



2018  
Social Responsibility Report  
of  
Wuhu Shunrong Sanqi Interactive Entertainment  
Network Technology Co., Ltd.

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## Instructions:

This report is the third social responsibility report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. (hereinafter referred to as "37 Interactive Entertainment") and the first report compiled with reference to GRI Standards.

The report covers the whole year of 2018 and some of its contents come from the previous years.

The data and information related to financial targets in the report come from the audited annual report of 37 Interactive Entertainment, while the data and information of non-financial targets come from the daily management statistics of relevant departments of the company and are audited by departments and the board of directors of the company.

The social responsibility report of 37 Interactive Entertainment is an annual report, which is released at the same time as the annual report of listed Companies. The previous report period is 2017. For details, please refer to "37 Interactive Entertainment 2017 Social Responsibility Report". If you have any questions, please contact 37 Interactive Entertainment Social Responsibility Work Email: [csr@37.com](mailto:csr@37.com)

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## Speech of the Chairman

### **Remain true to original aspiration, never forget responsibility**

All staff at 37 Interactive Entertainment have fought bravely and continue to strive towards greatness and good development of the main business of the company in 2018. The initial commitment of 37 Interactive Entertainment to the society will remain true to our original aspiration and never forget our responsibility.

In terms of philanthropic undertakings, 37 Interactive Entertainment continues to assist education and poverty alleviation in remote areas through Guangdong Youxin Foundation initiated by 37 Interactive Entertainment. By the end of 2018, 37 Interactive Entertainment and its shareholders have donated more than 13 million Yuan in philanthropy donations. Through Youxin Foundation, 1,133 needy senior high school students in remote areas have been funded, Free Reading program has been carried out in 30 counties/districts in central and western provinces, 18 of which are national-level poverty-stricken counties. They have also actively mobilized company resources to support senior high school students in underdeveloped areas in their career thinking cultivation and programming learning.

37 Interactive Entertainment has always adhered to the bottom line of the law, protects employees' various labor rights and interests effectively. In terms of employee benefits, rights and development, the company provides employees with competitive compensation and benefits, creates various conditions to promote the growth of employees' professional ability and career development. As a result, employee satisfaction increases year after year.

As one of the first game companies in the industry to introduce real-name system and anti-addiction system, the company attaches great importance to the construction of anti-addiction system for teenagers, carries out real-name authentication for login users, actively plans to connect to more authoritative ID card verification system, and perfects the protection of teenagers by means of "parental supervision project" and restricting minors' consumption.

The company pays special attention to data security and user privacy protection at the product level. At present, the company has passed the three-level evaluation of information security level protection, which enables the company's data security construction to conform to the national

standards and also reflects the company's excellent ability in information security. As China's top 50 commercial website and application platform for domestic users, IPV6 access has been supported by the company. And the company actively implements the action plan of IPV6 scale deployment, contributing its efforts in the country's acceleration to the Next Generation Internet.

Improving the cultural value of game content is an important direction of the game industry. The company not only invests resources in developing functional games and edutainment, but also pays more attention to inheriting the essence of Chinese culture in the games, helping the national culture go to overseas markets, and making contributions to building cultural confidence and promoting excellent culture.

We are pleased to notice that the ESG rating of our company by MSCI ESG Department has been raised from B to BB due to our efforts in contributing to corporate social responsibility topics and related information disclosure.

37 Interactive Entertainment will continue to adhere to the corporate culture of "Playing, Patience and Ingenuity" in 2019. While pursuing better market performance, 37 Interactive Entertainment will continue to improve the management of all aspects of social responsibility, increase investment in philanthropic undertakings, and work hard to turn 37 Interactive Entertainment into an outstanding enterprise.

## Professional Reviews

We are honored to invite two experts from Think-Tank of China Corporate Social Responsibility to give us reviews for this 2018 Social Responsibility Report. We thank the remarks, encouragement and recognition from the two experts.

The Think-Tank of China Corporate Social Responsibility (TTCCSR) was established on September 12, 2016. It is consisted with professional organizations and experts of the earliest, highest, most influential or most authoritative level in China's corporate social responsibility advocacy, research, consulting, promotion and practice. Its purpose is to build a platform for corporate social responsibility intelligence, to condense wisdom and thoughts, enhance research level, disseminate corporate citizenship concepts, and promote corporate social responsibility, thus to provide services for sustainable economic and social development.

2018 Social Responsibility Report of 37 Interactive Entertainment came as scheduled. This is the third social responsibility report released by the company for three consecutive years. As the world's leading game developer and operator and a listed company, 37 Interactive Entertainment actively advocates the concept of corporate citizenship, consciously fulfills its social responsibilities, realizes simultaneous economic and social benefits, and promotes the sustainable globalization of the company. .

This report clearly discloses the company's economic issues, environmental issues, social issues, responsibility management, etc., vividly demonstrates the company's active role and practices as outcomes of social responsibility.

37 Interactive Entertainment has integrated the corporate citizenship concept into the company's strategy, and realized the deep integration of corporate social responsibility work and the core business of the company. It has played an important role in the overall development of the enterprise, improving customer satisfaction, improving product competitiveness, and ensuring environmental safety.

The report is serious, rigorous, detailed, complete, substantive and readable, and is an excellent

social responsibility report.

ZHANG Shaoping  
Member of academic committee / Secretary of TTCCSR  
Vice chairman/Chief Officer of  
Corporate Citizenship Committee of China Association of Social Workers

Increasing transparency is an effective way for companies to fulfill their social responsibilities. How a cultural creative company can make its own contribution to the sustainable development of society, and how to prepare a good report? This 2018 Social Responsibility Report of 37 Interactive Entertainment provides us with useful reference.

First, a perfect system mechanism and attention and participation of senior leaders are prerequisites. The company has established a social responsibility management system with the chairman of the group as the person in charge, the brand department as a coordinator and functional departments' full participation. It is supplemented by a semi-annual data collection and monitoring on responsibility implementation. The system is relatively complete. It is very rare in China's Internet enterprises.

Second, the establishment of indicators system to disclose key data is the core. With reference to industry standards, the company has established a three-level indicators system, introducing material topics such as integrity compliance, information disclosure, data security, and user privacy protection as important indicators, which greatly improved the quality and comparability of the report.

Third, paying attention to industry characteristics and feedback on stakeholder concerns is the key point. Social needs to protect the healthy growth of minors have been fully considered in the Anti-addiction Mechanism, the Parental Monitoring Project, and system design of myopia prevention and control.

Overall, this is a report with outstanding highlights, distinctive features and strong innovation. It is hoped that the company will continue to adhere to its characteristics, benchmarking international standards, further enriching the cultural life of the public, and making greater contributions to the realization of the UN Sustainable Development Goals.

HAN Bing  
Member of Board of Directors of TTCCSR  
Executive Secretary of Global Impact China Network

## Company profile

Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. (hereinafter referred to as "37 Interactive Entertainment") is a global TOP 25 gaming enterprise, China's TOP 3 gaming enterprise and China's TOP 20 Internet enterprise. With its excellent performance, 37 Interactive Entertainment has been listed in the CSI 300 Index, Morgan Stanley Capital International MSCI Index and Goldman Sachs' "Nifty Fifty". It is a domestic A-shares outstanding public company (stock code: 002555). The distribution, research and development headquarters of 37 Interactive Entertainment is located in Guangzhou, and has subsidiaries or offices in Beijing, Shanghai, Anhui, Jiangsu, Hubei, Hong Kong, Southeast Asia, Japan and South Korea, Europe and the United States and other regions.

37 Interactive Entertainment takes "inheriting the essence of Chinese culture" as its concept and actively promotes Chinese games in overseas markets as the world's leading game operator, research and development provider. Meanwhile, 37 Interactive Entertainment actively invests in fields such as film and television, music, animation, VR, cultural and health industries, internet children's education and social entertainment. It has 37Mobile, 37Game(China), 37GAMES(Overseas) and other world-renowned professional game operating platforms, as well as the world's top game research and development teams such as Aurora Network.

Its sub-brand 37Mobile has operated more than 800 games, with a number of active users of more than 20 million per month. With the refined operation concept of "product + flow + user", it has successfully released products of different game categories, such as "Yong Heng Ji Yuan" (永恒纪元), "Swords of Archangels H5"(大天使之剑 H5), "Xian Ling Jue Xing"(仙灵觉醒), "King of Avalon"(阿瓦隆之王), "Gui Yu Mi Cheng"(鬼语迷城), "Tu Long Po Xiao"(屠龙破晓), "Dou Luo Da Lu"(<斗罗大陆>H5), "Yi Dao Chuan Shi"(一刀传世) and so on, and has achieved remarkable results. It is one of China's top 10 Mobile Games distribution platforms and is firmly in the forefront of domestic first-tier distributors.

Since its establishment, its sub-brand 37Games(China) has more than 650 million registered users and a total of more than 400 operating products. It is "China's Top Ten Game Operating Platforms" and "China's Best Popular Game Platform". Its representative works and web games include "Swords of Archangels"(大天使之剑), "Chuan Qi Ba Ye"(传奇霸业), "Wu Shen Zhaozilong"(武神

赵子龙)，“Zhen Mo Qu”(镇魔曲网页版)，“Mo Yu Yong Heng”(魔域永恒). Its market share is firmly in the leading position in the industry and forms a strong brand barrier. 37Games(China) began to expand its mobile game business in 2018 and successfully released a number of mobile products such as "Wo De Di Guo"(我的帝国) and "Swords of Archangels H5"(大天使之剑 H5).

In overseas markets, 37 Interactive Entertainment has always taken the revitalization of China's cultural industry as its own duty. Since 2012, 37 Interactive Entertainment has responded positively to the country's strategic guidelines for the cultural industry to go global, vigorously promoted cultural services to the world, and promoted the development of globalization to the strategic height of enterprises. As the world's top ten international distribution platforms, 37GAMES(Overseas) has a monthly flow of over 100 million Yuan, a total of nearly 250 operating products, and a total of more than 15,000 service sets. It has set up distribution businesses in Hong Kong, Macao, Southeast Asia, Japan, South Korea, Europe and the United States as well as cooperated with local operation and channel teams and successfully distributed a number of products such as "Jiang Hu Da Meng" (江湖大梦, the overseas name of "Chu Liuxiang"(楚留香)), "Epoch of Eternity" (永恒纪元), "Dungeons and Fantasy" (鬼语迷城), "Miracle MU: Swords of Archangels H5"(奇迹 MU: 大天使之剑 H5), "Demon Seals" (镇魔曲), "Jade Dynasty"(诛仙), and "Loong Craft" (六龙御天). In the future, 37GAMES(Overseas) will further develop its first-mover advantage in overseas markets, rely on its advanced game research and development capabilities and localized marketing capabilities, continuously expand its overseas business scale, generate more foreign exchange revenue, escort the export of cultural industries, and help Chinese cultural enterprises to enhance their cultural confidence.

In terms of research and development, 37 Interactive Entertainment introduced a large number of talent teams in 2013 and set up a top game research and development team, Aurora Network. Thus, the company has formed a dual-core drive mode with parallel distribution, research and development. Aurora Network has always adhered to the belief of "Using craftsman's spirit to make excellent games" and has devoted itself to making games that move players. It has successfully developed excellent Mobile games such as "Yong Heng Ji Yuan"(永恒纪元),"Chuan Qi Ba Ye Mobile Game"(传奇霸业手游), "Huang Jin Cai Jue"(黄金裁决), excellent H5 games such as "Swords of Archangels H5"(大天使之剑 H5), "Tu Long Po Xiao"(屠龙破晓), "Dou Luo Da Lu"H5(<斗罗大陆>H5), "Yi Dao Chuan Shi"(一刀传世) as well as excellent web page games such as "Swords of Archangels" (大天使之剑),"Chuan Qi Ba Ye"(传奇霸业),"Zhan Guo Zhi Nu"(战国之怒), "Jin Zhuang Chuan Qi"(金装传奇), "Xue Meng Rong Yao"(血盟荣耀).

37 Interactive Entertainment always adheres to the implementation of game strategies and focuses on the development of game research and operations. The company also achieves the

expansion of the game industry chain through a series of investments in game developers, such as Shenzhen Zengame, Zilong Interactive Entertainment, 91Act, and so on. Among them, Shenzhen Zengame has recently completed the listing in the HKEx.

In order to promote the mutual empowerment of industrial value and cultural value, 37 Interactive Entertainment has increased the layout of cultural and creative industries since 2015. At present, it has established the ecological layout of the entire industrial chain in film and television music production and promotion, animation production and distribution, virtual reality technology, cultural and health industries, internet children's education, social entertainment and overseas IP through extension mergers and equity investments.

In the area of film and television, 37 Interactive Entertainment has signed strategic cooperation agreements with Filmko Pictures Ltd. and Mango Media Co. Ltd. since 2015. In addition, it has successively invested in C2M Media Group, Youying Culture, China Wit Media, New Clue Film, Mowei Film (魔威影业) and Jin Hai Shi Yi (金海拾艺). At present, 37 Interactive Entertainment has participated in the production of films such as "Peace Breaker", "The Devotion of Suspect X", "Forever Young", "Till the End of the World" and so on. 37 Interactive Entertainment will gradually introduce more excellent film and television works in the future.

In the area of music, since 2016, 37 Interactive Entertainment has invested in Rock Foward (风华秋实) and Original Plan (原际画), focusing on the two main lines of "music + Internet" and "music + fan economy" to deepen the industry chain of music derivatives, digital music and fan economy. Rock Foward's (风华秋实) contracted artists include Lu Han, Panther, Hao Yun, Song Jia, etc. The original international painting successfully created the popular boys' group of the cross-dimensional cultivation department, Yi'an Musical (易安音乐社).

In the area of animation, since 2015, 37 Interactive Entertainment has invested in a number of excellent domestic animation production teams and platforms, including YHKT Entertainment, IDragons Creative Studio and Junengwan (剧能玩), a real-life cartoon platform. The large-scale science fiction doomsday theme 3D animation "Incarnation" (灵笼) produced by YHKT Entertainment will be released in 2019. And the first large-scale 3D fighting animation season drama "The Destiny of the KOF (The King of Fighters)" in the "KOF (The King of Fighters)" series produced by IDragons Creative Studio was released in August 2017. Up to now, it has been broadcast more than 800 million times across the network.

In the area of VR, since 2016, 37 Interactive Entertainment has successfully invested in Canadian VR content researcher and publisher Archiact, and a leading domestic virtual reality content developer and operator Tianshe Media, to formally enter the overseas and domestic VR markets. The company's ecological layout in VR games is taking shape.

In the area of cultural and health industries, starting from 2018, 37 Interactive Entertainment invested in Wake Yoga, a high-end yoga brand, to explore the new battlefield of "Big Data + Sports Health" and develop the elite female market.

In the area of internet children's education, since 2018, 37 Interactive Entertainment has successively invested in KaDa Story, an App platform of children's picture books, and MIAOCODE, a children's programming education platform. It pays attention to the "internet + education" mode and attaches great importance to children's enlightenment education. Based on children's interests, it provides them with better learning experience and creates a temperature-sensitive education mode.

In the area of social entertainment, since 2018, 37 Interactive Entertainment has successively invested in the domestic leading stranger social platform Jimu (积目) and the extreme flying ball operation tourism project Tuo Lu Ling Yin (驼路铃音), and has gradually dabbled in such popular projects as humanistic social interaction, entertainment and leisure.

37 Interactive Entertainment has continuously refined its own IP operation capability and upgraded its platform industry capability through continuous internal exploration and optimization and external merger and acquisition extension. In addition, 37 Interactive Entertainment has further promoted the essence of Chinese culture and brought more positive energy works to the society by increasing the layout of cultural fields and continuously introducing outstanding works represented by works with profound details such as "Forever Young" and "Till the End of the World".

37 Interactive Entertainment will continue to provide high-quality and healthy culture and creative products for the public and contribute its own strength to the inheritance and development of Chinese excellent traditional culture in the future.

## I. Social Responsibility Management

### 1. Stakeholder analysis

37 Interactive Entertainment has identified the following stakeholder groups of the company via questionnaires of users of the company's products, questionnaires of and interviews with management, and interviews with domestic and overseas investors, relevant government departments and media:

Stakeholders		Related Social Responsibility Matters	Importance
Investors	Investors recognize the company's investment value and development prospects and promote the company as a corporate citizen to give back to society.	<ul style="list-style-type: none"> <li>➤ Investors' interests protection</li> <li>➤ Risk management</li> <li>➤ Right to know</li> </ul>	Five stars
Direct and potential users of products	The mission of the company is to bring high-quality games to its users, who are mainly game players.	<ul style="list-style-type: none"> <li>➤ High-quality products and services</li> <li>➤ Protection of user information</li> <li>➤ Protection of minors and anti-addiction construction</li> </ul>	Five stars
Employee	As an internet company with light assets, employees are the company's precious wealth.	<ul style="list-style-type: none"> <li>➤ Promote rights and interests of employees</li> <li>➤ Bring competitive salary returns to employees</li> <li>➤ Enhance employees career development and promotion.</li> </ul>	Five stars
Government departments	The government departments are the	<ul style="list-style-type: none"> <li>➤ Abide by laws and regulations and industry norms</li> </ul>	Five stars

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	defenders of the market order and the supervisors of whether the company's products conform to the market standards.	<ul style="list-style-type: none"> <li>➤ Pay taxes according to law</li> <li>➤ Promote Employment</li> <li>➤ Inherit excellent traditional culture, build cultural confidence and promote cultural sailing</li> </ul>	
Environment	As an internet enterprise, the company has little direct impact on the environment.	<ul style="list-style-type: none"> <li>➤ Participate in energy saving and emission reduction</li> <li>➤ Reduce indirect energy consumption</li> </ul>	Three stars
Community and Society	The company is based on the harmony and stability of the community and the society, affecting the market environment and the sustainable development of the enterprise.	<ul style="list-style-type: none"> <li>➤ Actively Participate in Precision Poverty Alleviation</li> <li>➤ Support education and other philanthropic undertakings</li> </ul>	Four stars

The email of social responsibility work is: csr@37.com. 37 Interactive Entertainment very much welcomes stakeholders to participate in the discussion of substantive issues of corporate social responsibility, the formulation of strategies, and the feedback and evaluation of social responsibility work.

## 2. Materiality

Based on the company's core competitiveness, product attributes, product value chain structure, industry characteristics and other factors, and in combination with the important matters identified by the interview feedback information of various core stakeholders, the company believes the material topics for 37 Interactive Entertainment to fulfill its social responsibility include:

- Abide by laws and regulations and industry norms
- Corporate philanthropy
- Employee's welfare and development
- Protection of minors and anti-addiction construction
- Data security

- User privacy protection
- Investors' rights and interests

The above-mentioned seven substantive issues are the top priority in the construction of the company's social responsibility management system and will strive to fully present the specific implementation of the above-mentioned related social responsibility work in this report.

In addition, although the environmental protection is not a core issue for 37 Interactive Entertainment's social responsibility, it is also the responsibility of the whole industry to participate in energy conservation and emission reduction within its capabilities. Therefore, relevant contents are also presented to a certain extent in this report.

### 3. Social responsibility management system

The Chairman of 37 Interactive Entertainment is the decision maker in regards to the social responsibility management system.

The Brand Department of the company is the coordination and promotion department of the social responsibility management system, reporting the implementation of social responsibility to the Chairman, consulting with functional departments and proposing improvement plans as well as finishing corporate social responsibility reports and submitting the reports to the board of directors for approval.

The Brand Department has a full-time team to specifically implement and monitor the progress of social responsibility work, collect semi-annual and annual social responsibility data and prepare social responsibility reports.

37 Interactive Entertainment believes that social responsibility is an obligation that an enterprise should fulfill as a corporate citizen and is the guarantee of sustainable development of the enterprise. It's the duty-bound responsibilities of enterprises to abide by laws and regulations, social norms, provide high-quality creative products for society, create profits for shareholders as well as pay attention to network security, user privacy protection and minors protection, and pay attention to the rights and interests of employees and development. Participating in social welfare undertakings such as poverty alleviation and education reflects the good wishes of enterprises to give back to society and promote social stability and prosperity.

37 Interactive Entertainment believes that it is an important task for 37 Interactive Entertainment to identify the stakeholders in the production and operation of the enterprise, pay attention to communication with the stakeholders, incorporate the demands of the stakeholders into the overall

production and operation strategy of the company, and protect the legitimate rights and interests and reasonable demands of the stakeholders. Focusing on the material social responsibility issues identified by various stakeholders is the direction of 37 Interactive Entertainment's social responsibility work for mutual entertainment. The company is looking forward to joining hands with all sectors of society to help create a better life and move forward towards the Two Century Goals.

#### 4. Indicators system of social responsibility work

Referring to the latest GRI Standards indicators released by Global Reporting Initiative, the United Nations 2030 Sustainable Development Goal and relevant industry standards of Environment, Society and Governance (ESG), the company has compiled and completed a social responsibility index system applicable to 37 Interactive Entertainment from three dimensions of economic issues, environmental issues and social issues.

Primary indicator	Secondary index	Level three indicators
A Social topics	1) Corporate philanthropy	Participating in education, accurate poverty alleviation Focus on the growth of teenagers
	2) Employee rights and development	Legal rights and interests of employees Salary and treatment Occupational health and safety Employee benefits Employee career development
	3) User rights	Protection of minors and prevention of addiction Data security User privacy protection Social function of games
B Economic topics	4) Financial performance	Core financial indicators such as revenue, profits etc.
	5) Investor responsibility	Governance structure Investor relations maintenance Information disclosure

	6) Supplier management	Integrity compliance
	7) Anti-corruption	Internal control system
	8) Fair competition	Intellectual property protection
C Environmental topics	9) Reduce energy consumption	energy consumption

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## II. Social Topics

### 1. Facilitate education for poverty alleviation to improve development in remote areas

37 Interactive Entertainment initiated the establishment of Guangdong Youxin Foundation (hereinafter referred to as "Youxin Foundation") in 2014. The company, its stakeholders and employees have donated more than 13 million Yuan to Youxin Foundation for philanthropic undertakings such as education for poverty alleviation in remote areas in the past 4 years. In 2018, Youxin Foundation spent a total of 3.05 million Yuan including 2.52 million Yuan in education for poverty alleviation, covering 38 high schools in 30 counties/districts (18 of which are national-level poverty-stricken counties) of 9 provinces.

#### A. Cultivate in education for poverty alleviation

##### **Youxin Peer Program**

Youxin Peer Program aims to assist high school students in remote areas who have excellent academic qualifications but are from poor families. Support is provided until they complete their high school studies. Schools receiving this programs are located in poor counties and underdeveloped areas in Sichuan, Gansu, Guizhou, Yunnan, Guangdong and other provinces. In 2018, more than 330 students were newly funded, and 886 high school students are currently being funded. Since its establishment in 2014, Youxin Foundation has supported a total of 1,133 students.

In the process of assisting students, Youxin Foundation maintained the sensitivity of gender perspective. Considering that girls are more likely to drop out of school due to their disadvantaged position in the family, it pays special attention to the education rights of girls from poor families. The ratio of aided girls to boys is 1.79: 1.

144 "Youxin Peers" from Sichuan, Guizhou, Guangdong and Gansu successfully completed their high school studies in 2018. Among them, 70 students' scores reached level-one university acceptance requirements in the province where they were located, accounting for 50%; and 50 students' scores reached level-two university acceptance requirements, accounting for 35.71%; all students gaining a university requirement are total of 85.71%. Some students have been admitted to

famous universities such as Peking University, University of Science and Technology of China, Zhejiang University, Beihang University, Xiamen University, Sun Yat-sen University, Nanjing University and Shanghai University of Finance and Economics.

On September 13, 2018, Youxin Foundation officially unveiled its first "Youxin Class" at No.3 High School in Fengqing County, Lincang, Yunnan Province. Under the leadership and support of the Communist Party Branch of the company, 37 Interactive Entertainment, Youxin Foundation and Sun Yat-sen University jointly explored a new mode of education and poverty alleviation in Fengqing County with the joint efforts of "enterprise + philanthropic organization + university". The establishment of "Youxin Class" is an important result of the joint efforts of the three parties. The first "Youxin class" has a total of 50 students and is equipped with a "free reading" class book corner. 37 Interactive Entertainment also supports the network teaching of the class with the help of its own internet enterprise's operation and technical advantages and channel resources.

### **The third summer camp of City of Flowers**

Youxin Foundation pays close attention to the education of senior high school students in remote areas. It hopes to explore the potentiality of students and accompany them to grow into young people with lifelong learning ability and social responsibility through diversified education methods. Youxin Foundation holds a summer camp in Huacheng every year to provide students with a platform to experience the city, broaden their horizons and challenge themselves.

The theme of the third Summer Camp of City of Flowers in 2018 is "Dare to know". It aims to encourage senior high school students in remote areas not to forget to learn knowledge under the burden of their daily studies, and to maintain their thirst for knowledge and curiosity about the unknown.

This summer camp invited 32 high school students from Tanchang No.1 High School in Gansu and excellent high school graduates from Wangcang county in Sichuan Province. Apart from visiting important scenic spots in Guangzhou, it also set up group tasks for city exploration, career sharing courses, social issues research and other links to enhance students' vision and enhance their comprehensive abilities.

## **B. Care for the growth of teenagers in remote areas**

### **Promote reading ability: free reading plan for senior high schools in remote areas**

The "Free Reading Program for Senior High Schools in Remote Areas" (hereinafter referred to as the "Free Reading Program") was launched in May 2016 and is aimed at underdeveloped areas in the

central and western regions to respond to the plight of "no (high quality) books to read" due to the lack of book resources in senior high schools in remote areas. Up to now, nearly 500 classes have built free and open class book corners, of which 18 counties are poor counties in the country, accounting for 67%, directly benefiting 40000 teachers and students.

Realizing that high school students from remote regions have different levels of abilities and interests, Youxin Foundation independently develops more accurate and more suitable age-appropriate book lists for students' abilities and progress, so that more high school students can truly cultivate their reading interests and exercise their reading comprehension ability.

Teachers play an important role in students' reading growth, so it is especially important to train teachers' reading ability. Youxin Foundation has invited well-known scholars and teachers in developed areas to train literature teachers in remote areas around teacher empowerment so that teachers have the awareness and ability to carry out reading guidelines in 2018.

The operation of the free reading program in 2018 has been continuously optimized, and the project has achieved remarkable results. The main achievements of the project are as follows:

- High-quality book resources are no longer scarce in county-level high schools in remote areas: the free reading program provides a large number of high-quality extracurricular books in high school classes, which enriches the poor book resources in remote areas, makes high-quality books within easy reach, and meets the needs of students in remote areas for book reading.
- Chinese learning and reading are promoted: A large amount of reading accumulation helps to improve reading comprehension and writing skills. From the examination perspective, students who pay attention to reading have improved their scores in both reading and composition questions.
- "Reading class" has gradually become a school-based curriculum in senior high schools: under the impetus of wandering hearts, four schools have added "reading class" to the tense senior high school curriculum, allowing free reading more time and more attention.

### **Improve choice ability: enlighten career wisdom**

The call for professional wisdom aims to set up a career planning and communication platform for young people who are facing the choice of subject and college entrance examination major in high school, and help them to find their personal interests and goals in high school.

Sponsored by Youxin Foundation, volunteers from 37 Interactive Entertainment are responsible for programming, recruitment, accounting, social responsibility, art design, brand communication, advertising, marketing and other work. They have studied a wide variety of specialties, and they can

be said to be "There are masters in every walk of life in 360 trades". Some of them are new employees who have just graduated and some are "experienced" professionals. Their current professional experience and professional understanding are of great guiding significance to senior high school students who are in a confused period of where to take their future.

In 2018, Youxin Foundation launched two "career wisdom" calling operations to build a platform for the long-term development of high school students in underdeveloped areas, helping students to broaden their horizons and inspiring students to explore more career directions.

### **Learn while playing: online programming of youth education**

Programming education is an important aspect of the future core competitiveness and comprehensive accomplishment that teenagers must have abroad. Programming thinking is also very helpful to cultivate children's logical thinking, mathematical thinking and innovative ability.

In 2018, Youxin Foundation jointly launched the "Youth Online Programming Education" class cooperated with MIAOCODE, a youth online programming education brand invested by 37 Interactive Entertainment, to provide small class programming classes based on Scratch, Python and C++.

The first philanthropic programming course has been carried out in Dangchang County, a national-level poverty-stricken county in Gansu Province. The course has received strong support and recognition from the local education authorities, with the participation of Chengguan No.3 Primary School, Jizichuan Primary School and Experimental Middle School. The children attending the course are not only familiar with the most basic programming concepts, but also really like this cute cartoon character named "Miao Xiao Cheng". Through graphical programming software, children can easily let the cartoon character "Miao Xiao Cheng" sing, dance and talk to children according to instructions.

## **2. Participate in Industrial poverty alleviation and facilitate rural revitalization**

In 2018, 37 Interactive Entertainment purchased a total of 863,300 Yuan of local agricultural and sideline products panax notoginseng powder and tea in Yanshan County of Wenshan Prefecture and Fengqing County of Lincang in contiguous deep poor areas of Yunnan Province, which supported the development of local agricultural industry, increased local rural income, promoted local poverty alleviation and prosperity, and headed for rural revitalization.

## **3. Promote employee welfare, rights, and development**

## **A. Measures on employee welfare, rights and development**

In order to abide by and implement relevant laws and regulations, the company has formulated the various following working regulations: "Recruitment Management Regulation of 37 Interactive Entertainment", "Management Measures for Remuneration of 37 Interactive Entertainment Positions", "Management Measures for Performance of 37 Interactive Entertainment", "Staff Turnover Management Regulation of 37 Interactive Entertainment", "Attendance Management Regulation of 37 Interactive Entertainment", "Training Management Measures of 37 Interactive Entertainment" and "Independent Academic Degree Promotion Regulation for Employee of 37 Interactive Entertainment".

## **B. Employee structure**

By the end of 2018, the company had 2,263 employees.

The average age of the company's employees is under the age of 30, with 1,634 employees being under the age of 30, accounting for 72.2%.

Due to the characteristics of the Internet industry, male employees account for more than female employees, which is in line with the overall level of the industry. At the end of 2018, the proportion of female employees in the company was 32.1%, which was 1.1% higher than that at the end of December 2017.

## **C. Employee rights**

Based on the principle of fairness, justice and publicity, the company abides by and implements relevant regulations on occupational anti-discrimination in recruitment and employment. It does not discriminate, prejudice or discriminate against employees due to factors such as age, physiological sex, social sex, nationality, religion, skin color, physical or mental disorders, etc.

The company's employees are entitled to parental leave. In 2018, 144 people applied for parental leave, including 95 male employees and 49 female employees.

## **D. Salary and treatment**

The company uses a performance-based job position system and salary system. The concept and method of these systems are based off international design and combined with the average salary level within the job market. This helps establish a fair and justified salary incentive system to ensure the company's market competitiveness externally. It also helps improve the employee's working incentive internally.

The salary system is combined with the job position system. Different positions and different ranks correspond to different salary levels. This in turn reflects different salary returns, different

position values, employee abilities and experience differences. Compensation is also related to performance, which reflects the personal work performance of employees and their contribution to the company. It reflects the performance orientation of compensation incentives. Salary adjustment is mainly based on staff rank changes, attendance, performance and recent work performance. Each employee has multiple salary adjustment opportunities each year on a quarterly basis.

## **E. Occupational health and safety**

37 Interactive Entertainment strictly implements the relevant regulations on work-related injuries in the Labor Law. There were no accidents identified as work-related injuries throughout 2018.

The company advocates the concept of "happy working and healthy life" and pays attention to the health of employees. It selects a professional medical examination institution every year to provide the employees with annual health examination. Furthermore, the medical examination of employees' family members can also enjoy the enterprise discount. A total of 750,798.00 Yuan was spent on medical examinations for employees in 2018.

The company provides a comfortable dining environment for employees, exclusive space for mother and infant rooms for female employees, and various ball games and fitness equipment to entice employees to exercise.

The company pays great attention to the health of its employees. In addition to the annual physical examination, it also encourages employees to take up sports. The company has more than 500 employees who run over all together 30,000 kilometers per month. The company also invites external lecturers from time to time to give safety and health lectures, such as "First Aid" and "Effective running techniques", which are very popular with employees.

## **F. Employee benefits**

The company makes sure to create a corporate culture with "Friendship, Love and Family Feeling". The benefits provided to employees include caring fund, seasonal activities, holiday gift bags, birthday gifts, quarterly movie tickets, annual medical examination, breakfast and lunch/dinner, seasonal afternoon tea and departmental team building, etc.

The company sets up a caring fund to provide a certain degree of support to families of employees who encounter difficulties, with an annual injection of 1 million Yuan.

The company carried out a variety of recreational activities centred around employees' work and life. In 2018, the company carried out a total of 16 diverse employee activities, such as Lantern Festival, Children's Day, Parents Days, employee family day, 520 fellowship, Qixi fellowship (Chinese Valentine's Day), programmer festival, etc. A total of 12,000 people participated in the activities.

The company spent a total of 12.3 million Yuan on employee benefits in 2018.

## G. Employee career development

The company has continuously improved the salary and welfare system for employees to encourage promotion. Our training programs help employees establish career development plans by adhering to the talent concept of "Giving the greatest space to outstanding talents". The establishment of Enterprise University of 37 Interactive Entertainment has set up a platform for employees to learn and share, to train professional talents in all aspects, and at the same time to let the values of corporate culture continue to be inherited and carried forward, so as to achieve a win-win situation for the development of the company and the personal development of employees.

The company conducted 1,043 training sessions of various types, with 22,145 participants in 2018. Among them, the group held 283 public classes and 5,582 participants, of which 207 were for new employees; 9 large-scale expansion activities; The total training time was 13,212 hours, with a per capita training time of 4.89 hours. The company also pays attention to the training of internal lecturers. In 2018, 376 lecturers conducted 679 courses, with 14,913 people attending.

In order to encourage the development of talents, the company has established a fair performance management system, and implements "37 Interactive Entertainment Performance Management Measures", which takes a natural month as a cycle. Every employee who becomes a regular employee receives performance appraisal. The results of performance appraisal are divided into multiple grades. The direct supervisor and employees shall jointly formulate performance improvement plans and conduct on-the-job training for employees with lower grades of appraisal results. The monthly assessment summary in the natural year forms the year-end general assessment, which serves as the reference basis for personal development, promotion, salary adjustment and training of employees. In addition, the company has established a complaint mechanism for the results of performance appraisal to communicate and feedback the results of employees' objections, further reflecting the fairness of performance appraisal.

In terms of the job development system, the company has established a dual channel of employee career development consisting of "4 job position sequences and 5 job position grades", which fully responds to the needs of the company, departments and employees' personal development and other aspects. It provides broad career development space for employees, helps employees establish career development plans, and achieves win-win results for the company's development and employees' personal development. The company has two promotion evaluation opportunities every year in accordance with the employee's performance, seniority, job competency and other qualifications. It has a complete promotion evaluation process. In addition, the company

also provides employees with career development opportunities across job categories, sequences and channels.

## H. Employee satisfaction

The company attaches great importance to employee satisfaction. For three consecutive years from 2016 to now, the company has invited a third-party professional consulting organization to independently conduct employee satisfaction research on all employees of 37 Interactive Entertainment. The company has listened to employees' voices, found the organization's current advantages and areas needing improvement, and formulated targeted optimization measures.

The satisfaction survey data shows that the overall employee engagement and satisfaction are on the rise year after year. The engagement rate grows an average 4% each year while the satisfaction rate reaches an average 8% increase each year. The result reflects the efforts of the company contributed to improving the benefits of the employees.

Thanks to the efforts of the Human Resources Department, 37 Interactive Entertainment also won several best employer awards in the industry in 2018:

- Best Campus Employer for trainee
- Trainee 2018 Top 50 Employers in China
- Dajie.com 2018 Top 30 Employers in South China
- Boss Directly Hires 2018 HR Award for Favorite Talents
- 51job 2018 human resources management excellence award

## 4. Protect health of minors and create a fit online game environment

37 Interactive Entertainment, as a leading enterprise in the domestic game industry, has always taken protecting the healthy growth of minors, creating a fit and positive online game environment, and fully protecting the legitimate rights and interests of online game users as its top priority in its social responsibility work. It has actively invested human and material resources to establish and perfect the protection system for minors and to practice corporate social responsibility.

The proportion of underage users who access and use the company's products does not exceed 1%.

### A. Access to real name system and anti-addiction system

37 Interactive Entertainment's game platforms have strictly implemented the user's real-name ID

card verification system for a long time and is actively planning to access to a more authoritative ID card verification system to improve the protection of young users and the protection of the rights and interests of players.

The login user is authenticated as a minor user by the real-name system, and is included in the anti-addiction system. According to different game periods, the minor user is prompted with warnings of different frequencies (normally once every hour, once every 30 minutes in the "tired" state and once every 15 minutes in the "unhealthy" state), and the in-game revenue is reduced in gradient according to different game periods (50% in the "tired" state and 0 in the "unhealthy" state).

The system strictly restricts minors from indulging in games, controlling the duration of play time and reduces the benefits and rewards to reduce the playing wishes of minors. At present, the anti-addiction mechanism is strictly implemented in all products of 37 Interactive Entertainment platforms.

The company is also planning to connect the real-name system to public security department's identity authentication platform, which is authoritative, safe and credible to conduct a secondary comparison of registered user information. If the account information fails to pass the real name verification of the platform, the game will be prohibited.

#### **B. Strengthen "Parental Care Project" as tools for parents.**

The company's Parental Care System fully takes into account the actual needs of parents and assists parents to jointly solve the unhealthy phenomenon of minors indulging in games. The company pays special attention to the protection of minors' information. For the case of collecting minors' personal information with the consent of parents or guardians, the company will only use or publicly disclose this information if permitted by law, explicitly agreed by parents or guardians or necessary for the protection of minors.

#### **C. Manage strongly the consumption of minors**

After the "real name registration" is strictly implemented, real name authentication is strictly required for game consumption. Users who do not have real name authentication are not allowed to play games, and users in guest mode are not allowed to make payment or consume in the game. Players are often reminded that they should only play in moderate stints to ensure a healthy lifestyle and the amount of in-game purchasing will be limited to avoid excessive play time.

#### **D. Prevent and control myopia of children and adolescents**

In order to implement the spirit of General Secretary Xi Jinping's important instructions on myopia among students, the prevention and control of myopia among children and adolescents in the new era

should be strengthened. Eight departments including the Ministry of Education, the National Health and Health Commission, the State General Administration of Sports, the Ministry of Finance, the Ministry of Human Resources and Social Security, the State General Administration of Market Supervision and Administration, the State Press and Publication Administration, and the National Radio and Television Administration jointly issued the "Implementation Plan for Comprehensive Prevention and Control of Myopia among Children and Adolescents" (hereinafter referred to as the "Implementation Plan") in August 2018.

37 Interactive Entertainment immediately carried out research and study on the policy, and thoroughly implemented the requirements and jointly cares for children's eyes after the "Implementation Plan" was issued. The user will be reminded every hour with the notice "you have been online for x hours, please pay attention to your eyesight" and a diagram of eye exercises will pop up for the user to relieve eyesight fatigue in the game.

## 5. Strengthen data security to ensure user data privacy

### A. Data security

The operation department of the company's technology center is the executive management department and they are responsible for data security. It is headed by Mr. Zhu Huaimin, vice president of the company. The company's technology center is equipped with an excellent management team and technical engineers. It has an encrypted network security system to prevent all kinds of data security risks and to build a strong firewall to protect users' privacy information.

From a technical point of view, the company has formulated systems and strategies such as "Server Security Management Standard of 37 Interactive Entertainment", "User Data Security Management Regulation of 37 Interactive Entertainment", "Data Security Management Standard 37 Interactive Entertainment" and "Security Event Management Standard of 37 Interactive Entertainment" in order to deal with possible data security problems in a timely manner.

In the "Information Security Incident Management Standard of 37 Interactive Entertainment", the company defines and classifies security incidents, and these security incidents have been categorized into significant security incidents (Class I), major security incidents (Class II), Non-critical security incidents (Class III) and general security incidents (Class IV), which will be discovered, recorded and concluded. In 2018, 3 large-scale web traffic attacks and other security incidents were successfully prevented in accordance with the security plan, causing no damage.

The company organizes a security audit of information security events every six months. When

conducting the security audit, the company files all information security incidents of the last 6 months and makes a summary and statistics report. The summary and statistics must include a list of information security events, consequences caused by information security events, implementation of improvement measures and solutions.

The company's technology center conducted a total of 4 data security-related training sessions, including security awareness training, operation and maintenance security training, development security training, and cyber security law training in 2018.

Thanks to the efforts of the company's technicians, there has been no case of data leak or threat to data security.

The company is particularly concerned about data security and data privacy, and has passed the three-level evaluation of information security level protection, which enables the company's security construction to conform to the national standards and meet the requirements of relevant laws and regulations. The company has been comprehensively upgraded in terms of system security, application security, data security, network security, system and personnel management security, which is of great significance to protect sensitive information and the company's business.

As China's top 50 commercial website and application platform for domestic users, IPV6 access has been supported by the company. And the company actively implements the action plan of IPV6 scale deployment, contributing its efforts to the country's acceleration to the Next Generation Internet.

## **B. User privacy protection**

The company has always paid great attention to the safety of users' information, and issued the "37 Interactive Entertainment Privacy Policy", which is concerned and protects the safety of users' personal information. It specifies the following detail: 1) how the company collects and uses users' personal information, 2) how the company uses Cookie and similar technologies, 3) how the company shares, transfers and publicly discloses users' personal information, 4) how the company protects users' personal information, users' rights, 5) how the company handles minors' personal information, 6) and other relevant content.

The company follows the principle of minimum sufficiency for the collection of personal information. Usually based on the requirements of Chinese laws and regulations, relevant information is required for the purchase and use of the company's products and services.

The company has made special provisions in the Privacy Policy in accordance with the requirements of national laws and regulations regarding the sharing, transfer and public disclosure of personal information: 1) With the explicit consent of the user, the company will provide the data to a third party through sharing on the premise that the data receiver cannot re-identify the subject of

personal information, so as to provide better services for the user; 2) The company will share personal information with relevant government departments according to laws and regulations or mandatory requirements of government departments. 3) The company will not transfer personal information to any third party, except those that must be transferred according to the laws and regulations of the People's Republic of China; 4) The company also stipulates that the user's personal information can be disclosed only under certain circumstances, such as obtaining the explicit consent of the individual, relating to national security, national defense security, public safety, public health or major public interests, etc.

In addition, the company lists the reasonable and feasible security measures taken by the company to protect users' personal information in the Privacy Policy, and promises users that it would do its best to ensure the security of the information sent to the company.

The company has stipulated that users can access, control and process personal information in order to protect users' right to manage personal information in accordance with China's relevant laws, regulations and standards, as well as common practices in other countries and regions. In order for the company to uphold the above rights, the company has also stipulated the corresponding response procedures, and clearly informed the user of the possible costs and treatment methods.

The company has also stipulated special circumstances for failing to respond to requests for personal information management, including matters directly related to national security, national defense security, public security, public health, major public interests, matters related to criminal investigation, prosecution, trial and execution of judgments, requests for rights that will cause serious damage to the legitimate rights and interests of applicants or other individuals and organizations, and matters related to business secrets, etc.

Furthermore, the company also stipulates that personal information collected and generated in the People's Republic of China will be saved in the People's Republic of China and will not transfer or transmit users' personal information worldwide.

## 6. Explore games with fun and education

At present, improving the cultural value of game content is an important direction of the entire game industry, and the exploration of functional games has become the focus of 37 Interactive Entertainment in current and future research and development fields.

The functional game " Cells vs. Germs " independently developed by 37 Interactive Entertainment is based on immune cells in the human body, microorganisms such as bacteria and viruses, and the

general immune process of the human body is the foundation of the game. It combines multiple elements such as MOBA (multiplayer battle) and real-time strategy. The game has been awarded the "Best Functional Game of 2018" by the Golden Diamond Award.

Users can experience the characteristics of cells and microorganisms and understand the process of the human immune system while playing a competitive game. For the vast number of users, "Cells vs. Germs" will not only help users understand the human body more and the harm of microorganisms from different perspectives, but also improve their alertness to the invasion of viruses and bacteria, thus reducing the probability of illness.

### III. Economic Topics

#### 1. Core business remains steady growth and operating income rises rapidly

In 2018 the company's operating income rises rapidly. Main financial indicators in the 2018 Annual Report of 37 Interactive Entertainment are presented below:

	2018	2017	Variance compared with the previous year
Operating income	7,632,679,668.47	6,188,828,116.75	23.33%
Net profit attributable to the listed company stakeholders (RMB)	1,008,503,357.80	1,620,582,427.47	-37.77%
Net profit attributable to the listed company stakeholders after deducting non-recurring profits and losses (RMB)	474,909,138.00	1,048,251,240.84	-54.70%
Net cash flows from operation activities (RMB)	1,954,433,620.84	1,831,895,928.30	6.69%
Basic earning per share (Yuan/share)	0.47	0.76	-38.16%
Diluted earning per share (Yuan/share)	0.47	0.76	-38.16%
Weighted average rate of return on equity	16.59%	28.12%	-11.53%
	End of 2018	End of 2017	
Total assets (RMB)	8,395,761,716.98	9,160,137,685.38	-8.34%
Net assets attributable to listed company shareholders (RMB)	5,972,675,405.86	7,016,770,210.85	-14.88%

#### 2. Be responsible to investors and protect their rights and interests

As a responsible listed company, 37 Interactive Entertainment has always adhered to the concept of being responsible to investors, strictly abided by laws and regulations, ensured effective communication, effectively protected the rights and interests of investors, and created value for investors.

## A. Perfection of the corporate governance structure

Since its listing, the company has been improving its corporate governance structure in strict accordance with the requirements of the Company Law, the Securities Law and relevant laws and regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange. It has gradually established a strict three-meeting operation system which consists of the shareholders' meeting, meeting of the Board of Directors and meeting of the Board of Supervisors. At the same time, the company has also strengthened and improved its internal management and control system to further improve the level of corporate governance.

In strict accordance with relevant laws and regulations, the company convenes and holds shareholders' meetings and employs lawyers to witness the meetings, which can ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights. The Board of Directors of the company has four special committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee, which have played important roles in promoting the company's standardized operation and healthy and sustainable development. The Board of Supervisors of the company, proceeding from the protection of shareholders' interests, earnestly performs its duties, supervises the company's finance and legal compliance of the company's directors and senior management personnel in performing their duties, and faithfully and diligently protects the legitimate rights and interests of the company and its shareholders.

Regarding the remuneration of the directors, in order to further improve the remuneration management of directors of the company, mobilize the enthusiasm, initiative and creativity of directors, improve the management level of the company, promote the healthy, sustainable and stable development of the company and ensure the realization of the strategic objectives of the company's development, the 18th meeting of the 3rd Board of Directors of 37 Interactive Entertainment passed the "proposal on the remuneration plan of directors of the 4th Board of Directors" and was approved by the shareholders' meeting, which stipulates:

(1) Considering that all non-independent directors are full-time directors of the company and deal with daily decision-making matters, and their positions are important, their salaries are paid at 500,000-2.5 million Yuan per year, specifically determined according to their job duties and company performance.

(2) Each independent director shall receive a fixed allowance of 100,000 Yuan per year, which shall be paid every six months.

In 2018, the company held a total of 6 shareholders' meetings, 11 meetings of Board of Directors and 7 meetings of Board of Supervisors to consider various important matters of the company, thus

ensuring the investors' right to know, participate in and make decisions on important matters of the company. The actual situation of corporate governance conforms to the relevant requirements of the regulatory documents on corporate governance issued by the China Securities Regulatory Commission, providing a strong basis and guarantee for the company to make major decisions.

## **B. Accountability to investors**

The company believes that investor relations management is a strategic management act that strengthens the two-way communication with investors and potential investors through various investor relations activities and improves investors' understanding of the company so as to maximize the value of relevant stakeholders.

To this end, the company has formulated the following principles to ensure that the company is fully responsible to the investors:

- The national laws and regulations and relevant regulations of Shenzhen Stock Exchange are strictly followed, and the information is timely disclosed to the investors;
- Publicly, equitably, fairly and equally treat and respect all investors, and fully protect investors' right to know and other legitimate rights and interests;
- Ensure that the information is true, accurate and complete, and fully disclosed.

First of all, under the guidance of this concept, the company strengthens communication with investors through full information disclosure, which promotes investors to understand, identify, accept and support the company's development strategy and business philosophy. A stable and high-quality investor relationship management mechanism has been established, a good market image has been established, and a corporate culture and values that respect investors have been formed within the company.

Secondly, the company protects the rights of shareholders in accordance with the law, attaches great importance to the reasonable return on investment to shareholders, specifies the profit distribution method in the company's articles of association, and formulates a three-year (2017-2019) shareholder return plan. The company reasonably formulates the annual profit distribution plan, and the Board of Directors will implement the rights and interests distribution plan after it is fully considered and approved by the Board of Directors, the Board of Supervisors and the shareholders' meeting according to the company's annual revenue situation and strategic plan, and in accordance with the shareholders' dividend policy and shareholders' return plan. Therefore, the profit distribution policy can maintain continuity and stability while taking into account the long-term interests of the company, the overall interests of all shareholders and the sustainable development of the company.

### C. Investor relations management

#### **Formulate the "Investor Relations Management Regulation" to regulate investors' relationship.**

In order to fully protect the rights and interests of investors, the company has formulated the "Investor Relations Management Regulation" to standardize investor relations management, promote the benign interaction between the company and investors and potential investors, effectively protect the legitimate rights and interests of investors, especially public investors, and enhance the investment value of the company.

The company's "Investor Relations Management Regulation" stipulates that the company can strengthen communication between the company and investors and enhance investors' understanding of the company through such activities as investor research, on-site visits, telephone consultation, performance briefing, analyst meetings and roadshows, news interviews, etc. When investors and analysts apply to visit the company and have a discussion, the company will prepare a written reply according to the written research outline submitted by the applicant, assign special personnel to accompany them, reasonably and properly arrange the visit process, and assign special personnel to answer questions and record the communication content to ensure two-way communication with investors.

The company held an offline performance exchange meeting on the afternoon of May 3, 2018. The company's then Vice Chairman and General Manager Mr. Li Weiwei, Aurora Network CEO Mr. Hu Yuhang, Director and Deputy General Manager Mr. Yang Jun, 37Mobile President Mr. Xu Zhigao, and Secretary of the board of directors and Financial Director Mr. Ye Wei, and other company executives communicated with various institutional investors, brokerage research teams and analysts on the company's 2017 annual report and the company's development: the participating institutions included Tianfeng Securities, Singapore Government Investment Group, Jianxin Insurance, Lujiazui Guotai Life Insurance, Boshi Fund, etc. The company disclosed the record of this investor relations activity on the "Juchao Information Network" to ensure the fairness of information disclosure.

The company also held the 2017 annual report presentation meeting on May 3, 2018. The company's then Vice Chairman and General Manager Mr. Li Weiwei, Director and Deputy General Manager Mr. Yang Jun, independent director Ms. Zhu Ning, and Secretary of the board of directors and Financial Director Mr. Ye Wei had fully communicated with shareholders concerned about the company's development through the network presentation meeting, thus enhancing the trust with small and medium-sized investors.

#### **Ensure daily communication with investors and protect investors' right to know**

The company's official website is an important window to display the company's image. The

company insists on updating the company's investor relations display page on its official website in a timely manner, providing investors and the public with a convenient way to fully display the company's situation.

The company has set up a telephone hotline for investors. The Office for the Secretary of the Board has a special person in charge to ensure the smooth flow of telephone lines during working hours and to answer investors' questions with enthusiasm and patience. The company has set up a special email box to ensure a timely reply to the email and feedback investors' opinions and suggestions to the board of directors and the management in a timely manner.

In addition, the company actively uses the exchange platform of Shenzhen Stock Exchange to strengthen online communication with investors. The company responded to a total of 97 valid questions on the exchange platform, effectively and timely responding to the concerns of investors throughout 2018.

#### **Secretary of the board of directors is responsible for the daily management of investor relations**

The company's investor relations management work is carried out under the leadership of the Board of Directors, and is under the management and guidance of the securities regulatory authority and Shenzhen stock exchange. Mr. Ye Wei, Secretary of the board of directors, as the person in charge of investor relations management, is fully responsible for investor relations management. As an important functional department of the company in investor relations management, the Office for the Secretary of the board has made outstanding contributions in promoting the improvement of corporate governance and creating good investor relations.

#### **D. Information disclosure mechanism**

The company has formulated a series of internal control systems on information disclosure management and insider information confidentiality, such as the "Information Disclosure Affairs Management Regulation" and "Insider Information Registration Management Regulation" in order to regulate the company's information disclosure behavior, strengthen the management of information disclosure affairs, ensure the fairness of information disclosure, and protect the legitimate rights and interests of investors. The internal control system has regulated the principles, contents and management of information disclosure affairs in detail, and has also improved the staff's awareness of confidentiality of insider information, making the company's information disclosure affairs rule-based, providing a regulatory basis for the company to prevent and control insider trading.

The company has always strictly controlled the quality of information disclosure and the work of insider information in accordance with relevant laws and regulations and the provisions of the

company's system to ensure that stakeholders and investors can timely obtain the company's operating trends and progress on major issues, and try their best to reduce illegal acts such as insider trading that may be caused by asymmetric information, thus ensuring the legitimate rights and interests of investors.

The company disclosed 4 periodic reports and 102 interim announcements in 2018. In addition to the announcement of the company's "Three Meetings" resolution, the company also made continuous progress announcements on the company's employee stock ownership plan and the sale of auto parts companies in each current year.

In addition, the company has made timely announcements on the revision of the Articles of Association, changes in accounting policies, implementation of rights and interest distribution, changes in directors and supervisors, etc. to ensure the truthfulness, completeness and accuracy of information disclosure, better fulfill the information disclosure obligations of listed companies, and ensure the timeliness of information disclosure.

### **3. Integrity, compliance and anti-corruption**

Honesty and compliance is the management philosophy of 37 Interactive Entertainment from top to bottom. Since its establishment, 37 Interactive Entertainment has strictly followed the concept of business integrity management, and continuously conveyed 37 Interactive Entertainment's values and integrity principles to employees, suppliers and customers.

The company has issued the "37 Interactive Entertainment Procurement System", which regulates the procurement process in detail, defines the procurement responsibilities of all departments of the company and the corresponding supervision and audit mode, specifies the selection and evaluation procedures of suppliers, implements appropriate internal audit supervision and control over the procurement process, and puts forward honesty requirements for suppliers. It is strictly prohibited for procurement personnel and all personnel involved in procurement activities from accepting any form of kickbacks, cash, monetary gift, tourism, catering, gifts and entertainment from suppliers, so as to ensure that the materials/services purchased comply with the requirements of national laws and regulations, company policies, internal audit system and legal system, and realize maximum cost-effectiveness.

The company has established a relatively complete and effective internal control system. It has launched the "Internal Control Management System-Enterprise System Management Standard of 37 Interactive Entertainment" and "Internal Control Management System-Outsourcing Management

Standard of 37 Interactive Entertainment ". It has established the system's internal control and necessary internal supervision mechanism from the company level to each business process level.

In order to ensure the healthy and stable development of the company and promote the smooth implementation of various tasks, the internal control and audit department of the group has continuously improved relevant systems, further established and improved the anti-corruption management system, and through risk-oriented internal audit, pointed out systemic risks, blocked management loopholes, and reduced or even eliminated fraud opportunities in 2018.

The company encourages employees, suppliers and customers to participate in supervision and reporting, and has established and published a reporting email. Add a clean clause in the company's cooperative suppliers and require the newly selected suppliers to sign a declaration of integrity.

Meanwhile, the company severely investigated and dealt with all kinds of violations of laws and regulations, and strengthened the education and publicity of employees' honesty, thus creating a good working environment and atmosphere of honesty, self-discipline and dedication.

The Department of Internal Control and Audit will continue to work from three aspects in 2019:

- 1) Step up efforts to promote the internal control system and the construction of enterprise culture, build a firewall for enterprise risk management, and eradicate the foundations for illegal and fraudulent personnel.
- 2) Continuously strengthen the self-discipline construction of the audit team, enhance the anti-fraud awareness of audit supervisors and the ability to find fraud clues;
- 3) Step up efforts to investigate and punish those who violate regulations and commit fraud, increase the cost of such violations and fraud, and deter those who violate regulations and commit fraud.

These three points go hand in hand to protect the company's bright and clean corporate culture.

#### **4. Intellectual property rights and fair competition**

The company kept up with market trends and continued to frequently monitor the entire industry in 2018. The company accurately responds to market fluctuations and actively embraces industry changes through regular monitoring projects, multi-channel and multi-level monitoring methods.

In view of the increasingly mature game market, the company has continuously strengthened the protection of intellectual property rights and other related rights, increased investment in intellectual property rights protection and other aspects, led by responsible departments and coordinated by multiple departments. In 2018, the number of registered trademarks and copyright applications filed by

the company increased significantly.

In view of the fact that some enterprises or individuals, driven by interests, ignore laws and regulations, adopt illegal means or methods to disrupt the market order and infringe upon the rights and interests of others, which have caused extremely bad influence on the development of the industry, the company respects the legitimate rights and interests of others while adhering to the legal operation of service users, always attaches importance to the protection of its own legitimate rights and interests, and will not tolerate and condone any acts that disturb the market order and infringe upon the legitimate rights and interests.

In the process of long-term struggle against illegal acts, the company has initially formed a complete set of three-dimensional strike system, relying on the relevant national administrative and judicial departments, step by step, in accordance with the law through administrative complaints, civil litigation or criminal means to achieve effective protection of legitimate rights and interests.

## IV. Environmental Topics

In order to promote energy conservation, improve the company's energy utilization efficiency and economic benefits, and meet the energy needs of the company's production and operation, the company actively responded to the relevant laws and regulations and the call for energy conservation and emission reduction, and formulated "Office Workplace Management Regulations of 37 Interactive Entertainment" and "Office Energy Conservation and Emission Reduction Guidance Plan and Detailed Rules of 37 Interactive Entertainment". The company implemented energy conservation and emission reduction measures in all aspects of production and operation, striving to reduce the energy consumption of the enterprise and increase the output value of unit energy consumption.

### 1. Control increment and reduce energy consumption

The company actively tries to reduce energy consumption by moderating the usage of air conditioning. During the peak hot summer temperature periods, all air conditioning units shall be set at a temperature no lower than 26 degrees. During winter we advise our employees to seek alternative means of keeping warm and to not use air conditioning.

The company installs and uses energy-saving lamps in all workplaces to save energy consumption and prolong the service life of lamps.

### 2. Vigorously implement garbage sorting and recycling

The garbage classification, meal garbage classification, recycling of recyclable items are required to be implemented by the cleaning personnel of the company, and the classification of harmful or pollutants and regular centralized to be treated by street sanitation stations in accordance with national promotion.

### 3. Hold 37 Green Week and advocate for energy saving

During World Earth Day in April and World Environment Day in June, the company held the “37 Green Week” to improve employees' awareness of environmental protection, promote rational use of resources, promote the usage of recycling and improve the efficiency of corporate resource utilization for environmental protection. 37 Green Week activities included: Garbage sorting including the disposing of food correctly, saving water, workspace tidiness and low carbon travel, etc.

Thanks to the efforts of the company's administrative department, the electricity consumption in 2018 was 3,421,805 kilowatt-hours, a decrease of 5.1% compared with the 3,607,131 kilowatt-hours in 2017.

	2017	2018	Rate of growth
Operating Income (Yuan)	6,188,828,116.75	7,632,679,668.47	23.3%
Annual electricity consumption (kWh)	3,607,131.00	3,421,805.00	-5.1%

## V. Benchmarking the United Nations 2030 Sustainable Development Goals

The 2015 United Nations Summit issued the 2030 Sustainable Development Goals which established 17 sustainable development goals and called on all countries to work together to eradicate all forms of poverty, achieve equality and address climate change globally by 2030. At the same time, the agenda encourages enterprises to participate extensively and draws up guidelines for enterprises to take action.

37 Interactive Entertainment always regards the sustainable development goal as its action guide and makes its own contribution to the realization of the sustainable development goal.

37 Interactive Entertainment has also made its own contribution to some applicable targets in the sustainable development goals:

<b>Target</b>	<b>Contribution of 37 Interactive Entertainment</b>
1. Eliminate all forms of poverty in the world	The company contributed to the needs of poor high school students.  The company has provided financial assistance to 1,133 senior high school students in remote areas, helping families reduce their financial burden.
3. Ensure a healthy lifestyle and promote the well-being of people of all ages.	The company contributed to the health of employees.  The company provides physical examinations for employees, organize employee sports clubs, promote "sports fitness culture", and effectively protect and promote the physical and mental health of employees.
4. Ensure inclusive and fair quality education so that all people can enjoy lifelong learning opportunities.	The company contributed to high school education in remote areas.  1,133 high school students in remote areas have been funded, including:

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	<p>The ratio of aided girls to boys is 1.79: 1, which promotes women's right to study.</p> <p>The company contributed to academic reading in remote areas.</p> <p>The company's philanthropic program has established nearly 500 book corners, benefiting 40,000 teachers and students, and filling the gap between urban and rural education to a certain extent and promoting students in remote areas to enjoy high-quality educational resources.</p>
<p>5. Achieving gender equality and empowering all women and girls</p>	<p>In the process of poverty alleviation and precise assistance, emphasis is placed on the assistance to girls. Among 1,133 high school students in financial difficulties, the ratio of girls to boys is 1.79: 1, which greatly guarantees the right of girls in remote areas to enjoy equal opportunities in education.</p>
<p>8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Revenue reached 7.63 billion Yuan with steady growth in 2018.</p> <p>To ensure that employees enjoy a competitive salary level in the industry, while providing legal social security and funds for employees, it will effectively protect employees' various welfare benefits, promote employees' physical and mental health, promote talent growth and development, and enable employees to enjoy their jobs with dignity, health and happiness.</p>
<p>12. Adoption of sustainable consumption and production patterns</p>	<p>In 2018, the company's electricity consumption decreased by 5.14% while operating income increased by 23.2%.</p>

## VI. Benchmarking GRI Standards Indicators

This report references GRI Sustainable Reporting Standards (GRI standards). Selected indicators (below) suitable for 37 Interactive Entertainment are referenced accordingly.

### 1. General standards

#### GRI 102: General disclosure

GRI Standard Indicator Disclosures	Index, Description and Supplement
<b>1. Organizational overview</b>	
102-1 Name of the organization	See "Company profile "
102-2 Activities, brands, products and services	See "Company profile "
102-3 Location of headquarters	See "Company profile "
102-4 Location of operations	See "Company profile "
102-5 Ownership and Legal Form	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."
102-6 Market served	See "Company profile "
102-7 Scale of the organization	See "Employee Structure".
102-8 Information on employees and other workers	See "Company profile "
<b>2. Strategy</b>	
102-14 Statement from senior decision-maker	See "Social Responsibility Management Process System".
102-15 Key impacts, risks, and opportunities	See "Stakeholder Analysis".
<b>3. Morality and Integrity</b>	
102-16 Values, principles, standards and norms of behavior	See "Integrity, compliance, and anti-corruption" and "Intellectual property rights and fair competition".

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102-17 Mechanisms for advice and concerns about ethics	See "Integrity, compliance and anti-corruption" and "Intellectual property rights and fair competition".
<b>4. Control</b>	
102-18 Governance structure	See "Social responsibility management process system".
102-19 Delegating authority	See "Social responsibility management process system".
102-20 Executive-level responsibility for economic, environmental, and social topics	See "Social responsibility management process system".
102-21 Consulting stakeholders on economic, environmental, and social topics	See "Stakeholder Analysis".
102-22 Composition of the highest governance body and its committees	See "Social responsibility management process system".
102-23 Chair of the highest governance body	See "Social responsibility management process system".
102-24 Nominating and selecting the highest governance body	See "Social responsibility management process system".
102-26 Role of highest governance body in setting purpose, values, and strategy	See "Social responsibility management process system".
102-27 Collective knowledge of highest governance body	See "Social responsibility management process system".
102-29 Identifying and managing economic, environmental, and social impacts	See "Stakeholder Analysis".
102-31 Review of economic, environmental and social topics	See "Social responsibility management process system".
102-32 Highest governance body's role in sustainability reporting	See "Social responsibility management process system".
102-33 Communicating critical concerns	See "Social responsibility management process system".
102-34 Nature and total number of critical concerns	See "Material topics".
102-35 Remuneration policies	See "Perfection of the corporate governance structure".

102-36 Process for determining remuneration	See "Perfection of the corporate governance structure".
<b>5. Stakeholder participation</b>	
102-40 List of stakeholder groups	See "Stakeholder Analysis".
102-42 Identifying and selecting stakeholders	See "Stakeholder Analysis".
102-43 Approach to stakeholder engagement	See "Stakeholder Analysis".
102-44 Key topics and concerns raised	See "Stakeholder Analysis".
<b>6. Reporting practices</b>	
102-45 Entities included in the consolidated financial statements	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."
102-46 Defining report content and topic boundaries	See "Material topics".
102-47 List of material topics	See "Material topics".
102-48 Restatements of information	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."
102-49 Changes in reporting	The report added material topics such as "data security" and "user privacy protection" and made more detailed statements on issues such as employee rights and development, protection of minors, and functional games.
102-50 Reporting period	See "instructions".
102-51 Date of most recent report	See "instructions".
102-52 Reporting cycle	See "instructions".
102-53 Contact point for questions regarding the report	See "instructions".
102-54 Claims of reporting in accordance with the GRI Standards	See "Benchmarking GRI Standards Indicators"
102-55 GRI content index	See "Benchmarking GRI Standards Indicators"

### GRI 103: Management approach

GRI Standard Indicator Disclosures	Index, Description and Supplement
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103-1 Explanation for the material topic and its boundary	See "Material topics".
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## 2. Economic topics

### GRI 201: Economic performance

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."
201-1 Direct economic value generated and distributed	See "Be responsible to investors and protect their rights and interests" and "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."
201-4 Financial assistance received from government	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."

### GRI 202: Market presence

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "2018 Annual Report of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd."

### GRI 204: Procurement practices

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Integrity, compliance and anti-corruption".

### GRI 205: Anti-corruption

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Integrity, compliance and anti-corruption".
205-1 Operations assessed for risks related to corruption	See "Integrity, compliance and anti-corruption".
205-2 Communication and training about anti-	See "Integrity, compliance and anti-corruption".

corruption policies and procedures	
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### GRI 206: Anti-competitive behavior

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Intellectual property rights and fair competition".
206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices	See "Intellectual property rights and fair competition".

## 3. Environmental topics

### GRI 302: Energy

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Environmental topic".
302-1 Energy consumption within the organization	See "Environmental topic".
302-4 Reduction of energy consumption	See "Environmental topic".

## 4. Social topics

### GRI 401: Employment

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	See "Employee benefits".
401-3 Parental leave	See "Employee rights".

### GRI 402: Labor/management relations

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".

### GRI 403: Occupational health and safety

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GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".
403-2 Type of Work Injury	See "Occupational health and safety".
403-3 Occupational health services	See "Occupational health and safety".

#### GRI 404: Training and education

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".
404-1 Average hours of training per year per employee	See "Employee career development".
404-2 Programs for upgrading employee skills and transition assistance programs	See "Employee career development".
404-3 Percentage of employees receiving regular performance and career development reviews	See "Employee career development".

#### GRI 405: Diversity and equal opportunity

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".

#### GRI 406: Non-discrimination

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".
406-1 Incidents of discrimination and corrective actions taken	See "Employee rights".

#### GRI 408: Child labor

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee rights".

#### GRI 409: Forced or compulsory labor

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Employee welfare, rights and development measures".
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	See "Employee rights".

#### GRI 416: Customer health and safety

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Protect health of minors and create a fit online game environment" and "Strengthen data security to ensure user data privacy".
416-1 Assessment of the health and safety impacts of product and service categories	See "Protect health of minors and create a fit online game environment" and "Strengthen data security to ensure user data privacy".

#### GRI 417: Marketing and labeling

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Protect health of minors and create a fit online game environment" and "Strengthen data security to ensure user data privacy".
417-1 Requirements for product and service information and labeling	See "Protect health of minors and create a fit online game environment" and "Strengthen data security to ensure user data privacy".

#### GRI 418: Customer privacy

GRI Standard Indicator Disclosures	Index, Description and Supplement
Management approach disclosure	See "Protect health of minors and create a fit online game environment" and "Strengthen data security to ensure user data privacy".

(The End)