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

Corporate Social Responsibility Report 2019

(Public Edition)

March 2020
About this report

This is the fourth social responsibility report of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd (37 Interactive Entertainment).

The annual social responsibility report is released along with the annual financial report of the listed company.

The report is divided into two sub-reports: the Social Responsibility sub-Report (Public Edition) and Sustainability Performance sub-Report. The two sub-reports evaluate the company’s performance on the social responsibility and development: enabling greater stakeholder inclusivity, transparency with accurate reporting, comparability, clarity and reliability.

Foundation

This report is in accordance with:

- the GRI Standards: Core Option (GRI Standards 2016)
- ISO 26000-2010: Guidance on social Responsibility
- GB/T 36000-2015: Guidance on social Responsibility
- GB/T 360002-2015: Guidance on Social Responsibility Performance
- CACC-CSR 3.0

Scope

Changes

Compared to the report of last year’s, this year’s report has two sub-reports: the public version and the sustainability performance version. The sustainability performance version is in accordance with the GRI Standards: Core Option while last year’s report only referenced the GRI Standards.

The report explains the company’s detailed contributions to the indicators’ level of SGDs while last year’s report only summarized contributions to the goals level.

The report has more specific material issues and published more quantitative data.

The report illustrates the company’s contribution to Youth network protection, social functions of network gaming in two separate chapters, sets up baseline year for the company’s emissions of CO₂ and adds a chapter to show key performances.

The report first gives the company’s sustainable goals for 2025.

References and Accountability

The information on economic performance is based on the annual report of listed company. Other data comes from the audited statistical data of relevant departments. The board of directors guarantees the authenticity, transparency and accuracy of the report.

Note

Wuhu 37 Interactive Entertainment Network Technology Co., Ltd. will use "37 Interactive Entertainment", "the company" as reference in the following text.

For more information on social responsibility, please contact: csr@37.com.
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Remarks by CEO

The COVID-19 pandemic struck us unexpectedly and displayed the best of humanity. Medical workers worked tirelessly to fight the pandemic on the front lines. Numerous citizens purchased and donated supplies. Countless enterprises made donations in funds, supplies, and medical equipment. Each one of us did our part in helping those in need.

That's exactly what we did here at 37 Interactive Entertainment. During the Covid-19 pandemic period, we donated more than ¥10,000,000 RMB worth of supplies and funds to help win the battle against the Covid-19 pandemic. At the beginning of pandemic, we at once donated the protective masks and ¥6 Million RMB to combat outbreaks. As the epidemic developed, medical safety apparel and infrared thermometers were also sent. We promoted charity events on our platforms, where the public could donate online. Our R&D team produced mobile content to promote precautionary measures against the Covid-19 pandemic. The company also took a variety of measures to guarantee the health and safety of our own employees, such as working from home and returning-to-work safety protocols.

We've experienced the worst of COVID-19 and look to the relief of this epidemic. We pray for the families affected by COVID-19 and will continue to make strides in combating the pandemic.

An Chinese ancient saying said: "When Heaven invests a person with great responsibilities, it first exercises his mind with suffering. His sinews and bones with toil..." This applies to a nation as well.

I have faith in our people, our community and our country. We will reaffirm our ties together and make the world a better place.

We at 37 Interactive Entertainment are united in our resolve to work together towards a brighter future.

Li Weiwei
Chairperson and CEO of 37 Interactive Entertainment
The company’s battles against COVID-19 pandemic

In 2020, the sudden outbreak and spread of COVID-19 caused grave concern worldwide. At this critical moment, it is even more important for companies to show corporate responsibility and good corporate citizenship. 37 Interactive Entertainment has been an active respondent to the pandemic. The company made substantial donations in funds, supplies, and medical equipment. The company also assisted in broadcasting information regarding COVID-19, raised awareness about the epidemic, and provided comprehensive employee health and safety protocols to help anti-epidemic work to be carried out in an orderly and efficient manner. During the Covid-19 pandemic, the company and its staffs have all together donated more than 10 million Yuan.

1. Efficient Donation

1) Timely Response and Generous Donation

Medical staff and health-care workers are the first line of defense in the battle against epidemics and viral diseases. At the onset of the COVID-19 outbreak, 37 Interactive Entertainment donated ¥200,000 RMB worth of protective masks to the Wuhan Red Cross Organization, the Southern Medical University Nanfang Hospital team sent to Wuhan and the Guangzhou Traffic Police Department.

2) ¥6 Million RMB donation to medical institutions

Medical institutions and organizations are the key to battling the COVID-19 pandemic. In order to fight the coronavirus epidemic and support affected areas, 37 Interactive Entertainment has donated ¥6 Million RMB in funds, supplies, and medical equipment to many medical and health organizations.

Since the beginning of the outbreak, the company has closely monitored the progress of the coronavirus. After learning the First Affiliated Hospital of Sun Yat-sen University was asking for emergency assistance for its front-line medical team in Wuhan, 37 Interactive Entertainment quickly acted and donated ¥5 Million RMB.

¥1 million RMB was donated to the Guangzhou Charity Association, which delivered the funds to Hubei Charity General Association and other charitable organizations in the affected region to support medical staff on the front lines of the coronavirus outbreak.
The company is working together with professional institutions to fight against the epidemic to ensure professionalism, effectiveness and sustainability of anti-epidemic actions.

3) Constant attention and timely help

In order to safeguard the local community, 37 Interactive Entertainment also donated 980 sets of medical safety apparel (worth ¥268,000 RMB) to the First Affiliated Hospital of Sun Yat-sen University.

In addition, 100 infrared thermometers were donated to the Haizhu Charity Association of Guangzhou. 1000 protective face masks were donated to Wuhu Jiujiang district government. More than ¥3.3 Million RMB from company executives is donated to battle the coronavirus as well. The company also encouraged communist party members and active applicants made ¥61,998 RMB donations.

4) Generous Donation to One Foundation

From March 7 to 16, the company carried out charity event on 37 GAMES website platform. During the event, the equivalent amount of the consumption in the company’s network games, more than ¥200,000 RMB, was donated to emergency rescue of Hubei One Foundation Project, for frontline medical staff and family support.

2. Apply Advanced Techniques to Online Pandemic Prevention Platform

1) Setting Up An H5 site to Promote Effective Protection

The party committee of 37 Interactive Entertainment quickly created an informative mobile website for COVID-19 Prevention. The mobile website was released by the company and the Guangdong Association of Cyber Culture in order to make crucial information about COVID-19 more readily accessible to the public.

On March 9, under the guidance of Guangzhou Civilization Office, a mobile game is launched by the company and Guangzhou Daily. The game aims to lead the players to prevent the coronavirus in family scenes with the tips from Guangdong Center for Disease Control’s experts.

2) Unveil Big Data for COVID-19 Prevention

In order to help the prevention and control of the outbreak, and help locate infected cases, 37 Interactive Entertainment and online travel agency Qunar.com jointly launched a mobile website with travel query functions. Users can enter the information of their flight/train/transportation to learn whether there were confirmed infected persons on the same itinerary.

The information website can be connected from 37.com and 37.com.cn, so that users who came in contact
with people with COVID-19 to take precautionary measures.

3) Free Online Programming Course for Children

37 Interactive Entertainment collaborated with Miaocode to provide free online programming courses for elementary and middle school students who are staying at home due to school closures. This allows the majority of students to use study hours effectively and assists parents who are unsure of how to utilize their children’s free time.

4) TV Program for Anti-Epidemic Knowledge Popularization

37 Interactive Entertainment and Shanghai Education TV Station jointly make a program for prevent the coronavirus, lasting 10 issues. The program invites experts in various fields to conduct comprehensive and multidimensional science and anti-epidemic knowledge.

3. Safeguard the Health and Safety of Employees

In order to effectively protect the health of its employees, the company freely distributed masks and other epidemic prevention materials to all employees. The company also followed up on employees’ health conditions and whereabouts during the holiday. In addition, holidays were extended and employees were encouraged to work from home.

As employees worked from home, the company launched a special health benefit program: the yoga app Wake (one of the company’s investment) will provide a VIP service worth ¥1,298 RMB for all employees, valid for 1 year. Staff can now utilize sports training and strengthen their immunity system in the comfort of their home.

For returning employees, in addition to the distribution of protective masks and hand sanitizer, elevators and office premises are disinfected and sterilized daily in order to create a safe and clean office environment for employees. The company also produced a manual for Prevention and Control of COVID-19 to every employee for everyone to understand, learn, and fulfill their personal protection responsibilities.

In addition, the company also purchased temperature detection equipment worth ¥200,000 RMB to monitor returning employees.
Experts’ Comments

Established on Sep.12, 2016, Think-Tank of China Corporate Social Responsibility (TTCCSR) is the most influential national unincorporated organization regarding the social responsibility of Chinese corporations. Its mission is to build an intellectual platform for corporate social responsibility, consolidate ideological wisdom, improve research capabilities, spread corporate citizenship concepts, promote corporate social responsibility, and provide services for sustainable economic and social development.

At a time when the whole country is fighting against the new crown epidemic and actively resuming production and resuming production, the highly-regarded 2019 Annual Social Responsibility Report of 37 Interactive Entertainment is released as scheduled.

This report clearly and comprehensively sorts out key themes such as strengthening responsibility management, poverty alleviation, talent development strategies, guarding youth growth, protecting user privacy, saving energy, creating a better life, and building a long-term foundation.

On this basis, in the face of the epidemic to help fight, through the first donation of the company participated in donations to support the front line, public protection education, and protect the health and safety of employees, highlighting the outstanding corporate citizenship of high quality and responsibility.

This report has four characteristics:

1. International benchmarking reflecting goals of responsibilities. By benchmarking the UN Sustainable Development Goals (SDGs), the report is guaranteed to be professional, contemporary and complete.

2. The topics accurately showed actions for fulfilling responsibilities. The report fully and meticulously illustrated the company’s iconic activities and its ability and actions to respond to emergencies.

3. Layout innovation to reproduce content for fulfilling responsibilities. It highlights the core practices in fulfilling responsibility, with distinctive features, pictures and texts, and vivid cases.

4. The data is visualized and the performance of fulfilling responsibilities is demonstrated. The report visually displays the company's performance, objective and comprehensive, rigorous and detailed.

This report fully discloses the company’s social responsibility work in 2019 with new ideas and new horizons. It does so in promoting sustainable development, creating greater value for stakeholders, and achieving
comprehensive and harmonious development of the economy, society, and environment.

ZHANG Shaoping
Secretary General of TTCCSR
Vice Chairman and Secretary General of China Association of Social Workers

This report is a good presentation of the company’s CSR concepts and practices.

The report is fluent and readable. The overall writing logic is clear, that is, by identifying the stakeholders and substantive issues in the company’s value chain, gradually revealing the company’s CSR concept and practice, and elaborating the progress of integrating responsibility into all aspects of corporate operations.

What is particularly commendable is that the report closely follows the current social development situation and the Covid-19 pandemic prevention, and explains how 37 Interactive Entertainment actively carried out actions to actively participate in the social welfare activities to fight against the new crown epidemic.

In this report, we have seen 37 Interactive Entertainment’s utmost efforts to commit to sustainable development everywhere, doing its best to maximize the positive impact of corporate decisions and activities on society and the environment and minimize the negative impact.

In addition, I think an excellent CSR report should not only show the company's progress in sustainable development, but also an excellent communication tool for stakeholders. In the report, 37 Interactive Entertainment focuses on disclosing the voices of employees, which is an important performance of the company's emphasis on communication with employees.

Of course, I also hope that in future reports, the company will have more initiatives to communicate with external stakeholders. This can not only improve the credibility of the report, but also have a positive effect on promoting the spread of Chinese corporate social responsibility.

I hope that 37 Interactive Entertainment will become a leader and advocate for the sustainable development of China's economy, society and environment in the future.

CHEN Yuanqiao
Researcher of China National Institute of Standardization
Secretary General of ISO Social Responsibility Task Force
Executive Summary

2019 was a constructive year for 37 Interactive Entertainment in the area of social responsibility management.

As for charity and philanthropy, 37 Interactive Entertainment has always been willing to give back to society. The company has donated over ¥30 million RMB to carry out education and poverty alleviation work in remote areas.

The Youxin Foundation carried out many public welfare projects covering 9 provinces/regions, 37 poverty-stricken counties/districts (23 of which are nationally identified underdeveloped counties), and 48 high schools in support education in impoverished areas.

The Youxin Scholarship Program has provided financial aid to 1,693 high school students, 487 has successfully finished high school education and entered into colleges, 40% of whom have been admitted by universities. The Scholarship Program for Girls from Ethnic Minorities has sponsored 98 female high school students in Liangshanzhou, Sichuan and Linxizhou, Gansu, both of which are deeply impoverished areas. The Free Reading Program has benefited 60,000 students via 600 open class book corners. The Online Programming Course for Youths is designed to provide high quality online courses for the students in underdeveloped regions. Further, in impoverished areas, the company has built street lamps and purchased agricultural products to diminish poverty and enrich the community.

In terms of human capital development, the company brings in talents from multiple channels, including cooperating with more than 10 universities. At the same time, the company emphasizes the core corporate culture of dedication, of treating staff equally and promoting a corporate culture of "Passion, Devotion, Friendship and Love". Employees can give feedback through anonymous forums. 37 Interactive Entertainment strives to enhance effective communication with its employees and provides them with on-the-job training, mentor support, education advancement programs, and professional qualification advancement programs to build a culture of self-improvement in the company.

The company's investment in employees' salaries, benefits, and training has increased year by year. Compared with the previous year, the company investment in employee welfare benefits have increased by
more than 50%, and investments in employee training programs have nearly doubled. Employee Engagement has reached 79.4%, surpassed 81.3% internet companies, 4.4% up compared with 2018.

In terms of **online protection for youths**, the company comprehensively restricts game time and game consumption amount for youths, and has issued a special "Privacy Policy (for minors)" to effectively protect the privacy of minors. The company further strengthened the parental supervision functions, assisted parents to curb addictive tendencies of young users among all products. The company also participated in the drafting of the "Video Game Age Ratings Proposal" initiated by People's Daily Online.

In terms of data security and user privacy protection, 37 Interactive Entertainment has established an Information Security Management system based on ISO27001 standard to protect user privacy. The system applied techniques such as data encryption, privacy-enhancing technologies to secure user data. To date, the company has zero data breach security incident.

In terms of **network security**, the company's various businesses are fully IPv6-supported and actively promote its vendors to upgrade to IPV6. The company's products are guided by the core values of socialism to ensure healthy online culture and provide positive products to the public. The company has also established connections with the Network Security Department to ensure that it has sufficient power to respond to network security emergencies. At present, the company has completed its internet big data security evaluation and information security protection evaluation, and further strengthened the comprehensive management capability of its network security management.

The company henceforth has taken multiple measures to promote **energy conservation and reduction of carbon emission**. The annual electricity consumption in 2019 was 3,239,688.00 kWh, down 5.3% from the year before. Energy efficiency has been improved by 83.03%. The annual water consumption was 260,070.08 tons, an increase of 14.38% over 2018, but decreased by 34.11% based on the water consumption intensity.

The company’s Greenhouse Gas (GHG) emission is mainly reflected in the operation of electricity from the burning of fossil fuels (indirect GHG emissions to the company). In order to clarify the emission reduction benchmarks, the company invited the prestigious certification organization SGS to jointly carry out the scientific accounting of GHG emissions. According to calculations, the company’s total Greenhouse Gas emissions in 2019 was equivalent to 2830.51 tons of carbon dioxide equivalent (tCO₂e), including direct emissions of 129.15 tCO₂e, indirect emissions of 2701.36 tCO₂e. Carbon emission intensity was 0.214t CO₂e per million yuan revenue, or 1.490t CO₂e per million US dollar revenue (calculated at the exchange rate of...
6.954 RMB to the US dollar). It will strive to achieve Carbon Neutrality by 2025 through energy-saving management, Carbon market trading and the use of renewable energy.

The company also actively promotes social responsibility in its all products. The company carries out charity marketing activities in self-developed games. For example, mobile mini games, "Accurate Waste Classification" and "Cellular Warfare", contain knowledge about garbage classification and disease prevention. The company also added elements of traditional Chinese culture and intangible cultural heritage in self-developed games and released mobile mini-program, Metro One-Day Tour of Policemen, as a travel guide.

The company is committed to continuously improve its corporate governance structure. The Three-Tier system, the Board of Directors, the Board of Supervisors and Shareholders’ Meeting, plays a vital role in decision making and improves corporate governance. The company will continue to improve its operating mechanism and enhance communication with investors to guarantee investors' right to be informed.

In terms of combating fraud, the company has strengthened its management systems and procedures by establishing an anonymous reporting system to protect whistleblowers, investigating internal corruption and fraud cases. Furthermore, 37 Interactive Entertainment encourages and rewards honest employees by building a culture of integrity and has established responsible procurement regulations to promote social responsibility among its vendors. As a member of the Enterprise Anti-Fraud Alliance and the Trust and Integrity Enterprise Alliance, the company is committed to resource and information sharing.

Regarding the protection of intellectual property rights, the company has zero tolerance for infringement. It has proactively initiated many cases of IP infringement and unfair competition.
Contributions to UN SDGs

The 2015 United Nations Summit released the 2030 Agenda for Sustainable Development, establishing 17 sustainable development goals and calling on all countries to work together to eliminate all forms of poverty, achieve equality and address climate change by 2030. The agenda also encourages companies to participate and developed guidelines for companies to follow.

37 Interactive Entertainment has taken the UN Sustainable Development Goals as the guideline for its work and striving towards to the realization of these goals.

<table>
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<tr>
<th>Sustainable Development Goals (SDGs)</th>
<th>37 Interactive Entertainment's contributions</th>
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<tbody>
<tr>
<td>Goal 1: End poverty in all its forms everywhere</td>
<td>1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day. In recent years, the company has made a total of ¥30 million RMB in donations to support public welfare undertakings such as education poverty alleviation, community assistance, and emergency response to major social disasters. The company has improved education on 48 high school in 37 counties/districts in 9 provinces, including 23 counties were designated as national poverty-stricken counties/districts.</td>
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<tr>
<td>1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. All employees have signed a contract of employment and are hence protected by the Insurance and Housing Fund. The company also provides supplementary insurance, including critical illness insurance, traffic accident insurance, outpatient inpatient compensation, hospitalization allowance and other protections. The company contributes ¥1 million RMB per year to a charity fund to support employees and their families in need.</td>
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<td>Goal 3: Ensure healthy lives and promote well-being for all at all ages</td>
<td>3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being The company encourages staff to live a healthy and happy life. Apart from providing free health examination, the company spent ¥300,000 RMB throughout the year to support various club activities such as running club, soccer club, basketball club that included 6,792 active attendances.</td>
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<tr>
<td>Goal 4: Ensure inclusive and equitable quality</td>
<td>4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading The company was promoting education on 48 high school of 37 counties/districts in 9 provinces, including 23 counties were designated as national poverty-stricken counties/districts.</td>
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<td>Goal 5: Achieve gender equality and empower all women and girls</td>
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<td>---------------------------------------------------------------</td>
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<tr>
<td>5.1: End all forms of discrimination against all women and girls everywhere</td>
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<tr>
<td>5.6: Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences</td>
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<tr>
<th>Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</th>
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<td>8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</td>
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<tr>
<td>8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</td>
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<th>Goal 10: Reduce inequality</th>
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<tr>
<td>10.2: By 2030, empower and promote the social, economic</td>
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<tr>
<th>4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</th>
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<tbody>
<tr>
<td>More than 60,000 teachers and students in underdeveloped regions have benefited from &quot;Youxin Scholarship Program&quot;, &quot;Call of Intelligence&quot;, Online Programming Course for Youth, Free Reading Program, Career Planning Seminar and other education projects.</td>
</tr>
<tr>
<td>The company has supported 98 female students of ethnic minority in 2019 via Funding Plan for Ethnic Minority Girls.</td>
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<tr>
<td>Emphasizing the girls' rights to education, the ratio of men and women receiving scholarships is 1:1.81.</td>
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<tr>
<th>5.1: End all forms of discrimination against all women and girls everywhere</th>
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<tr>
<td>Scholarships are granted to more female students than males. The ratio for scholarships is 181 females per 100 males.</td>
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<th>All employees are entitled to parental leave. In 2019, 192 employees took parental leave. The return rate and retention rate after the end of leave were both 100%.</th>
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<td>The company has set up a nursing room in workplace.</td>
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<th>8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</th>
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<tbody>
<tr>
<td>The company's revenue in 2019 reached ¥13.23 billion RMB: expanding the scale of assets, stabilizing employment, and providing more employment opportunities.</td>
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</table>

<table>
<thead>
<tr>
<th>8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company upholds to the principles of fairness and ethics. 37 Interactive Entertainment does not discriminate against employees due to gender, nationality, ethnicity, race, language, skin color, religion, educational background, physical and mental conditions, and marital status. The company guarantees equal opportunities for every employee and equal pay for equal work.</td>
</tr>
<tr>
<td>As of the end of 2019, the company has 2,818 employees, among whom 943 are females (33.46%), 16 are disabled, and 102 are ethnic minorities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10.2: By 2030, empower and promote the social, economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company upholds to the principles of fairness and ethics, encouraging employees to obtain</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.5: Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations</td>
</tr>
<tr>
<td>11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</td>
</tr>
<tr>
<td>11.4: Strengthen efforts to protect and safeguard the world’s cultural and natural heritage</td>
</tr>
<tr>
<td>11.5: By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations</td>
</tr>
<tr>
<td>within and among countries and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</td>
</tr>
<tr>
<td>promotion on a competitive basis. As of 2019, a total of 16 people with disabilities and 102 ethnic minority employees are employed. The company has established a leadership support system for female employees in the workplace. The proportion of female employees with supervisory or above positions was 27.16%.</td>
</tr>
<tr>
<td>In 2019, The company held 8 shareholders’ meetings, 13 meetings of the board of directors, and 10 meetings of the board of supervisors. The offline performance exchange meeting and the 2018 annual report briefing were also held. Internal and external auditors were hired to carry out audits to protect investors’ rights and interests, and to provide a comprehensive disclosure of information.</td>
</tr>
<tr>
<td>The company donated 120 solar street lamps to Jinzhong Town in Gansu Province, which promoted infrastructure construction in poor areas, helped poor areas solve a major problem for the livelihood of the local people, helped alleviate poverty, and stimulated rural revitalization.</td>
</tr>
<tr>
<td>The company cooperated with Guangzhou Intangible Cultural Heritage Center jointly promoted traditional Chinese culture and intangible cultural heritage in self-developed games and mobile mini-programs. The company is dedicated in promoting the development of games with &quot;the essence of Chinese culture&quot;, such as adding elements of the Dragon boat festival and the Mid-autumn festival in self-developed games.</td>
</tr>
<tr>
<td>The company has donated ¥10 million RMB in funds and supplies to support medical professionals one the front lines. The company developed a mobile website page with travel query function and pandemic prevention knowledge.</td>
</tr>
<tr>
<td>Goal 12: Ensure sustainable consumption and production patterns</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Goal 13: Take urgent action to combat climate change and its impacts</td>
</tr>
<tr>
<td>Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</td>
</tr>
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<td></td>
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</tbody>
</table>

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Introduction of 37 Interactive Entertainment

37 Interactive Entertainment, as one of the top 100 Chinese internet companies, completed its initial public offering (Stock code: 002555) and quickly rose to the top of China’s stock market. With its outstanding performance, the company was included "CSI 300 Index", "MSCI Index" and "New China Nifty 50" from Goldman Sachs.

The company established its headquarter in Guangzhou and has branches in Beijing, Shanghai, Anhui, Hubei, Hainan, Jiangsu, Sichuan, Hong Kong, Europe, North America, Japan, South Korea, and Southeast Asia.

The company’s business sectors cover games, online education, film and television, music production, artist agencies, animation, VR/AR, cultural and healthcare content, and social networking.

As a leading international game developer and publisher, we have taken it upon ourselves with the responsibility to lead an Interactive Media corporation that promotes the essence of Chinese culture and value through the lens of innovative products.

To do so, we have established various elite game studios and publishing platforms that each focuses on one particular aspect of our holistic production to perfect our craft as a global-leading Interactive Entertainment Company. The in-house game development studio 37GAMES, and publishing platforms 37Online, 37Mobile, and 37GAMES (Overseas) are a few among our vast production network.

In 2015, we began making investments into various businesses such as the production and marketing of music, 5G/ cloud gaming, artist agency, animation, VR technologies, culture and health, online education for children and social.

As a company that is willing to bear its social responsibility, 37 Interactive Entertainment has established a branch committee of the party and a corresponding disciplinary commission in November 2018. We have also established the Youxin Foundation. We have donated more than 20 million RMB to support the foundation’s work for public welfare and high school education in underdeveloped regions of China.

In November 2019, among the Environmental, Social and Corporate Governance (ESG) rating results released by MSCI, 37 Interactive Entertainment has been continuously upgraded for two consecutive years and was rated BBB, which is the highest in the gaming industry in China’s A-share, reflecting the capital market’s recognition of the company’s capacities in responsibility management.
In the near future, 37 IE will become an all-around, in-depth creative culture content provider.
I. Improve Responsibility Management System

37 Interactive Entertainment attaches great importance to integrating the concept of sustainable development throughout the business model and the entire operation process. The company is committed to achieving a balance between commercial value and social value. The company has set up a management system of social responsibility to clarify corporate responsibility goals and priorities. While providing customers with innovative and diversified products and excellent services, the company works with stakeholders to promote sustainable development, environmental friendliness, industrial progress and community harmony.

1.1 Close Communications with Stakeholders and Clarify Material Topics

In order to adapt to the changing needs of stakeholders and understand the latest trends of relevant parties, the company sent out a survey via various platforms in Dec. 2019, which involved 4,002 participants to promote closer communication.

The survey concluded that users believe that the company needs to keep improving its products and services. Issues such as privacy protection, protection of the minors, compliance, the functions of games, the promotion of traditional culture are also addressed.
1. Innovate games diversity, and improve the user's game experience (58.21%)
2. Follow up user feedbacks in time to provide users with quality service (50%)
3. Protect user privacy and prevent information leakage (47.76%)
4. Protect minors’ network security and improve anti-addiction system (44.28%)
5. Compliance with laws and regulations and do business with integrity (36.32%)
6. Elaborate game's educate function and serves a better life (32.09%)
7. Promote the inheritance of excellent traditional culture and pass on the spiritual civilization of the network (30.35%)
8. Participate in social welfare, and help poverty-stricken areas to overcome poverty (28.86%)
9. Protect intellectual property and promote fair competition (27.61%)
10. Save resources and reduce energy consumption (21.64%)
11. Actively protect the rights and interests of employees, provide competitive benefits, career advancement and development opportunities (20.90%)
12. Improve company performance and protect the interests of investors (18.66%)
13. Promote environmental protection awareness (18.16%)
14. Pay attention to the career growth and development of female employees and minority employees (13.68%)
15. Others (7.21%)
## 1.2 Provide a Diverse Communication System and Make it Accountable

Based on user survey results, communications with stakeholders, and a comprehensive evaluation of product quality, product chain, industrial features, the company concluded that the importance for stakeholders and the company to analyze material topics by importance.

The company has listed material topics below:

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Communication</th>
<th>Concerns</th>
<th>Response and Communication</th>
</tr>
</thead>
</table>
| Investors                         | Recognition from investors that the company has great prospects and its ability to contribute to society. | ➢ Protect interests of investors  
 ➢ Risk Control and Compliance  
 ➢ Right to be informed | ➢ Investors' Survey  
 ➢ Site Visit  
 ➢ Phone Consultations  
 ➢ Performance Meetings  
 ➢ Analyst Meetings and Roadshows  
 ➢ News Interviews |
| User and Potential User           | It is our mission to produce quality games for our users.                      | ➢ Obtain high quality products and services.  
 ➢ Protect personal information.  
 ➢ Cyber Protection for Minors | ➢ User Survey  
 ➢ Customer Service System |
| Employees                         | Employees are the most precious treasure of the company.                      | ➢ Protect employees' rights and interests  
 ➢ Provide decent salary and thoughtful benefits  
 ➢ Offer considerable career growth and promotion | ➢ Daily Management  
 ➢ Forum  
 ➢ Team Building  
 ➢ Interviews  
 ➢ Annual satisfaction survey |
| Government and Management Department | Government and management department are the supervisors of the market       | ➢ Abides by laws, regulations and industrial practices  
 ➢ Pay taxes  
 ➢ Business and employment promotion  
 ➢ Cyber Protection for Minors  
 ➢ Promote traditional Chinese culture in overseas markets  
 ➢ Provide a healthy and friendly cyber space  
 ➢ Participate in anti-fraud events | ➢ Participate in government meetings  
 ➢ Receive visitors from the government  
 ➢ Consult government and management department  
 ➢ Pay attention to legal trends |
| Industry                          | Fair competition benefits the overall industry                               | ➢ IP Protection  
 ➢ Push suppliers to fulfill their social responsibilities | ➢ Participate in industry conferences, draft proposals and set industrial standards |
| Community and Society             | The environment of community and society affects the market and the sustain development of the company. | ➢ Give Back to Community  
 ➢ Initiate Poverty Alleviation Program  
 ➢ Support Education and Public Welfare  
 ➢ Timely Response to Social Emergencies | ➢ Communicate with sub-district offices and residential committees  
 ➢ Work with educational and community service groups  
 ➢ Collaborate with education institutes and government |

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### Natural Environment

Contribute to emissions reduction as a corporate citizen

- Reduce GHG emissions
- Reduce wastes and encourage cyclic utilization
- Use more renewable energy sources

Focus on environmental dynamics
- Work with environmental protection organizations

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For more information, please contact: csr@37.com. 37 Interactive Entertainment welcomes relevant parties to participate in the discussion of material topics of corporate social responsibility, strategy and strategy formulation, and feedback and evaluation of social responsibility work.

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<table>
<thead>
<tr>
<th>Subject</th>
<th>No</th>
<th>Material Topic</th>
<th>Scope of Impact</th>
<th>Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>External</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Internal</td>
</tr>
</tbody>
</table>

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1.3 Board takes responsibility and set up responsible goals for 2025

In order to improve the efficiency of social responsibility management, the company established a sustainable development management committee, which directly reports to the board of directors.

The Sustainable Development Management Committee is composed of the Branding Department, Securities Affairs Department, Legal Affairs Department, Public Affairs Department, Department of Cultural Policies, Internal Audit Department, Human Resources Administration Center, and IT Center.

![](image)

The Sustainable Development Management Committee is responsible for formulating social responsibility goals, social responsibility performance management indicators, evaluating social responsibility performance, consulting with functional departments to promote social responsibility work improvement, reviewing and disclosing social responsibility reports, etc.

Branding department is the driving force for the sustainable development management committee. It is responsible for aggregating feedback from relevant parties in each department, completing the collection and preparation of social responsibility report information, and reporting to the Sustainable Development Management Committee on the implementation of social responsibility.

The company's social responsibility work adheres to the core principles of responsibility, transparency, ethics, respect for the interests of relevant parties, respect for the rule of law, respect for international norms, and respect for human rights.

The board of directors firmly believes that social responsibility is an obligation that a company should fulfill as a corporate citizen and a guarantee for the sustainable development of the company. Abiding by PRC
laws and regulations, social norms, providing high-quality cultural and creative products for the society, creating profits for shareholders, focusing on network security, user privacy protection and minors network protection, and paying attention to employee welfare, rights and development are the incumbent responsibilities of companies. 37 Interactive Entertainment will continue to participate in social welfare undertakings such as poverty alleviation and education, respond to major public emergencies, and give back to society and promote social stability and prosperity. The company pledges to formulate the social responsibility goals for 2025 around the topics addressed by stakeholders and all relevant parties:

- Improve the communication channels, enhance the daily communication with all relevant parties, understand the expectation and requirements of the relevant parties for the company, and incorporate the comprehensive evaluation of the relevant parties' demands into the company’s overall production and operation strategy.
- Improve corporate compliance systems, effectively protect the rights and interests of investors, increase the income of investors, combat fraud and protect intellectual property rights.
- Abide by national laws and regulations, and pay attention to online security of minors
- Improve data security management systems, and provide a secured online environment to protect the privacy of users.
- Continue to increase investment in human capital, offer appealing compensation and benefit packages, provide opportunity for growth and career development.
- Use technology to serve public welfare, explore the educational, cultural and public service function of games.
- Undertake corporate social responsibility, respond to major social disasters in a timely manner, actively participate in social welfare undertakings, and donate at least ¥3 million RMB per year to the disadvantaged students.
- Participate in global climate action, and promote energy conservation and emissions reduction. Use renewable energy and realize carbon neutrality by 2025.

### 1.4 Honors and Rewards

<table>
<thead>
<tr>
<th>Time</th>
<th>Panelist</th>
<th>Event</th>
<th>Rewards and Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.01</td>
<td>Guangdong Entertainment &amp;</td>
<td>2018 Annual Meeting of Guangdong Entertainment &amp;</td>
<td>Social Responsibility Award</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Date</th>
<th>Corresponding Organization</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019.06</td>
<td>Game Industry Association</td>
<td>Social Responsibility Index Rank No.1 of Online Gaming Enterprises</td>
</tr>
<tr>
<td>2019.06</td>
<td>China Association of Social Workers</td>
<td>2019 The Forth Summit of China’s Brands of Social Responsibility China’s Top 60 Brands of Social Responsibility</td>
</tr>
<tr>
<td>2019.06</td>
<td>People.cn</td>
<td>2019 Game Responsibility Forum Top 10 Corporates of Social Responsibilities</td>
</tr>
<tr>
<td>2019.08</td>
<td>Ministry of Commerce, Ministry of Finance, Publicity Department of PRC, Ministry of Culture and Tourism, National Radio and Television Administration</td>
<td>Key Enterprises of Cultural Exports for 2019-2020 Guangzhou 37 Interactive Entertainment Technology Co., Ltd. and Anhui 37 Aurora Network Technology Co., Ltd. are listed as Key Enterprises of Cultural Exports for 2019-2020</td>
</tr>
<tr>
<td>2019.11</td>
<td>China Association of Social Workers</td>
<td>The 15th Corporate Citizenship Conference in China 3-Star Corporate Citizen &quot;Call of Intelligence&quot; Corporate Citizen Public Welfare Project</td>
</tr>
<tr>
<td>2019.11</td>
<td>Nanfang Daily, Guangzhou Academy of Social Sciences, Guangzhou Creative Industry Association</td>
<td>Top 50 Cultural Enterprises in Guangzhou Top 50 Cultural Enterprises in Guangzhou</td>
</tr>
<tr>
<td>2019.11</td>
<td>Yangcheng Evening Newspaper, SynTao</td>
<td>Social Responsibility Impact List in Canton Bay Area Harmonious Corporate with Great Social Responsibility Impact</td>
</tr>
<tr>
<td>2020.01</td>
<td>Guangdong Entertainment &amp; Game Industry Association</td>
<td>2019 Golden Diamond Awards Ceremony &quot;Accurate Waste Classification&quot; as Excellent Functional Games &quot;Dragonboat Defender&quot; as Excellent Functional Games Corporate That Excels at Poverty Alleviation</td>
</tr>
</tbody>
</table>

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II. Poverty Alleviation and Prosperity for All

37 Interactive Entertainment will continue to give back to society. The company has donated over ¥30 million RMB to carry out education and poverty alleviation work in remote areas.

In January 2019, 37 Interactive Entertainment officially joined the China Charity Alliance. In December 2019, the Youxin Foundation, founded by the company, joined the Federation of NGOs of Guangdong Province. For 37 Interactive Entertainment, this marks the beginning of participating in public welfare undertakings at a more influential level.

2.1 Support Education and Foster Talent

2020 is a crucial year for poverty alleviation and building a prosperous society. 37 Interactive Entertainment firmly believes that talented people are the driving force for the revitalization of rural regions. Therefore, the company will focus on poverty alleviation work through education programs, such as "Youxin Scholarship Program" and "Call of Intelligence" program. These programs were designed to bridge the gap between different regions.

In 2019, Youxin Foundation, funded by the company, spent ¥2.4 million RMB to support the high schools in the underdeveloped regions of central and western provinces in China. For local communities in Guangdong province, the company donated ¥200,000 RMB to sponsor the "37 Interactive Entertainment Special High School Aid Fund".

As of the end of 2019, educational public welfare projects provided by the company had covered 9 provinces/regions, 37 poverty-stricken counties/districts (23 of which are nationally identified underdeveloped counties), and 48 high schools. More than 60,000 teachers and students benefitted directly from these programs.

1) Strong Backup: Youxin Scholarship Plan

Youxin Scholarship Program aims to use targeted poverty alleviation strategies, foster talent in rural areas, and encourage students to work hard and advance themselves. This program provides high school-level scholarship support to students from underdeveloped areas in central and western provinces in China, who have excellent academics but financial difficulties. A total of 1,693 high school students have been
subsidized, of which 487 (more than 40%) have completed high school and successfully entered the university. In 2019, 540 students have completed high school education while 1206 students are still studying in a high school.

Since the 2018 establishment of the first "Youxin class" in Fengqing county in Yunnan province, the Youxin Foundation has sponsored multiple Youxin classes in the provinces of Gansu and Sichuan. Youxin classes included scholarships, teacher training, reading, online education, and other educational support.

In December 2019, 37 Interactive Entertainment officially established 37 Interactive Entertainment Youxin Public Welfare Scholarship in Wangcang county, a nationally identified underdeveloped county in Sichuan province. The scholarship will provide adequate financial support for poverty-stricken students in this area.

**Dare to Learn: The 4th Huacheng Summer Camp**

In August 2019, the 4th Dare to Learn event attracted more than 30 Youxin participants from Sichuan and Gansu province. During the event, participants visited the Museum of the Western Han Dynasty Mausoleum of the Nanyue King, the Museum of Chebei Dragonboat Culture, the Temple of Qingchuan Sugong and other well-known sites. The participants were able to experience a variety of historical and cultural subjects,

Yang Jun, the Secretary of the 37 Interactive Entertainment Party Committee and Director of the Youxin Foundation, also attended the summer camp and shared his own story of learning and striving in his career. He emphasized that the "Marathon Spirit" is the key to success and encouraged the participants to aspire to move forward in their lives.

**Students’ Comments**

"The speech about the "Marathon Spirit" really inspired me. Now I know that it takes a while to find my passion and stick to it. I also learned the importance of preparation. Just like preparing your body for marathon. Preparation ensures success. So learn to plan beforehand but also learn to adjust the plan to suit your needs."

"AI is developing rapidly, many people will face unemployment and many jobs will also disappear. While we are still young, we need to learn as much as we can so we become irreplaceable in the future."

"The 'Read to Change' lecture encouraged us to ask more questions and continue to explore. The majority will make mistakes. Independent thinking and the exploration is more important than the answer. Dare to explore, dare to learn!"

**2) Diversity and Equal Opportunities: Funding Program for Ethnic Minority Girls**
The deeply impoverished so-called “Three Regions and Three Prefectures” are areas that the Central Committee and the State Council have paid great attention to, as well as areas inhabited by ethnic minorities. Due to cultural and economic factors, the percentage of girls, especially ethnic minority girls, entering high school is much lower than that of boys.

In order to guarantee the right to education for ethnic minority girls and promote gender equality in ethnic minority areas, 37 Interactive Entertainment established the "Scholar Program for Girls from Ethnic Minorities" through the Youxin Foundation. The program provides ¥2,000-5,000 RMB each year support ethnic minority girls to successfully complete high school, get admitted to college and change their future for the better.

In 2019, 98 ethnic minority girls (from the Yi and Dongxiang ethnic groups) from Liangzhou, Sichuan province and Linxia, Gansu province received scholarships and can now complete high school education.

37 Interactive Entertainment attaches great importance to girls' right to education. Presently, various types of scholarship programs are given priority to female students. The ratio of girls to boys which has receive various types of scholarships is 1.81:1. This ratio reflects the company’s concern for equality and diversity in education.

3) Reading to Advance: Free Reading Program in Underdeveloped Regions

"The Free Reading” Program in Undeveloped Regions can benefit the students in the impoverished areas where there are insufficient books to read. The Free Reading Program has benefited over 50,000 students via 600 open book corner classes.

Sep. 2019, Youxin Foundation built the first Free Reading Room in Jing Tai No.1 Middle School in Jingtai county, Gansu. The reading room accommodated 3,000 books worth ¥100,000 RMB.

37 Interactive Entertainment also supported the Youxin Foundation and China Development Brief to co-published a report, "2018 Reading Research Report on High School Students in Underdeveloped Regions", to further understand high school reading standards in China.

Youxin Foundation assisted the School of Information Management of Sun Yat-sen University to conduct a survey on reading skills of high school students in Fengqing county, Yunnan. The result will be published in June of 2020.

Support High School Reading with Wesee and Baidu Reader

On World Book Day in 2019, Youxin Foundation held a video production event called "A Good Book for the Public Good" with the assistance of Tencent's Wesee and Zhongshuge. Hundreds of high-quality short video
content were produced within a few days, with more than 400,000 views. Together with Baidu Reader, Youxin Foundation also held a 7-day event called the "Readers' Battle" to promote reading in China.

4) More Options: Call for Intelligence

"Call for Intelligence" program aims to build a career planning and communication platform for students in remote areas. The volunteers for this program, aptly named "Intelligent Summoners", consisted of volunteers from different departments of 37 Interactive Entertainment. The company issued volunteers management regulations, which specified that an employee who serves the community as a volunteer can obtain an 8-hr salary.

In 2019, Intelligent Summoners launched 7 career sharing and planning events for high school students. A total of more 510 employees participated in these events, ranging from programmers, accountants, human resource managers, public relation experts, art designers, operation specialists, operator maintainers, etc.

In October 2019, 37 Interactive Entertainment organized the "Let Dreams Fly" event in Lijiang, Yunnan. Participants visited to Wenhai Primary School to encourage students to be proactive and enterprising, had students share their dreams and career plans, and discuss ways for their dreams to come true. 37 Games also donated stationery and sporting supplies worth ¥20,000 RMB.

37 Games Art Center also organized a professional "Call for intelligence" event for high school art students in Guangzhou R & D and Distribution Headquarters. Professional artists personally provide career direction and life planning for high school art students, inspiring students to explore their curiosity.

5) Narrowing the Gap: Youth Online Programming Education

In developed countries, programming education is regarded as a crucial ability for teenagers. However, in remote areas of China, programming education curriculums are still limited.

In 2019, Miaocode, a youth online programming education brand of 37 Interactive Entertainment, continued providing small class programming classes and setting up basement for youth programming education in underdeveloped regions and promote talents in the STEM field.

2.2 Poverty Alleviation by Infrastructure Donation

Jinzhong Town in Gansu Province is a nationally designated poor county. The company donated 120 solar street lamps to this town, which can help to boost impoverished regions' economy.
2.3 Serve the Community and Respect Elders

The issue of aging has always been one of greatest concern to the Central Party Committee and the State Council. 37 Interactive Entertainment firmly believes in taking actions to have the elderly to live healthy and happily in their old age, and strives to convey the concept of respect for the elderly.

In November 2019, employees of 37Games visited Glory Hospital in Shaoyang County, Hunan Province and provided warm winter supplies worth ¥30,000 yuan to the 14 honorable veterans who had undergone major battles before and after the founding of the People's Republic of China.

Dec. 2019, the company donated ¥50,000 RMB to to Yuancun, Tianhe District, Guangzhou, to fund the Dining Hall for the Elderly and carry out special health tea activities.

2.4 Purchase Agricultural Products to Boost Local Economy

In 2019, 37 Interactive Entertainment spent ¥280,000 RMB to purchasing local agricultural products, such as Noto-ginseng powder and tea, in Wenshan prefecture and Lincang city in Yunnan province. The company has always supported the development of the local agricultural industry, promoted local poverty alleviation and prosperity, and strives to help with rural revitalization.
III. Strategies Serve Talent Development

37 Interactive Entertainment believes that talents are the premier resource for enterprise development. Hiring excellent employees can create inestimable value. Talent advantage is the company’s core competitiveness.

The company is willing to provide opportunities for talented employees to stand out. The company is currently constructing a talent system that identifies the employees and training needed for specific positions. The company has always been committed to putting the right people in the right positions to accumulate and reserve human resources for business development.

The Fun for the Smart

The company provides a large platform to encourage talents to maximize their abilities. The company also supports the idea that "a group of highly intelligent and integral employees with optimistic and positive attitude can take the initiative to explore their talents and create innovative, interesting and remarkable products". The company promotes innovation and self-improvement, which guarantees the sustainable development of the company.

3.1 Attract Talents to Ensure Sustainable Development

The company strictly complies with relevant PRC laws and regulations by formulating and implementing the recruitment management system, salary management practices, performance evaluation system, training management regulations, employee’s education promotion system, and on-campus recruitment regulations.

1) Vital and Diverse Environment

The company upholds to the principles of fairness and ethics. 37 Interactive Entertainment does not discriminate against employees due to gender, nationality, ethnicity, race, language, skin color, religion, educational background, physical and mental conditions, and marital status. As of the end of 2019, the company has 2,818 employees, among which 943 are females (33.46%), 16 are disabled, and 102 are ethnic minorities.
Label: Millennials and Post-90s Generation, Talented, Competent, Hardcore, Diverse

The average age of employees is 28 years old, including 1,887 employees under 30 years old, accounting for 66.96%, and 931 employees between 30 and 50 years old, accounting for 33.04%. This is a very young and energetic team.

The company has 152 employees with master’s degree or above, 1,912 employees with bachelor’s degree, and 754 employees with college degree or below. The proportion of employees with bachelor degree or above is 73.24%, an increase of 2.24% from 71% in 2018.

The company is technology-oriented, with 1,582 R&D and technical personnel, which accounts for 54.40% of the overall workforce.

2) Multiple Recruitment Approaches

37 Interactive Entertainment has established high-standard talent recruitment protocols, using social recruitment, campus recruitment, internal recommendation, internal recruitment, overseas recruitment and other channels to systematically acquire high-quality talent for the company.

In terms of recruitment channels, the company has optimized and expanded its recruitment channels. Recruitment are being through the company’s website, recruitment websites (zhaopin.37.com), WeChat official account, Weibo account, and Tik Tok account. The company also cooperates with dozens of recruitment websites to reach out for more talents.

In terms of internal recruitment, the company has introduced internal recommendation and incentive measures, which encourages internal employees to introduce talents to the company. Internal recommendations show the brand recognition of the company by staff and the public, and the company’s appeal to job seekers. In 2019, the company received a total of 10,446 referral recommendations and 119 were hired.

3) Talent Reserve from Universities

Graduates are an important new force in the company’s talent pool. Campus recruitment is crucial for the company to attract young talents, and ensure the vitality of the company.

Based on the principle of mutual beneficial development for students, the company has collaborated with more than 10 national universities including Sun Yat-sen University, South China University of Technology, Guangdong University of Technology, Hunan University, Beijing University of Aeronautics and Astronautics, Xiangtan University, Jilin Animation College. The company has created internship programs, mentoring programs, competitions, research and development activities to explore new methods for talent
development. At the same time, the company also cooperates with many universities to set up internship centers to provide students with internship opportunities, promote two-way communication between talented students and the enterprises to achieve win-win situations.

3.2 Benefits and Incentives to Keep the Talents

The company strictly complies with relevant PRC laws and regulations by formulating and implementing the recruitment management system, salary management practices, performance evaluation system, training management regulations, employee’s education promotion system, and on-campus recruitment regulations.

1) Be Kind to Employees

37 Interactive Entertainment upholds the values of corporate culture and emphasizes innovation, persistence, perfection, and action.

The company pays close attention to the workplace environment, the values of employees and the sustainable growth of the company.

The company's employees come from all corners of the world. All employees have different backgrounds and experiences. The company encourages employees to embrace different ideas and cultures with an open mind.

The company promotes a Corporate Culture of "Passion, Devotion, Friendship and Love". It also provides a comprehensive employee welfare system, including food, music, entertainment to provide employees with a sense of belonging.

The company has created an innovative and friendly environment that encourages employees to stay curious, study, and embrace new trends. The company is dedicated to provide opportunities for employees to learn and grow via sharing, and then utilize successful experience.

The company embraces the ideal: "Do business with the spirit of Marathon". The company uses the spirit of marathon to play games, and uses a long-distance mentality to work and live. It is willing to create opportunities and continuous investment for the growth and development of employees and pay attention to the long-term growth and dedication of employees.

2) Equality and Diversity

100% employees have signed contracts of employment. The company provides to all employees life
insurance, medical insurance, unemployment insurance, maternity insurance, housing fund, commercial supplementary insurance, parental leave, annual leave, statutory holidays, etc.

In addition to arranging medical examinations and reimbursements for incoming employees, the company also provides annual health examinations for all regular employees.

100% of the company's employees are entitled to parental leave. In 2019, a total of 192 people applied for parental leave, including 131 male employees applying for paternity leave and 61 female employees applying for maternity leave. The return rate and retention rate after leave were 100%.

The company actively supports the employment of people with disabilities, and has established close cooperation with the Guangdong Disabled Persons' Federation. According to the requirements of the company's job capacity, the company preferentially recruits people with disabilities under the same conditions. A total of 16 people with disabilities were employed in 2019.

The company also employs 102 ethnic minority employees to promote diversification of personnel. The company respects the dietary, cultural and religious customs of all ethnic minority employees.

The company has established a leadership support system for female employees to promote the development of female employees in the workplace through regular training, sharing and communication. The proportion of female managers is 27.16%. Among them, female department directors account for 31.25% in director-level, and manager-level females account for 27.62% in manager-level.

The company firmly prohibits the use of child labor and does not use any form of forced labor.

3) Multi-Incentives Programs

In order to establish a fair and equitable salary incentive system, which can effectively ensure the competitiveness of the company in the market, the company designed a performance-based pay system based on internationally popular compensation systems.

Performance evaluation is based on the comprehensive evaluation of each employee's work ability and actual performance. It serves as a reference base for employees' personal development, promotion, salary adjustment, and training.

The company has also established a feedback mechanism for performance appraisal results. Employees who have objections to performance appraisal can lodge a complaint and will further reflect the fairness of performance appraisal.

When designing the remuneration system, the company selected an external benchmarking company as the external comparison standard for total cash income, and positioned the company's overall remuneration
level at the leading level in the external market. At the same time, the remuneration system will be updated annually according to the company’s business scope, operating performance and market value, other benchmark enterprises, external market salary information. The company will review and adjust the company’s salary structure and salary standards to ensure the external competitiveness of the company’s salary level.

Different positions, different job levels, and different ranks corresponds to different salary levels. Compensation also reflects on job value, employee capabilities and differences in experience.

In order to motivate employees for their excellent work performance, the company sets up corresponding awards every year to recognize the outstanding performance of employees, including Annual Outstanding Manager, Annual Outstanding Employee, Annual Excellent Freshman, Innovation Award, Five-Year Reward, Seven-Year Reward, Ten-Year Reward.

**Employee Stock Ownership Plan (ESOP)**

In order to further improve then incentive mechanism and keep the core technicians, 37 Interactive Entertainment issued the 3rd employee stock ownership plan, employees with outstanding performance during 2019 - 2021 will be included. The evaluation conditions will motivate company's employees to strive to achieve business performance goals and reward the company's shareholders with better performance. The total number of participants in ESOP covers no more than 400 staff members, mainly for the company's core management personnel and core technical personnel. Except for directors (excluding independent directors) and C-suite managers, staff hold 93.27% shares of ESOP, which covers a broad range of employees.

<table>
<thead>
<tr>
<th>Employee Incentives System</th>
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<tbody>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>housing fund</td>
</tr>
<tr>
<td>Rewards/Annual rewards</td>
</tr>
<tr>
<td>Interest-Free Housing Loan</td>
</tr>
<tr>
<td>Employee Stock Ownership Plan (ESOP)</td>
</tr>
<tr>
<td>Meal subsidies/Phone bill subsidies/computer subsidies</td>
</tr>
<tr>
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4) Work Happily, Live a Healthy Life

The company strives to create a comfortable and safe working environment for employees. In January 2020, the company officially opened the new headquarters building, the company's first Grade A office building.

The new headquarters’ design drew inspiration from "wetlands, fields, lava, deserts, glaciers, castles, mountains, forests, bazaars..." as the design concept, creating a free and open comfortable office environment for employees. The building has first-class ventilation and natural lighting providing employees with a comfortable, warm setting for work.

The new headquarters has a heart-warming nursery, which is designed for female employees who are breastfeeding, as well as a special fitness zone and shower area. The investment of fitness equipment alone was as much as ¥1.195 million RMB.

37 Interactive Entertainment encourages employees to keep a good work-life balance. Employees can participate in the company-held activities such as the running club, soccer club, basketball club, table tennis club, badminton club, photography club, dancing club, board games club, and many more. The company spent a total of RMB ¥300,000 on these after-work programs, compared with the expenditure of ¥220,000 yuan in 2018 (an increase of 36%). There were 6,792 active attendances for these activities in 2019.

In 2019, 37 Interactive Entertainment Soccer Team won three titles: Guangzhou IT Soccer Invitational, the 2nd Guangzhou Innovation Sports Meet, Guangzhou Game Industry Soccer Game.

The company advocates using marathon spirit to do business and using long-distance mentality to work and live. The company's management committee has always strongly supported the development of the running club, and the company's executives have taken the lead in participating in a variety of marathon events around the world.

In 2019, the total annual running distance of the company running club reached 73,200 kilometers, equivalent to 1.8 laps around the earth, participating in a total of 8 marathon events. A total of 20 people completed the full marathon and more than 50 people completed the half marathon. Among them, Mr. Hu Yuhang, the co-founder of 37 Interactive Entertainment and the president of 37Games, is the company's first runner to complete the World Marathon Majors. Ms. Cai Chunling, a member of the running club, is the company's first female to complete a full marathon. In addition to the 208 core members of the running club, the company has more than 1,000 daily active runners.

To ensure proper exercise, the company provided physical examination of "Electrocardiogram Test", so that
runners can have a more profound understanding of their bodies.

37 Interactive Entertainment strictly abides by provisions of Labor Law. Only 5 minor work injury cases happened and no deaths in 2019.

5) Passion, Devotion, Friendship and Love

The company promotes a Corporate Culture of "Passion, Devotion, Friendship and Love". It offers a charity fund, holiday activities, gift packs, film tickets, physical examination, free breakfasts, subsidized dinners, afternoon teas on holidays, team building events and other benefits.

In 2019, the company held 16 events, such as Lantern Festival Event, 10-Year Anniversary Event, Girl's Day, Gourmet Festival, Green Week, Family Day, Spring Date, Double Seven Date, Programmer's Day, and so on. The events attracted 13,390 attendances.

The company has also set up an Internal Caring Fund, injecting ¥1 million RMB annually, to provide a certain level of support to employees and their families that are encountering difficulties.

In 2019, a total of ¥18.74 million yuan of employee welfare expenses was spent, an increase of 52% from ¥12.3 million yuan in 2018. There was a per capita welfare expense of ¥6,787 yuan, an increase of 24.86% from ¥5,435 yuan in 2018.

Interest-Free Housing Loan

The company has issued regulations of Interest-free loan. Full-time employees who have worked in the company for more than 3 years and fulfilled the basic requirements (Eg. purchasing the first self-owned housing) can apply for interest-free loans.

36 employees applied for the interest-free loans in 2019. Among them, 17 have received a ¥4.1 million RMB in total. These loans were able relieved their financial burden and improved their quality of life.

6) Timely Response and Equal Communication

37 Interactive Entertainment embraces any advice and constructive feedback from employees. Suggestions from employees can help to tackle issues of the company and cultivate a healthy corporate culture. It can also increase the sense of belonging and loyalty of employees.

The company has established a communication channel by using an employee forum where employees can express opinions and give suggestions anonymously. Questions, opinions and suggestions put forward by employees are immediately available for feedback, and all employees can browse them to fully. This ensures the efficient documentation of employee opinions and suggestions, enhance the communication between
management and employees, and promote the timely and efficient resolution of problems.

In 2019, the company formally processed 89 questions, opinions, and suggestions raised by employees, and the processing results were approved by employees. No issues concerning diversity, equality or compliance were raised.

3.3 Inspire Talents to Grow and Achieve Career Success

1) Enhance Talents' Self-Improvement

The company values the career growth of each employee. In order to promote the learning and development of employees, train professional employees in an all-round way, and develop management talents for the future, the company established the "37 University".

On corporate level, the company empowered core groups based on individual needs of learning through Huangpu New Recruits Program, Beginners Program, Ascension Program, M+ Program, and Team Alpha Program. With a learning management system, every employee, whether new or already on-the-job, will receive a series of training sessions to help them understand and integrate into the company's culture and gain industry expertise and skills.

On business group level, the company facilitated each business group set up their own business academy (including 37 Games Academy, 37 Mobile Academy, 37 Networks Academy, Technology Center Academy, Finance Management Academy) to bolster their cultural transmission and expertise development.

Based on Competency Model, 37 University created a management course curriculum, professional course curriculum, and a general course curriculum.

Online Learning Platform of 37 University

In 2019, the company launched the "online learning platform", which provides employees with a variety of online learning courses. The company has also established an online training management system to keep track with each student's study. The company analyzed the job requirements, dismantled the general ability, professional ability and potential quality required by the job, and formulated a learning and development path. The learning plan and arrangement of employees at each stage can be managed through the online system.

In 2019, the company carried out a total of 669 various training sessions, with 13,561 participants. The total training duration reached 39,026 hours, and the average training duration per capita was 13.85 hours.
### Training Program

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Program</td>
<td>620</td>
<td>608</td>
<td>669</td>
</tr>
<tr>
<td>Training Attendance</td>
<td>13407</td>
<td>15280</td>
<td>13561</td>
</tr>
<tr>
<td>Total Hours</td>
<td>31466</td>
<td>37765</td>
<td>39026</td>
</tr>
<tr>
<td>Employee Quantity</td>
<td>2703</td>
<td>2263</td>
<td>2818</td>
</tr>
<tr>
<td>Average Training Hours</td>
<td>11.64</td>
<td>16.69</td>
<td>13.85</td>
</tr>
<tr>
<td>Training Cost</td>
<td>120.11</td>
<td>205.74</td>
<td>406.81</td>
</tr>
<tr>
<td>Expense Growth</td>
<td>1 (Baseline Year)</td>
<td>+71.29%</td>
<td>+238.70%</td>
</tr>
<tr>
<td>Average Cost</td>
<td>444.36</td>
<td>909.15</td>
<td>1443.61</td>
</tr>
<tr>
<td>Average Cost Growth</td>
<td>1 (Baseline Year)</td>
<td>+104.60%</td>
<td>+231.58%</td>
</tr>
</tbody>
</table>

* In 2019, the company defined that a training program should last longer than 30 mins with more than 10 participants. Hence, the data of 2018 was adjusted based on the new standard.

### Innovation Shared by All

In 2019, various business groups also conducted innovative explorations in training content and methods. The R&D team of 37Games initiated "Innovators Assemble Project" to encourage innovation and share the achievements with each other. The project effectively improved the efficiency of R&D and promoted sustainable development. "Innovators Assemble Project" members reviewed 67 innovative products submitted by 8 departments (including game design, server, data platform, maintenance, prototype, operation, arts). The information of innovative products is readily accessible on 37Games Information System. 20 innovative products have been rated as 4-star or 5-star.

### Mentoring Program

In order to help school recruits quickly adapt to the company's culture, improve business capabilities, quickly achieve promotion and development, and grow into excellent professionals of the company, the company has issued "School Recruitment and Development Management Measures" for school recruits and established a "mentor guidance responsibility system". The direct supervisor of the employee is responsible for arranging a mentor or the direct supervisor acts as a mentor for regular mentoring sessions and daily communications. The company evaluates outstanding mentors every year, awards bonuses, and organizes special training to enhance the mentors' ability to coach newcomers, and the ability to train subordinates is also included in the mentor's promotion review as an important assessment indicator.

### 2) Academic Enhancement Program

¥1 Million RMB Expense on Academic Enhancement

In order to enhance professional skills and intellectual ability of employees, the company issued "Employee's education promotion regulations" to encourage staff with 3-year work experience to complete a part-time postgraduate degree.
According to regulations, the company set up a ¥1 million RMB fund to cover no more than 50% tuition fee (not exceeding ¥70,000 RMB) for employees who are admitted into on-job postgraduate education programs. For MBA candidates, the company would offer a scholarship up to ¥100,000 RMB.

In 2019, a total of 8 employees obtained bachelor degrees using the company's financial aid programs.

The company also encourages employees to use their spare time to obtain qualification certificates related to their job competence, and to reimburse all or part of all relevant study and examination expenses. In 2019, qualification projects that supported by the company include but are not limited to:

- 43 employees took part in the training and examination of professional publishers, and 6 of them have acquired vocational qualifications.
- 1 employee participated in the private information security implementation expert course organized by the British Standards Association (BSI) and acquired "ISO/IEC 27701 Expert on Privacy Information Management System".

3) Dual Channel Promotion

In terms of job development, the company has constructed a dual channel system for employee career development composed of 4 job categories and 5 position levels to fully respond to the needs of the company, departments and employees. The career development system helps employees establish career development plans to achieve win-win situations for company development and employee personal development.

The company has two opportunities for promotion evaluation every year according to the qualification criteria of employees' performance, seniority, and post competence. It provides employees with job development and cross-category, cross-sequence, and cross-channel development, and is equipped with a comprehensive promotion evaluation process. After passing the assessment, the evaluation period of the new position is 3 months. If it is proved that it is not qualified for the new position during the evaluation period, it will be returned to the original position.

In 2019, 992 employees obtained promotion, accounting for 35.2% of the staff, a significant increase from 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoted Employees</td>
<td>495</td>
<td>679</td>
<td>992</td>
</tr>
<tr>
<td>Promotion Rate</td>
<td>18.3%</td>
<td>30.0%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Employees who received performance evaluation</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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3.4 Effective Human Capital Development

1) Employee Satisfaction Higher than Industry Standards

The company conducted an annual satisfaction survey on employee engagement during November and December. The survey is independently completed by a third-party organization and has been carried out for four consecutive years. The survey is conducted anonymously, and no one has the right to view the results of other employees, fully guaranteeing that employees answering truthfully.

The result concluded that: in 2019, the company scored 78.4% on organization capacity index, located in the 98.5% quantile in the internet industry. Employee Engagement has reached 79.4%, located in the 81.3% quantile in the internet companies, 4.4% up compared with 2018. Details are:

- Satisfaction (employees are satisfied with the company as a whole) Score: 77.4%, which is 1.4% higher than the score in 2018 (76%).
- Recommendation (employees are willing to recommend others to work for the company) score: 79.7%, which is 13.6% higher than the score in 2018 (66.1%).
- Effort (employees are willing to work diligently for the company) score: 84%, which is 15.5% higher than the score in 2018 (68.5%).

The majority of employees agree that:

- The company creates an environment of respect and trust for employees.
- Employees recognize and identify corporate values.
- The overall cooperation within the team and across teams is relatively smooth.
- Overall, the staff is young and dynamic.

Highly engaged employees have formed a cohesive and stable team. By the end of 2019, 403 employees have served the company for more than 5 years (including 178 managers), which accounts for 14.3% of the staff. Among the above mentioned employees, 32.7% are females.

The high retention rate of employees who have been employed for five years or more, especially the high retention rate of management positions, ensures that the company's business experience and corporate culture are inherited. This reflects the company's achievements in retaining outstanding talents and that more outstanding talents are willing to continue serving the company.

2) Recognized as Excellent Employer
In 2019, the company has made remarkable achievements in improving brand image and won following rewards:

- MaiMai: "Top Game Company Award" of the Year
- 51Job: "Top Human Resources Management Award" of the Year
- Lagou: "Best Potential Employer Award" of the Year
- Shixiseng: "Favorite Employer" of the Year
- Zhipin: "The Employer Most Cherishing Talents" of the Year
- Sun Yat-sen University School of Computing: "Innovative Talent Management Award" of the Year
IV. Responsibility to protect minors

Minors can have infinite impossibilities in the future. Providing a healthy and friendly in-game environment is an essential goal for 37 Interactive Entertainment to fulfill its social responsibility by actively investing its resources to establish and improve minor protections systems.

37 Interactive Entertainment is one of the first game companies in the industry to launch real-name registration systems and anti-addiction systems. Based on the game age rating system, the company has imposed restrictions on the playing time and expense of minors along with Privacy Policy (applicable to minors), Parental Supervision Settings to protect minors. According to the company's real-name authentication system, underage users account for less than 1%.

4.1 Real-Name Authentication to Restrict Minors' Playing Time and Expenditure

In November 2019, the General Administration of Press and Publication issued regulations known as the "Notice on Preventing Minors from Online Game Addiction". In response to these regulations, 37 Interactive Entertainment has fully upgraded its real-name authentication system and anti-addiction system to further strengthen and improve the protection of minors' physical and mental health, strictly abiding by the requirements of government guidelines.

According to regulations of the anti-addiction system for minors, the company has strictly controlled the time and duration of minors in all games operated by the company, strictly restricted payment services for minors, and marked an age-appropriate rating notice in a prominent position in all games.

1) Implementation of Real-Name Registration System

Real-Name Registration

Users must register with a valid PRC ID number with its corresponding real name. Users are unable to register an account with fake identity information.

Visitor Mode

An age-appropriate rating has been added to the login interface. Users without real-name authentication will enter a one-hour visitor mode. The same device and account cannot be used again for 15 days. After
the one-hour visitor mode expires, the game will require the user to complete real-name authentication. If users refuse, the game will automatically log the users out.

2) Regulating Playing Time for Minors

Every day from 22:00 to 8:00 the next day: It is forbidden to enter the game for minors.

Statutory Holidays: the cumulative daily online time shall not exceed 3 hours, and the game will log the underage user out after 3 hours.

During other periods: he cumulative online time per day shall not exceed 1.5 hours, and the game will log the underage user out after 1.5 hours.

3) Regulating Payment Services for Minors

The company is imposing a strict restriction on age rating in the interest of minors and parents. Payment services are forbidden for users under the age of 8. For users between the ages of 8 to 16, a single recharge cannot exceed 50 RMB and monthly recharge amounts cannot exceed 200 RMB. For users between the age of 16 to 18, a single recharge cannot exceed 100 RMB and monthly recharge amounts cannot exceed 400 RMB.

4.2 Privacy Protection for Minors

37 Interactive Entertainment emphasizes the importance of privacy of minors and will do its utmost to protect the safety of children and their guardians' personal information. Therefore, the company revised its original privacy policy and issued a new policy in November 2019. The "Privacy Policy (Applicable to Minors)" covers minors under age 14.

The company assigned a specialist to protect minors' privacy. Minors' guardians can contact the company and exercise their rights as guardians.

1) Publish Privacy Policies of 37 Interactive Entertainment (Applicable to Minors)

Based on 37 Interactive Entertainment's privacy policy, the new "Privacy Policy (Applicable to Minors)" added new clauses for better protection of minors.

Registered guardians will be notified if the company were to collect, use, transfer and disclose the personal information of minors. The company shall only collect, use, transfer and disclose the information of minors with the consent of guardians.
Upon receipt of the above notice, the guardian of the child may refuse, and the company will not collect, use, transfer or disclose the information of the minor.

Access to minor’s personal information by staff shall be subject to the approval of the specialist in charge of minor privacy protection. The specialist shall record the access, and take technical measures to avoid unauthorized copy and download of minor’s personal information.

On behalf of the minor, the guardian shall exercise all the rights enjoyed by the minor under article 5 of Privacy Policy, including accessing, managing and deleting the minor’s personal information, changing the authorization.

The guardian of the minor may revoke the authorization of the company to collect, use, transfer or disclose the minor’s personal information.

If the company ceases operation of its products or services, it will immediately cease to collect minors’ personal information. It will delete their personal information and instantly notify their guardians.

2) Enhance "Parent Supervision Settings" Function

The company designed Parent Supervision system based on parental needs - prevent the game addiction of minors. The company pays particular attention to the protection of information of minors. Pertaining the collection of personal information of underage users with the consent of parents or guardians, the company will only use the information when permitted by law, or when parents/guardians expressly agree or under necessary circumstances for protecting minors.

4.3 Construct a Healthy Gaming Environment

In June 2019, the People's Daily Online, together with 37 Interactive Entertainment, Tencent, and other well-known domestic game companies jointly launched the "Video Game Age Ratings Proposal". The Game Age Prompt system was launched a month later. The platform is divided into four age-appropriate age ranges of 6+, 12+, 16+, and 18+ according to the current legal regulations and the physiological characteristics, cognitive ability, moral level and other factors of adolescent growth. At the same time, the company took into consideration game genres and game features, in order to provide detailed standards for minors and their guardians to select age-appropriate game products.

21 gaming products developed by 8 companies including 37 Interactive Entertainment are included among the games with age ratings. It aims to protect minors from inappropriate content, control playtime, and build a healthy and friendly online environment.
V. Safeguard User Privacy

Information is a double-edged sword in the internet era. It can push forward innovation and change. It can also redefine boundaries of technology and business ethics, thereby implying risks. It takes responsibility to harness the innovation of big data.

37 Interactive Entertainment is now a globally ranked Top 25 public game company in terms of revenue and continues to be China’s third biggest video game company. The company has a large user base and massive amounts of data from users. The company firmly believes that protecting personal identifiable information is the priority in information security management.

Based on rigorous management systems and procedures, the company adopted industry-leading technology and benchmark international standards to strictly control information security risks and ensure data security.

5.1 Keep Promise, Stand on Principles

The company regards information security as a strategic core management issue. The technical IT center is the executive management department responsible for data security. It is led by Mr. Zhu Huaimin, the vice president. It directly reports to, is supervised and managed by the Chairperson of the Board.

The company has enacted six rules in the collection and management of user privacy information:

- **Legality**: the collection and management of user privacy information conforms to relevant laws and regulations, industry norms and guidelines.
- **Consistency**: take necessary technical measures to protect users’ privacy and security, and take remedial measures when they cause damage to users’ related legitimate rights and interests, and bear corresponding responsibilities.
- **Minimum data collection**: the company shall collect minimum user information required and the information must be directly related to the purpose of collection.
- **Consent by users**: the company shall acquire the consent from users regarding the purpose, method, scope, rules of information collection.
- **User participation**: users are entitled to inquire, modify, correct, delete personal information, and
cancel personal accounts

Information safety: provide technical support to ensure the confidentiality, integrity and availability of information.

IT Center of the company has hired an experienced team that consists of excellent managers and technicians. The team has built an impenetrable firewall on risk control, data protection, user privacy protection.

5.2 Information Security Management System (ISMS)

The company has established and further improved an Information Safety Management System (ISMS) based on “ISO 27001: 2013 Information Security Management System”, “GB/T 35273 Information security technology -- Personal information security specification (2017)”. The ISMS is designed to achieve Confidentiality, Integrity, Availability, Authenticity, Utility of the information, and ultimately protect user privacy.

The ISMS follows the PDCA cycle management model, has formulated a complete data security management process system, and comprehensively improved privacy, data security related policies, measures and performance.

1) Scope and Goal

The ISMS has covered 37.com, 37 mobile games, 37Games, and all business suppliers to ensure the integrity of the ISMS and minimize potential risks.

2) Plan

The company formulated the "Information Security Risk Assessment Control Procedures" to identify information assets, threats and vulnerabilities, and identify the possible impact of confidentiality, integrity and potential loss on assets. Analyze and evaluate the risks, then take precautionary measures if necessary.

3) Support

IT center of the company has adopted "Human resource control procedures", "Employment management procedures", "Employee separation procedures", "Employee training and management procedures". IT center is particular about the professional qualifications and skills of technicians. It has conducted various training programs for employees to strengthen their awareness on information security. For separating employees, IT center will confiscate confidential documents, cancel authorization, require them to comply
with confidentiality agreement and non-compete clause.

In 2019, the company organized 10 training courses on security laws and relevant regulations, information security management. All employees of IT center (150 in total) attended the above courses.

4) Access Control

The company issued "User access management procedures" and "Password policy" to manage user access, regulate application for access, access change, access maintenance and review, making rules for the creation, distribution, protection, termination, and confiscation of user identification mechanism, and examine the operation of information system non-stop.

5) Data Protection

The storage and transmission of data are encrypted. The key encryption adopted SHA256 encrypted algorithm, which can resist against most popular hash functions collisions, such as birthday attacks, rainbow table attacks, differential attacks, along with salting password for additional security.

The company uses privacy enhancement technology to manage user privacy data. This includes de-identification and anonymization of user’s personal information, and adopts technical and management measures to store the information that can be used to recover personal identification separately from the de-identified information, which strengthens management of access and usage rights.


Physical and environmental security: The company has a "Physical Access Strategy" to prevent unauthorized physical access, damage and interference to the organization's premises and information.

Operational security: The company launched its "Malware Management Program" to ensure the protection of information and information processing facilities against malware, carried out its "Information Backup Security Strategy" and "Important Information Backup Management Program" to prevent data loss. The company also established a "Log Management Strategy" to record user activity, abnormal activity, errors and information security incidents. These measures are logged, maintained, and reviewed regularly. The company has developed "software development management procedures" to ensure the integrity of the operating system, implement technical vulnerability management.

Communication security: the company issued "Communication security management procedure" to ensure online information security and support the information processing facilities.

7) System Acquisition, Development and Maintenance
The company has enacted "Information system security requirements", "Public network service security regulations", "App service transaction security regulations" to prevent fraud, contract disputes, unauthorized disclosure and modification, secure information related to app service and transactions.

8) Information Security Incident Management

The company has taken precautionary measures, including publishing "Information security incident management specification", "Precaution action control procedure", "Vulnerability and fault management procedures", "Information security reward and punishment procedures". Hence the company can handle the information security incidents systematically, identify purpose, responsibility, liability, details, report channel, solutions, draw up a comprehensive and detailed recovery plan to restore the system.

"Information security event management regulations" defines and classifies security incidents. It specifies different responses and solutions for different security events.

9) Response to Information Security Incidents

In order to effectively and timely respond to information security incidents, the company has established a 24-hour security system. When an information security incident occurs, the technical IT center will immediately start an emergency plan and take effective measures, arrive at the scene within 1 hour of the incident and receive the incident report, and organize the rescue and repair in an orderly manner to prevent the further damage or For possible dangers, the system is restored as soon as possible to minimize various losses.

If a data breach incident occurs, the IT center will immediately investigate and formulate necessary corrective measures, and report to the public security bureau if necessary.

No Major Data Security Incidents in 2019

The company strictly complies with "GBT22239-2019 Information security technology -- Network security level protection basic requirements (2017)". The user data management is based on the standard of level 3. With the efforts of the company's technical staff, there has been no incident of data breaches or threat to data security and user privacy.

10) Information Security Incident Investigation Protocols

For information security incidents, after troubleshooting or taking necessary measures, the technical IT center convenes and establishes an incident investigation team to collect evidence at the scene of the incident. The team must understand the course of the incident, collect relevant data, and find out the reasons, degree of damage and loss, etc. The team must also check the measures that were put in place to
prevent and control the occurrence of such incidents and whether the emergency plans after the incidents are appropriate and if they were implemented. Other responsibilities of the team include determining the level and nature of the incidents, identifying the relevant responsibilities and put forward treatment suggestions, and proposing measures and recommendations to prevent similar incidents from recurring.

11) Supplier Management

The company issued "Third-party information security management procedure", "Management procedure of safety zone", "Management procedure of user access", "Management procedure of the third-party service". The above regulations specified that service suppliers, management service suppliers, visitors, customers should not violate the prescribe regulations, so that the company can ensure the quality and safety of the service and prevent information leakage.

The company regularly reviews and inspects third-parties such as suppliers. The third-parties which do not conform to the requirements of the information security management or refuse to conform to the above requirements will confront corrective action within prescribed period, reduction of orders, fines, or termination of contract.

If private user data is involved, the company would, with consent of users, entrust third-parties to deal with data if the recipient cannot identify the subject of the personal information.

12) Audit Control

The company established and implemented "Internal Audit Control Procedures" and "Management Review Control Procedures" to conduct internal information security management system audits. The company requires managers to review information security management systems at prescribed intervals and organize security audits of information security events every six months.

In addition to internal audit and management review, the company has hired a third-party institute to audit the information security management system. The report will be released in 2020. The security audit will be conducted annually starting from this year.

At present, the company’s user center system has passed the level-3 filing of the information system security level protection conducted by the Ministry of Public Security, and the company’s official website and game platform have passed the level-2 filing, covering physical security, network security, host security, data security, management security and other core contents of ISMS.

ISO 27001 ISMS Certification

The company has invited the international certification body SGS to carry out ISO 27001 information
security management system certification for the company’s core data management business, to further improve the level of information security management and promote data security and user privacy protection. The certification is expected to be completed by the end of 2020.

13) Constant Improvement

The company formulates and implements "Corrective and Preventive Measures Management Procedures" to take measures against the detected and potential non-conformities, eliminate the causes of non-conformities, prevent recurrence, and ensure continuous improvement of the information management system.

5.3 Protect Personally Identifiable Information

The company takes personal information security as our prior focus. Therefore, to protect user information, the company released Privacy Policy of 37 Interactive Entertainment, which takes concern and protection of user personal information security as the core guiding ideology of policy formulation and ensures compliance with national laws and regulations.

In November 2019, the company published Privacy Policies of 37 Interactive Entertainment (Applicable to Minors) to protect minors.

1) Scope of Application

Except for certain specific products and services, Privacy Policy of 37 Interactive Entertainment applies to all products and services. The specific products and services will be subject to specific privacy policies.

2) Minimize Information Collection

For the collection of personal information, the company follows the minimum principle. In general, the collection is prescribed by PRC laws and regulations as a result of purchasing and using the company’s products and services, including:

- The information required to create an account. For example: mobile device number, ID number, user name.
- Collecting information during payment that can be used to evaluate user account, transaction risks, ID verification, prevent security incidents (applies to transaction record, virtual currency, virtual transaction, redeem code, etc.).
- Certain personal device information is used for authentication, security, fraud monitoring, archiving
and backup.

When users use customer service, the company might keep a record of the messages, phone records, content, contact information, so that the company could handle the issue properly.

The company may record and analyze information of bugs to fix bugs and optimize services.

3) Encrypt and Protect Personally Identifiable Information

In order to protect users’ personal information, the company takes on all reasonable and feasible security measures. The company uses TLS/SSL encryption technology for data transmission and adopted the SHA256/AES encryption algorithm for storing sensitive data to achieve anonymization and irreversibility of sensitive data and ensuring its security.

In addition, the company regularly takes risk assessments of security policies and data protection measures to ensure that products and services are not threatened by risks such as data leakage or privacy violations.

4) User Rights

The user has the right to access, manage and modify personal information, the right to request the company to delete or correct personal information. Users can also enter the "customer service center" by logging in and select "cancellation" under the "self-service" function item to cancel personal account.

Privacy policy elaborated on the situations where the company can or cannot respond to personal information management requests in accordance with the PRC laws and regulations.

5) Sharing, Transferring and Disclosure of Personal Information

According to Privacy Policy of 37 Interactive Entertainment:

The company would, with consent of users, entrust third-parties to deal with data if the recipient cannot identify the subject of the personal information, in order to provide better service for users.

The company will share personal information with relevant PRC government departments subject to PRC laws, regulations or administrative orders.

The company will not transfer personal information to any third party, except for those that must be transferred in accordance with laws and regulations.

The company also stipulates that the user’s personal information can be disclosed only under certain circumstances, such as obtaining explicit personal consent, related to national security, national defense security, public security, public health, and major public interests, as well as in accordance with laws and
regulations Special circumstances such as business secrets cannot respond to personal information management requests.

The company also stipulates that personal information collected and generated within the territory of the People's Republic of China will be stored within the territory of the People's Republic of China and will not transfer or transmit the user's personal information worldwide.

6) Data Breach Response

In the unfortunate occurrence of personal information security incidents, the company has emergency plans to take necessary measures to prevent the expansion of security incidents, and to notify users in the form of push notifications, announcements, etc.

7) Technology Utilization

The company actively uses de-identification technology and TLS/SSL encryption technology to enhance the effectiveness of user privacy protection.

8) Responsible Department

For any questions related to user privacy, users can contact the company's designated department and service hotline: official website customer service center at 37.com, or the company's customer service center hotline 0553-8125237, 4008585237.

5.4 Promote a Healthy and Friendly Cyber Culture and Cyber Space

In order to implement the strategic deployment of the Central Party Committee and the State Council on strengthening cyberpower, 37 Interactive Entertainment immediately carried out "The Plan of Promoting Internet Protocol Version 6 (ipv6) Deployment".

According to the deployment requirements of the IPV6 National Special Committee, 37 Interactive Entertainment's official website and some games have fully supported IPV6. The upgrade and transformation of other games in 2020 will continue to be promoted, and the downstream vendors will be actively promoted to upgrade and change to IPV6. The company plans to lay the foundation for large-scale commercial applications.

In terms of cyber culture construction, the company follows the guidance of the socialist core values, adheres to the ideological orientation under the socialist leadership, attaches great importance to the content orientation of Internet products, and ensures that the positive and healthy network cultural
products are oriented to the public. Our efforts in building a friendly cyber environment in 2019 was highly recognized by the local government.

As for cyber security, the company has cooperated with the Cyber Security Department. The company has set up the Corporate Police Office to handle cyber security emergencies.

In 2019, the company has completed its Internet Big Data Security Evaluation which proved the company’s comprehensive capability of its network security management.
VI. Energy Saving and GHGs Emission Deduction

Based on the 25th conference of the parties to the United Nations Framework Convention on Climate Change (COP25) on December 2019, the latest data shows that the extreme high temperature, air pollution, wildfires, increased flooding or drought caused by climate change are changing for the worse. All these occurrences are having a profound impact on life, livelihoods, economic and social development around the world.

As a responsible Internet company, 37 Interactive Entertainment holds the view that climate issues will affect the community of shared future for mankind. The company emphasizes that environment sustainability is the key to sustainable development and continues to invest in various environmental protection activities to reduce the company's carbon footprint.

6.1 Various Measures to Improve Energy Efficiency

Energy conservation and emission reduction are the core of the company's green operations, which not only reduces corporate expenses, but also helps to achieve global climate goals. The Paris Agreement specified that global average temperature should be no more than 2 ℃ or 1.5 ℃ higher than the pre-industrial revolution.

To this end, the company has formulated "Energy Saving and Environmental Protection Measures" to promote the rational use of resources and the effective use of secondary resources, improve the company's resource utilization efficiency, and promote energy conservation and emission reduction through multiple measures. In order to reduce unnecessary consumption, the company conducted a detailed management of workplaces:

Energy Conservation in the Workplace

- The company actively attempts to reduce the energy consumption of the air conditioning system. All indoor air conditioners are in accordance with national standards and regulations. The temperature setting of the indoor air conditioner should not be lower than 26 degrees Celsius in summer and the air conditioner should not be turned on in winter.

- The company installed eco-friendly lamps in all workplaces to reduce energy consumption and increase the service life of lamps. The company's administrative property management staff patrols various
office floors many times a day, turning off unnecessary lights and controlling the use of electrical energy in a timely manner.

Reduce the use of paper and plastic

The company encourages double-sided printing and copying. Single-sided printing paper is uniformly recycled and reused.

Recycle & Reuse of papers and plastics

The company has implemented garbage classification (including kitchen garbage, recyclable waste, unrecyclable waste, hazardous waste) at the workplace to reduce environmental pollution.

Environmental Protection advocacy

The company holds the "37 Green Environmental Protection Week" once a year and takes part in Earth Hour every year to raise employees' environmental awareness and stimulate environmental protection actions.

Due to the efforts of the company's administrative department, the electricity consumption for the whole year of 2019 was 3,239,688.00 kWh, a decrease of 5.3% compared to 2018 and a decrease of 11.34% compared to the 2017.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity Consumption (kWh)</td>
<td>3,607,131.00</td>
<td>3,421,805.00</td>
<td>3,239,688.00</td>
</tr>
<tr>
<td>Changes in Electricity Consumption (%) compared to the amount of 2017</td>
<td>1</td>
<td>-5.14%</td>
<td>-10.19%</td>
</tr>
<tr>
<td>Revenue (RMB)</td>
<td>6,188,828,116.75</td>
<td>7,632,679,668.47</td>
<td>13,227,135,966.70</td>
</tr>
<tr>
<td>Energy Intensity*</td>
<td>5.83</td>
<td>4.48</td>
<td>2.45</td>
</tr>
<tr>
<td>Changes in Energy Intensity (%) compared to the amount of 2017</td>
<td>1</td>
<td>-23.15%</td>
<td>-57.98%</td>
</tr>
<tr>
<td>Energy Efficiency**</td>
<td>1715.72</td>
<td>2230.60</td>
<td>4082.48</td>
</tr>
<tr>
<td>Changes in Energy Efficiency (%) compared to the amount of 2017</td>
<td>1</td>
<td>+30.01%</td>
<td>+137.95%</td>
</tr>
<tr>
<td><strong>Water Resource</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Consumption (t)</td>
<td>22340.51</td>
<td>22792.78</td>
<td>26070.08</td>
</tr>
<tr>
<td>Changes in Water Consumption (%) compared to the amount of 2017</td>
<td>1</td>
<td>+2.02%</td>
<td>+16.69%</td>
</tr>
<tr>
<td>Water Use Intensity***</td>
<td>3.61</td>
<td>2.99</td>
<td>1.97</td>
</tr>
<tr>
<td>Changes in Water Use Intensity (%) compared to the amount of 2017</td>
<td>1</td>
<td>-17.17%</td>
<td>-45.43%</td>
</tr>
<tr>
<td><strong>Pollutant</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pollutant Emission (5 Vehicles Exhaust)</td>
<td>--</td>
<td>--</td>
<td>NOx: 4.34 kg PM: 0.325 kg</td>
</tr>
<tr>
<td><strong>Waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workplace garbage</td>
<td>--</td>
<td>--</td>
<td>1314 m³</td>
</tr>
</tbody>
</table>
* Energy intensity: It reflects the energy consumed per ¥10,000 RMB of output value. The lower the energy consumption per unit of output value, the lower the energy intensity.

** Energy Efficiency: Revenue generated per kilowatt-hour. The higher the revenue per kWh is, the better the energy efficiency.

*** Water Use Intensity: The amount of water resource it takes to produce per million RMB. The smaller the water consumption is, the lower the water intensity.

6.2 Calculate Carbon Emissions and Clarify Emission Reduction Benchmarks and Directions

As an Internet cultural and creativity company, the environmental impact of 37 Interactive Entertainment is mainly reflected in the electricity power usage required for production and operation. The process of producing electricity from burning of fossil fuels emits greenhouse gases (mainly carbon dioxide), which is indirect energy emissions for the company.

To set quantified emission reduction goals and evaluate the actual emissions, the company invited the prestigious certification organization SGS to help calculate and report the company’s carbon footprint.


The calculation indicates that GHG emission of the company in 2019 is 2,830.51t carbon dioxide equivalent (CO2 e), including direct emission (Scope 1) 129.15t CO2 e, indirect emission (Scope 2) 2701.36t CO2 e, carbon emission intensity is 0.214 CO2 e /million revenue (RMB) or 1.490 CO2 e /million revenue (USD) (RMB/USD exchange rate: 6.964).

<table>
<thead>
<tr>
<th>Scope</th>
<th>GHGs</th>
<th>GHG Emission Sources</th>
<th>Amount</th>
<th>t CO2 e</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Sources</td>
<td>CO2</td>
<td>CO2 Fire Extinguisher</td>
<td>0.012</td>
<td>0.012</td>
<td>24.07%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oil usage by vehicles</td>
<td>31.074</td>
<td>31.074</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CH4</td>
<td>CH4 Oil usage by vehicles</td>
<td>0.011</td>
<td>0.343</td>
<td>73.26%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workplace</td>
<td>3.367</td>
<td>94.266</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N2O</td>
<td>CH4 Oil usage by vehicles</td>
<td>0.004</td>
<td>0.970</td>
<td>0.75%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HFCs HFCs Fire Extinguisher</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>HFCs</td>
<td>HFCs Refrigerants</td>
<td>0.004</td>
<td>2.485</td>
<td>1.92%</td>
</tr>
<tr>
<td>Sub-total</td>
<td></td>
<td></td>
<td>129.150</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Indirect</td>
<td>CO2</td>
<td>Purchased Electricity from China</td>
<td>2344.492</td>
<td>2344.492</td>
<td>86.79%</td>
</tr>
<tr>
<td>Emissions</td>
<td></td>
<td>Southern Power Grid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Purchased Electricity from Central</td>
<td>44.318</td>
<td>44.318</td>
<td>1.64%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China Power Grid</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
As an internet software company, the company does not have process emission sources for industrial manufacturing equipment and fixed emission sources for boilers and welding acetylene, and there is no bio-fuel combustion.

The company also does not have its own data center.

The following sheet shows the company’s indirect GHG emissions based on electricity consumption during the past 3 years.

<table>
<thead>
<tr>
<th>Indirect Emissions (Scope 2)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption of electricity (kWh)</td>
<td>3,607,131</td>
<td>3,421,805</td>
<td>3,239,688</td>
</tr>
<tr>
<td>Changes of consumption of electricity compared to the amount of 2017</td>
<td>1</td>
<td>-5.14%</td>
<td>-10.19%</td>
</tr>
<tr>
<td>Amount of GHGs (CO2 e)</td>
<td>3018.087</td>
<td>2855.011</td>
<td>2701.357</td>
</tr>
<tr>
<td>Changes of amount of GHGs (CO2 e) compared to the amount of 2017 *</td>
<td>1</td>
<td>-5.40%</td>
<td>-10.49%</td>
</tr>
</tbody>
</table>

As the first to disclose greenhouse gas emissions among the A-share listed Internet gaming companies, 37 Interactive Entertainment has achieved significant results in energy conservation and emission reduction, and the total amount of indirect energy greenhouse gas emissions continued to decrease. More importantly, based on accurate accounting of greenhouse gas emissions, the company has a more solid basis and accuracy in formulating low-carbon development goals, which further reflects the responsibility of Internet companies in responding to global climate change.

### 6.3 Strive to Achieve Carbon Neutrality by 2025 and become low-carbon leader

Based on the scientific accounting and verification of the company’s carbon emissions in 2019, the Sustainable Development and Management Committee has set 2019 as its baseline year for carbon emissions. The company will strive to achieve Carbon Neutrality by 2025, that is, the carbon emissions generated by the direct and indirect production and operation of enterprises, through detailed management of energy conservation and emission reduction, renewable energy use, carbon neutralization and other projects, to achieve a balance between emissions and offsets without increasing carbon emissions.
The company plans to achieve the first phase of carbon neutrality in 2022:

- Net carbon emissions decreased by 15% from the baseline year
- Carbon neutral project covers 30% of carbon emissions

According to the statistics in 2019, carbon emissions resulting from electricity consumption account for 95% of the total emissions. Therefore, reducing electricity consumption and using clean energy are the main ways to reduce carbon emissions.

To achieve carbon neutrality by 2025, 37 Interactive Entertainment has planned to adopt the following approaches to further reduce its carbon footprint:

- Detailed Management of Energy Conservation & Emission Reduction: The company has taken multiple management measures to reduce electricity consumption during the production and operation process.
- Renewable Energy Project: The company plans to install solar power generating systems in the new office buildings to be constructed in Haizhu district, Guangzhou to reduce the purchase of petrochemical-generated electricity.
- Carbon Neutral Project: The company plans to participate in carbon market transactions from 2020, and offset some of the company’s carbon emissions through procurement of carbon quotas.
VII. Fun Creates a Better Life

The company has a understanding of corporate social responsibility that it needs to take a closer look at the company’s products, services, and efforts to create economic and social values. The company believes the integration of social responsibility and product strategies, more specifically, the integration of social responsibility and game development & operation, will create a more positive social influence, greater social value and enable the public sharing of a beautiful life.

7.1 Game and Charity Advocacy: Gaming for Good

37 Interactive Entertainment and Youxin Foundation have jointly launched in-game charity events in three of the company’s best-selling self-developed games - *Blades and Rings*, *Legend of Conquest*, and *Archangel* from the beginning of March 2019. Charity gift packs, coupons and scenes have been added in the games. When players complete quests or spend certain diamonds, the company will donate corresponding money.

The charity events held in the games have reached their predetermined goals within a short period of time, and the cumulative charitable donations amounted to ¥3,002,015.00 RMB, all of which have been used in educational poverty alleviation projects in remote areas.

By including charity elements in game scene design and combining company products with charity, these events have not only built a positive company culture, promoted positive living but also provided a stable funding source for public welfare activities, building a positive circle among users, companies, and charity.

7.2 Game and Knowledge: Make Learning Fun

The social governance concept of “building, governing and sharing by all” is one of the important bases for building a harmonious community and creating a better life. 37 Interactive Entertainment has actively used its advantages in internet content creation and launched a variety of community charity promotion events.

In 2019, the company developed a mini-game called Accurate Waste Classification as a response to national policies and regulations on garbage classification. Players are required to classify garbage within 60 seconds to learn to understand the classification of trash while playing.
Because of effective R&D, 37 Interactive Entertainment was able to promote the mini-game *Accurate Waste Classification* on garbage classification successfully.

The company cooperated with Yuancun Sub-District Office to promote garbage classification via posters and games in the neighborhood, schools and other public places. The promotion attracted more than 50,000 people to participate in the mini-games.

With the assistance of the Publicity Department of Tianhe District, the company published two pages in the *Guangzhou Daily* to promote the knowledge of garbage classification. The online promotion attracted 40,000 people to play the mini-game in a single week.

The *Accurate Waste Classification* mini-game accumulated a total of 300,000 hits and received positive feedback from many players.

*Cellular Warfare* is another mini-game developed by 37 Interactive Entertainment. This game is based on the immune cells in the human body, as well as bacteria, viruses and other microorganisms. It uses the general immune process of the human body as the world view and basis of the game. The game combines MOBA (multiplayer combat), real-time strategy and other elements into a fun and engaging game. Users can experience the characteristics of cells and microorganisms during the stimulated battle, and understand the process of human immunity.

Both games received Golden Diamond "Excellent Special-Purpose Game Award" and gained approval by China’s State Administration of Press, Publication, Radio, Film and Television.

### 7.3 Game and Cultural Inheritance: Culture in Everyday Life

Cultural beliefs and cultural confidence are the spiritual backbone of a nation. 37 Interactive Entertainment has been exploring the use of Internet technology to promote the creative transformation, innovative development and innovative inheritance of China’s excellent traditional culture. The general public, especially young people, can learn from the country’s intangible cultural heritage and revive valuable cultural elements.

During Dragon Boat Festival 2019, the company added intangible cultural elements of dragon boat racing to its popular game "Lord of the City". In the game, players can obtain dragon boat materials by completing quests and then decorate the boat, allowing players to understand in detail the steps of dragon boat racing. The company cooperated with Guangzhou Chebei Dragon Boat Culture Promotion Association and invited some players to participate in the International Dragon Boat Festival to experience this unique traditional...
culture, which has lasted for thousands of years.

During Mid-Autumn Festival 2019, the company held special in-game events in "Lord of the City" and "Soul Land H5" in partnership with Baiyun Intangible Cultural Heritage Protection Center. Players could collect materials and build fire dragons in the game and hence have a deeper understanding of the fire dragon dance, one of Guangdong's iconic elements of intangible cultural heritage.

"Dragonboat Defender" was the first special-purpose game that incorporated traditional Chinese culture. The game gets inspired by dragon boat culture and incorporates dragon boat ceremonies, intended to be educational and entertaining at the same time. The game uses traditional illustrations to fully display the charm of traditional Chinese culture. "Dragonboat Defender" was officially approved on Dec. 30th, 2019.

During Cultural and Natural Heritage Day 2019 co-sponsored by the Ministry of Culture and Tourism and People's Government of Guangdong Province, 37 Interactive Entertainment developed beautiful and highly interactive mobile invitation webpage in partnership with Guangzhou Intangible Cultural Heritage Protection Center and used its resources to help promote it online.

### 7.4 Game and Life Convenience: Make Travel Safer

During the Spring Festival, there is always a surge of dense passenger flow and an increase of carry-on luggage, which poses a large risk to the municipal metro systems. In order to support the government's safe travel guidelines, 37 Interactive Entertainment and the Guangzhou Municipal Public Security Bureau - Public Transport Branch jointly developed and produced a travel simulation mobile mini-game on Jan. 9th, 2020. The game was officially released at the opening ceremony of the "Spring Festival Safe Travel" event that held on Tianhe Park Station.

In the mini-game "Transit Officer's One-Day Tour", 37 Interactive Entertainment's official mascot, Mr. Onion, will be acting as the passenger and player avatar. Players can follow the transit police as they go through the process of entering the station, passing through the security check, and waiting for the train. This helps players understand the regulations of the metro system to avoid travel delay during the Spring Festival period. Featuring "Misconduct Alerts" and "Emergency Response" functions, the game also demonstrates how the uncivilized behaviors in the subway may violate the law and show preventive measures in case of trampling or fire. At present, the mobile mini-game has exceeded 100,000 hits.
VIII. Compliance Creates a Long-Term Foundation

37 Interactive Entertainment focuses on compliance operations and is committed to improving corporate governance, protecting shareholders' rights and promoting fair competition. The company has established a sound governance structure and intellectual property protection mechanisms to perform a strict internal audit. 37 Interactive Entertainment actively communicates with investors by disclosing information regularly.

8.1 Protect Shareholders' Rights and Create High Returns

37 Interactive Entertainment is well aware that the reason for shareholder investment is due to their trust and support in the company's managers and its employees. The company bears the great expectations of shareholders to maintain and increase the value of assets and the responsibility to realize the long-term value of shareholders. The company has always adhered to ideals of stable operation, standardized operation, continuous improvement of corporate governance, strict prevention of risks, ensuring the safety of shareholders' assets, efforts to improve operating performance, and continuous return of shareholders' trust.

1) Sound Corporate Governance Safeguards Decision-Making Process

Since the company went public, 37 Interactive Entertainment has been in strict accordance with Corporate Law, Securities Law and the laws and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange. As a result, a Three-Tier Board operation system has been established, which includes the board of shareholders, the board of directors and the board of supervisors.

In 2019, the company held a total of 8 shareholders' meetings, 13 meetings of the board of directors, and 10 meetings of the board of supervisors, reviewed all important matters of the company, and protected the investors' right to know, participate, and make decisions on major matters of the company.

A. Shareholders' Meeting

In accordance with relevant laws and regulations, 37 Interactive Entertainment regularly convenes shareholders' meetings and hired lawyers to attend the witnesses, which can ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights.
On-site voting and online voting are used at each shareholders’ meeting. Public shareholders may vote on the platform provided by the Shenzhen Stock Exchange. The voting results of small and medium shareholders are disclosed in the announcement of the resolution of the shareholders' meeting to effectively protect the voting rights of small and medium shareholders.

B. Board of Directors

The composition of the company's board of directors is balanced, and each director has unique insights and professional knowledge formed over many years of their careers. This combination of talent and experience is conducive to dynamic and constructive communication.

Among the directors, Li Weiwei, Zeng Kaitian, Chen Xialin are all have rich industrial operation and risk management capabilities. Director Yang Jun has extensive experience in large-scale projects and audit compliance risk management. The current four independent directors of the company also have professional experience in accounting, law and financial investment respectively.

Having 4 independent directors in the board of directors, shareholders’ rights and interests can be protected further independently and objectively. They play a supervisory role in the board's decision-making and have issued independent, fair decisions on matters such as the election of directors and the third employee shareholding plan in 2019. Independent directors helped to improve the company's supervision mechanism and to safeguarding the legitimate rights and interests of all shareholders.

37 Interactive Entertainment's board of directors consists of four committees: Audit Committee, Remuneration Committee, Nomination Committee, and Strategy Committee. They together have played an important role in promoting the company's standardized operation and sustainable development.

Audit Committee

The members of the audit committee are composed of three directors: Chen Jianlin, Yang Jun, and Liu Guangqiang. Among them, two are independent directors, with independent director Chen Jianlin serving as the chairman. Independent directors account for more than half of the members of the audit committee and are independent.

All the three members of audit committee have professional knowledge in finance and accounting. In 2019, in accordance with the relevant regulations of the China Securities Regulatory Commission, Shenzhen Stock Exchange, the Audit Committee conscientiously performed its duties in accordance with the principle of due diligence and convened 5 meetings. Audit Committee members actively participated in the above meetings. The audit committee mainly carried out the following work in 2019:
i. Reviewed the company's financial statements and periodic reports;

ii. Reviewed the company's internal audit plans and reports;

iii. Reviewed the company's 2019 audit agency.

Remuneration Committee

The members of the remuneration committee are composed of three directors: Ye Xin, Zeng Kaitian and Chen Jianlin. Among them, two directors are independent directors, which accounts for more than one-half of the remuneration committee members. Independent director Ye Xin serves as the chairman of the committee.

In 2019, the remuneration committee performed its duties conscientiously, held 1 meeting and worked out the 5th Board of Directors Remuneration Plan.

In order to further improve the remuneration management of directors, mobilize the initiative and creativity of directors, promote enterprise management level, enhance the company’s sustainable development, the following remuneration plan has been formulated:

i. Members of non-independent directors are full-time directors of the company, and deal with daily decision-making affairs, and their positions are important. Therefore, their remuneration is paid at ¥500,000-¥2.5 million RMB per year, which is determined according to job duties and company performance.

ii. The fixed remuneration for each independent director is ¥120,000 RMB per year, which will be paid once every six months.

The non-independent director's remuneration plan is tied to the company’s sustainable development and performance. At the same time, independent directors have a fixed remuneration system to ensure their independence.

C. Board of Supervisors

The board of supervisors of the company performs its duties conscientiously, protects the interests of shareholders, supervises the company’s finances and the legal compliance of the company’s directors and senior management to perform their duties, and faithfully and diligently safeguards the legitimate rights and interests of the company and shareholders.

2) Be Responsible to Investors and Attach Importance to ROI

Following principles have been formulated to ensure that the company is fully accountable to investors:
Strictly abide by national laws and regulations and relevant regulations of Shenzhen Stock Exchange, and disclose information to investors in a timely manner.

Treat and respect all investors fairly and equally. Protect investors' right to know and other legitimate rights and interests.

Ensure that the information is true, accurate and complete, and fully disclosed.

With sufficient information disclosure, the company can strengthen the communication with investors and thus help the investors understand, accept and support the company's development strategy and business philosophy. This establishes a stable and high-quality investor relationship management mechanism and a positive brand image, and forms a corporate culture and values that respect investors within the company.

Secondly, the company protects the rights of shareholders in accordance with the law, attaches importance to a reasonable return on investment to shareholders, clarifies the profit distribution method in the company's articles of association, and formulates a three-year (2017-2019) shareholder return plan. Considering the annual revenue, business plan, shareholder dividend policies and return plans, the company will maintain the continuity and stability of the profit distribution policies and take into account the long-term interests, the overall interests of shareholders and the company's sustainability. The annual profit distribution plan must be fully reviewed by the board of directors, the board of supervisors and shareholders’ meeting, after which it will be implemented by the board of directors.

3) Communicate with Investors to Promote Investor Relations

A. Issue the Investor Relations Management Regulations. Step up Investor Education.

The company issued Investor Relations Management Regulations to regulate the management of investor relations, promote the good interactions between the company and investors, along with potential investors. It may also effectively protect the legitimate rights and interests of investors, especially public investors, and enhance the company's investment value.

According to the Investor Relations Management Regulations, the company can strengthen the communication with investors by accepting investors' surveys, site visits, phone consultations, performance meetings, analyst meetings, roadshows, news interviews, and other activities, enhancing investors' understanding to the company.

To better serve the investors, strengthen investor education and protection, the company complies with the "Notice on Launching National Investor Protection Day Event on May 15th" issued by the China Securities Regulatory Commission - Anhui Regulatory Bureau, promoting the importance of rational investment and
risk awareness to investors through posters and other methods. Fulfill the responsibility of protecting the legitimate rights and interests of investors.

B. Ensure Investors' Right to Know

The company regularly holds meetings and annual report briefings to enhance communication with institutional investors, brokerage analysts, and minority shareholders. Relevant information is also disclosed at www.cninfo.com.cn.

The company’s official website is always updated promptly, providing investors and the public with a convenient way to understand investor relations and comprehensive information about the company.

The company opened an investor telephone hotline 0553-7653737 and a dedicated mailbox ir@37.com, and the person in charge of the company’s board secretary office is responsible for responding to investor questions in a timely manner and then report investors' opinions and suggestions to the board of directors and management.

In addition, the company actively uses the Shenzhen Stock Exchange interactive platform to communicate with investors online. As of the end of 2019, the company has responded to 50 questions on the interactive platform, at a response rate of nearly 80%.

C. Board Secretary is Responsible for the Management of Investor Relations

The company’s investor relations management work is carried out under the leadership of the board of directors, and accepts the management and guidance of the China Securities Regulatory Commission and the Shenzhen Stock Exchange. As the person in charge of investor relations management, Mr. Ye Wei, the company’s board secretary, is fully responsible for investor relations management. As an important special-purpose department, the personnel of the board secretary's office has made outstanding contributions to improving corporate governance and creating good investor relations.

4) Information Disclosure Mechanism Guarantees the Information Quality

The company has formulated a series of internal control systems related to information disclosure management and insider information confidentiality such as the "Information Disclosure Management System" and "Inside Information Insider Registration Management System" to guarantee effective information disclosure management and the confidentiality of insider information. These internal control systems ensure that relevant parties can get access to the company's business conditions, the progress of major issues and try to reduce the possibility of illegal insider trading and other illegal activities caused by information asymmetry behavior.
Company information is disclosed through China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and the website designated by China Securities Regulatory Commission: [http://www.cninfo.com.cn](http://www.cninfo.com.cn). To conform to the notion of "driven by the investors' demand", the company disclosed 4 periodical and 134 non-periodical reports in 2019, providing investors with detailed information on various hot topics and the up-to-date information of the game industry.

In addition, the company also made timely announcements on the company's employee shareholding plan, amendments to the "Articles of Association", changes in accounting policies, implementation of equity distribution, and changes in directors and supervisors, to ensure that the content of information disclosure is true, complete and accurate.

### 8.2 Honesty, Integrity, and Anti-Fraud

The culture of integrity is an indispensable factor to the sustainable development of the company. 37 Interactive Entertainment is committed to advocating a workplace culture of integrity and honesty, and creating corporate environment based on ethics and fairness.

#### 1) Improve Procedure, Standardize Internal Audit

As the primary department responsible for the company's anti-fraud practice, Internal Control Audit Department reports to the Audit Committee of the Board of Directors. Since 2016, led by the Disciplinary Committee, 37 Interactive Entertainment has established an anti-fraud system based on three aspects: internal control, audit, and supervision. Through internal audits driven by risk assessment, systematic risk evaluation, and management vulnerability concealment, the company has greatly reduced or even eliminated opportunities for fraud, in ways of procedure enhancement, investigation, internal and external supervision, etc.

In 2019, the company introduced policies including Letter of Integrity Commitment, Anti-Fraud Reporting and Reward Procedures, Financial Gift Management System, Conflicts of Interest Management Procedures, etc., which have paved ways to inhibit commercial bribery, improve report processes, open complaint entry, reinforce protection on whistleblowers, clarify conflicts of interest, and more.

The company introduced three reporting channels for employees, suppliers, and stakeholders.

i. Reporting Hotline: 020-38206163

ii. Email: 37ia@37.com
iii. Mailing Address: 37 Interactive Entertainment Building, Baihe Road No.19, Tianhe District, Guangzhou. Postal code: 510665

In accordance with Anti-Fraud Reporting and Reward Procedures, whistleblowers are to be protected from any form of assault.

**Anti-Fraud Reporting and Reward Procedures:**

**Article 11:** Personnel who accept reports or participate in fraud investigations shall not provide relevant information and reporting content of the whistle-blowers to any department or individual without authorization. Relevant investigations shall be conducted without revealing the identity of the whistle-blowers. Unless the whistleblower agrees, under no circumstances will the whistleblower’s name, work unit, contact information, etc. be disclosed. Investigators who violate confidentiality regulations or improperly perform their duties will be dealt with according to the circumstances and consequences.

**Article 12:** Whistleblowers shall be protected by the company during their assistance in investigation. No unit or individual may use any pretext to block or suppress the reporting of a whistleblower, and shall not use any means to retaliate against a whistleblower or take hostile measures against employees involved in an investigation. Once verified, if it is dealt with seriously in accordance with the relevant regulations of the company and constitutes a crime, it shall be transferred to the judicial organ for handling according to law.

2) **Creating a Culture of Honesty, Fighting Against Internal Fraud**

Within the company, the Internal Control Audit Department actively promotes and guides the anti-fraud culture of all employees and builds a culture of integrity by conducting anti-fraud training for all employees, and assessing the risk of fraud every quarter, and evaluating various internal control audit systems. The company has emphasized that workplace fraud is a red line that the company will not tolerate. Employees are encouraged to participate in the anti-fraud work in the company.

Employees of outstanding integrity and honesty are commended and rewarded annually. A total of 24 employees were commended in 2019.

In 2019, the company investigated a number of suspected internal corruption and fraud incidents, including: bribery, misappropriation of assets, embezzlement, and commercial leaks. Some cases have been transferred to judicial authorities to resolve.

3) **Emphasize Procurement Responsibility, Raise Supplier Standards**

In the "Supplier Management" chapter of "Procurement Procedures", procurement responsibility is defined and emphasized, and the "Supplier Social Responsibility Code of Conduct" is introduced to require all
suppliers to abide by regulations in terms of business ethics, responsibility management, privacy protection, laborer rights, environment protection, and more. Suppliers shall be periodically audited for social responsibility compliance; the implementation of social responsibility is one of the company's key criteria for supplier selection.

**Supplier’s Code of Conduct of 37 Interactive Entertainment:**

**Business Ethics:** Suppliers should consciously abide by laws and regulations and business ethics, strictly abide by professional ethics, conduct normal business activities with honesty and integrity. Commercial bribery, fraud, production with inadequate materials, and similar behaviors will not be tolerated.

**Responsibility Management:** Suppliers shall establish corresponding procedures to identify and reduce social responsibility risks.

**Privacy protection:** The supplier shall protect the personal privacy information of business-related personnel and shall not disclose information externally.

**Workers' Rights and Interests:** Suppliers shall abide by relevant laws and regulations and protect the workers’ rights and interests. Forced labor, discrimination, the use of violence, and child labor will not be tolerated. Provide a decent, healthy and safe working environment for workers and provide necessary living facilities for workers. Workers shall be provided with benefits, vacation, training, and promotion chances according to the corresponding laws and regulations.

**Environment Protection:** Suppliers should take necessary measures to reduce energy consumption, reduce the discharge of waste water, waste gas, and waste residues during the production and operation process, and no major environmental pollution accidents should occur during the operation period.

4) **Join Anti-Fraud Alliance, Share Information**

37 Interactive Entertainment is a member of Chinese Enterprise Anti-Fraud Alliance and Trust and Integrity Enterprise Alliance. Both alliances share their resources and information to continuously improve their members' professional skills in anti-fraud. The blacklist system shared between the two alliances shall reduce the member companies' risks in employing dishonest persons.

In terms of communication and cooperation in 2019, 37 Interactive Entertainment participated in two anti-fraud seminars: "Embrace the Future: Harness Technology as the Booster of Audit Evolution" and "Build a Community of Integrity, Create an Honest Ecosystem".

In the future, the company will continue to strive to create a fair and transparent organizational environment. Through a combination of both internal and external approach, the company will continue to
fully practice and promote its anti-fraud procedures and culture of integrity. "From the inside out", an honest commercial industry shall be established. Furthermore, in the age of information and digitalization, the company will explore methods such as artificial intelligence and big data to identify and analyze fraud-related behaviors.

8.3 Protect Intellectual Property, Encourage Fair Competition

1) Optimize IP Safeguarding Process

In 2019, 37 Interactive Entertainment will continue to uphold its zero-tolerance attitude towards infringement, improve its intellectual property protection systems, and continuously expand various rights protection channels such as administrative complaints and criminal reports.

The company has cooperated with Apple’s App Store and many other app storefronts to establish effective reporting channels and app delisting procedures to improve the efficiency of intellectual property rights protection. The number of IP safeguarding cases in 2019 continued to rise after 2018. To cope with the malicious infringements on 37 Interactive Entertainment’s IP and other criminal acts that interrupted the products’ operation (such as cyberattack, game cheat, etc.), the company proactively reported cases to the security authorities and provided assistance during the investigation. All relevant lawbreakers were subject to criminal penalties.

2) Participate in Industry Association IP Protection

The company actively participated in the establishment of the game industry association. 37 Interactive Entertainment is an executive member of China Copyright Association, also a member of Guangdong Copyright Protection Alliance and its affiliated Game Specialized Committee.

The company also participated in the formulation of Game Copyright Infringement Reporting Procedures and Regulations initiated by the Anti-Piracy Work Committee of China Audio-Video and Digital Publishing Association.

3) Legal Education Sessions, Enhance Employees’ Concept of Laws

The company has always focused on the legal education of internal employees. This year, it held up to 5 training seminars on common violations of laws and regulations by internal employees in internet companies at locations in Guangzhou and Wuhu. A total of more than 400 employees participated. Through case-studies, participants were educated through the introduction and analysis of legal responsibilities of employees who violate laws and regulations. These seminars provided internal employees with a full
understanding of the forms and consequences of relevant violations of laws and regulations, and strengthen the internal employees' awareness of compliance.

4) Abide by Laws, Independent Innovation, and Improve IP System

37 Interactive Entertainment has always abided by intellectual property laws and regulations, protecting the company's legal rights and benefits as well as respecting others'. Via internal development, IP purchases or licensing, legal trademark registrations, expanding game patent application, and more, the company further improved its IP library and system, fulfilling its social responsibility to proactively stimulate creativity.
Key Performances

Economic

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (RMB)</td>
<td>6,188,828,116.75</td>
<td>7,632,679,668.47</td>
<td>13,227,135,966.70</td>
</tr>
</tbody>
</table>

Employees

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td>2703</td>
<td>2263</td>
<td>2818</td>
</tr>
<tr>
<td>By Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>810</td>
<td>726</td>
<td>943</td>
</tr>
<tr>
<td>Male</td>
<td>1893</td>
<td>1537</td>
<td>1875</td>
</tr>
<tr>
<td>By Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 30</td>
<td>2129</td>
<td>1634</td>
<td>1887</td>
</tr>
<tr>
<td>30 to 50</td>
<td>574</td>
<td>626</td>
<td>931</td>
</tr>
<tr>
<td>Above 50</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ethnic Minority</td>
<td>75</td>
<td>84</td>
<td>102</td>
</tr>
<tr>
<td>Physically Disabled</td>
<td>0</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Labor Contract Coverage</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Insurance and Housing Fund Coverage</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Occupational Accident Rate</td>
<td>0</td>
<td>0</td>
<td>5 minor injuries</td>
</tr>
<tr>
<td>Parental Leave Coverage</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Parental Leave Individuals</td>
<td>--</td>
<td>144</td>
<td>192</td>
</tr>
<tr>
<td>Training Program</td>
<td>620</td>
<td>608</td>
<td>669</td>
</tr>
<tr>
<td>Training Attendance</td>
<td>13407</td>
<td>15280</td>
<td>13561</td>
</tr>
<tr>
<td>Total Hours</td>
<td>31466</td>
<td>37765</td>
<td>39026</td>
</tr>
<tr>
<td>Average Training Hours</td>
<td>11.64</td>
<td>16.69</td>
<td>13.85</td>
</tr>
<tr>
<td>Training Cost (RMB, million)</td>
<td>1.2011</td>
<td>2.0574</td>
<td>4.0681</td>
</tr>
<tr>
<td>Expense Growth</td>
<td>1 (Baseline Year)</td>
<td>+71.3%</td>
<td>+238.7%</td>
</tr>
<tr>
<td>Average Cost (RMB)</td>
<td>444.36</td>
<td>909.15</td>
<td>1443.61</td>
</tr>
<tr>
<td>Average Cost Growth</td>
<td>1 (Baseline Year)</td>
<td>+104.60%</td>
<td>+231.58%</td>
</tr>
</tbody>
</table>

Community and Society

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity Expense (RMB, million)</td>
<td>3.1175</td>
<td>3.3864</td>
<td>3.5923</td>
</tr>
</tbody>
</table>

Environment

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
### 1. Energy consumption

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Consumption (kWh)</td>
<td>3,607,131.00</td>
<td>3,421,805.00</td>
<td>3,239,688.00</td>
</tr>
<tr>
<td>Changes in Electricity Consumption (%) compared to the amount of 2017</td>
<td>1</td>
<td>-5.14%</td>
<td>-11.34%</td>
</tr>
<tr>
<td>Energy Intensity*</td>
<td>5.83</td>
<td>4.48</td>
<td>2.45</td>
</tr>
<tr>
<td>Changes in Energy Intensity (%) compared to the amount of 2017</td>
<td>1</td>
<td>-23.15%</td>
<td>-57.98%</td>
</tr>
<tr>
<td>Energy Efficiency**</td>
<td>1715.72</td>
<td>2230.60</td>
<td>4082.48</td>
</tr>
<tr>
<td>Changes in Energy Efficiency (%) compared to the amount of 2017</td>
<td>1</td>
<td>+30.01%</td>
<td>+137.95%</td>
</tr>
</tbody>
</table>

### 2. Water Resources

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Consumption (t)</td>
<td>22340.51</td>
<td>22792.78</td>
<td>26070.08</td>
</tr>
<tr>
<td>Changes in Water Consumption (%) compared to the amount of 2017</td>
<td>1</td>
<td>+2.02%</td>
<td>+16.69%</td>
</tr>
<tr>
<td>Water Use Intensity</td>
<td>3.61</td>
<td>2.99</td>
<td>1.97</td>
</tr>
<tr>
<td>Changes in Water Use Intensity (%) compared to the amount of 2017</td>
<td>1</td>
<td>-17.17%</td>
<td>-45.43%</td>
</tr>
</tbody>
</table>

### 3. Pollutants

- Pollutant Emission (Vehicle Exhaust)
  - NOx: 4.34 kg
  - PM: 0.325kg

### 4. Wastes

- Workplace garbages: 1314m³

### 5. GHG Emissions (2019 as Base Year)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Emission (t CO₂ e)</td>
<td>--</td>
<td>--</td>
<td>129.15</td>
</tr>
<tr>
<td>Indirect Emission (t CO₂ e)</td>
<td>3018.087</td>
<td>2855.011</td>
<td>2701.36</td>
</tr>
<tr>
<td>Annual Emission (t CO₂ e)</td>
<td>--</td>
<td>--</td>
<td>2830.51</td>
</tr>
<tr>
<td>Carbon Emission Intensity</td>
<td>--</td>
<td>--</td>
<td>0.214 t CO₂ e per million RMB avenue 1.490 t CO₂ e per million USD avenue</td>
</tr>
</tbody>
</table>

(The End)
37 Interactive Entertainment

Sustainable Development Performance Report 2019
Declaration

This report is in accordance with the GRI Standards: Core Options (GRI Standards 2016)

The following information is based on the performance of 2019, if not specifically noted.

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GRI 102: general disclosure

1. Organization Profile

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<tr>
<th>GRI Standards Disclosure</th>
<th>Description</th>
<th>Content Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-1 Name of the Organization</td>
<td>Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-2 Activities, brands, products, and services</td>
<td>Online games R&amp;D, 5G/Cloud Gaming, online education for children, films, music, anime production, talent agency, VR, health, social and the creation of new IPs</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-3 Location of headquarters</td>
<td>The listing company is registered in Wuhu, Anhui. The R&amp;D center is located in Guangzhou, Guangdong.</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-4 Location of operations</td>
<td>Guangzhou, Beijing, Shanghai, Anhui, Hubei, Hainan, Jiangsu, Sichuan, Hong Kong, Southeast Asia, Korea, Japan, Europe, and United States</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-5 Ownership and legal form</td>
<td>The company is listed on the Shenzhen Stock Exchange (SZSE) as a group company limited.</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-6 Markets served</td>
<td>China, Southeast Asia, Korea, Japan, Europe, United States</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-7 Scale of the organization</td>
<td>Total Employee count: 2818  Annual Revenue: 13,227,135,966.70 RMB</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-8 Information on employees and other workers</td>
<td>All employees, including 1875 males and 943 females have signed a contract of employment.  Billable hours of independent contractors: 844,624.32 hours</td>
<td>CSR Report - Public Edition (ENG version), Page 28</td>
</tr>
<tr>
<td>102-9 Supply chain</td>
<td>Content providers of online games, R&amp;D, and publishing are the company’s primary suppliers.</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-10 Significant changes to the organization and its supply chain</td>
<td>No significant changes have occurred.</td>
<td>The company’s 2019 Annual Report</td>
</tr>
<tr>
<td>102-11 Precautionary Principle or approach</td>
<td>The company drew up the emergency response plan for market competition and management, loss of core talented staff and social responsibility management. The company’s daily operation causes indirect carbon emissions. To achieve the goal of carbon neutral, the company has reduced the carbon emissions year by year.</td>
<td>CSR Report - Public Edition (ENG version), Page 15-19, 52-53</td>
</tr>
<tr>
<td>102-12 External initiatives</td>
<td>The company participated in the drafting of the “Video Game Age Ratings Proposal” led by People’s Daily Online. The company is a part of Enterprise Anti-Fraud Alliance and Trust and Integrity Enterprise Alliance. The company participated in drafting the Group Standard on Regulations of Disputes Over Game IP Infringement in 2019.</td>
<td>CSR Report - Public Edition (ENG version), Page 42, 65-68</td>
</tr>
<tr>
<td>102-13 Membership of associations</td>
<td>37 Interactive Entertainment is a member of: The Internet Society of China, China Culture &amp; Entertainment Industry Association, China Charity Alliance, China Association of Social Workers Committee of Corporate Citizenship, Guangdong High-Tech Industry Chamber, Guangdong Entertainment &amp; Game Industry Association, Guangzhou Federation of Industry and Commerce, and Guangdong Copyright Protection Federation.</td>
<td></td>
</tr>
</tbody>
</table>

2. Strategy

| 102-14 Statement from senior decision-maker | The Board of Directors proposed 2025 Sustainability Development Goals: ➢ Establish a communication channel to improve daily communication, evaluate demands made by relevant parties, lay out an overall strategy for production and management. ➢ Improve corporate compliance systems, protecting investors’ interests, punish fraud, and protect intellectual property. ➢ Abide by laws and regulations, protect minors. ➢ Perfect data security management systems, and provide a secured online environment to protect the privacy of users. ➢ Offer appealing compensation and benefits, provide opportunity for growth and career development. ➢ Use technologies to serve public welfare, explore the educational, cultural and public service function of games. ➢ Undertake corporate social responsibility; donate at least 3 million RMB per year to the disadvantaged students. ➢ Participate in global climate action, promote energy saving and emissions reduction. Use renewable energy and realize carbon neutral in 2025. | CSR Report - Public Edition (ENG version), Page 19-21 |
3. Ethics and integrity

| 102-16 Values, principles, standards, and norms of behavior | The company’s goals are to uphold the values of corporate culture, promote innovation, persistence, perfectionism, and take initiative and implement “the spirit of the marathon” in corporate management. The company has zero tolerance for illicit payments, bribes, fraud, disclosure of trade secrets, breach of salary confidentiality, and protection of individuals in violations of laws. The company will enforce a zero-tolerance policy and deal with any relevant person responsible of criminal behavior very severely. The company requires all content providers and relevant suppliers to abide by laws and regulations in business and legal ethics, responsible management, privacy protection, labor rights, energy conservation and environmental protection. | CSR Report - Public Edition (ENG version), Page 28-30, 65-68 |

4. Governance

| 102-18 Governance structure | The company has established a Three-Tier Board system: shareholders’ meeting, board of directors and board of supervisors. Board of directors is in charge of an audit committee, a salary assessment committee, a nominations committee, and a strategic committee. There is also a sustainable development and management committee. | CSR Report - Public Edition (ENG version), Page 60-62 |

5. Stakeholder engagement

| 102-40 List of stakeholder groups | Investors, direct users and potential users of products, employees, governments and regulators, game and tech industries, the community, and the natural environment are the main stakeholders of the company. | CSR Report - Public Edition (ENG version), Page 15-21 |

<p>| 102-41 Collective bargaining agreements | The company continues to abide by relevant laws and regulations | CSR Report - Public Edition (ENG version), Page 30-31 |</p>
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-42 Identifying and selecting stakeholders</td>
<td>Based on user surveys and feedback, combined with the company's daily communication with various stakeholders, a comprehensive analysis of the company's core competitiveness, product features, product value chain structure, industry characteristics, and other factors, the company is able to identify stakeholders and material topics.</td>
<td>CSR Report - Public Edition (ENG version), Page 17-19</td>
</tr>
<tr>
<td>102-43 Approach to stakeholder engagement</td>
<td>Questionnaire surveys, daily work exchanges and mutual visits, conference participation, cooperation, and active attention to relevant developments are the main ways for the company to communicate with relevant parties.</td>
<td>CSR Report - Public Edition (ENG version), Page 15-17</td>
</tr>
</tbody>
</table>
| 102-44 Key topics and concerns raised | Stakeholders raised key topics include:  
- Investors: the right to be informed, income from investment.  
- Users: in-game experience and customer service, privacy policy.  
- Employees: compensation, benefits, self-development, career opportunities.  
- Government and management department: corporate compliance, protection for minors.  
- Industry: fair competition and IP protection.  
- Community: contribution made to the community.  
- Public: social responsibility and charity works.  
- Environment: minimize the negative effects on the natural environment. | CSR Report - Public Edition (ENG version), Page 15-17 |

6. Reporting practice

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-45 Entities included in the consolidated financial statements</td>
<td>All of the above contents have been disclosed in the company's 2019 Annual Report.</td>
<td></td>
</tr>
</tbody>
</table>
| 102-47 List of material topics | 30 material topics are selected and listed below:  
1) Investors' rights, 2) investors' benefits, 3) communication with investors, 4) social responsibility management, 5) game products and services, 6) social function of games, 7) cyber protection for minors, 8) cyber security, 9) data security, 10) protection of user' privacy, 11) legitimate employment, 12) occupational health and safety, 13) employees' benefits, 14) salary, 15) career promotion, 16) multiple incentives, 17) training opportunities, 18) labor management relations, 19) equality and diversity in workplace, 20) child labor prohibition, 21) forced labor prohibition, 22) anti-fraud, 23) IP protection, 24) supplier responsibility management, 25) duty to purchase, 26) energy saving, 27) carbon emission, 28) renewable energy, | CSR Report - Public Edition (ENG version), Page 17-19 |
### Restatements of information (102-48)

| 29) community contribution, 30) corporate charity works. |

### Changes in reporting (102-49)

| None |

**CSR Report - Public Edition (ENG version), about the report**

**Sustainable Development Performance Report**

Compared with previous years' reports, the 2019 annual report is divided into Social Responsibility Report - Public Edition and Sustainable Development Performance Report.

Sustainable Development Performance Report is in accordance with GRI Standards: core option.

The corporate social responsibility works are targeted to the United Nations 2030 Sustainable Development Goals (SDGs) and its indicators.

Material topics are more detailed and more attention is paid to the disclosure of the quantitative index.

The minors' network protection and games to achieve social functions will be presented as separate chapters. The energy saving and emission reduction chapters will include the measurement of corporate carbon emissions and the setting of the base year. The key performance form was also attached.

The company set sustainable development goals by 2025.

**Reporting period (102-50)**

| The reporting period of core statistics is the calendar year, which is from January 1, 2019 to December 31, 2019. |

**Date of most recent report (102-51)**

| The latest social responsibility report was published on Apr. 26, 2019. |

**Reporting cycle (102-52)**

| The annual social responsibility report is released along with the annual report of the listed company. |

**Contact point for questions regarding the report (102-53)**

| For more information, please contact: csr@37.com. |

**Claims of reporting in accordance with the GRI standards (102-54)**

| This report is in accordance with GRI Standards: core options. |

**GRI content index (102-55)**

| The report contains a content index that can be easily accessible to the public edition of the report. |

**External assurance (102-56)**

| No external assurance is conducted for this report. |

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**GRI 103: management approach**

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**Note:** Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
103-1 Explanation of the material topic and its boundary

The company has identified a total of 30 material issues, analyzed them based on the importance of the company and the degree of concern of relevant parties, and defined the scope and boundaries of the impact of the substantive issues.

---

The scope and effects of material topics

<table>
<thead>
<tr>
<th>Subject</th>
<th>No.</th>
<th>Material Topics</th>
<th>The scope of the impact</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Internal</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Employees</td>
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<td></td>
<td>Investors</td>
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<td></td>
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<td>Users and potential users</td>
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<td></td>
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<td></td>
<td>Suppliers</td>
<td></td>
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<td></td>
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<td></td>
<td>Government departments</td>
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<td></td>
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<td></td>
<td>Industry</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Community and society</td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td>1</td>
<td>Economic performance</td>
<td></td>
<td>Applies to 37 Interactive Entertainment and all its subsidiaries</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Economy sustainability</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>3</td>
<td>Information disclosure and participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>4</td>
<td>Products and services</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>5</td>
<td>Social functions</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>6</td>
<td>Cyber protection for minors</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>7</td>
<td>Cyber security</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>8</td>
<td>Data security</td>
<td>⬛</td>
<td>⬛</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Protection of user privacy</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>员工</td>
<td>10</td>
<td>Legitimate employment</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>11</td>
<td>Occupational health and safety</td>
<td>⬛</td>
<td>⬛</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Benefits</td>
<td>⬛</td>
<td>⬛</td>
<td></td>
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<tr>
<td>13</td>
<td>Salary</td>
<td>⬛</td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td>Career development</td>
<td>⬛</td>
<td></td>
<td></td>
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<tr>
<td>15</td>
<td>Multi incentives</td>
<td>⬛</td>
<td></td>
<td></td>
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<tr>
<td>16</td>
<td>Training</td>
<td>⬛</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Labor-management relations</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>18</td>
<td>Equality and diversity</td>
<td>⬛</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Child labor prohibition</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>20</td>
<td>Forced labor prohibition</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
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<tr>
<td>Complian</td>
<td>21</td>
<td>Anti-fraud</td>
<td>⬛</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>IP protection</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>23</td>
<td>Supplier responsibility management</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>24</td>
<td>Duty to purchase</td>
<td>⬛</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>Environment</td>
<td>25</td>
<td>Energy saving</td>
<td>⬛</td>
<td>⬛</td>
</tr>
<tr>
<td>26</td>
<td>Carbon emission reduction</td>
<td>⬛</td>
<td>⬛</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Renewable energy</td>
<td>⬛</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community and</td>
<td>28</td>
<td>Contribution to community</td>
<td>⬛</td>
<td></td>
</tr>
</tbody>
</table>

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
<table>
<thead>
<tr>
<th>Society</th>
<th>Social charity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage ment</td>
<td>Social responsibility management</td>
</tr>
</tbody>
</table>

103-2 The management approach and its components
The content will be disclosed in the chapter of specific material topics.

103-3 Evaluation of the management approach
The content will be disclosed in the chapter of specific material topics.
2. Economic Standards

GRI 103-2: management approach

The company strictly complies with the requirements of the Company Law, Securities Law, Company’s Articles, Rules of Shareholders’ Meeting, Rules of the Board, and regulations enacted by China Securities Regulatory Commission (CSRC), Shenzhen Stock Exchange (SZSE). The company has established the shareholders’ meeting, board of directors and board of supervisors.

The company has formulated Investors Relations Management System, Information Disclosure Management System, and Insider Registration Management System for effective management of information disclosure and confidentiality of internal information.

The company also imposed standards on purchasing and specified a detailed procedure for suppliers to comply with.

The company released a series of regulations and policies, such as Proposal for Honesty, Regulations of Anti-fraud, Rules of Gift and Cash Gift Submission, Regulations of Conflicts of Interests, Purchase System to combat fraud and corruption.

The company has zero tolerance for infringement. If any party infringes on the company’s intellectual property rights, disrupt game operations (such as network attacks, game plug-ins) and other illegal criminal acts, the company will prosecute with the full power of the law.

GRI 103-3: evaluation of the management approach

The company has an internal control audit department, which is equipped with full-time auditors. Under the leadership of the audit committee of the board of directors, the company audits the quality of economic operations, economic benefits, the system and implementation of internal control, the use of various expenses, and the company’s asset situation.

GRI 201: Economic performance

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
201-1 Direct economic value generated and distributed
Revenue: 13.227 Billion RMB
Net income attributable to shareholders: 2.144 Billion RMB
Charity expenditure (education, poverty alleviation, community works, rural revitalization): 3.59 Million RMB

201-2 Financial implications and other risks and opportunities due to climate change
The company has not found risks that climate change will affect to its main business or daily operations.

201-4 financial assistance received from government
107.73 million RMB

GRI 202: market presence
202-2 proportion of senior management hired from the local community
The company’s R&D center is located at Guangzhou, where 26% of senior managers and directors are hired from local community.

GRI 203: indirect economic impacts
Not applicable.

GRI 204: procurement practices
204-1 proportion of spending on local suppliers
Not applicable.

GRI 205: anti-corruption
205-1 operation assessed for risks related to corruption
Communication and training about anti-corruption and risk control have been conducted throughout the entire company.

205-2 communication and training about anti-corruption policies and procedures
All employees have received training about anti-corruption policies and procedure, the importance of good faith and honesty.

205-3 confirmed incidents of corruption and actions taken
In 2019, the company investigated a number of suspected internal corruption and fraud actions, including: bribery, misappropriation of assets, embezzlement, and commercial leaks. Some cases have been transferred to judicial authorities.
### GRI 206: anti-competitive behavior

| 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | The company has filed several suits for IP infringement and unfair competition. | CSR Report - Public Edition (ENG version), page 67-68 |

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
3. Environmental Standards

**GRI 103-2: management approach**

The company laid down Energy Conservation and Environment Protection Measures to effectively utilize resources, promote energy conserving and emission reduction. In order to reduce unnecessary energy and resource consumption, the company encourage employees to:

- Save energy in workplace
- Reduce consumption of paper and plastics
- Encourage recycling
- Promote environmental protection

The company's sustainable development and management committee has set 2019 as the company’s base year of carbon emission. The administration department and department of branding will lead this initiative and strive to achieve “Carbon Neutral” by 2025. In order to achieve the goal of carbon neutrality by 2025, the company has formulated the following measures to further reduce the company's carbon footprint:

- Manage energy conservation and emission reduction: reduce daily electricity consumption.
- Renewable energy project: the new building under construction will be powered by solar energy, hence the company will reduce consumption and reliance on fossil fuels.
- Carbon neutral project: the company will join the carbon market starting from 2020 and participate in carbon trading.

The company has laid out its Responsible Business Alliance Code of Conduct and requires that social responsibility be carried out by its suppliers.

**GRI 103-3: evaluation of the management approach**

Starting from 2019, the sustainable development and management committee will collect carbon emissions data every six months and evaluate the company's overall carbon emissions once a year. The company will calculate and disclose an annual accounting of direct and indirect carbon emissions data at the end of each year and the beginning of the next year. If the emissions target at a certain stage is not achieved,
improvements will be made in a timely manner through daily operations and management. Excessive carbon emission will be offset by purchasing carbon credits.

**GRI 301: materials**

Not applicable. The company’s primary focus is online game R&D and publishing. The company is not involved in the production and processing of tangible products.

**GRI 302: energy**

| 302-1 Energy consumption within the organization | Electricity Consumption: 3,239,688.00 kWh | CSR Report - Public Edition (ENG version), page 52-55 |
| 302-2 Energy consumption outside of the organization | Not applicable | CSR Report - Public Edition (ENG version), page 52-55 |
| 302-3 Energy intensity | Energy intensity for the whole year: 2.45 kWh/10000 Yuan (Total energy consumption/Revenue) | CSR Report - Public Edition (ENG version), page 52-55 |
| 302-4 Reduction of energy consumption | Electricity consumption in 2019 was 183117 kWh less than the consumption in 2018 (down 5.30%), and 367443 kWh less than the consumption in 2017 (down 10.19%). | CSR Report - Public Edition (ENG version), page 52-55 |

**GRI 303: water and effluents**

| 303-1 Interactions with water as a shared resource | All water at the office is for commercial use. | CSR Report - Public Edition (ENG version), page 52-55 |
| 303-2 Management of water discharge-related impacts | The management of water discharge is regulated by the local government rather than the company. | CSR Report - Public Edition (ENG version), page 52-55 |
| 303-4 Water discharge | 0 | CSR Report - Public Edition (ENG version), page 52-55 |
| 303-5 Water consumption | Water consumption in 2019: 26070.08 t. | CSR Report - Public Edition (ENG version), page 52-55 |
GRI 304: biodiversity

Not applicable. The company’s primary focus is online game R&D and publishing. Biodiversity is unlikely to be affected by the company’s business.

GRI 305: Emissions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>CSR Report - Public Edition (ENG version), page 52-55</th>
</tr>
</thead>
<tbody>
<tr>
<td>305-1 Direct (Scope 1) GHG emissions</td>
<td>129.15 t</td>
<td></td>
</tr>
<tr>
<td>305-2 Energy indirect (Scope 2) GHG emissions</td>
<td>2830.51 t</td>
<td></td>
</tr>
<tr>
<td>305-3 Other indirect (Scope 3) GHG emissions</td>
<td>Not applicable.</td>
<td></td>
</tr>
<tr>
<td>305-4 GHG emissions intensity</td>
<td>Indirect emissions of 2701.36 tCO₂ e. Carbon emission intensity was 0.214 tCO₂ e per million yuan revenue, or 1.490 tCO₂ e per million US dollar revenue (calculated at the exchange rate of 6.954 RMB to the US dollar)</td>
<td>CSR Report - Public Edition (ENG version), page 52-55</td>
</tr>
<tr>
<td>305-5 Reduction of GHG emissions</td>
<td>Indirect greenhouse gas emission was reduced compared with 2018 and 2017.</td>
<td>CSR Report - Public Edition (ENG version), page 52-55</td>
</tr>
<tr>
<td>305-6 Emissions of ozone-depleting substances (ODS)</td>
<td>None</td>
<td>CSR Report - Public Edition (ENG version), page 52-55</td>
</tr>
</tbody>
</table>
| 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | Significant air emissions are caused by automobile exhaustion, based on the fuel oil consumption in 2019, the company concluded that:  
  - NOx: 4.34kg  
  - Particulate matter (PM): 0.325kg  
  - No other air emissions | CSR Report - Public Edition (ENG version), page 52-55 |

GRI 306: effluents and waste

Not applicable. The company’s daily operation does not result in sewage and waste disposal.

GRI 307: environmental compliance

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
Not applicable. The company’s daily operation is unlikely to cause any violation of environmental laws and regulations.

**GRI 308: supplier environmental assessment**

| 308-2 Negative environmental impacts in the supply chain and actions taken | No negative environmental impacts detected in the supply chain. |
4. Social Standards

4.1 Employs’ rights and benefits

GRI 103-2: management approach

The company strictly complies with relevant PRC laws and regulations by formulating and implementing the recruitment management system, salary management practices, performance evaluation system, training management regulations, employee’s education promotion system, and on-campus recruitment regulations. The company aims to enhance employee benefits and build a healthy environment for employees.

The company adheres to the principles of fairness and ethics, and holds no prejudice or discrimination against gender, nationality, ethnicity, race, language, skin color, religion, educational background, physical and mental conditions, marital status in terms of recruitment, providing benefits, performance evaluation, rank evaluation, training and education, contract termination, etc. The company guarantees equal opportunities for every employee and equal pay for equal work.

The company strictly abides by PRC laws and has zero tolerance for child labor or forced labor.

GRI 103-3: evaluation of the management approach

The company holds weekly meeting, monthly performance interviews and other employee communication methods to keep track of employee feedback on management procedures.

The company conducts employee satisfaction surveys every year to assess company regulations, compensation and benefits, corporate culture, training development, and career advancement. The company will make reasonable adjustments accordingly based on feedback.

The company has set up a forum where employees can express opinions and give suggestions anonymously. Relevant departments will respond and handle the issues as soon as possible. All employees are able to know and understand the processing progress.

GRI 401: employment
<table>
<thead>
<tr>
<th>GRI 401: Employee benefits and working conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees</strong></td>
</tr>
<tr>
<td><strong>401-3 Parental leave</strong></td>
</tr>
</tbody>
</table>

**GRI 402: Labor/management relations**

| GRI 402-1 Minimum notice periods regarding operational changes | Not applicable. |

**GRI 403: Occupational health and safety**

| GRI 403-2 Hazard identification, risk assessment, and incident investigation | There were 5 minor work-related injuries in 2019. | CSR Report - Public Edition (ENG version), page 28-39 |
| GRI 403-3 Occupational health services | None were within the scope. | CSR Report - Public Edition (ENG version), page 28-39 |

**GRI 404: Training and education**

| GRI 404-1 Average hours of training per year per employee | The average number of hours of employee training in 2019 is 13.85 hours. | CSR Report - Public Edition (ENG version), page 28-39 |
| GRI 404-2 Programs for upgrading employee skills and transition assistance programs | The company established a corporate university and online education platform. Staff members can join the Huangpu Freshmen Initiative, Novice Initiative, Soaring Initiative, M+ Initiative. This training system is designed for employees at any level. | CSR Report - Public Edition (ENG version), page 28-39 |
| GRI 404-3 Percentage of employees receiving regular performance and | 100% employees receive monthly performance appraisals and regular career development assessments. | CSR Report - Public Edition (ENG version), page 28-39 |

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
GRI 405: diversity and equal opportunity

| 405-1 Diversity of governance bodies and employees | The board of directors consists of 8 members, all of whom are males. The company has 2,818 employees, which includes 1,875 male employees and 943 female employees. The average age of employees is 28 years old, of which 1,887 are employees under 30, accounting for 66.96%, and 931 are employees between 30 and 50, accounting for 33.46%. The proportion of female employees with supervisory or above positions was 27.16%. The proportion of female managers is 27.16%. Among them, female department directors account for 31.25% in director-level, and manager-level females account for 27.62% in manager-level. | CSR Report - Public Edition (ENG version), page 28-39 |

GRI 406: non-discrimination

| 406-1 Incidents of discrimination and corrective actions taken | No complaint was filed against discrimination in 2019. | CSR Report - Public Edition (ENG version), page 28-39 |

GRI 407: freedom of association and collective bargaining

The company strictly abides by labor law and respects the interests of employees.

GRI 408: child labor

| 408-1 Operations and suppliers at significant risk for incidents of child labor | None | CSR Report - Public Edition (ENG version), page 66-67 |

GRI 409: forced or compulsory labor

Note: Should there be any discrepancy between the English version and the Chinese version of this Translation, the Chinese version shall prevail.
4.2 Community

**GRI 103-2: management approach**

The company takes an active part in community activities. It has supported the community by charity projects and volunteer services.

**GRI 103-3: evaluation of the management approach**

The company keeps in close contact with the local community and is willing to respond to the requests of the community.

**GRI 410: security practices**

**GRI 411: rights of indigenous peoples**

**GRI 412: human rights assessment**

Not applicable.

**GRI 413: local communities**

| 413-2 Operations with significant actual and potential negative impacts on local communities | The company's daily operation and business are highly unlikely to cause negative impact to local communities. |

4.3 Supply Chain Management

**GRI 103-2: management approach**

The company devised a purchasing system at clearly aligns with the “responsible procurement”
principle. 37 Interactive Entertainment launched the Responsible Business Alliance Code of Conduct that requires its suppliers to conduct business ethics, social responsibility, privacy protection, laborer rights and interests, environmental protection.

**GRI 103-3: evaluation of the management approach**

The company’s internal audit department conducts social responsibility audits on its suppliers, which is one of the crucial criteria for supplier selection.

**GRI 414: supplier social assessment**

| 414-2 Negative social impacts in the supply chain and actions taken | No negative impact found on the company’s suppliers. |

**4.4 Product Safety Management**

**GRI 103-2: management approach**

The company strictly abides by PRC laws and participates in industry self-regulation. The company rigorously assesses quality control of product R&D and publishing.

The company has a privacy policy and an information security system to guarantee user data security and protect users’ privacy rights. The company specially developed a Privacy Policy (applicable to children) to ensure the safety of minors online.

The company’s game products have a real-name authentication system, which comprehensively limits the consumption of minors and the duration of games.

**GRI 103-3: evaluation of the management approach**

The company maintains close communications with the local government, users and other relevant parties through various channels. The company fully understands the opinions and suggestions of relevant parties on the company’s products, and will make early and timely rectification of possible violations of laws and regulations in the product and content that affects the user experience.
GRI 415: public policy

Not applicable. The company does not provide political contributions directly or indirectly.

GRI 416: customer health and safety

| 416-1 Assessment of the health and safety impacts of product and service categories | The company's game products have a real-name authentication system, which comprehensively limits the consumption and duration of minor users in games, and fully protects the online safety of minors. Anti-addiction reminders are set in the company’s products, which reminds users to take a break every hour. | CSR Report - Public Edition (ENG version), page 40-43 |

GRI 417: marketing and labeling

| 417-1 Requirements for product and service information and labeling | The company’s business is unlikely to cause negative impact on the environment or the community. |
| 417-2 Incidents of non-compliance concerning product and service information and labeling | No incident of such non-compliance occurred in 2019. |

GRI 418: customer privacy

| 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | No complaint was filed for breach of user privacy violation or loss of customer data. | CSR Report - Public Edition (ENG version), page 48-50 |

GRI 419: socioeconomic compliance

| 419-1 Non-compliance with laws and regulations in the social and economic area | No incident of non-compliance with laws and regulations in the social and economic area was detected. |

(the end)