3. Sub-total of cash inflows from financing activities increased 100.00% YoY, primarily driven by new discounted notes in the Reporting Period.

4. Sub-total of cash outflows used in financing activities increased 119.55% YoY, primarily driven by a greater cash dividend payout and the payment for the acquisition of non-controlling interests in Guangzhou 37 in the Reporting Period.

5. Net increase in cash and cash equivalents decreased 158.30% YoY, primarily driven by the combined effects of a YoY decrease in net cash flows from operating activities, a decrease in net cash flows used in investing activities and an increase in net cash flows

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used in financing activities.

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

Applicable Not applicable

III Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As % of profit before income tax expenses	Reason/source	Recurrent or not
Investment income	155,254,765.65	4.78%	Mainly due to gains on investments from disposal of equity investments, dividends during the period of holding equity investments, and wealth management products	Not
Gain/loss on changes in fair value	195,629,632.38	6.02%	Mainly due to changes in fair value of equity investments	Not
Impairment loss on assets	188,053,453.44	5.79%	Mainly due to impairment losses on long-term equity investments and goodwill as well as losses on doubtful accounts	Impairment losses on long-term equity investments and goodwill are not recurrent while losses on doubtful accounts are recurrent
Non-operating income	4,066,295.96	0.13%	Mainly due to compensation income	Not
Non-operating expenses	11,044,793.90	0.34%	Mainly due to donations for governments and medical institutions in the fight against the COVID-19 pandemic	Not
Other income	162,027,080.81	4.99%	Mainly due to refund of VAT and other government grants given in the Company's ordinary course of business	Refund VAT is recurrent while other government grants are not.

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Indicate whether the Company has adopted the new accounting standards governing revenue and leases since 2020 and restated the beginning amounts of relevant financial statement line items in the year.

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Applicable.

Unit: RMB

	31 December 2020		1 January 2020		Change in percent age (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary funds	1,776,856,909.85	16.82%	2,152,508,643.76	21.22%	-4.40%	For details, see “5. Cash Flows” in “II Core Business Analysis” of Part IV.
Accounts receivable	1,164,657,998.35	11.02%	1,287,915,082.56	12.69%	-1.67%	No significant change
Long-term equity investments	360,566,552.56	3.41%	468,792,240.20	4.62%	-1.21%	No significant change
Fixed assets	922,736,638.76	8.73%	47,102,974.14	0.46%	8.27%	Transfer of office building from construction in progress to fixed assets in the Reporting Period
Construction in progress	4,180,019.75	0.04%	797,245,599.78	7.86%	-7.82%	Transfer of office building from construction in progress to fixed assets in the Reporting Period
Short-term loans	889,324,326.07	8.42%			8.42%	New undue discounted bank acceptance bills in the Reporting Period
Long-term loans		0.00%	250,017,634.02	2.46%	-2.46%	Repayment of mortgage loan for office building purchase in the Reporting Period
Intangible assets	1,108,434,647.51	10.49%	16,997,408.09	0.17%	10.32%	Payment made in the Reporting Period for acquisition of land use rights

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								

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1. Trading financial assets (exclusive of derivative financial assets)	2,042,903,4 16.32	25,422,811. 13			5,714,790,0 00.00	6,651,121,0 01.79	189,238,8 03.95	1,321,234,0 29.61
4. Other equity investments	119,521,34 7.60		-128,611,92 6.36		185,274,33 9.00		-2,729,87 1.27	294,824,927 .02
Other non-current financial assets	389,489,97 8.68	170,206,82 1.25			113,633,45 0.00	95,425,086. 78	-205,709, 679.22	372,195,483 .93
Total of the above	2,551,914,7 42.60	195,629,63 2.38	-128,611,92 6.36		6,013,697,7 89.00	6,746,546,0 88.57	-19,200,7 46.54	1,988,254,4 40.56
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Contents of other changes:

Other changes were incurred by reclassification of accounting items due to changed business models for managing financial assets, and exchange rate fluctuations.

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

Yes No

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

Unit: RMB

Item	Ending carrying amount(RMB)	Reason for restriction
Monetary funds	2, 775, 401. 30	Money frozen by bank and security deposits
Other current assets	360, 001, 443. 35	Principals and interest of term deposits in pledge
Trading financial assets	914, 490, 610. 28	Security deposits for notes
Total	1, 277, 267, 454. 93	

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V Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount in 2020 (RMB)	Total investment amount in 2019 (RMB)	Change (%)
9,833,076,338.66	5,513,532,721.60	78.34%

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Principal activity	Way of investment	Amount of investment	The Company's interest	Funding source	Co-investor	Term of investment	Type of the investee's products	Investment progress as of the balance sheet date	Anticipated income	Investment income in the Reporting Period	Any legal matter involved or not	Date (if any) of disclosure	Index (if any) to disclosed information
Beijing Meng52 Network Technology Co., Ltd.	Technology development; basic software services; application software services; computer system services; computer technology training (not for national enrollment); data processing (except for bank card centers that are processing data and cloud computing data centers with a PUE value of 1.5 or more); organization of cultural and artistic exchange activities; conference services; exhibition activities; product design; packaging and decoration design; computer animation design; design, production, agency, and	Capital increase	20,018,583.12	17.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		24,676,237.64	Not		

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	release of ads; sales of computers, software, and auxiliary equipment; and Internet-based cultural activities.												
Beijing Immortal King Technology Co., Ltd.	Technology development, consultancy, services, transfer and promotion; software development; computer system services; computer animation design; computer graphic design and production; TV and movie planning; organization of cultural and artistic exchange activities (excluding performances); enterprise management consultation; economic and trade consultation; design, production, agency, and release of ads; computer system services; sales of computers, software, auxiliary equipment, electronic products and stationery.	Capital increase	10,000,000.00	20.00 %	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration		-177,407.46	Not	
Chengdu Longyou Tianxia Technology Co., Ltd.	Technology development, consultancy, transfer and services of computer software and hardware; Internet information technology services; computer system integration; basic software services; application software services; multimedia design; arts and crafts design; design, production, agency, and release of ads (excluding balloon ads); technology consultancy; information system integration services; network engineering design and construction (construction works operated with qualification certificate); communication and automation control system development.	Capital increase	5,000,000.00	20.00 %	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not	
Zhuhai Quxiang Technology	Software development; data processing and storage services; digital animation production; game software design and production; information skills consulting	Capital increase	5,000,000.00	20.00 %	Self-funded	None	Permanent	Game development	Ownership change completed		-583,027.05	Not	

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y Co., Ltd.	services; R&D of network information technology; R&D, wholesale, retail and organ technical services of computer software and hardware; system integration; web page design; network engineering (excluding business services); Sales on the Internet: electronic products, computers, software and auxiliary equipment; technical information services business. (For projects that are subject to approval according to law, the operation activities can be carried out after approval by relevant authorities.)	ase							with the industrial and commercial administration					
Shanghai Dobala Network Technology Co., Ltd.	Development, transfer, and consultancy and technical services of network and computer technologies, design, production, and agency of ads, publication of ads through self-owned media, planning of cultural and artistic exchanges, organization and planning of public relation activities, conference services, exhibition services, creative services, and sales of computers, software, and auxiliary equipment.	Capital increase	5,000,000.00	10.00 %	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not		
Beijing UEGAME Software Co., Ltd.	Software development; technology development, services and consultancy; design, production, agency, and release of ads; technology import and export, agency import and export; sales of computers, software, auxiliary equipment and stationery.	Capital increase	20,000,000.00	10.00 %	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not		
Beijing Point Future	Technology promotion services; Internet cultural activities; Internet information services.	Capital increase	6,660,000.00	10.00 %	Self-funded	None	Permanent	Game development	Ownership change completed			Not		

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Technology Co., Ltd.		ase							with the industrial and commercial administration					
Shanghai Moqiuli Cultural Communication Co., Ltd.	Technology development, consultancy, transfer and services in the field of network technology; design, production, agency, and release of ads; exhibition services; conference services; software design; game development.	Capital increase	15,000,000.00	13.63%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not		
Shanghai Yiyu Network Technology Co., Ltd.	Licensed items: Internet information services; network cultural management; publications.	Capital increase	120,000,000.00	10.00%	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not		
Guangzhou Kapark Network Technology Co., Ltd.	Operations of parking lots; property management; engineering and technical research and experimental development; R&D of electronic, communication, and automatic control technologies; software development; information system integration services; information technology consultancy services; electromechanical equipment installation services; special equipment installation (except for elevators and boilers); electronic equipment installation services; general equipment repair; special equipment repair; electrical equipment	Incorporation	15,000,000.00	12.00%	Self-funded	None	Permanent	Internet-based car parking	Ownership change completed with the industrial and commercial administration			Not		

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	repairs; sales of general mechanical equipment; professional contracting of electromechanical equipment installation projects; R&D, installation, and maintenance of parking berths with automatic are collection function; motor vehicle agency management business; battery charging services for electric vehicles; car rental; sales of auto parts; car rescue services; motor vehicle performance inspection services; network information technology promotion services; advertising services; installation and construction of street nameplates, road signs, and advertising board; designated driver services; computer network system engineering services; intelligent installation services; site leasing (excluding warehouses); car sales; car cleaning services; and car repair and maintenance.												
Shanghai Lixing Technology Co., Ltd.	Licensed items: Food. General items: Development, transfer, consultancy, and services of information technology, computer hardware, and network technology; sales of furniture, kitchen equipment, household appliances, hotel equipment, instruments and apparatus, building materials, metal materials, hardware and electrical equipment, mechanical equipment, automobile and motorcycle accessories, household supplies, kitchenware, feedstuff, flowers, jewelry, handicrafts (except for ivory and its products), automobile supplies, road traffic safety equipment, automobiles, chemical raw materials and products (except for hazardous chemicals, monitored chemicals, fireworks and firecrackers, civil explosives, and	Capital increase	9,000,000.00	11.67%	Self-funded	None	Permanent	Operation of a coffee brand	Ownership change completed with the industrial and commercial administration			Not	

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	precursor chemicals), advertising equipment, printing materials, packaging materials, mineral products, electronic products, elevators, mechanical equipment, molds, and lubricants (including online retail). The following items are exclusive to branch offices: catering services.												
Beijing Suimu Technology Co., Ltd.	Internet cultural activities; technology development, services, transfer and promotion; organization of cultural and artistic exchange activities (excluding performances); undertaking exhibition activities; computer system services; enterprise management consultation; enterprise management; market investigation; technology import and export, goods import and export, and agency import and export.	Capital increase	10,000,000.00	9.00 %	Self-funded	None	Permanent	Game development	Ownership change completed with the industrial and commercial administration			Not	
GUGI INC.	Network consultancy and information security management consultancy; technology development, technology promotion, and technical services: Information technology, computer technology, and computer software and hardware; design and development: toys and anime; network sales: computer software and hardware, toys, and anime; telecommunications value-added services; and operating Internet cultural services.	Capital increase	10,615,650.00	5.46 %	Self-funded	None	Permanent	Game-based social software	Ownership change completed with the industrial and commercial administration			Not	
Shanghai Youerlan Information Technology	Licensed items: labor dispatch services; career intermediary activities.	Capital increase	20,000,000.00	1.17 %	Self-funded	None	Permanent	Recruitment + vocational education	Ownership change completed with the industrial and			Not	

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y Co., Ltd.								on of blue collar workers	commercial administration					
Guangzhou Youhaoxi Network Technology Co., Ltd.	Data processing and storage services; game software design and production; network technology research and development; computer technology development and services; environmental protection technology promotion services; science and technology project agency services; science and technology project evaluation services; corporate image planning services; public relations services; planning creative services; boxes, bags wholesale; other artificial jewelry, ornaments wholesale; toys wholesale; Sales of Internet commodities (excluding licensed products); retail of small accessories and gifts; retail of electronic products; retail of Internet commodities (excluding licensed products); sales of recharge cards; retail of stationery; retail of clothing; wholesale of electronic products; wholesale of stationery; organization and planning services for large-scale activities (large-scale activities refer to parties, sports meetings, celebrations, art and model competitions, art festivals, film festivals, public welfare performances, exhibitions, etc. and activities requiring special approval shall be operated after obtaining approval); personal image design services; advertising industry; investment consulting services; cultural and art consulting services; enterprise management consulting services; science and	Capital increase	35,968,000.00	5.43 %	Self-funded	None	Permanent	Film and television production	Ownership change completed with the industrial and commercial administration			Not		

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	technology project bidding services; science and technology intermediary services; book data processing technology development; digital animation production; software development; network information technology promotion services; lamp retail; home audio-visual equipment retail; toy retail; ticketing services; box and bag retail; cultural promotion (excluding licensed business items); cultural communication (excluding licensed business items); Clothing wholesale; information electronic technology services; retail of cosmetics and hygiene products; import and export of goods (excluding franchised products); scientific and technological information consulting services; information technology consulting services; non-alcoholic beverages, tea wholesale; newspapers wholesale; audio-visual products and electronic publications wholesale; liquor wholesale; Online reading services; prepackaged food wholesale; book wholesale; liquor retail; books, newspapers retail; retail of audio-visual products and electronic publications; online game services; online music services; online movie services; online video services; retail of prepackaged food; retail of non-alcoholic beverages and tea.												
Wave Optics Limited	Research and development of AR optical waveguide and optical device	Capital increase	13,049,800.00		Self-funded	None	Permanent	AR optical modules	Ownership change completed with the industrial and		347,994.58	Not	

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									commercial administration					
Yingtian Yangji Mountain Technology Co., Ltd.	Licensed items: Internet sales of food (sales of prepackaged food), food business (sales of prepackaged food), Internet sales of food, food business, food production, grain processing and food production, food business (sales of bulk food), catering service (as for the items requiring to be licensed as per laws, specific business activities may take place with the license of the relevant department) General items: catering management, Internet sales (excluding the commodities subject to any sales license), Internet of Things technology research and development, and network technology service.	Capital increase	10,000,000.00	10.00 %	Self-funded	None	Permanent	Instant food for new consumption	Ownership change completed with the industrial and commercial administration			Not		
Huai'an Shunqin Corporate Management Company (Limited Partnership)	Corporate management services; corporate management consulting services; corporate marketing planning; and marketing planning	Acquisition	2,160,000.00	100.00 %	Self-funded	None	Permanent	Commercial services	Ownership change completed with the industrial and commercial administration			Not	8 December 2020	Announcement on the Indirect Acquisition of 20 Percent of the Equity of Guangzhou 37 Network Technology Co.,

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														Ltd.
Huai'an Shunjing Corporate Management Company (Limited Partnership)	Corporate management and corporate management consulting; corporate marketing planning; and marketing planning	Acquisition	720,000,000.00	100.00%	Self-funded	None	Permanent	Commercial services	Ownership change completed with the industrial and commercial administration			Not	8 December 2020	Announcement on the Indirect Acquisition of 20 Percent of the Equity of Guangzhou 37 Network Technology Co., Ltd.
Total	--	--	3,210,312,033.12	--	--	--	--	--	--	0.00	24,263,797.71	--	--	--

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

Applicable Not applicable

Unit: RMB

Name of project	Way of investment	Investment in fixed	Industry of investment	Investment in the Report	Cumulative investment as of the period-end	Funding source	Project progress	Anticipated income	Cumulative income as of the period-end	Reason for failing to reach the scheduled progress and	Date (if any) of disclosure	Index (if any) to disclosed information
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		assets or not		ing Period					d	anticipated income		
Guangzhou HQ Building construction project	Other	Yes	Commercial property	895,043,421.02	1,109,643,421.02	Self-funded		0.00	0.00	N/A	7 January 2020	Announcement No. 2020-003 on a Wholly-Owned Subsidiary Bidding for the Use Rights of State-Owned Land
Poly 37 Interactive Entertainment Building decoration project	Other	Yes	Commercial property	46,120,727.66	928,851,920.68	Self-funded and mortgage loan-funded		0.00	0.00	N/A	26 April 2017	Announcement No. 2017-034 on a Subsidiary Intending to Purchase Office and Parking Space
Total	--	--	--	941,164,148.68	2,038,495,341.70	--	--	0.00	0.00	--	--	--

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement method	Beginning carrying amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes through equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying amount	Accounting title	Funding source
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Domestic/foreign stock	002445-SZSE	ZNHI	21,743,091.99	Fair value method	2,725,492.78	1,332,905.37					4,058,398.15	Trading financial assets	Self-funded
Domestic/foreign stock	02660-HKEX	ZENGAME	18,000,000.00	Fair value method	14,301,324.38	8,773,760.04					21,856,632.40	Trading financial assets	Self-funded
Domestic/foreign stock	960180-KRX	SNK	1,036.35	Fair value method	23,021,920.43	10,487,671.29					31,669,701.53	Trading financial assets	Self-funded
Domestic/foreign stock	02400-HKEX	XD INC	100,055,903.60	Fair value method	103,133,292.11	160,233,223.35			82,116,517.95	31,569,308.63	169,222,061.74	Trading financial assets	Self-funded
Domestic/foreign stock	00302-HKEX	CMGE Technology Group Limited	14,101,880.71	Fair value method	15,438,704.59	-2,825,843.89			11,708,568.83	4,758,269.70		Other non-current financial assets	Self-funded
Domestic/foreign stock	833604-NEEQ	Southern Pictures	64,997,287.11	Fair value method	15,784,332.79	-2,665,863.25					13,118,469.54	Other non-current financial assets	Self-funded
Domestic/foreign stock	835067-NEEQ	Mokylin	60,000,000.00	Fair value method	7,240,888.31	-7,240,888.31	-60,000,000.00					Other equity investments	Self-funded
Total			278,899,199.76	--	181,645,955.39	168,094,964.60	-60,000,000.00	0.00	93,825,086.	36,327,578.33	239,925,263.36	--	--

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Disclosure date of the announcement on the board's approval of the securities investments	6 December 2019										
Disclosure date of the announcement on the general meeting of shareholders' approval of the securities investment (if any)	25 December 2019										

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

No such cases in the Reporting Period.

5. Use of Raised Funds

Applicable Not applicable

No such cases in the Reporting Period.

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VI Sale of Major Assets and Equity Investments

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

Applicable Not applicable

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
Jiangsu Aurora	Subsidiary	Development of mobile and browser games	6,250,000.00	4,394,632,225.61	3,910,959,055.26	2,158,559,136.05	1,101,436,205.93	1,125,343,310.86
Guangzhou 37	Subsidiary	Launch and operation of mobile games	11,764,706.00	4,108,668,872.15	1,585,826,430.25	9,055,389,231.50	1,599,248,453.45	1,399,543,219.92

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable Not applicable

Name of subsidiary	How it was obtained or disposed of	Effects on the overall operations and performance
Huai'an Shunqin Corporate Management Company (Limited Partnership)	Acquisition	No material effects on the overall operations and performance of the Company
Huai'an Shunjing Corporate Management Company (Limited Partnership)	Acquisition	No material effects on the overall operations and performance of the Company
Wuhu Firefly Light Network Technology Co., Ltd.	Acquisition	No material effects on the overall operations and performance of the Company
Guangzhou Tiejie Network Technology Co., Ltd.	Acquisition	No material effects on the overall operations and performance of the Company

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Other information on principal subsidiaries and joint stock companies:

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Prospects

(I) Development Strategy and 2021 Business Plan of the Company

After many years of development, the online game industry in China has become mature with increasingly fierce market competition and growing demand of users for product boutiqueization and diversification. In this context, the Company will stick to the strategy of “boutiqueization, diversification and globalization”, ensuring the steady growth of its existing businesses.

The Company always treats quality games as the commanding height, continuously reinforces the “integration of R&D and operation” model and the “dual engines at home and abroad” strategy, constantly consolidates the leading position of the Company in the game industry and devotes itself to being one of the top-ranking R&D and operation enterprises providing the global users with various integrated game products. In the meantime, the Company plans to implement a series of industrial layouts by centering on “Generation Z”.

In 2020, the Company upgraded its corporate culture system, clarified the corporate mission of “bringing joy to the world”, developed a vision that is “becoming an excellent and sustainable entertainment enterprise” and established the corporate values of “innovation, aggressiveness, sharing and respect”. In the brand-new corporate culture system, all the employees of the Company dare to innovate, are aggressive, take pleasure in share and respect each other.

1. Research and Development

The online game industry is iterated and upgraded relatively fast, so it is especially important for content innovation ability. “Innovation” comes first in the corporate values. In 2021, the Company will implement the measures of “boutiqueization and diversification” in various aspects and develop many influential quality games.

On the basis of the relatively high research and development investments in 2020, the Company will invest more in the research and development work, scale up the research and development team, increase the proportion of the senior research and development talents and realize the dual breakthroughs of the independently researched and developed products in quality and quantity. In the future three years, the Company will greatly increase the number of the members in the research and development team, activate the motive force of development, reinforce the “moat” of the Company and continuously tamp the core competitiveness and status of the Company as the industry leader. In terms of hardware, the Company will continuously upgrade its hardware facilities, ensuring that the artistic effect and rendering level of the products in the Company rank top in the industry; the Company will further increase the research and development efficiency by various industrialized and intelligent measures, making the research and development team focus on product innovation better and increasing the innovation of the products.

In addition, to develop the business categories, the Company will continue to implement the “diversification” strategy raised by the research and development team, maintain the original ARPG research and development power and scale up the non-ARPG research and development team, further increasing the proportion of the non-ARPG products independently researched and developed. As an important part of the “globalization” strategy of the Company, the research and development team will also research and develop quality games for the overseas market, contributing to globalization.

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In addition to more investments in its independent research and development, the Company also spares no effort to make an equity investment in various quality game research and development companies, enriching the game product library.

2. Product reserves

With abundant product reserves and product supply, on the basis of boutiqueization, diversification and globalization of R&D, the Company will comprehensively promote the dual-core and diversified product strategy, successively release over 50 agency and independently-developed products in 2021, the categories of which include MMORPG, SLG, SRPG, simulation games, card games, etc. Besides publishing Rong Yao Da Tian Shi (荣耀大天使) Jue Shi Xian Wang (绝世仙王) and Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), the Company plans to release products, such as Duo Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决) and Yun Duan Wen Xian (云端问仙) representing the boutiqueization, diversification and rejuvenation of the Company. Domestic products include:

MMORPG: Yi Neng Du Shi (异能都市), Code LH and Chuan Shi Zhi Guang (传世之光).

SLGs: Bing Ren Zhi Hui Guan (兵人指挥官), Code WZ and Code BY.

Card games: Zui Hou De Yuan Shi Ren (最后的原始人) and Du Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决).

Galgames: Queen of Diamonds (一千克拉女王)

SIM games: Call Me the Big Shopkeeper (叫我大掌柜)

3. Operation

The Company constantly made innovations in publishing and operation means, raised the operation idea of “branding +sales effects”, conducted high-quality promotion according to market changes, emphasized innovative output of content, and improved the quality of video materials to attract target customers. The Company should carry out differentiated and customized cooperation in traffic and channel in product publishing, build channels and conduct community construction and maintain the long-term operation input in product channels. The Company continued to expand the usable range of intelligent ad platform and operation analysis platform to improve the distribution capacity, achieve more efficient promotion through traffic and dig high-quality customers, thus achieving the maximum ad benefit. The operation team can concentrate more on innovative work to conduct more precise and differentiated event marketing.

4. Overseas market

As one of the earliest Chinese game companies to implement “games going global”, the Company enjoyed an expanding market size and an increasing market share overseas. As the Company received remarkable responses from Europe, North America, Japan, South Korea, Southeast Asia, and Hong Kong, Macao, and Taiwan regions of China, 37GAMES saw growing brand influence. After the new overseas strategies were implemented, the Company made initial achievements in 2020. Going forward, the Company will continue to pursue the new strategies by publishing diversified, tailored games in big markets around the world, deepen overseas expansion and consolidate existing advantages in overseas markets. In 2021, with large reserves of quality games in various genres, the Company will maintain its advantages in the Asian market, and gain more achievements in European and North American ones. Europe and North America are fertile lands for SLG games, the Company’s advantageous product, to grow. The Company will publish many SLG games to both markets. There is a large room for the growth of its overseas businesses. Its

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abundant game reserves are expected to raise its overseas revenue to a new high in 2021. Overseas markets will be one of the Company's strategic growth drivers in the next three years.

In 2021, the Company will facilitate its overseas expansion and promote more quality Chinese games to go global from an international perspective, through which it can tell Chinese stories to the world. Main products to be promoted overseas include:

SLGs: Code SG, Survival at Gunpoint and Code HD

MMORPG: Code E and Code BX

Simulation games: Call Me the Big Shopkeeper (叫我大掌柜) and Code DFW

Card games: Code C6, Dou Luo 3D (斗罗3D) and Idol Angel (アイドルエンジェル)

RPG: Code TJKD and Code SS

5. 5G cloud gaming business

With the development of edge computing, fixed broadband network speed and 5G network, cloud gaming, as the best scenario for 5G application, has become an important market for global game manufacturers and cloud service manufacturers. The Company has been developing 5G cloud gaming since 2020, and signed a cooperative agreement with Huawei, in which both parties will set up the "Joint Team of Cloud Gaming Technology Solutions" to deeply optimize the existing cloud gaming solutions and jointly explore its development direction and technical innovation.

6. Investment business

The Company has increased its investment in boutique developers, actively promoting the cultural and entertainment industries including 5G cloud games, film and television, music, artist agents, animation, VR/AR and some emerging fields such as culture and health, social networking, etc. The Company aims to promote the vigorous development of China's cultural and entertainment industries and make new contributions to cultural confidence.

7. IP strategy

It's a long-term development goal of the Company to create quality content and establish a quality content brand. Based on this, the Company continues to explore, by the methods of internal incubation and external access, high-quality IPs for the development of quality cultural products including games, relying on its own advantages.

A cultural and creative strategy system was built based on the IP strategy. As of the date of this report, the IPs of the Company's reserves covered different segments, including games, anime, literature, film, and television. Meanwhile, the Company will gradually develop its own IPs to create higher value. Relying on its excellent IP strategy, the Company will continue to build its cultural and creative strategy system, satisfy the diversified demands of users for entertainment, and exploit the opportunities of IP value in film and television, music, anime, VR, cultural health industry, Internet child education and social entertainment.

(II) Possible Risks

1. Risk of industry regulation

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The online game industry is strictly regulated by relevant national policies and government departments. During recent years, regulatory authorities have gradually attached importance to the healthy development of the online game industry, implementing more stringent regulatory measures such as qualification management and content review for games' development, publication and operation. For example, the Standing Committee of the 13th National People's Congress revised the Law of the People's Republic of China on the Protection of Minors for the second time at its 22nd session in October 2020, which came into effect on June 1, 2021. The Law of the People's Republic of China on the Protection of Minors strengthens network protection, stipulating that online games can be operated only after the approval of law. What's more, China establishes a unified electronic identity authentication system of online games for minors, specifies their online time, and stipulates penalties for network service providers who do not fulfill their obligations to prevent online addiction and stop cyberbullying. During the operation of the game products, if the Company violates the relevant regulations or misunderstand the regulatory regulations, there may be a risk that it will be punished by authorities or that relevant works may not be published as planned because they do not meet the regulatory requirements.

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. 37 Interactive Entertainment will strictly abide by the requirements related to the development of the industry and support its policies and regulations.

2. Market competition risks and countermeasures

The online game industry is facing increasingly fierce competition as it gradually matures. The development of various Internet-based cultural creative segments other than online games is further exacerbating external competition. At the same time, online game users are also maturing, and online game users have increasingly higher demand for quality for game products. Intense market competition will challenge the Company's development in terms of products and market channels.

In response, the Company will continue to increase R&D investments, R&D and innovation in product creativity, gameplay, theme, art and technology. It will maintain close cooperation with excellent developers to guarantee the supply of quality products, and continue to connect users with quality games. In terms of market channels, the Company will further bring into play the role of new ideas in traffic operation, deepen the business strategy of multi-channel marketing, targeted advertising and long-term services, and continuously enhance its core market competitiveness.

3. Business risks and countermeasures

The online game industry is characterized by fast product update, limited life cycle and fast change of user preference. Game enterprises need to increase their investment in technology development and closely keep in pace with trend of the industrial technologies. If the technology, products and other aspects of the game undergo major changes, and game enterprises fail to keep up with them, their products will fail to meet the market demands. At the same time, information security and user privacy protection arouse great public concerns. If the Company leaks users' information due to negligence, there will be a significant damage to the user experience and brand image. Consequently, its operation performance will be impaired.

In response, increasing R&D investments are needed to maintain continuous product innovation. The Company also needs to dig deeper into operational data through independently developed AI systems, continuously update the understanding of changes in target users' preferences, and timely adjust operational and R&D strategies, to meet the core demands of users.

A strict internal control system for information security management and user privacy protection has been set up to ensure

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the security of users' information to the maximum extent. In terms of information security, the Company defines and classifies security incidents to respond to possible data security problems. Information security audits take place once every six months for systematic control of information security risks. In terms of privacy protection, the Privacy Policy has been established, which provides in details the rules and standards for collection and use of users' personal information and sets forth the reasonable and feasible security measures adopted for protection of users' personal information. In this way the Company will make sure with greatest efforts that all users' personal information is protected at the highest level. The Company ensures that it runs the business in compliance with applicable laws and regulations throughout the world, and protects the users' right to manage personal information. A response procedure has been stipulated to inform users of any possible cost and necessary actions needed to be taken

4. Risks of core personnel turnover and countermeasures

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

In response, much attention has been attached to cultivation and acquisition of professional talents. The Company creatively builds a platform-based talent management mechanism, according to which excellent game producers are rewarded with high project bonus, and given discretion of research and creation. In order to attract and retain outstanding management talents and business elites, the Company has vigorously reformed the project mechanism, encouraged "bottom-up" project creation, shortened the review cycle and established diversified indicators, so as to stimulate the innovative vitality of employees. In terms of employee performance appraisal, the Company has broken the traditional salary incentive system based on gross billing, and set up diversified KPIs based on employees' contribution and ability, and set up flexible team appraisal standards to encourage employees' creativity. Through the above mechanism changes, the Company increases the attractiveness to core staffs and R&D personnel.

The Company has established "37 Interactive Entertainment University" to provide sufficient training and learning opportunities for employees and help them grow rapidly. At the same time, "37 Interactive Entertainment University" has set up academies with different specializations in each business group, focusing on professional empowerment and talent cultivation around different needs for professional skill growth.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

Applicable Not applicable

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions and materials provided by the Company	Index to the relevant information
11 February 2020	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About main strategies of major business lines for	Log Sheet of Investor Relations Activities (No. 2020-001)

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					2020	
2 April 2020	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the private placement plan and priorities in the development of the Company for the next three years	Log Sheet of Investor Relations Activities (No. 2020-002)
30 April 2020	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the 2020 First Quarterly Report	Log Sheet of Investor Relations Activities (No. 2020-003)
31 August 2020	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the 2020 Interim Report	Log Sheet of Investor Relations Activities (No. 2020-004)
13 October 2020	Conference call	By phone	Institution	Institutional investors and research analysts from securities firms	About fundamentals and operations	Log Sheet of Investor Relations Activities (No. 2020-005)
1 November 2020	Video conferencing	Other	Institution	Institutional investors and research analysts from securities firms	About the 2020 Third Quarterly Report and operations	Log Sheet of Investor Relations Activities (No. 2020-006)
10 December 2020	Video conferencing	Other	Institution	Overseas institutional investors	About the operations of the Company	Log Sheet of Investor Relations Activities (No. 2020-007)

Part V Significant Events

I Profit Distribution to Common Shareholders (in the Form of Cash and/or Stock)

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

Applicable Not applicable

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

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

The profit distributions to common shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. The 2018 interim dividend plan: Based on the total share capital of 2,124,870,253 shares on 30 June 2018, a cash dividend of RMB1 (tax inclusive) per 10 shares was planned to be distributed to all the shareholders of the Company, with no bonus issue from either profit or capital reserves.

2. The 2018 final dividend plan: Based on the total issued share capital on the date of record (the total share capital minus the repurchased shares), a cash dividend of RMB2 (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.

3. The 2019 interim dividend plan: Based on the total issued share capital on the date of record (the total share capital minus the shares in the share repurchase account), a cash dividend of RMB1 (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.

4. The 2019 final dividend plan: Based on the total issued share capital on the date of record, a cash dividend of RMB3 (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.

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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.

5. The 2020 interim dividend plan: Based on the total issued share capital on the date of record, a cash dividend of RMB3 (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.

6. The 2020 final dividend plan: Based on the total issued share capital on the date of record, a cash dividend of RMB 2 (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.

Cash dividends for common shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to common shareholders of the Listed Company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (like share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (A+C)	A+C as % of B (%)
2020	1,077,248,365.30	2,760,951,475.22	39.02%	0.00	0.00%	1,077,248,365.30	39.02%
2019	844,900,678.80	2,114,770,061.55	39.95%	301,961,944.30	14.28%	1,146,862,623.10	54.23%
2018	630,467,857.30	1,008,503,357.80	62.52%	0.00	0.00%	630,467,857.30	62.52%

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

Applicable Not applicable

II Final Dividend Plan

Applicable Not applicable

Bonus issue from profit (share/10 shares)	0
Cash dividend/10 shares (RMB) (tax inclusive)	2
Bonus issue from capital reserves (share/10 shares)	2,217,864,281
Share base (share)	443,572,856.20
Cash dividends (RMB) (tax inclusive)	0.00
Cash dividends in other forms (such as share repurchase) (RMB)	443,572,856.20

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Total cash dividends (including those in other forms) (RMB)	1,160,408,295.15
Distributable profit (RMB)	100.00%
Total cash dividends (including those in other forms) as % of total profit to be distributed	0
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 2020 final dividend plan is as follows: Based on the total issued share capital on the date of record, a cash dividend of RMB 2 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders of the Company, with the remaining undistributed profit carried forward to the next year; and there will be no bonus issue from either profit or capital reserves. The above dividend plan is consistent with the Company's performance growth, and also in line with relevant provisions of the Company Law, the Articles of Association and the Company's shareholder return plan. The independent directors of the Company have expressed consent as their independent opinion on the above dividend plan.	

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

Applicable Not applicable

The third employee stock ownership plan (ESOP) has been reviewed and approved by the Fourth Meeting of the Fifth Board of Directors, the Fourth Meeting of the Fifth Supervisory Committee and the Fourth Extraordinary General Meeting of Shareholders of 2019. The Company transferred the shares repurchased from 11 April 2019 to 7 May 2019 to the ESOP at zero price. The shares covered under the ESOP amount to 22,347,537 shares, accounting for 1.06% of the Company's total share capital. The ESOP unlocked the underlying shares, which were received through non-trade transfer and other legitimate means, phase by phase 12 months after the date of the Company's announcement on the transfer of the last shares to the ESOP. The maximum lock-up period is 36 months. For more details, see the Third Employee Stock Ownership Plan of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (Draft) and its abstract, the Announcement on the Resolution of the Fourth Meeting of the Fifth Board of Directors (Announcement no.: 2019-078), the Announcement on the Resolution of the Fourth Meeting of the Fifth Supervisory Committee (Announcement no.: 2019-079) and Announcement on the Resolution of the Fourth Extraordinary General Meeting of Shareholders of 2019 (Announcement no.: 2019-089) published on Cninfo (<http://www.cninfo.com.cn/>).

According to the third ESOP (draft), if the Company's performance target defined in the ESOP is achieved -- that is, the net profit (which is measured based on the net profit attributable to the Listed Company's shareholders and does not include costs incurred by the shares under this ESOP) in 2019 is not lower than RMB1.5 billion), then 30% of the total number of shares in this ESOP can be unlocked. According to the Audit Report (H.X.S. (2020) S.Z. No. GD-26) issued by Huaxing Certified Public Accountants LLP (special general partnership), the net profit attributable to the Listed Company's shareholders in 2019 is RMB2.115 billion, and the net profit attributable to the Listed Company's shareholders minus the cost incurred by this ESOP in 2019 is RMB2.185 billion. That is, the Company's performance target defined in the ESOP has been achieved. Therefore, 30% of the total number of shares under this ESOP were unlocked 12 months after the date (27 July 2019) of the Company's announcement on the transfer of the last Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

shares to this ESOP upon the confirmation that the performance target has been achieved. That is, the lock-up period of the first batch of shares (6,704,261 shares) under the Company's third ESOP expired on 26 July 2020. For details, see the Informative Announcement on the Expiration of the Lock-up Period of the First Batch of Shares under the Third Employee Stock Ownership Plan published on Cninfo (<http://www.cninfo.com.cn>) on 23 July 2020.

According to the third ESOP (draft), if the Company's performance target defined in the ESOP is achieved -- that is, the total net profit (which is measured based on the net profit attributable to the Listed Company's shareholders and does not include costs incurred by the shares under this ESOP) in 2019 and 2020 is not lower than RMB3.2 billion), then 30% of the total number of shares in this ESOP can be unlocked. According to the Audit Report issued by Huaxing Certified Public Accountants LLP (special general partnership), the net profit attributable to the Listed Company's shareholders in 2020 of RMB2.761 billion, and the net profit attributable to the Listed Company's shareholders minus the cost incurred by this ESOP in 2020 is RMB2.893 billion. Therefore, the total net profit attributable to the Listed Company's shareholders in 2019 and 2020 minus the cost incurred by this ESOP is RMB5.077 billion. That is, the Company's performance target defined in the ESOP has been achieved. Therefore, 30% of the total number of shares under this ESOP were unlocked 24 months after the date (27 July 2019) of the Company's announcement on the transfer of the last shares to this ESOP upon the confirmation that the performance target has been achieved. That is, the lock-up period of the second batch of shares (6,704,261 shares) under the Company's third ESOP will expire on 26 July 2021.

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

Naught.

IV Other Significant Events

Applicable Not applicable

The Proposal on the 2020 Private Placement Plan, along with related proposals, was approved at the Eleventh Meeting of the Fifth Board of Directors and the 2019 Annual General Meeting of Shareholders of the Company. According to the Plan, the Company intended to raise funds not exceeding RMB4.5 billion (inclusive) by offering shares of no more than 5% of the total pre-offering share capital. The raised funds after deducting the issuance expenses would be invested in the online games development and operation project (RMB1.6 billion), the 5G-based cloud gaming platform project (RMB1.65 billion) and the Guangzhou headquarters building project (RMB1.25 billion). On 27 April 2020, the Company received the Acceptance of Application for Administrative Permission (acceptance No.: 200844) issued by the China Securities Regulatory Commission (hereinafter, the "CSRC") on 26 April 2020. Upon preliminary examination of the Application for Private Placement by Listed Company submitted by the Company, together with related materials, the CSRC decided to accept the application for further review on the ground that the application materials were in compliance with the prescribed form.

On 1 June 2020, the Company received the First Feedback Concerning Application for Administration Permission (No. 200844) issued by the CSRC on 29 May 2020. Upon the receipt of the Feedback, the Company, together with the relevant intermediary agencies, carefully analyzed and discussed the issues raised in the Feedback, and made a corresponding reply, upon relevant checks, as required by the Feedback. The reply has been disclosed to the public. Please refer to the Reply of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Concerning the Feedback to Its Private Placement Application Documents disclosed by the Company on <http://www.cninfo.com.cn> dated 24 June 2020.

On 23 June 2020, the Proposal on Reducing the Total Funds to Be Raised in the 2020 Private Placement, along with related proposals, was approved at the Thirteenth Meeting of the Fifth Board of Directors of the Company. As such, the total funds to be raised was agreed to be reduced to an amount not exceeding RMB4.463 billion. The raised funds after deducting the issuance

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expenses would be invested in the online games development and operation project (RMB1.6 billion), the 5G-based cloud gaming platform project (RMB1.65 billion) and the Guangzhou headquarters building project (RMB1.213 billion).

On 9 July 2020, the Company received the Letter on Preparations for the Issuance Review Committee Meeting on the Application of 37 Interactive Entertainment for Private Placement (hereinafter, the "Letter") issued by the CSRC. The Company, together with Orient Securities Investment Banking Co., Ltd. and other relevant intermediary agencies, carried out careful checks in respect of the issues raised in the Letter, and made a corresponding reply as required. For further information, please refer to the Reply of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. and Orient Securities Investment Banking Co., Ltd. on the Letter on Preparations for the Issuance Review Committee Meeting on the Application of 37 Interactive Entertainment for Private Placement disclosed by the Company on <http://www.cninfo.com.cn> dated 18 July 2020.

On 30 October 2020, the Proposal on Reducing the Total Funds to Be Raised in the 2020 Private Placement, along with related proposals, was approved at the Fifteenth Meeting of the Fifth Board of Directors of the Company. As such, the total funds to be raised was agreed to be reduced to an amount not exceeding RMB4.296 billion. The raised funds after deducting the issuance expenses would be invested in the online games development and operation project (RMB1.545 billion), the 5G-based cloud gaming platform project (RMB1.595 billion) and the Guangzhou headquarters building project (RMB1.156 billion).

As the Preliminary Plan for the 2020 Private Placement was revised as approved at the Fifteenth Meeting of the Fifth Board of Directors of the Company on 30 October 2020, the Company disclosed the accordingly revised reply to the CSRC feedback and reply to the Letter on 4 November 2020 according to the relevant requirements.

On 14 December 2020, the Issuance Review Committee of the CSRC conducted a review on the Company's private placement application. According to the review results, the private placement was approved.

The Company has received the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC. And the Announcement on the Receipt of the CSRC Approval Document for the Private Placement was disclosed by the Company on 13 January 2021. For details, please refer to <http://www.cninfo.com.cn>.

V Significant Events of Subsidiaries

Applicable Not applicable

On 7 November 2020, the Proposal on the Indirect Acquisition of 20 Percent of the Equity of Guangzhou 37 Network Technology Co., Ltd. was reviewed and approved by the 16th Meeting of the Fifth Board of Directors. The Company and Shanghai 37 Interactive Entertainment (a wholly owned subsidiary of the Company) acquired 100% of the equity of Huai'an Shunqin Corporate Management Company (Limited Partnership) (hereinafter referred to as "Shunqin Partnership") previously owned by Xu Zhigao and Xue Min at a price of RMB2.16 billion using cash from self-owned capital and 100% of the equity of Huai'an Shunjing Corporate Management Company (Limited Partnership) (hereinafter referred to as "Shunjing Partnership") previously owned by He Hong, Liu Jun, Liu Jiayu and Xu Zhigao at a price of RMB720 million. Through the acquisition of 100 percent of the equities of Shunqin Partnership and Shunjing Partnership at a total consideration of RMB2.88 billion, the Company indirectly acquired the 20% of the equity of Guangzhou 37 Interactive Entertainment previously owned by the two partnerships.

Before the acquisition transaction, the Company owned 80% of the equity of Guangzhou 37 Interactive Entertainment through Shanghai 37 Interactive Entertainment. That is, Guangzhou 37 Interactive Entertainment was previously a majority-owned subsidiary of 37 Interactive Entertainment. After the acquisition transaction, Shunqin Partnership and Shunjing Partnership became the Company's wholly owned partnerships, and Guangzhou 37 Interactive Entertainment became a wholly owned subsidiary of the Company. For details, see the Announcement on the Indirect Acquisition of 20% of the Equity of Guangzhou 37 Network Technology Co., Ltd. published on Cninfo (<http://www.cninfo.com.cn>) on 8 December 2020.

The above proposal was reviewed and approved by the Third Extraordinary General Meeting of Shareholders of 2020. For

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details, see the Announcement on the Resolution of the Third Extraordinary General Meeting of Shareholders of 2020 published on Cninfo (<http://www.cninfo.com.cn>) on 24 December 2020.

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Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	794,755,467	37.63%				-51,252,364	-51,252,364	743,503,103	35.20%
1.1 Shares held by the government									
1.2 Shares held by state-owned corporations									
1.3 Shares held by other domestic investors	794,755,467	37.63%				-51,252,364	-51,252,364	743,503,103	35.20%
Including: Shares held by domestic corporations									
Shares held by domestic natural persons	794,755,467	37.63%				-51,252,364	-51,252,364	743,503,103	35.20%
1.4 Shares held by overseas investors									
Including: Shares held by overseas corporations									
Shares held by overseas natural persons									

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2. Un-restricted shares	1,317,496,230	62.37%				51,252,364	51,252,364	1,368,748,594	64.80%
2.1 RMB-denominated common shares	1,317,496,230	62.37%				51,252,364	51,252,364	1,368,748,594	64.80%
2.2 Domestically listed foreign shares									
2.3 Overseas listed foreign shares									
2.4 Others									
3. Total shares	2,112,251,697	100.00%				0	0	2,112,251,697	100.00%

Reasons for share changes:

Applicable Not applicable

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

Progress on any share repurchase:

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Beginning restricted shares	Shares with restriction lifted in the Reporting Period	Increase in restricted shares in the Reporting Period	Ending restricted shares	Reason for restriction	Lifting date
Li Weiwei	302,743,539	0	0	302,743,539	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.

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Zeng Kaitian	276,978,130	0	31,633,800	245,344,330	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Hu Yuhang	4,315,518	106,577,745	0	110,893,263	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Wu Weihong	112,002,562	0	28,000,641	84,001,921	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.
Yang Jun	520,050	0	0	520,050	Locked-up shares of senior management	Subject to regulations in respect of changes in shareholdings of directors, supervisors and senior management in the Company Law, etc.
Wu Weidong	98,195,668	0	98,195,668	0	Restriction lifted for locked-up shares of senior management	Restriction lifted on 3 July 2020
Total	794,755,467	106,577,745	157,830,109	743,503,103	--	--

II Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

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

Unit: share

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Number of common shareholders	175,651	Number of common shareholders at the month-end prior to the disclosure of this Report	214,772	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percent age	Shares held	Increase/decrease in the Reporting Period	Restricted shares held	Un-restricted shares held	Pledged or frozen status	
							Status	Shares
Li Weiwei	Domestic natural person	17.11%	361,413,019	-42,245,033	302,743,539	58,669,480	Pledged	29,000,000
Zeng Kaitian	Domestic natural person	11.62%	245,344,374	-81,781,400	245,344,330	44	Pledged	9,810,000
Hu Yuhang	Domestic natural person	7.00%	147,857,684	74,220,133	110,893,263	36,964,421	Pledged	5,050,000
Wu Weihong	Domestic natural person	4.81%	101,532,962	-10,469,600	84,001,921	17,531,041		
Wu Weidong	Domestic natural person	4.29%	90,519,257	-7,908,300	0	90,519,257		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	3.92%	82,772,086	8,978,938	0	82,772,086		
Wu Xushun	Domestic natural person	2.37%	50,070,682	-23,867,100	0	50,070,682		
Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.—third employee stock ownership plan	Other	0.75%	15,740,183	-6,607,354	0	15,740,183		
Industrial and Commercial Bank of China Limited—Yinhua Mid-cap and Small-cap Selected Mixed Securities Investment Fund	Other	0.74%	15,647,157	12,689,657	0	15,647,157		
China Citic Bank Corporation Limited—	Other	0.68%	14,316,096	5,751,354	0	14,316,096		

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Bank of Communications Schroders New Vitality Dynamic Asset Allocation Mixed Securities Investment Fund								
Strategic investor or general corporation becoming a top-10 shareholder in a rights issue (if any) (see note 3)	Not applicable							
Related or acting-in-concert parties among the shareholders above	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>							
Top 10 un-restricted shareholders								
Name of shareholder	Un-restricted shares held	Shares by class						
		Class	Shares					
Wu Weidong	90,519,257	RMB-denominated common shares	90,519,257					
Hong Kong Securities Clearing Company Ltd.	82,772,086	RMB-denominated common shares	82,772,086					
Li Weiwei	58,669,480	RMB-denominated common shares	58,669,480					
Wu Xushun	50,070,682	RMB-denominated common shares	50,070,682					
Hu Yuhang	36,964,421	RMB-denominated common shares	36,964,421					
Wu Weihong	17,531,041	RMB-denominated common shares	17,531,041					
Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.—third employee stock ownership plan	15,740,183	RMB-denominated common shares	15,740,183					
Industrial and Commercial Bank of China Limited—Yinhua Mid-cap and Small-cap Selected Mixed Securities Investment Fund	15,647,157	RMB-denominated common shares	15,647,157					
China Citic Bank Corporation Limited—Bank of Communications Schroders New Vitality Dynamic Asset Allocation Mixed Securities Investment Fund	14,316,096	RMB-denominated common shares	14,316,096					
Industrial and Commercial Bank of China—GF Sustaining Growth Securities Investment Fund	13,800,000	RMB-denominated common shares	13,800,000					
Related or acting-in-concert parties among the top 10 un-restricted shareholders, as well as between the top 10 un-restricted shareholders and the top 10 shareholders	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>							

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Top 10 common shareholders engaged in securities margin trading (if any) (see note 4)	None
---------------------------------------------------------------------------------------	------

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

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by a natural person

Type of the controlling shareholder: natural person

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

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Acting-in-Concert Parties

Nature of the actual controller: domestic natural person

Type of the actual controller: natural person

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

Change of the actual controller in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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

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



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

Applicable Not applicable

4. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

Part VII Directors, Supervisors, Senior Management and Staff

I Changes in the Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the period (share)	Decrease in the period (share)	Other increase/decrease (share)	Ending shareholding (share)
Li Weiwei	Chairman of the Board and General Manager	Incumbent	Male	43	20 January 2015	7 April 2022	403,658,052		42,245,033		361,413,019
Zeng Kaitian	Vice Chairman of the Board	Incumbent	Male	45	5 July 2019	7 April 2022	327,125,774		81,781,400		245,344,374
Hu Yuhang	Director	Incumbent	Male	44	16 September 2020	7 April 2022	73,637,551	74,220,133			147,857,684
Yang Jun	Director and Deputy General Manager	Incumbent	Male	41	20 January 2015	7 April 2022	693,400				693,400
Li Yang	Independent Director	Incumbent	Male	52	24 December 2019	7 April 2022					
Chen Jianlin	Independent Director	Incumbent	Male	41	13 May 2016	7 April 2022					
Ye Xin	Independent Director	Incumbent	Male	45	24 December 2019	7 April 2022					
Liu Guangqiang	Independent Director	Incumbent	Male	38	24 December 2019	7 April 2022					
He Yang	Chairman of the Supervisory Committee	Incumbent	Male	39	27 December 2018	7 April 2022					
Cheng Lin	Supervisor	Incumbent	Female	38	27 November 2015	7 April 2022					

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Liu Fengyong	Supervisor	Incumbent	Female	43	20 January 2015	7 April 2022					
Zhu Huaimin	Deputy General Manager	Incumbent	Male	38	21 January 2019	7 April 2022					
Ye Wei	Chief Financial Officer and Board Secretary	Incumbent	Male	37	12 October 2016	7 April 2022					
Chen Xialin	Director	Former	Male	36	21 January 2019	3 August 2020					
Total	--	--	--	--	--	--	805,114,777	74,220,133	124,026,433	0	755,308,477

II Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Chen Xialin	Director	Resignation	3 August 2020	Personal reason
Hu Yuhang	Director	Elected	16 September 2020	Nominated by the Nomination Committee

III 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 on 11 November 1977. Mr. Li is a member of the CPC and has no right of permanent residence in a foreign country. He received an EMBA degree from Cheung Kong Graduate School of Business and is working on a Doctor of Business Administration program at the school. From August 2000, he worked for Shenzhen Zhuanjia Network Technology Co., Ltd., then Shenzhen Quanzhi Information Technology Co., Ltd. and then Guangzhou Haiyan Network Technology Co., Ltd. From October 2011 to 18 March 2015, he served as Executive Director and General Manager of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 20 January 2015, he became Vice Chairman of the Third Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. On 24 August 2015, he was also appointed General Manager of the Company. On 21 January 2019, he became Chairman of the Fourth Boarder of Directors and General Manager of the Company. On 8 April 2019, he became Chairman of the Fifth Boarder of Directors and General Manager of the Company. Mr. Li is currently Chairman of the Fifth Boarder of Directors and General Manager of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zeng Kaitian, Han nationality, was born on 3 March 1975. Mr. Zeng is of Chinese nationality and has no right of permanent residence in a foreign country. He received an EMBA degree from China Europe International Business School. He is a co-founder of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. In October 2011, he became Director of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd., overseeing the overseas publishing of the company's online game business. On 5 July 2019, he became Director of the Company. Mr. Zeng is currently Vice Chairman of the Fifth Boarder of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

Entertainment Network Technology Group Co., Ltd.

Mr. Hu Yuhang was born on 27 February 1976. He graduated from Lanzhou University and received an EMBA degree from Cheung Kong Graduate School of Business. He has no right of permanent residence in a foreign country. Mr. Hu became President of 37 Interactive Entertainment in October 2013 in charge of the strategic planning and day-to-day management of 37 Games, an R&D brand of 37 Interactive Entertainment. He is a seasoned expert in game R&D management and has rich experience in game R&D and project management. On 16 September 2020, he became Director of the Company. Mr. Hu is currently Director of the Fifth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Yang Jun, born on 23 January 1979, is a member of the CPC and has no right of permanent residence in a foreign country. He has received a master's degree in corporate management and is working on a Doctor of Business Administration program at the Cheung Kong Graduate School of Business. He is a Chinese certified public accountant. From June 2006 to April 2012, he worked for Deloitte Touche Tohmatsu (special general partner) as the Manager of the Audit Department. From April 2012 to present, he served as CFO of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 20 January 2015, he became Director and Deputy General Manager of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. He is currently Director of the Fifth Board of Directors and Deputy General Manager of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Chen Jianlin, Han nationality, was born on 21 April 1979. He is of Chinese nationality and has no right of permanent residence in a foreign country. He holds a Ph.D. and is a certified Independent Director. From July 2009 to present, he worked at Guangdong University of Finance & Economics, serving as Lecturer, then Associate Professor and then Professor. He is currently Vice Dean, Professor and Master's Degree Supervisor of the School of Accounting, Guangdong University of Finance & Economics. In 2015, he was included in the list of Ministry of Finance National (Reserve) Leading Accounting Talents (Academics). On 13 May 2016, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Li is currently Independent Director of the Fifth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Li Yang, Han nationality, was born on 1 June 1968. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received an LL.B. from Zhongnan University of Economics and Law and an LL.M. and a J.D. from Peking University and completed a postdoctoral research program in laws at Wuhan University. He is a certified Independent Director. From January 2016 to present, he was Professor and Doctorate Supervisor of the School of Law, Sun Yat-sen University and Director of the Institute of Intellectual Property Law at the university. In 2016, he was listed in the university's Introduction of 100 Talents program. Mr. Li is also Vice Chairman of the China Intellectual Property Law Association, Researcher of the Intellectual Property Right Judicial Protection Research Center of the Supreme People's Court, Arbitrator of Shenzhen Court of International Arbitration, Arbitrator of Guangzhou Arbitration Commission and Expert Consultant to Guangzhou Intellectual Property Court. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Li is currently Independent Director of the Fifth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Ye Xin, Han nationality, was born on 10 July 1975. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received a bachelor's degree in accounting from Xi'an Jiaotong University, a Master of Management degree from Xi'an University of Technology and an EMBA degree from Guanghua School of Management, Peking University and Cheung Kong Graduate School of Business. He is a certified Independent Director. From 1995 to 2003, he worked at the Civil Aviation Administration of China. From 2003 to 2005, he served as Deputy General Manager of Tsinghua Unisplendour Venture Investment Co., Ltd. From 2005 to 2015, he served as Director, Deputy General Manager, Board Secretary and General Manager of Shenzhen Coship Electronics Co., Ltd.. From 2016 to present, he was General Manager of Tianshi Fund Management (Shenzhen) Co., Ltd. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Ye is currently Independent Director of the Fifth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Liu Guangqiang, Han nationality, was born on 19 February 1982. He is of Chinese nationality and has no right of permanent residence in a foreign country. He received a Ph.D. in public economic management from Wuhan University. He is a member of the CPC and a certified Independent Director. From July 2014 to present, he worked at Zhongnan University of Economics and Law,

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holding positions of Associate Professor of the School of Accounting, Vice Dean of the Faculty of Accounting and Director of the Accounting Information Research Center. He is currently on the list of National High-end (Reserve) Accounting Talents. On 24 December 2019, he became Independent Director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Liu is currently Independent Director of the fifth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. He Yang, Han nationality, was born on 14 June 1981. He is of Chinese nationality, is a member of the CPC and has no right of permanent residence in a foreign country. He received an MBA degree from University of Electronic Science and Technology of China. From June 2012 to July 2014, he was Deputy General Manager of Chengdu 37Wan Network Technology Co., Ltd.. In July 2014, he became Director and General Manager of Jiangsu Aurora Network Technology Co., Ltd. In December 2018, he became Employee Supervisor of the Fourth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. In January 2019, he became Chairman of the Fourth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. He is currently Chairman of the Fifth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Ms. Cheng Lin, Han nationality, was born on 11 July 1982. She is of Chinese nationality and has no right of permanent residence in a foreign country. She is working on an EMBA program at Lingnan College, Sun Yat-sen University. From 2011 to 2016, she was Director of Public Affairs of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. She is currently Shareholder Supervisor of the Fifth Board of Supervisors of the Company.

Ms. Liu Fengyong, Han nationality, was born on 13 April 1977. She is of Chinese nationality and has no right of permanent residence in a foreign country. She has received a university degree and is a member of the CPC. From July 2000 to September 2005, she worked for Guangzhou Pearl River Piano Group Co., Ltd. as a Legal Specialist. From November 2005 to August 2012, she was Legal Director of Guangzhou Rockmobile Network Co., Ltd. In August 2012, she became Legal Manager of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. In December 2016, she became Employee Supervisor of the Third Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. She is currently Employee Supervisor of the Fifth Supervisory Committee of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Zhu Huaimin, Han nationality, was born on 5 January 1982. He is of Chinese nationality and has no right of permanent residence in a foreign country. He is working on an EMBA program at 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 Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

Mr. Ye Wei was born in December 1983. He is a member of the CPC and has no right of permanent residence in a foreign country. He has received a bachelor's degree, is a Certified Public Accountant in China, and is a Shenzhen Stock Exchange certified Board Secretary. From August 2006 to July 2013, he was Audit Manager of Ernst & Young Guangzhou Office. From July 2013 to March 2015, he was Chief Financial Officer of 37 Interactive Entertainment (Shanghai) Technology Co., Ltd. On 30 March 2015, he became Chief Financial Officer of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. On 6 January 2017, he became Chief Financial Officer and Secretary to the Fourth Board of Directors of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. Mr. Ye is currently Chief Financial Officer and Secretary to the Fourth Board of Directors of Wuhu 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	Remuneration or allowance from the entity or not
Chen Jianlin	School of Accounting, Guangdong University of Finance & Economics	Vice Dean, Professor and Master's Degree Supervisor of the School of Accounting	1 July 2009		Yes
Li Yang	School of Law, Sun Yat-sen University	Professor, Doctoral Supervisor and Director of the Institute of Intellectual Property Law	1 January 2016		Yes
Ye Xin	Tianshi Fund Management (Shenzhen) Co., Ltd.	General Manager	20 January 2016		Yes
Liu Guangqiang	Accounting Information Research Center and School of Accounting, Zhongnan University of Economics and Law	Associate Professor and Vice Dean of the Faculty of Accounting and Director of the Accounting Information Research Center	1 July 2014		Yes
Note	Mr. Chen Jianlin worked at the School of Accounting, Guangdong University of Finance & Economics from July 2009 to present, holding the position of Lecturer, then Associate Professor and then Professor. Mr. Chen is currently Vice Dean, Professor and Master's Degree Supervisor of the School of Accounting, Guangdong University of Finance & Economics. Mr. Li Yang was Professor and Doctoral Supervisor of the School of Law, Sun Yat-sen University and Director of the Institute of Intellectual Property Law at the university from January 2016 to present. Mr. Ye Xin was General Manager of Tianshi Fund Management (Shenzhen) Co., Ltd. from 2016 to present. Mr. Liu Guangqiang worked at Zhongnan University of Economics and Law from July 2014 to present, holding the positions of Associate Professor of the School of Accounting, Vice Dean of the Faculty of Accounting and Director of the Accounting Information Research Center. Mr. Liu is also Deputy Chief Editor of Cai Zheng Jian Du.				

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

IV 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.

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

2. Criteria for determining the remunerations of directors, supervisors and senior management: The remunerations of directors, supervisors and senior management are determined based on the operational performance of the Company and the current market conditions. The remunerations of senior management are determined according to the Company's relevant regulations, the Company's annual operational targets for 2020 and the functions and duties the senior management have fulfilled in achieving the annual operational targets and sustainable development objectives.

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

4. On 15 May 2020, the *Proposal for Revising the Remuneration Plan for the Directors of the Fifth Board of Directors* was reviewed and approved by the First Extraordinary General Meeting of Shareholders of 2020. To further improve the Company's director remuneration management, stimulate the initiative and creativity of directors, improve the Company's operations and management, promote healthy, sustainable and stable development of the Company and ensure the realization of the strategic development objectives for the Company, the remuneration plan is revised as follows: (1) All non-independent directors work full time for the Company, tackle day-to-day decision-making tasks and perform important functions and duties, so they are compensated RMB0.6 million to RMB6 million per annum, with the exact amount of remuneration to be determined based on their job functions and duties and the Company's performance. The compensation described above does not include the reward covered under ESOPs or equity incentive programs. (2) Each independent director is compensated a fixed amount of director fees of RMB120,000 per annum, which is paid out in two half-year disbursements.

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Remuneration from any related party or not
Li Weiwei	Chairman of the Board and General Manger	Male	43	Incumbent	250.41	Not
Zeng Kaitian	Vice Chairman of the Board	Male	45	Incumbent	284.51	Not
Hu Yuhang	Director	Male	44	Incumbent	540.59	Not
Yang Jun	Director and Deputy General Manager	Male	41	Incumbent	261.93	Not
Li Yang	Independent Director	Male	52	Incumbent	12	Not
Chen Jianlin	Independent Director	Male	41	Incumbent	12	Not
Ye Xin	Independent Director	Male	45	Incumbent	12	Not

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Liu Guangqiang	Independent Director	Male	38	Incumbent	12	Not
He Yang	Chairman of the Supervisory Committee	Male	39	Incumbent	366.17	Not
Cheng Lin	Supervisor	Female	38	Incumbent	134.1	Not
Liu Fengyong	Supervisor	Female	43	Incumbent	56.93	Not
Zhu Huaimin	Deputy General Manager	Male	38	Incumbent	161.15	Not
Ye Wei	Chief Financial Officer and Board Secretary	Male	37	Incumbent	159.07	Not
Chen Xialin	Director	Male	36	Former	315.73	Not
Total	--	--	--	--	2,578.59	--

Equity incentives granted to directors and senior management in the Reporting Period:

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the parent	1
Number of in-service employees of principal subsidiaries	4,061
Total number of in-service employees	4,062
Total number of paid employees in the Reporting Period	4,062
Number of retirees to whom the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Marketing	990
Technical	312
Financial	86
Administrative	61
R&D	2,031
Teaching	104
Operation	241

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

Others	237
Total	4,062
Educational backgrounds	
Educational background	Employees
Master's degree and above	215
Bachelor's degree	2,738
Junior college	908
Senior high school and below	201
Total	4,062

2. Employee Remuneration Policy

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

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

The Company is required to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 12—Listed Companies Engaged in Software and IT Services.

The total amount of employee remunerations of the Reporting Period is RMB1.229 billion, accounting for 10.73% 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 16.91% of the total number of employees, and their remunerations account for 29.96% of the total amount of employee remunerations.

3. Training Plans

In 2020, the Company conducted staff training focusing on improving employee's quality and working skills, promoting their occupational development, and attracting and developing talents to support the Company's business development and human resources appreciation. In addition, the training program is committed to building a unified corporate culture, values and code of conduct to form a core centripetal force. In line with the Company's long-term development strategy, the program also introduced advanced management concepts, and facilitated internal management progress, which was a booster for cadre training and strategy implementation.

The training program was joined by 30,685 employees in total. Specifically, 651 employees took part in the O2O program; online and offline learning plans were participated in by 534 and 24,400 associates respectively. The individual exams covered a total of 286 people. The average login rate of online platforms is 59%, and the average learning rate is 27%; the number of logins saw a continued increase, with the highest number of concurrent learners reaching 810. As of December 2020, the total number of platform courses is 724, with internal courses accounting for 74% and external courses taking up 26%.

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

4. Labor Outsourcing

Applicable Not applicable

Total hours of labor outsourced	934,391.17
Total payment for labor outsourcing (RMB)	43,851,838.26

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

Part VIII Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of report signing	29 April 2021
Name of the independent auditor	Huaxing Certified Public Accountants LLP
Name of the certified public accountants	Yang Xinchun and Zhang Fengbo

Independent Auditor's Report

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

I Opinion

We have audited the financial statements of Wuhu 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 2020, 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 2020, and the consolidated and the Company's operating results and cash flows for the year then ended, in conformity with China's Accounting Standards for Business Enterprises (CAS).

II Basis for Opinion

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

III Key Audit Matters

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

(I) Revenue recognition

1. Description

As described in Notes III - XXVI Revenue and V - XXXIII 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. Response to audit

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

(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 some 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 some 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. (XXXV) Distribution and Selling Expenses, the Internet traffic fee charges in the 2020 consolidated financial statements amount to RMB8.015 billion. Because Internet traffic fee charges amount to a substantial amount and there is inherent risk in terms of their exactness and accuracy, we highlighted the exactness and accuracy of Internet traffic charges as a key audit matter.

2. Response to audit

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

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

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

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

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

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

IV Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2020 Annual Report other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

VI Auditor's Responsibilities for Audit of Financial Statements

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

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

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

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

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

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

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

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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 Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.

31 December 2020

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary funds	1,776,856,909.85	2,152,508,643.76
Transaction settlement funds		
Loans to other banks		
Trading financial assets	1,321,234,029.61	2,042,903,416.32
Derivative financial assets		
Notes receivable		
Accounts receivable	1,164,657,998.35	1,287,915,082.56
Accounts receivable financing		
Prepayments	999,890,031.00	661,089,054.70
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	85,138,773.10	84,842,613.18
Including: Interest receivable		
Dividends receivable	10,100,000.00	10,400,000.00
Redemptory monetary capital for sale		

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Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	452,435,284.38	125,885,754.42
Total current assets	5,800,213,026.29	6,355,144,564.94
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	360,566,552.56	468,792,240.20
Other equity investments	294,824,927.02	119,521,347.60
Other non-current financial assets	372,195,483.93	389,489,978.68
Investment properties		
Fixed assets	922,736,638.76	47,102,974.14
Construction in progress	4,180,019.75	797,245,599.78
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	1,108,434,647.51	16,997,408.09
Development expenditure		
Goodwill	1,589,065,048.53	1,614,909,880.35
Long-term deferred expenses	71,442,122.88	38,593,956.25
Deferred income tax assets	9,967,411.35	26,566,306.68
Other non-current assets	30,705,621.27	270,895,599.02
Total non-current assets	4,764,118,473.56	3,790,115,290.79
Total assets	10,564,331,499.85	10,145,259,855.73
Current liabilities:		
Short-term loans	889,324,326.07	
Loans from the central bank		
Loans from other banks		
Trading financial liabilities		
Derivative financial liabilities		

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Notes payable	393,351,017.72	300,000,000.00
Accounts payable	1,078,096,658.12	1,418,946,404.24
Advances from customers		196,924,263.69
Contract liabilities	204,231,829.45	
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	410,000,161.52	278,936,676.53
Taxes payable	160,224,192.87	161,110,700.51
Other payables	1,317,972,818.79	141,387,120.09
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Liabilities held for sale		
Non-current liabilities due within one year		31,158,472.31
Other current liabilities	45,287,027.61	71,925,723.44
Total current liabilities	4,498,488,032.15	2,600,389,360.81
Non-current liabilities:		
Insurance contract reserve		
Long-term loans		250,017,634.02
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		721,630.66
Deferred income tax liabilities	391,763.97	422,626.71
Other non-current liabilities		
Total non-current liabilities	391,763.97	251,161,891.39

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Total liabilities	4,498,879,796.12	2,851,551,252.20
Shareholders' equity:		
Share capital	2,112,251,697.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	114,693,519.91	73,153,800.49
Less: Treasury shares		
Other comprehensive income	-149,074,272.37	-94,582,500.13
Special reserves		
Surplus reserves		227,390,965.90
General risk reserves		
Retained earnings	3,959,512,681.41	4,711,093,895.82
Total equity attributable to shareholders of the Company	6,037,383,625.95	7,029,307,859.08
Non-controlling interests	28,068,077.78	264,400,744.45
Total shareholders' equity	6,065,451,703.73	7,293,708,603.53
Total liabilities and shareholders' equity	10,564,331,499.85	10,145,259,855.73

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

2. Balance Sheet of the Company

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary funds	274,246.17	765,545.81
Trading financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts receivable financing		
Prepayments		5,000.00
Other receivables	1,000,017,597.10	1,010,549,806.19

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Including: Interest receivable		
Dividends receivable	1,000,000,000.00	1,000,000,000.00
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	3,352,745.35	2,895,886.32
Total current assets	1,003,644,588.62	1,014,216,238.32
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	9,449,976,259.36	6,487,297,853.18
Other equity investments		7,240,888.31
Other non-current financial assets	29,040,909.54	31,706,772.79
Investment properties		
Fixed assets		
Construction in progress		
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	9,479,017,168.90	6,526,245,514.28
Total assets	10,482,661,757.52	7,540,461,752.60
Current liabilities:		
Short-term loans		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		

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Accounts payable	186,277.50	14,203.83
Advances from customers		
Contract liabilities		
Employee benefits payable	492,264.00	120,059.83
Taxes payable	4,749,796.66	1,958,201.03
Other payables	3,062,581,644.17	6,806,054.20
Including: Interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	3,068,009,982.33	8,898,518.89
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	3,068,009,982.33	8,898,518.89
Shareholders' equity:		
Share capital	2,112,251,697.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	3,759,929,582.87	3,622,063,902.37
Less: Treasury shares		
Other comprehensive income	-60,000,000.00	-52,759,111.69

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Special reserves		
Surplus reserves	442,062,200.17	340,080,723.42
Retained earnings	1,160,408,295.15	1,509,926,022.61
Total shareholders' equity	7,414,651,775.19	7,531,563,233.71
Total liabilities and shareholders' equity	10,482,661,757.52	7,540,461,752.60

3. Consolidated Income Statement

Unit: RMB

Item	2020	2019
1. Total operating revenue	14,399,703,084.56	13,227,135,966.70
Including: Operating revenue	14,399,703,084.56	13,227,135,966.70
Interest income		
Premium income		
Handling charge and commission income		
2. Total operating costs and expenses	11,468,915,314.31	10,586,672,548.89
Including: Cost of sales	1,757,783,549.76	1,776,066,319.34
Interest expense		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expenses		
Taxes and surcharges	42,336,777.66	46,059,099.89
Distribution and selling expenses	8,212,936,504.81	7,737,205,528.07
General and administrative expenses	366,208,400.81	221,857,572.82
Research and development expenses	1,112,654,352.49	820,387,890.10
Financial expenses	-23,004,271.22	-14,903,861.33
Including: Interest expense	41,162,339.42	30,290,824.34
Interest income	73,943,032.87	39,394,594.02
Add: Other income	162,027,080.81	142,919,413.02
Investment income ("-" for loss)	155,254,765.65	110,613,243.43

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Including: Share of profits and losses of joint ventures and associates	28,694,143.21	17,449,465.62
Gain on derecognition of financial assets measured at amortised cost (“-” for loss)		
Gain on exchange (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	195,629,632.38	-147,537,348.28
Impairment loss on credit (“-” for loss)	4,606,858.28	-16,154,241.90
Impairment loss on assets (“-” for loss)	-192,660,311.72	-58,236,369.22
Gain on disposal of assets (“-” for loss)	304,974.69	52,478.74
3. Operating profit (“-” for loss)	3,255,950,770.34	2,672,120,593.60
Add: Non-operating income	4,066,295.96	28,172,549.91
Less: Non-operating expenses	11,044,793.90	4,160,245.84
4. Profit before income tax expenses (“-” for loss)	3,248,972,272.40	2,696,132,897.67
Less: Income tax expenses	213,140,950.93	279,292,071.10
5. Net profit (“-” for net loss)	3,035,831,321.47	2,416,840,826.57
5.1 Classified by continuity of operations		
5.1.1 Net profit from continuing operations (“-” for net loss)	3,035,831,321.47	2,416,840,826.57
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	2,760,951,475.22	2,114,770,061.55
5.2.2 Net profit attributable to non-controlling interests	274,879,846.25	302,070,765.02
6. Other comprehensive income, net of tax	-54,736,001.82	-116,876,057.95
Other comprehensive income attributable to shareholders of the Company, net of tax	-54,491,772.24	-116,876,057.95
6.1 Other comprehensive income that will not be reclassified subsequently to profit or loss	-7,240,888.31	-124,125,051.09
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		

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profit or loss		
6.1.3 Changes in fair value of other equity investments	-7,240,888.31	-124,125,051.09
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	-47,250,883.93	7,248,993.14
6.2.1 Share of the other comprehensive income of the investee accounted for using equity method that will be reclassified subsequently to profit or loss		
6.2.2 Changes in fair value of other equity investments		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Allowance for credit impairments in other debt investments		
6.2.5 Cash flow hedge reserve		
6.2.6 Exchange differences on translation of foreign currency financial statements	-47,250,883.93	7,248,993.14
6.2.7 Others		
Other comprehensive income attributable to non-controlling interests, net of tax	-244,229.58	
7. Total comprehensive income	2,981,095,319.65	2,299,964,768.62
Total comprehensive income attributable to shareholders of the Company	2,706,459,702.98	1,997,894,003.60
Total comprehensive income attributable to non-controlling interests	274,635,616.67	302,070,765.02
8. Earnings per share:		
8.1 Basic earnings per share	1.31	1.00
8.2 Diluted earnings per share	1.31	1.00

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB0.00, with the amount for the same period of last year being RMB0.00.

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

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4. Income Statement of the Company

Unit: RMB

Item	2020	2019
1. Operating revenue	0.00	0.00
Less: Cost of sales	0.00	0.00
Taxes and surcharges	1,469,257.30	16,042.93
Distribution and selling expenses		
General and administrative expenses	6,412,086.86	4,280,010.22
Research and development expenses		
Financial expenses	785,537.00	5,392,421.29
Including: Interest expense		8,467,829.41
Interest income	3,662.65	3,455,028.92
Add: Other income	1,636,316.93	283,232.60
Investments income ("-" for loss)	1,055,329,436.91	1,788,780,950.61
Including: Share of profits and losses of joint ventures and associates	-530,563.09	-1,206,425.37
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)	-2,665,863.25	-83,290,514.32
Impairment loss on credit ("-" for loss)	38,468.66	-21,106.96
Impairment loss on assets ("-" for loss)	-25,856,711.23	
Gain on disposal of assets ("-" for loss)		
2. Operating profit ("-" for loss)	1,019,814,766.86	1,696,064,087.49
Add: Non-operating income	0.63	1.23
Less: Non-operating expenses		27,122.89
3. Profit before income tax expenses ("-" for loss)	1,019,814,767.49	1,696,036,965.83
Less: Income tax expenses		8,090.43
4. Net profit ("-" for net loss)	1,019,814,767.49	1,696,028,875.40
4.1 Net profit from continuing operations ("-" for net loss)	1,019,814,767.49	1,696,028,875.40
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	-7,240,888.31	-52,759,111.69

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

5.1 Other comprehensive income that will not be reclassified subsequently to profit or loss	-7,240,888.31	-52,759,111.69
5.1.1 Changes caused by remeasurement of defined benefit pension schemes		
5.1.2 Share of the other comprehensive income of the investee accounted for using equity method that will not be reclassified subsequently to profit or loss		
5.1.3 Changes in fair value of other equity investments	-7,240,888.31	-52,759,111.69
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	1,012,573,879.18	1,643,269,763.71
7. Earnings per share:		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2020	2019
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Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	15,289,245,739.20	14,068,189,011.86
Net increase in customer deposits and interbank deposits		
Net increase in loans from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in loans from other banks		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Refunds of taxes and levies	32,303,345.84	26,015,107.54
Cash received relating to other operating activities	212,474,405.30	154,989,371.67
Sub-total of cash inflows from operating activities	15,534,023,490.34	14,249,193,491.07
Cash paid for purchases of goods and services	2,189,923,584.52	1,328,911,154.26
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	1,097,401,697.48	787,695,313.13
Payments of taxes and levies	398,994,011.54	465,494,751.86
Cash paid relating to other operating activities	8,919,766,892.15	8,409,528,273.88
Sub-total of cash outflows used in operating activities	12,606,086,185.69	10,991,629,493.13
Net cash flows from operating activities	2,927,937,304.65	3,257,563,997.94
2. Cash flows from investing activities:		

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

Cash received from disposal of investments	244,768,186.69	303,655,590.08
Cash received from investment income	83,046,513.56	50,156,723.48
Cash received from disposal of fixed assets, intangible assets and other long-term assets	1,093,427.90	2,521,781.70
Net cash received from disposal of subsidiaries and other business units		433,449,673.50
Cash received relating to other investing activities	6,664,127,406.43	3,794,473,058.74
Sub-total of cash inflows from investing activities	6,993,035,534.58	4,584,256,827.50
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,071,675,513.91	368,224,763.40
Cash paid to acquire investments	396,190,603.30	176,674,288.59
Net increase in pledged loans granted		
Net cash paid for the acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	6,134,819,564.44	5,082,785,477.28
Sub-total of cash outflows used in investing activities	7,602,685,681.65	5,627,684,529.27
Net cash flows from/used in investing activities	-609,650,147.07	-1,043,427,701.77
3. Cash flows from financing activities:		
Cash received from capital contributions		
Including: Cash received from capital contributions by non-controlling interests of subsidiaries		
Cash received from borrowings	889,324,326.07	
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	889,324,326.07	
Cash repayments of borrowings	281,176,106.33	398,599,165.73
Cash paid for interest and dividends	1,508,520,111.64	881,549,667.88
Including: Dividends paid by subsidiaries to non-controlling interests	200,000,000.00	222,000,000.00
Cash paid relating to other financing activities	1,727,977,276.44	322,052,789.00
Sub-total of cash outflows used in financing activities	3,517,673,494.41	1,602,201,622.61
Net cash flows from/used in financing activities	-2,628,349,168.34	-1,602,201,622.61
4. Effect of foreign exchange rate changes on cash and cash equivalents	-51,116,887.46	7,585,388.42
5. Net increase/decrease in cash and cash equivalents	-361,178,898.22	619,520,061.98
Add: Cash and cash equivalents at beginning of	2,135,260,406.77	1,515,740,344.79

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

the period		
6. Cash and cash equivalents at end of the period	1,774,081,508.55	2,135,260,406.77

6. Cash Flow Statement of the Company

Unit: RMB

Item	2020	2019
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services		
Refunds of taxes and levies		
Cash received relating to other operating activities	3,035,884,451.81	2,116,744,879.36
Sub-total of cash inflows from operating activities	3,035,884,451.81	2,116,744,879.36
Cash paid for purchases of goods and services		
Cash paid to and on behalf of employees	734,366.23	1,257,732.96
Payments of taxes and levies	41,881.80	772,741.11
Cash paid relating to other operating activities	1,112,962,155.21	2,501,237,728.82
Sub-total of cash outflows used in operating activities	1,113,738,403.24	2,503,268,202.89
Net cash flows from/used in operating activities	1,922,146,048.57	-386,523,323.53
2. Cash flows from investing activities:		
Cash received from disposal of investments		4,986,985.98
Cash received from investment income	1,055,860,000.00	1,290,000,000.00
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		404,709,910.00
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities	1,055,860,000.00	1,699,696,895.98
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	1,710,720,000.00	8,000,000.00
Net cash paid for the acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	426,330.01	
Sub-total of cash outflows used in investing activities	1,711,146,330.01	8,000,000.00
Net cash flows from/used in investing activities	-655,286,330.01	1,691,696,895.98

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3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received from borrowings		
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities		
Cash repayments of borrowings		369,000,000.00
Cash paid for interest and dividends	1,267,351,018.20	637,726,672.95
Cash paid relating to other financing activities		302,007,312.87
Sub-total of cash outflows used in financing activities	1,267,351,018.20	1,308,733,985.82
Net cash flows from/used in financing activities	-1,267,351,018.20	-1,308,733,985.82
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase/decrease in cash and cash equivalents	-491,299.64	-3,560,413.37
Add: Cash and cash equivalents at beginning of the period	765,545.81	4,325,959.18
6. Cash and cash equivalents at end of the period	274,246.17	765,545.81

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7. Consolidated Statement of Changes in Shareholders' Equity

2020

Unit: RMB

Item	2020														Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company															
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total			
	Preferred shares	Perpetual bonds	Others													
1. Balance as at the end of prior year	2,112,251,697.00				73,153,800.49		-94,582,500.13		227,390,965.90		4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53	
Add: Adjustments for changed accounting policies																
Adjustments for corrections of previous errors																

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Adjustments for business combinations under common control															
Others															
2. Balance as at beginning of year	2,112,251,697.00				73,153,800.49		-94,582,500.13		227,390,965.90		4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53
3. Increase/decrease in the period (“-” for decrease)					41,539,719.42		-54,491,772.24		-227,390,965.90		-751,581,214.41		-991,924,233.13	-236,332,666.67	-1,228,256,899.80
3.1 Total comprehensive income							-54,491,772.24				2,760,951,475.22		2,706,459,702.98	274,635,616.67	2,981,095,319.65
3.2 Capital contribution and withdrawal by shareholders					131,668,677.79								131,668,677.79	-310,968,283.34	-179,299,605.55
3.2.1 Common shares contribution and withdrawal by shareholders					-90,239,353.06								-90,239,353.06	-317,165,286.05	-317,165,286.05
3.2.2 Capital															

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contribution and withdrawal by holders of other equity instruments															
3.2.3 Share-based payments included in shareholders' equity					131,668,677.79							131,668,677.79	6,197,002.71	137,865,680.50	
3.2.4 Others															
3.3 Profit distribution								101,981,476.75		-1,369,332,494.95		-1,267,351,018.20	-200,000,000.00	-1,467,351,018.20	
3.3.1 Appropriation to surplus reserves								101,981,476.75		-101,981,476.75					
3.3.2 Appropriation to general risk reserves															
3.3.3 Distribution to shareholders										-1,267,351,018.20		-1,267,351,018.20	-200,000,000.00	-1,467,351,018.20	
3.3.4 Others															
3.4 Internal transfers within shareholders' equity															
3.4.1 Capital reserves															

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

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s for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Others															
2. Balance as at beginning of year	2,124,870,253.00				298,739,967.21		22,293,557.82		170,477,835.88		3,396,744,063.01		6,013,125,676.92	141,026,934.06	6,154,152,610.98
3. Increase/decrease in the period	-12,618,556.00				-225,586,166.72		-116,876,057.95		56,913,130.02		1,314,349,832.81		1,016,182,182.16	123,373,810.39	1,139,555,992.55

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("-" for decrease)																
3.1 Total comprehensive income							-116,876,057.95					2,114,770,061.55		1,997,894,003.60	302,070,765.02	2,299,964,768.62
3.2 Capital contribution and withdrawal by shareholders	-12,618,556.00						-36,550,975.72							-351,176,843.59	43,303,045.37	-307,873,798.22
3.2.1 Common shares contribution and withdrawal by shareholders	-12,618,556.00						-106,500,613.64							-119,119,169.64	40,142,095.23	-78,977,074.41
3.2.2 Capital contribution and withdrawal by holders																

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of other equity instruments															
3.2.3 Share-based payments included in shareholders' equity					69,949,637.92							69,949,637.92	3,160,950.14	73,110,588.06	
3.2.4 Others					302,007,311.87							-302,007,311.87		-302,007,311.87	
3.3 Profit distribution								169,602,887.54		-798,808,889.24		-629,206,001.70	-222,000,000.00	-851,206,001.70	
3.3.1 Appropriation to surplus reserves								169,602,887.54		-169,602,887.54					
3.3.2 Appropriation to general risk reserves										-629,206,001.70		-629,206,001.70	-222,000,000.00	-851,206,001.70	
3.3.3										-629,206,001.70		-629,206,001.70	-222,000,000.00	-851,206,001.70	

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Distribution to shareholders															
3.3.4 Others															
3.4 Internal transfers within shareholders' equity					-189,317,554.35	-302,007,311.87				-112,689,757.52				-1,611,339.50	-1,611,339.50
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															

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for making up losses															
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings															
3.4.5 Other comprehensive income transferred into retained earnings											-1,611,339.50		-1,611,339.50		-1,611,339.50
3.4.6 Others					-189,317,554.35	-302,007,311.87					-112,689,757.52				
3.5 Special reserves															
3.5.1 Increase in															

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the period															
3.5.2 Used in the period															
3.6 Others					282,363.35							282,363.35			282,363.35
4. Balance as at the end of the period	2,112,251,697.00				73,153,800.49		-94,582,500.13		227,390,965.90		4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53

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

2020

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others								
1. Balance as at the end of prior year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
Add: Adjustments for changed accounting												

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policies												
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
3. Increase/ decrease in the period (“-” for decrease)					137,865,680.50		-7,240,888.31		101,981,476.75	-349,517,727.46		-116,911,458.52
3.1 Total comprehensive income							-7,240,888.31			1,019,814,767.49		1,012,573,879.18
3.2 Capital contribution and withdrawal by shareholders					137,865,680.50							137,865,680.50
3.2.1 Common shares contribution and withdrawal by shareholders												
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders’ equity					137,865,680.50							137,865,680.50

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

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

2019

Unit: RMB

Item	2019											
	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	2,124,870,253.00				3,952,461,239.82				170,477,835.88	612,706,036.45		6,860,515,365.15
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												

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

Others												
2. Balance as at beginning of year	2,124,870,253.00				3,952,461,239.82				170,477,835.88	612,706,036.45		6,860,515,365.15
3. Increase/ decrease in the period (“-” for decrease)	-12,618,556.00				-330,397,337.45			-52,759,111.69	169,602,887.54	897,219,986.16		671,047,868.56
3.1 Total comprehensive income								-52,759,111.69		1,696,028,875.40		1,643,269,763.71
3.2 Capital contribution and withdrawal by shareholders	-12,618,556.00				-28,390,025.58	302,007,311.87						-343,015,893.45
3.2.1 Common shares contribution and withdrawal by shareholders	-12,618,556.00				-106,500,613.64							-119,119,169.64
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders’ equity					73,110,588.06							73,110,588.06
3.2.4 Others					5,000,000.00	302,007,311.87						-297,007,311.87
3.3 Profit distribution									169,602,887.54	-798,808,889.24		-629,206,001.70
3.3.1 Appropriation to surplus reserves									169,602,887.54	-169,602,887.54		

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3.5.2 Used in the period												
3.6 Others												
4. Balance as at the end of the period	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71

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