



Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.

2018 Annual Report

April, 2019

Section I Contents and Interpretation

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

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Definitions

Term	means	Definition
CSRC	means	China Securities Regulatory Commission
SZSE	means	Shenzhen Stock Exchange
The Company/Company/ Listed Company/Sanqi Interactive Entertainment	means	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.
Shanghai Sanqi Interactive Entertainment	means	Sanqi Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	means	Company Law of the People's Republic of China
Securities Law	means	Securities Law of the People's Republic of China
Articles of Association	means	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd./Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.
Audit Institution	means	GP Certified Public Accountants Co., Ltd. (Special General Partnership)
RMB/RMB 10,000	means	Chinese yuan/10,000 Chinese yuan
Reporting Period	means	January 1st, 2018 to December 31st, 2018
End of Reporting Period	means	December 31st, 2018
Browser games	means	Clientless or browser kernel-based micro-client games that are based on web development technologies and utilize standard protocols as basic transmission modes. Game users can play browser games directly through an Internet browser
Mobile games	means	Games that are downloaded via mobile network and run on mobile phones or other mobile terminals.
RPG	means	Role playing game
ARPG	means	Action role playing game
SLG	means	Simulation game
Non-GAAP net profit	means	Net profit attributable to ordinary shareholders of the Company, net of performance compensation due to mergers and acquisitions and related goodwill impairment, after-tax income of accidental equity investment disposal, and equity incentive fees
Domestic	means	Mainland China
Overseas	means	Outside of mainland China
Shanghai Mokun	means	Shanghai Mokun Digital Technology Co., Ltd.
Jiangsu Zhiming	means	Jiangsu Zhiming Network Technology Co., Ltd.

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Shunrong Investment Company	means	Wuhu Shunrong Investment Co., Ltd.
Shunrong Yonghong Company	means	Shanghai Shunrong Yonghong Technology Development Co., Ltd.
Guangzhou Senyun Co., Ltd.	means	Guangzhou Senyun Auto Parts Co., Ltd.
Shunrong Auto Parts	means	Wuhu Shunrong Auto Parts Co., Ltd.
Yanling Investment Co., Ltd.	means	Shanghai Yanling Investment Management Co., Ltd.
Tibet Xintai	means	Tibet Xintai Culture Media Co., Ltd.
Anhui Vogue Entertainment	means	Anhui Vogue Entertainment Network Technology Co., Ltd.
Vogue Entertainment International	means	Vogue Entertainment International Limited
G-MEI Network	means	G-MEI Network Technology Co., Ltd.
Guangzhou Sanqi	means	Guangzhou Sanqi Network Technology Co., Ltd.
Guangzhou Xingzhong	means	Guangzhou Xingzhong Information Technology Co., Ltd.
Anhui Xuhong	means	Anhui Xuhong Information Technology Co., Ltd.
Wuji Entertainment Games Co., Ltd.	means	Wuji Entertainment Games Co., Ltd.
Anhui Sanqi	means	Anhui Sanqi Network Technology Co., Ltd.
Jiangsu Aurora	means	Jiangsu Aurora Network Technology Co., Ltd.
Shanghai Yingtong	means	Shanghai Yingtong Network Technology Co., Ltd.
Wisdom Entertainment International	means	Wisdom Entertainment Online International Limited
Wisdom Game International	means	Wisdom Game Online International Limited
Shanghai Guanhang	means	Shanghai Guanhang Network Technology Co., Ltd.
Anhui Jiashang	means	Anhui Jiashang Network Technology Co., Ltd.
Chengdu Shengge Times Network Technology Co., Ltd.	means	Chengdu Shengge Times Network Technology Co., Ltd.
Beijing Shangheng	means	Beijing Shangheng Jiatian Network Technology Co., Ltd.
Jiangsu Jiaqu	means	Jiangsu Jiaqu Network Technology Co., Ltd.
Shanghai Zhiren	means	Shanghai Zhiren Culture Media Co., Ltd.
Tibet Taifu	means	Tibet Taifu Culture Media Co., Ltd.
37Games Entertainment Co., Ltd.	means	37 Games Entertainment Limited
Shanghai Mobile Game	means	Shanghai Shouyou Tianxia Digital Technology Co., Ltd.
Anhui Guanyu	means	Anhui Guanyu Culture Media Co., Ltd.
Tibet Yaotong	means	Tibet Yaotong Network Technology Co., Ltd.
Tibet Shengge	means	Tibet Shengge Network Technology Co., Ltd.
Guangzhou Sanqi Interactive Entertainment	means	Sanqi Interactive Entertainment (Guangzhou) Technology Co., Ltd.
Guangzhou Huoshanhu	means	Guangzhou Huoshanhu Information Technology Co., Ltd.
Guangzhou Jisheng	means	Guangzhou Jisheng Network Technology Co., Ltd.

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Guangzhou Jishi	means	Guangzhou Jishi Network Technology Co., Ltd.
Khorgas Qianyu	means	Khorgos Entertainment Network Technology Co., Ltd.
Khorgas Xinghui	means	Khorgos Xinghui Network Technology Co., Ltd.
Khorgos Xinrui	means	Khorgos Xinrui Network Technology Co., Ltd.
Top Increase	means	Top Increase Global Limited
Khorgas Sanqi	means	Khorgos Sanqi Entertainment Venture Capital Co., Ltd.
Anhui Aurora	means	Anhui Sanqi Aurora Network Technology Co., Ltd.
Shanghai Langkun	means	Shanghai Langkun Digital Technology Co., Ltd.
Shanghai Kunkun	means	Shanghai Kunkun Digital Technology Co., Ltd.
Shanghai Miji	means	Shanghai Miji Digital Technology Co., Ltd.
Shanghai Aojue	means	Shanghai Aojue Digital Technology Co., Ltd.
Khorgas Jiaji	means	Khorgos Jiaji Digital Technology Co., Ltd.
Khorgas Mopeng	means	Khorgos Mopeng Digital Technology Co., Ltd.
Guangzhou Jisheng	means	Guangzhou Jisheng Network Technology Co., Ltd.
Anhui Wanhu	means	Anhui Wanhu Information Technology Co., Ltd.
Zhuhai Miaohu	means	Zhuhai Miaohu Network Technology Co., Ltd.
Zhuhai Shangjie	means	Zhuhai Shangjie Network Technology Co., Ltd.
Ningbo Langkun	means	Ningbo Langkun Digital Technology Co., Ltd.
Shanghai Jiakun	means	Shanghai Jiakun Digital Technology Co., Ltd.
Huai'an Sanqi	means	Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership)
Anhui Zhusheng	means	Anhui Zhusheng Network Technology Co., Ltd.
Guangzhou Sanqi Culture & Entertainment	means	Sanqi Entertainment Network Technology (Guangzhou) Co., Ltd.
Chengdu Pengwan Technology Co., Ltd.	means	Chengdu Pengwan Technology Co., Ltd. and its subsidiaries
Shenzhen Mokylin Technology Co., Ltd.	means	Shenzhen Mokylin Technology Co., Ltd. and its subsidiaries
Wangzhong Investment	means	Zhangshu Wangzhong Investment Management Center (Limited Partnership)
Market share of the Company's domestic mobile game business	means	The proportion of transaction amount from the Company's domestic mobile game business during the reporting period to actual sales revenue of mobile game market indicated in the China Game Industry Report of 2018

Section II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	Sanqi Interactive Entertainment	Stock code	002555
Place of Listing	Shenzhen Stock Exchange		
Company name in Chinese	芜湖顺荣三七互娱网络科技股份有限公司		
Company short name in Chinese	三七互娱		
Company name in English (if any)	WUHU SHUNRONG SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY CO., LTD.		
Legal representative	Li Weiwei		
Registered address	Nanling County Economic Development Zone, Wuhu City, Anhui Province		
Post code of registered address	243000		
Business address	11/F, Tower A1, Wanjiang Fortune Plaza, No. 88, Ruixiang Road, Jiujiang District, Wuhu City, Anhui Province		
Zip Code of business address	241000		
Website	www.37.com		
Email	ir@37.com		

Note: The Company held the 3rd Extraordinary General Meeting of Shareholders on April 8th, 2019, during which the Proposal on Changing the Name of the Company was reviewed and approved. It is proposed to change its Chinese name to “芜湖三七互娱网络科技集团股份有限公司” and its English name to “WUHU SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY GROUP CO., LTD.”. The Company is currently completing relevant procedures for industrial and commercial registration of changes.

II. Contact person and contact information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Ye Wei	Wang Sijie
Contact address	11/F, Tower A1, Wanjiang Fortune Plaza, No. 88, Ruixiang Road, Jiujiang District, Wuhu City, Anhui Province	11/F, Tower A1, Wanjiang Fortune Plaza, No. 88, Ruixiang Road, Jiujiang District, Wuhu City, Anhui Province
Tel.	0553-7653737	0553-7653737
Facsimile	0553-7653737	0553-7653737
Email	ir@37.com	ir@37.com

III. Information disclosure and designated place

Name of newspaper designated by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily
Website designated by CSRC for publication of annual reports	http://www.cninfo.com.cn
Designated place of annual reports	11/F, Tower A1, Wanjiang Fortune Plaza, No. 88, Ruixiang Road, Jiujiang District, Wuhu City, Anhui Province

IV. Changes in Registration Information

Organization code	71392778-9
Changes to main business after IPO (if any)	<p>1. On March 2nd, 2011, the Company issued its IPO on SME Board of Shenzhen Stock Exchange. The Company is mainly engaged in manufacturing and selling plastic fuel tanks of automobiles. 2. On May 27th, 2014, the material asset restructuring of the Company involving shares issuance, assets purchase with cash, supporting fund raising, and related-party transactions was conditionally approved by the 22nd Session in 2014 of the Merger, Acquisition and Reorganization Examination Committee of Listed Companies of the CSRC. On December 2nd, 2014, the Company received from CSRC the Reply Regarding Wuhu Shunrong Auto Parts Co., Ltd. Issuing Shares to Li Weiwei and Others, Purchasing Assets, and Raising Supporting Funds. Through purchase of 60% shares of Shanghai Sanqi Interactive Entertainment, the Company developed its single main business of manufacturing automotive plastic fuel tanks into dual main businesses of advanced manufacturing and modern cultural creativity. 3. On December 18th, 2015, the Company received the Reply Regarding Approval of Non-public Offering of Shares of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. (Z.J.X.K. [2015] No. 2941) from CSRC, thus being approved to issue at most 165,289,300 new shares by non-public offering and the funds raised would be used for purchasing 40% shares of Shanghai Sanqi Interactive Entertainment. Shanghai Sanqi Interactive Entertainment has become a wholly-owned subsidiary of the Company since 2016. 4. On October 8th, 2018, as approved by the Company's 4th general meeting of shareholders in 2018, 100% shares of Wuhu Shunrong Auto Parts Co., Ltd. (hereinafter referred to as "Auto parts Company") held by the Company were transferred. On November 29th, 2018, the industrial and commercial registration of changes for the equity transfer of Auto parts Company was completed. Since then, the Company will no longer hold the equity of Auto parts Company, and exclude the financial information of Auto parts Company from its consolidated financial statements.</p>
Changes to controlling shareholders (if any)	None

Note: On April 8th, 2019, the Company held the 3rd Extraordinary General Meeting of 2019, at which the Proposal on Advancing the General Election of Non-independent Directors for the Fifth Board of Directors and the Proposal on Advancing the General Election of Independent Directors for the Fifth Board of Directors were reviewed and approved. Seven directors nominated by Li Weiwei

were elected in the general election of Board of Directors and secured more than half of the seats on the Board of Directors. The voting rights held by Li Weiwei have had a material influence on the resolution of the Company's 3rd Extraordinary General Meeting of 2019, played a decisive role in electing more than half of the members of the Company's Board of Directors through this meeting, and effectively controlled the majority of the new Board of Directors. Therefore, the controlling shareholders and actual controllers of the Company were changed from Wu Xushun, Wu Weidong and Wu Weihong to Li Weiwei.

V. Other relevant information

Accounting Firm appointed by the Company

Name of the Accounting Firm	GP Certified Public Accountants Co., Ltd. (Special General Partnership)
Business address of Accounting Firm	10/F, Guangdong Holdings Tower, No. 555, East Dongfeng Road, Yuexiu District, Guangzhou
Signature of Certified Public Accountant	Xiong Yongzhong & Yang Xinchun

Sponsors performing duty of continuous supervision employed by the Company during the reporting period

☐Applicable ☒Not Applicable

Financial consultants performing duty of continuous supervision employed by the Company during the reporting period

☒Applicable ☐Not Applicable

Name of financial consultant	Business address	Name of representative	Continuous supervision period
GF Securities Co., Ltd.	GF Securities Headquarters, No. 26, Machang Road, Tianhe District, Guangzhou City, Guangdong Province	Lyu Shaoyu & Tian Li	May 9th, 2017 to December 31st, 2018

VI. Main accounting data and financial index

Does the Company need to retroactively adjust or restate accounting data of previous years?

☐ Yes ☒ No

	2018	2017	Increase or decrease of current year against previous year	2016
Operating income (RMB)	7,632,679,668.47	6,188,828,116.75	23.33%	5,247,893,728.73
Net profits attributable to the listed company shareholders (RMB)	1,008,503,357.80	1,620,582,427.47	-37.77%	1,070,162,324.07
Net profits attributable to listed company shareholders after deducting non-recurring profits and losses (RMB)	474,909,138.00	1,048,251,240.84	-54.70%	1,010,769,599.36
Net cash flows from operating activities (RMB)	1,954,433,620.84	1,831,895,928.30	6.69%	1,051,939,577.83

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Basic earning per share (yuan/share)	0.47	0.76	-38.16%	0.51
Diluted earning per share (yuan/share)	0.47	0.76	-38.16%	0.51
Weighted average rate of return on equity	16.59%	28.12%	-11.53%	26.56%
	End of 2018	End of 2017	Increase or decrease compared with the end of previous year	End of 2016
Total assets (RMB)	8,395,761,716.98	9,160,137,685.38	-8.34%	6,386,216,011.34
Net assets attributable to listed company shareholders (RMB)	5,972,675,405.86	7,016,770,210.85	-14.88%	4,523,665,282.04

The Company uses the non-GAAP adjusted net profit attributable to common shareholders as a complementary indicator to measure its actual operating results. The non-GAAP adjusted net profit attributable to common shareholders is not an independent indicator, and its presentation does not imply replacement of the financial information prepared in accordance with the requirements of ASBE. The non-GAAP adjusted net profit attributable to common shareholders of the Company during the current period was RMB 1,501,161,065.93, which was equal to the net profit attributable to common shareholders (RMB 1,008,503,357.80) less the performance compensation due to mergers and acquisitions (RMB 446,156,583.73) and related goodwill impairment (RMB 959,833,685.66), and after-tax income of accidental equity investment disposal (RMB 21,019,393.81). In addition, no equity incentive fee occurred during the reporting period. In 2017, the non-GAAP adjusted net profit attributable to common shareholders of the Company on the same basis was RMB 1,408,706,561.26. In this year, the non-GAAP adjusted net profit attributable to common shareholders of the Company increased by 6.56% on a year-on-year basis.

VII. Data differences due to different accounting standards in China and the rest of the world

1. Differences regarding to net profits and net assets between financial statements disclosed according to international standards and Chinese standards

☐Applicable ☒Not Applicable

During the reporting period, there is no difference regarding to net profits and net assets between financial statements disclosed according to international standards and Chinese standards.

2. Differences regarding to net profits and net assets between financial statements disclosed according to standards of other countries and Chinese standards

☐Applicable ☒Not Applicable

During the reporting period, there is no difference regarding to net profits and net assets between financial statements disclosed according to standards of other countries and Chinese standards

VIII. Quarterly Key financial indicators

Unit: RMB

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	Q1	Q2	Q3	Q4
Operating income	1,661,159,158.79	1,641,336,987.98	2,232,318,268.92	2,097,865,252.78
Net profits attributable to the listed company shareholders	410,093,180.04	391,285,768.19	416,969,559.37	-209,845,149.80
Net profit attributable to listed company shareholders after deducting non-recurring profits and losses	392,281,177.22	368,901,354.63	407,269,424.34	-693,542,818.19
Net cash flows from operating activities	562,120,649.09	415,115,368.87	411,326,826.18	565,870,776.70

The net profit attributable to listed company shareholders in the fourth quarter was RMB -209,845,149.80, mainly due to the Company's provision of RMB 959,833,685.66 set aside for Shanghai Mokun's goodwill impairment loss. The amount of the impairment loss significantly exceeded the performance compensation and operating profit;

In the fourth quarter, the net profit attributable to listed company shareholders after deducting non-recurring profits and losses was RMB -693,542,818.19, mainly because the Company recognized the compensation of RMB 453,859,535.09 arising from the failure of performance commitments by Shanghai Mokun as non-recurring gains and losses, and the corresponding goodwill impairment of RMB 959,833,685.66 as the recurring profits and losses.

Is there any significant difference between the above financial indicators or their sum and those in the Company's disclosed quarterly reports and semi-annual reports?

☐ Yes ☒ No

IX. Non-recurring profits and losses and their amount

☒ Applicable ☐ Not Applicable

Unit: RMB

Item	Amount in 2018	Amount in 2017	Amount in 2016	Description
Profits or losses on disposal of non-marketable asset, including offset amount accrued for impairment provision	56,085,328.82	200,975,719.36	7,667,198.02	Mainly profit and loss from the disposal of long-term equity investment and fixed assets.
Government subsidy included in current profit or loss (except those closely related to enterprise operation and received based on consolidated national standard quota or quantitative)	38,851,289.40	29,695,208.76	68,413,211.24	Mainly government subsidy other than the refund of value-added tax.
Funds occupation fees collected from non-financial enterprises and included in current profit or loss	17,307,831.49	15,607,133.62		Mainly interest income from borrowings.
Profit or loss of asset whose investment or	16,941,398.12	13,370,838.07	6,931,102.57	Mainly the income from

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management is entrusted to others				bank's financial products.
Except effective hedging business relating to normal operating business of the company, profit or loss caused by change in the fair value of held-for-trading financial asset and financial liabilities, and investment profit for disposal of trading financial asset, trading financial liabilities and available-for-sales financial assets.	-9,740,417.35	40,268,035.00	3,608,355.70	Mainly the investment income from disposal of available-for-sale financial assets.
Other non-operating revenue and expenditure except the foregoing items	2,945,610.96	1,251,440.52	-8,461,639.08	
Other items consistent with definition of non-recurring profit and loss	446,156,583.73	296,624,143.44		Mainly including performance compensation income (the Company's impairment loss accrued against the goodwill of Shanghai Mokun Company is RMB 959,833,685.66 and included in recurring profit and loss) and performance compensation expenses.
Less: Affected amount of income taxes	33,857,857.74	36,707,567.83	10,764,962.34	
Affected amount of minority interest income (after-tax)	1,095,547.63	-11,246,235.69	8,000,541.40	
Total	533,594,219.80	572,331,186.63	59,392,724.71	--

As to non-recurring profits and losses determined based on the definition provided in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profit and Loss, and the recurring profits and losses determined from non-recurring profits and losses listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profit and Loss, reasoning shall be provided

☐Applicable ☒Not Applicable

During the reporting period, the Company recognized no non-recurring profit and loss defined and listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profit and Loss as recurring profit and loss.

Section III Business Overview

I. Main business in the reporting period

Does the Company need to comply with the disclosure requirements for special industries?

Yes

Software and IT services

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

During the reporting period, the Company focused on cultural and creative businesses based on the development, distribution and operation of mobile games and browser games, and also development in cultural segments such as film and television, animation, music, education, social contact, VR, etc. The Company's comprehensive strength ranks 23rd among the top 100 Internet companies in China, and 1st among A-share game companies due to steady promotion of development strategy of "perfection, diversification, platformization and globalization" around IPs.

During the reporting period, the Company gained an operating income of RMB 7.633 billion, with a year-on-year increase of 23.33%; a total profit of RMB 1.219 billion, with a year-on-year decrease of 36.38%; a net profit attributable to the listed company shareholders of RMB 1.009 billion, with a year-on-year decrease of 37.77%; a non-GAAP net profit of RMB 1.501 billion, with a year-on-year increase of 6.56%.

The main reasons for changes in the net profit attributable to the listed company shareholders include:

1) During the reporting period, the performance compensation income and goodwill impairment loss were recognized due to the under-performance of Shanghai Mokun, a subsidiary of the Company, therefore the net profit attributable to the listed company shareholders was decreased by RMB 506 million;

2) In 2017, the Company disposed of the equities of Shanghai Zheyuan Culture & Media Co., Ltd., Shanghai Aurora Network Technology Co., Ltd. and other companies, and recognized the after-tax investment income of RMB 200 million. No significant equity disposal income existed in 2018;

3) In addition to the above-mentioned affects, the Company's non-GAAP net profit also increased by 6.56%, and the main reason for driving performance growth is the Company's continued development in mobile games.

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

1) According to the China Game Industry Report of 2018 jointly released by China Game Publishing Committee (GPC) and Gamma Data (CNG), the actual sales revenue of the Chinese game market reached RMB 214.44 billion in 2018 with a year-on-year increase of 5.3%, and the number of Chinese game users reached 626 million in 2018 with an year-on-year increase of 7.3%. The growth rate of Chinese game users exceeded that of 2014-2017. The actual sales revenue of mobile games was RMB 133.96 billion with a year-on-year increase of 15.4%, and increased to 62.5% of total sales revenue of the Chinese game market on a year-on-year basis; and the number of Chinese mobile game users was 605 million, with a year-on-year increase of 9.2% higher than that of 2017. The mobile game market remains the main driver of overall growth in the game market.

During the reporting period, the Company's transaction amount of domestic mobile game business totaled RMB 8.683 billion, with a year-on-year increase of 85% higher than the average industry level. During the reporting period, the market share of the Company's domestic mobile game business was 6.48%.

2) On the one hand, the growth rate of the game industry is declining and the competition among participants in the game industry is

becoming increasingly fierce. On the other hand, the spiritual and cultural products available for selection are increasingly enriched, and game users require more high-quality spiritual and cultural products, and the competition between different cultural consumer segments is also developing. Providing high-quality products and valuable user services is an effective way to increase competitiveness.

During the reporting period, the Company increased R&D investments, enhanced its output capability of high-quality games, and strengthened cooperation with R&D vendors to expand the reserve of high-quality games, as well as further promoted the user value through three-dimensional marketing methods and perfect operational services, thus further exploiting the mode of “integration of R&D and operation” to help the Company gain a greater competitive advantage.

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

In May 2017, General Office of the CPC Central Committee and the General Office of the State Council issued the Outline of the National Plan for Cultural Development Reform in the 13th Five-Year Plan Period, which required “optimizing the layout of cultural industries and accelerating the development of emerging industries such as online audiovisual services, mobile multimedia, digital publishing, animation and games, creative design, 3D and giant screen movies”, and supporting the development of the game industry.

During the reporting period, the Company actively responded to relevant requirements of industrial development, increased investments in high-quality games and innovative gameplay settings, and vigorously protected intellectual property rights to ensure compliant operations.

In December 2018, the General Office of the State Council issued the Regulations on Further Supporting the Development of Cultural Enterprises, which explicitly increased the national supports for key enterprises and projects for national cultural exports and strengthened the construction of national cultural export bases.

Sanqi Interactive Entertainment actively responds to the national “Go Out policy” for cultural industries, and strives to promote Chinese cultural services to the rest of world. 37GAMES will further develop its first-mover advantage in overseas markets, and rely on its advanced game R&D and localized marketing capabilities to continuously expand the scale of overseas business and create more foreign currency earnings, thus escorting the exports of cultural industries and helping Chinese cultural and entertainment enterprises to enhance their cultural confidence.

3. Main businesses, main products and business models of the Company

During the reporting period, the Company’s main businesses include the development, distribution and operation of mobile games and browser games. The operating modes of the Company’s mobile games and browser games mainly include independent operation and third-party joint operation.

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

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

During the reporting period, the Company disposed of the manufacturing and sales business of automotive plastic fuel tanks. Apart from that, there is no significant change to the Company’s main businesses, main products and business models, and major performance drivers.

II. Material changes in major assets

1. Material changes in major assets

Major assets	Material changes
Equity assets	The balance of equity assets at the end of the period increased by RMB 415 million compared to the opening balance, mainly due to the new investment into the equity of Sanqi Guangzheng (Guangzhou) Cultural Technology Investment Partnership (Limited Partnership), Shenzhen Zhonghui Television Culture Communication Co., Ltd., Shanghai Fenghua Qiushi Culture Media Co., Ltd., New Cues (Beijing) Television Investment Co., Ltd. and other companies during the reporting period. Refer to Note 8 of the consolidated financial statements, available-for-sale financial assets and Section 9 Long-term Equity Investments for more details.
Fixed assets	The balance of fixed assets at the end of the period decreased by RMB 256 million compared to the opening balance, mainly due to the disposal of Shunrong Auto Parts during the reporting period.
Construction in progress	The balance of construction in process at the end of the period decreased by RMB 51 million compared to the opening balance, mainly due to the disposal of Shunrong Auto Parts during the reporting period.
Notes receivable and accounts receivable	At the end of the period, the balance of notes receivable and accounts receivable increased by RMB 358 million compared to the opening balance, mainly due to the increase in operating income in the fourth quarter of the current year compared with the same period of the previous year.
Other current assets	At the end of the period, the balance of other current assets decreased by RMB 235 million compared to the opening balance, mainly due to the decrease in performance compensation receivables.
Other receivables	At the end of the period, the balance of other receivables increased by RMB 404 million compared to the opening balance, mainly due to the increase in the amount of equity receivable from the disposal of Shunrong Auto Parts during the reporting period.
Goodwill	The balance of goodwill at the end of the period decreased by RMB 962 million compared to the opening balance, mainly due to provision made by the Company for impairment on the goodwill formed by the merger resulting from Shanghai Mokun's failure to reach the expected performance in 2018.
Other non-current assets	The balance of other non-current assets at the end of the period decreased by RMB 113 million compared to the opening balance, mainly due to the recognition of prepaid equity investments to Shenzhen Zhonghui Television Culture Communication Co., Ltd. as available-for-sale financial assets and decreases in engineering equipment prepayment arising from the disposal of Shunrong Auto Parts.

2. Main foreign assets

☐Applicable ☒Not Applicable

III. Analysis of core competitiveness

Does the Company need to comply with the disclosure requirements for special industries?

Yes

Software and IT services

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The Company has steadily promoted the development strategy of “perfection, diversification, platformization and globalization” around IPs to form the following core competitiveness:

1. Industry-leading R&D strength

Since the launch of the first self-developed product in 2014, the Company has launched nearly 20 self-developed products, of which more than half of the products has a monthly transaction amount exceeding RMB 100 million. During the reporting period, a number of self-developed quality games, such as Yong Heng Ji Yuan (永恒纪元), Chuan Qi Ba Ye (传奇霸业), and Swords of Archangels (大天使之剑), have achieved steady transaction amount in the markets at which these games have been launched for more than one year. The Company's self-developed products are characterized by high output, high success rate and long period, indicating that the Company's R&D strength is at the leading level in the industry.

The “Perfection” R&D strategy runs through the entire life cycle of the Company's self-developed products: Before the launch of games, the Company carefully worked out details of product planning, art quality, music effects, etc.; after the launch of games, the Company continued to invest in product iteration, process optimization, user experience and other aspects to ensure the high transaction amount and long period of games.

The Company has always attached great importance to R&D investments. During the reporting period, the Company incurred an R&D expenditure of RMB 540 million, with a year-on-year increase of 22.94%. Through continuous R&D investments, the Company has accumulated a large number of core technologies: A series of high-performance and stable game engines and frameworks are independently developed by the Company to support the development of highly playable large-scale online games of high performance and quality, which provide an important guarantee for the Company to continuously launch high-quality games. As an important tool to enhance the product experience, the Company analyzes its game data through self-developed big data analysis system, and uses the analysis results to provide accurate numerical reference for design of new products and iterative optimization of previous products, thus improving the Company's insights and capacity for process optimization in terms of product development.

The Company's product research and development has always been market-oriented. The Company adheres to the principle of sustainable development, constantly breaks through itself, and also maintains its advantages in the ARPG category while at the same time making initial attempts in new areas. The leisure sports game Chao Neng Qiuqiu (working title) (超能球球 (暂定名)), the turn-based game Mobile Game AOD (手游项目AOD) and the simulation business game Code DG (代号DG) developed during the reporting period are expected to be launched in 2019. As of the end of the reporting period, the Company was carrying out market researches on other types of games such as SLG. In 2019, the Company will continue to make diversified innovation in product types, themes, art performance, gameplay settings, etc.

As of the issuance date of this report, the Company was developing a browser game of MU X (working title) (奇迹X (暂定名)), and mobile games such as Chuan Qi NB (传奇NB), Code YZD (代号YZD), Chuan Qi S (传奇S), Code DG (代号DG), Chao Neng Qiuqiu (working title) (超能球球 (暂定名)), An Hei Hou Yi (暗黑后裔), Jing Ling Sheng Dian (精灵盛典) and Mobile Game AOD (手游项目AOD). With its accumulated experiences and continuous innovation, the Company is expected to continue to produce long-period quality games that surpass the Yong Heng Ji Yuan (永恒纪元), Chuan Qi Ba Ye (传奇霸业), and Swords of Archangels (大天使之剑).

2. Excellent distribution strength

During the reporting period, the market share of the Company's mobile game distribution business in China increased to 6.48%; the Company's browser game business in China also continued to maintain its leading position; while maintaining market advantages in China's Hong Kong, Macao, Taiwan and Southeast Asia, the Company has also made breakthroughs in the Japanese and South Korean markets. The Company actively adheres to the “perfection and diversification” business strategy and promotes its own business capacity to a new height through continuous innovation:

1) The promotion of “perfection” strategy is reflected in product supply before the launch of games and operation optimization after

the launch.

In terms of product supply, the Company has accumulated abundant product resources, established a rigorous evaluation process and evaluation criteria for product introduction, and also utilized its own advantages in user data and numerical experiences to work out products along with game developers, thus ensuring a better quality of games before their launch.

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

2) The “diversification” strategy has achieved good results in multiple business dimensions such as products, promotion and services. In terms of game products, the Company on the one hand brings a diversified layout to the product supply side through independent research and development, investment in capital and cooperation with many large R&D manufacturers such as Tencent, NetEase, Perfect World, Century Huatong Group, etc.; on the other hand, the Company has also made diversified attempts in product categories and product themes, and achieved good results. Since 2018, the Company has successively launched a series of game products with different categories and themes and excellent performances in the Chinese mobile game market, such as Gui Yu Mi Cheng, Tu Long Po Xiao, Dou Luo Da Lu H5, etc. The successful launch of these games indicates that the Company’s multi-theme and multi-category product matrix has begun to take shape and the Company has also accumulated preliminary success experiences on the way to diversified development.

In terms of promotion, the Company adopts a multi-dimensional approach of “three-dimensional marketing + precise delivery” to create a new idea for systemic flow management. In terms of three-dimensional marketing, the Company tries to meet the different cultural consumption needs of users from different perspectives by choosing spokespersons who match the product connotation, promoting games through high-quality micro-movie-style promotional materials, carrying out cross-border cooperation among Yong Heng Ji Yuan (永恒纪元), Xian Ling Jue Xing (仙灵觉醒), and finance, catering and FMCG industries, and implanting public welfare activities into game products. In terms of precise delivery, the Company analyzes big data such as “user portrait” and “user model” with the user resources accumulated over the years to accurately deliver advertisements to targeted user groups and improve the advertising effect.

In terms of services, the Company is committed to providing game users with comprehensive and detailed long-term services. Through an improved user account and service system, and an experienced service team, the Company uses abundant product supplies to provide users with comprehensive game products and one-stop services to continuously improve user satisfaction, activation and retention, and also to extend the product life cycle.

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

The “integration of R&D and operation” mode of the Company is conducive to making full use of resources and creating quality products from a long-term perspective. On the one hand, the Company can ensure the stable supply of quality products to support the operation development through strong R&D strengths. At the same time, the R&D team can utilize the feedback of the operation department to optimize products and extend the product life cycle; on the other hand, in the early stages of product R&D, the operation team can provide advices and suggestions to the R&D team with years of experiences and keen market insights. Additionally, in the early stage of commercialization of products, the operation team can also support the R&D team to conduct a large number of product tests, and utilize the promotion and marketing strategies to guide the R&D team to adjust the iterative updates of product activities and improve the product success rate.

4. Team strengths

The Company has been deeply involved in the field of cultural and creative industries for many years. Its core management team consists of experienced employees who have strong and forward-looking capabilities for strategic layout, while the core team consists of highly skilled R&D personnel, creative operators, and highly efficient managers. The Company has always adhered to the marathon-style entrepreneurial spirit, and constantly caught up to surpass the industry leader.

Section V Discussion and Analysis of Operation Status

I. Overview

Key performance indicators	2018	2017	Year-on-year change
Operating income (RMB 100 million)	76.33	61.89	23.33%
Total profit (RMB 100 million)	12.19	19.17	-36.38%
Net profits attributable to the listed company shareholders (RMB 100 million)	10.09	16.21	-37.77%
Non-GAAP net profit (RMB 100 million)	15.01	14.09	6.56%
Net cash flows from operating activities (RMB 100 million)	19.54	18.32	6.69%
Basic earning per share (yuan/share)	0.47	0.76	-38.16%
Weighted average rate of return on equity	16.59%	28.12%	-11.53%

During the reporting period, the Company has steadily promoted the development strategy of “perfection, diversification, platformization and globalization” around IPs, making its comprehensive strength in the forefront among Chinese competitors. During the reporting period, the Company achieved an operating income of RMB 7.633 billion, with a year-on-year increase of 23.33%, and the growth of distribution and R&D for mobile games was the main driver of overall income growth during the period.

The Company achieved a total profit of RMB 1.219 billion, with a year-on-year decrease of 36.38%; and a net profit attributable to the listed company shareholders of RMB 1.009 billion, with a year-on-year decrease of 37.77%. The main reasons for the year-on-year decline in net profit attributable to the listed company shareholders are stated as below: 1) During the reporting period, the performance compensation income and goodwill impairment loss were recognized due to the under-performance of Shanghai Mokun, a subsidiary of the Company, therefore the net profit attributable to shareholders was decreased by RMB 506 million; 2) In 2017, the Company disposed of the equities of Shanghai Zheyuan Culture & Media Co., Ltd., Shanghai Aurora Network Technology Co., Ltd. and other companies, and recognized the after-tax investment income of RMB 200 million. No significant equity disposal income existed in 2018;

The Company uses non-GAAP net profit as a complementary indicator to measure actual operating results. The Company’s non-GAAP net profit for the period was RMB 1.501 billion, a year-on-year increase of 6.56%. The main driver for profit growth was mainly the Company’s continued growth in mobile games.

(I) Mobile game business

During the reporting period, the Company achieved an operating income of RMB 5,582 million and a gross profit of RMB 4,518 million from mobile games, a year-on-year increase of 69.99% and 79.89% respectively. The Company’s business revenue from and R&D investment into mobile games continue to increase, and the mobile game business maintains the leading position in domestic and overseas markets.

1. Release of mobile games

(1) Domestic market

The Company continued to play a vital role in domestic mobile game publishing market. During the reporting period, the market share of the Company’s mobile game business in China increased to 6.48%. During the reporting period, the Company operated more than 5 products with a monthly gross billing of more than RMB 100 million, with the highest exceeding RMB 930 million, the total number of new registered users exceeding 110 million, and the greatest number of monthly active users exceeding 20 million.

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During the reporting period, the Company, based on its capability of operating different games, adjusted its publishing strategy from simple “ARPG + SLG” to “diversification”. The Company applies diversification strategies at various levels such as products, promotion and services in a creative manner. During the reporting period, the Company formed a broad partnership with well-known internal and external firms such as Aurora Network, Tencent, NetEase, Perfect World, Century Huatong Group (CHT) and completed a diversified product layout. The product matrix includes ARPG, MMO, CARD, SLG and other types, covering a wide range of themes such as magic, western fantasy, eastern fantasy, adventure, fairy tales and nijigen. In 2018, more than 20 games of different types and themes were launched. As of the issuance date of this report, the Company had obtained the exclusive right to operate 9 mobile games, including Sword and Rebirth (剑与轮回), Zhu Yu Di Xia Cheng (猪与地下城), Xian Ling 2 (working title) (仙灵2 (暂定名)), and rich reserves of independently-developed games such as Chao Neng Qiu Qiu (working title) (超能球球 (暂定名)), Code YZD (代号YZD), Chuan Qi S (传奇S) and Jing Ling Sheng Dian (精灵盛典).

In the meantime, relying on its in-depth understanding of user demands, the Company created a new way of systemic traffic operation, and adopted a diversified mode of “multi-channel marketing + targeted advertising + long-term service” to provide users with comprehensive high-quality services for the whole process from their initial contact with the product to play the game and meet the deeper spiritual and cultural needs of users.

(2) Overseas market

During the reporting period, the Company further executed global strategies, and made breakthroughs in newly developed business areas such as Japan and Korea while maintaining competitiveness in advantageous areas such as China's Hong Kong, Macao, Taiwan and Southeast Asia. As of the end of the reporting period, the Company maintained good relations with many local manufacturers in Hong Kong, Macao and Taiwan. 37GAMES, the Company's overseas brand, covered more than 200 countries, and operated nearly 80 mobile games around the world.

During the reporting period, the Company made breakthroughs in having games published in Japan and South Korea: Yong Heng Ji Yuan (永恒纪元), released in Japan in late June, achieved the highest monthly gross billing of over 10 million; the new game 운명: 무신의 후예 achieved a gross billing of over 10 million in Korea, ranked among Top 10 best-selling games.

The Company also maintained its advantageous position in China's Hong Kong, Macao, Taiwan and Southeast Asia: During the reporting period, the self-developed product Swords of Archangels (大天使之剑) H5 was launched in China's Hong Kong, Macao, Taiwan and Vietnam, and rose to the top of bestselling games in merely two months after its launching; Clans of Intrigue (楚留香), an MMORPG launched in the reporting period, ranked first among best-selling games in terms of downloads only three days after launched in China's Taiwan market, with the maximum daily installations exceeding 150,000, renewing the game downloading record on the day in Taiwan. Gui Yu Mi Cheng (鬼语迷城) launched at the end of the reporting period was ranked 2nd in terms of best-selling games and 1st in terms of downloads in the first month when it was released in China's Taiwan.



During the reporting period, the Company constantly updated and iterated its flagship product, Yong Heng Ji Yuan (永恒纪元), keeping a stable gross billing in China's Hong Kong, Macao, Taiwan, Southeast Asia, Europe, America, Korea and other regional markets.

As of the issuance date of this report, the Company has reserved many global products, including Western Magic SLG game Code MH (代号MH), SLG game Code ZSJ (代号ZSJ) to gain a position in the global SLG market; in addition, the following games were introduced to the Japanese market: card game SNK オールスター, female game Tian E Zuo (天鹅座), nijigen game Mo Wang Ji Hua (魔王计划) and others; the following games were introduced to the Korean market: nijigen game Dengeki Bunko Crossing Void (电击文库: 零境交错), SLG game Zhen Long Ba Ye (真龙霸业), ARPG game An Hei Hou Yi (暗黑后裔) and others; in addition, there are a wide variety of games, including Shi Hun: Long Yue Chuan Shuo (侍魂: 胧月传说), Dou Luo Da Lu (斗罗大陆H5), Xi Wang M (希望M), which will be brought to overseas market in 2019 to help the Company further explore overseas markets.

2. Research and development of mobile games

During the reporting period, the Company registered a year-on-year increase of 61.05% in the gross billing of mobile game R&D business, and the increased proportion of the income from self-developed products enhanced the Company's profitability. The continuous investment into mobile game R&D is an important part of the Company's "quality and diversified" business strategy. The increased R&D investment mainly focuses on improvement of product quality and exploration of new product categories.



To improve product quality, the Company is committed to make better the product engines, and the artistic and sound quality of products to meet the user demand in experiencing high-quality games at technical level; it is dedicated to game innovation and process optimization to meet user demand in fun and smooth experience at the planning level. High-quality development and high-frequency iterations made new products attractive to users, and allowed most self-developed products to maintain high gross billing for a long time. Since 2018, more than 10 self-developed mobile games have been launched, among which Dou Luo Da Lu H5 (斗罗大陆H5) and Yi Dao Chuan Shi (一刀传世) and other games achieved a monthly gross billing of over RMB 100 million. The Company updated and iterated several long-cycled popular games that have been launched. For the Swords of Archangels (大天使之剑) H5, the Company follows the long-term operation concept, and makes it an industry-standard H5 product through design and development of innovative gameplay to satisfy user demands. For Yong Heng Ji Yuan (永恒纪元), the Company's R&D team keeps updating and iterating the cross-server system in combination with the SLG game mode, to enhance the social interaction between players, continuously optimize the version content, and enhance the game experience of new and old players.

In the exploration of new product categories, the Company set foot on R&D of casual sports games, turn-based games and simulation and education games during the reporting period, and conducted preliminary research on the development of other categories such as SLG. As of the issuance date of this report, Chao Neng Qiu Qiu (working title) (超能球球 (暂定名)), a casual sports game developed by the Company, was under test and is expected to be launched in 2019. In the future, the goal of the Company is to become a first-rate game developer capable of providing players with various game products, focusing on high-quality content and utilizing its own advantages in anticipating user needs. It will apply core technologies to further explore new themes, gameplay and categories, and to actively expand its product lines.

As of the end of the reporting period, the Company was developing 12 mobile games, including Chuan Qi NB (传奇NB), Code YZD (代号YZD), Chuanqi S (传奇S), Code DG (代号DG), Chao Neng Qiu Qiu (working title) (超能球球 (暂定名)), An Hei Hou Yi (暗黑后裔), Jing Ling Sheng Dian (精灵盛典) and Mobile Game AOD (手游项目AOD).

(II) Browser games



More than 36,000 new servers were opened in 2018 in the domestic market, topping the ranking list of operation platforms in term of server opening (source of data from 9k9k). During the reporting period, the operating from the browser game business reached RMB 1,646 million, a slight drop year on year, which was mainly due to users' shift to mobile clients and reduction in browser game products. The Company improved user adhesiveness and stabilized the product life cycle through refined operation of major high-quality games, while strengthening cooperation with domestic top browser game developers through strategic investment and business cooperation. A series of excellent games were launched during the reporting period, including The Rise of Taichi (太极崛起), the browser game Zhen Mo Qu (镇魔曲网页版) and Mie Shen (灭神), which helps further stabilize the operating income. At the same time, the Company continued its efforts to develop browser games. MU X (working title)(奇迹X (暂定名)), which is under development, and The Legendary Swordsman (working title) (笑傲江湖 (暂定名)), the game to be operated by the Company as an agent, are expected to be launched in 2019.

(III) Other cultural and creative businesses

During the reporting period, the Company invested into other fast-growing cultural and creative segments, while maintaining the high-speed growth of its core business, and deeply explored the opportunity to extend film and television, animation, music, literature, VR/AR, Internet health and other fields with a key focus centering a strategy on quality content, to create a brand that can provide quality content for all ages. In addition to maintaining the existing layout in film, animation, music and other fields, the Company made arrangements for new cultural and creative segments by investing in Internet sports (Wake Yoga), children's education (Miaocode, KaDa Story), youth cultural communication (Eomchat), talent agent (Original Plan) and IP incubation (Jinhai Shiyi), to provide high-quality content for all ages and segments.

Focusing on main game business and traffic operation advantages, combined with the previous layout of VR and AR, the Company will empower and coordinate strategically with the invested companies, and prepare for the upcoming 5G era, offering more high-quality content with new experience, create a one-stop cultural and entertainment ecosystem, and become the most trusted cultural brand of China's younger generation.

(IV) IP strategy

It's a long-term development goal of the Company to create quality content and establish a quality content brand. Based on this, the Company continues to explore high-quality IP for development of quality cultural products including games, relying on its own advantages. During the reporting period, the Company had three new IP reserves: Astro Boy (阿童木), Seal Online (希望OL) and The Ancient Century (上古世纪), and one IP cooperation project Dou Luo Da Lu H5 (斗罗大陆H5). As of the end of the reporting period, the IPs of the Company's reserves covered different segments, including games, animation, literature, film and television. The cooperation projects Dou Luo Da Lu H5 (斗罗大陆H5), Yi Dao Chuan Shi (一刀传世) which was adapted from Chuan Qi (传奇), and Seal Online had been launched as of the reporting date, all of which achieved a high gross billing. As of the issuance date of this report, the web project of Miracle MU MU X (working title)(奇迹X (暂定名)) and the mobile game Jing Ling Shen Dian (精灵盛典) was at the late development stage, and are expected to be launched by 2019. Relying on its excellent IP strategy, the Company will continue to build its cultural and creative strategy system, satisfy the diversified demands of users for entertainment, and exploit

the value extension space of IP in film and television, game, animation and comic, music and VR in depth.

II. Analysis of main business

1. General

See “I. Overview” in “Discussion and Analysis of Operation Status” for related content.

2. Income and cost

(1) Composition of operating income

Unit: RMB

	2018		2017		Year-on-year increase/decrease
	Amount	Proportion of operating revenue	Amount	Proportion of operating revenue	
Total operating income	7,632,679,668.47	100%	6,188,828,116.75	100%	23.33%
By industry					
Online game industry	7,247,460,500.55	94.95%	5,628,616,443.76	90.95%	28.76%
Automobile parts industry	385,219,167.92	5.05%	560,211,672.99	9.05%	-31.24%
By products					
Browser games	1,645,957,054.96	21.56%	2,298,860,026.39	37.15%	-28.40%
Mobile games	5,581,764,190.33	73.13%	3,283,622,990.10	53.06%	69.99%
Automobile parts	385,219,167.92	5.05%	560,211,672.99	9.05%	-31.24%
Others	19,739,255.26	0.26%	46,133,427.27	0.74%	-57.21%
By regions					
Domestic	6,705,946,316.22	87.86%	5,269,286,525.60	85.14%	27.26%
Overseas	926,733,352.25	12.14%	919,541,591.15	14.86%	0.78%

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

Unit: RMB

	2018				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income	1,661,159,158.79	1,641,336,987.98	2,232,318,268.92	2,097,865,252.78	1,618,738,028.51	1,460,690,875.99	1,384,968,829.74	1,724,430,382.51

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Net profits attributable to the listed company shareholders	410,093,180.04	391,285,768.19	416,969,559.37	-209,845,149.80	433,033,150.06	417,517,368.31	360,788,807.71	409,243,101.39
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Explain the reasons for seasonal (or periodic) characteristics of the Company's business and fluctuation risks

The Company does not have seasonal or periodic characteristics in its business.

The net profit attributable to listed company shareholders in the fourth quarter was RMB -209,845,149.80, mainly due to the Company's provision of RMB 959,833,685.66 set aside for Shanghai Mokun's goodwill impairment loss. The amount of the impairment loss significantly exceeded the performance compensation and operating profit.

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(2) Industries, products or regions that account for over 10% of the Company's operating income or operating profit

☒Applicable ☐Not Applicable

Does the Company need to comply with the disclosure requirements for special industries?

Yes

Software and IT services

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

Unit: RMB

	Operating income	Operating cost	Gross profit margin	Year-to-year increase/decrease of the operating income	Year-to-year increase/decrease of the operating cost	Year-to-year increase/decrease of gross profit
Industry of clients						
Online game industry	7,247,460,500.55	1,525,929,424.69	78.95%	28.76%	-0.52%	6.20%
Automobile parts industry	385,219,167.92	285,491,515.41	25.89%	-31.24%	-31.10%	-0.15%
By products						
Browser games	1,645,957,054.96	462,583,409.98	71.90%	-28.40%	-39.29%	5.04%
Mobile games	5,581,764,190.33	1,063,346,014.71	80.95%	69.99%	37.76%	4.46%
Automobile parts	385,219,167.92	285,491,515.41	25.89%	-31.24%	-31.10%	-0.15%
Others	19,739,255.26	0.00	100.00%	-57.21%	0.00%	0.00%
By regions						
Domestic	6,705,946,316.22	1,565,632,670.32	76.65%	27.26%	-10.31%	9.78%
Overseas	926,733,352.25	245,788,269.78	73.48%	0.78%	21.36%	-4.49%

For change of statistical caliber for main business data during the reporting period, the Company adjusted the main business data according to year-end statistical caliber

☐Applicable ☒Not Applicable

(3) Whether the Company has goods sales revenue higher than service revenue

☐ Yes ☒ No

(4) Performance of the major sales contracts signed by the Company as of the reporting period

☐Applicable ☒Not Applicable

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(5) Composition of operating cost

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

Composition of main business cost

Unit: RMB

Cost composition	Reporting period		Amount of previous year		Year-on-year increase/decrease
	Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Shared revenue from games	1,404,939,973.86	77.56%	1,423,838,815.22	73.08%	-1.33%
Cost of servers	63,107,660.73	3.48%	54,854,972.77	2.82%	15.04%
Amortization of copyright money	37,821,137.65	2.09%	54,778,687.09	2.81%	-30.96%
Production cost	20,060,652.45	1.11%	371,026.02	0.02%	5,306.80%
Direct materials cost	220,361,708.66	12.17%	337,461,925.72	17.32%	-34.70%
Direct labor expenses	14,430,238.31	0.80%	17,028,724.64	0.87%	-15.26%
Manufacturing expenses	50,699,568.44	2.80%	59,863,088.30	3.07%	-15.31%
Total cost	1,811,420,940.10	100.00%	1,948,197,239.76	100.00%	-7.02%

Industry category

Industry category

Unit: RMB

Industry category	Item	2018		2017		Year-on-year increase/decrease
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Online game industry	Shared revenue from games	1,404,939,973.86	77.56%	1,423,838,815.22	73.08%	-1.33%
Online game industry	Cost of servers	63,107,660.73	3.48%	54,854,972.77	2.82%	15.04%
Online game industry	Amortization of copyright money	37,821,137.65	2.09%	54,778,687.09	2.81%	-30.96%
Online game industry	Production cost	20,060,652.45	1.11%	371,026.02	0.02%	5,306.80%
Automobile parts industry	Direct materials cost	220,361,708.66	12.17%	337,461,925.72	17.32%	-34.70%
Automobile parts	Direct labor	14,430,238.31	0.80%	17,028,724.64	0.87%	-15.26%

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industry	expenses					
Automobile parts industry	Manufacturing expenses	50,699,568.44	2.80%	59,863,088.30	3.07%	-15.31%

Description

None

(6) Whether the consolidation scope changes in the reporting period

☒ Yes ☐ No

See Note III. Consolidation scope change under Section V for details

(7) Significant changes or adjustments to businesses, products or services during the reporting period

☒ Applicable ☐ Not Applicable

During the reporting period, the Company disposed of the manufacturing and sales business of automotive plastic fuel tanks. Apart from that, there is no significant change to the Company's main businesses, main products and business models, and major performance drivers.

(8) Major sales customers and major suppliers

Major sales customers

Total sales revenue of top 5 customers (RMB)	2,557,588,746.03
Proportion of total sales revenue of top 5 customers against the total sales revenue	33.51%
Proportion of related parties' sales among the sales of top 5 customers against total annual sales	0.00%

Profile of top 5 customers

S/N	Customer name	Sales (RMB)	Proportion to annual total sales revenue
1	No. 1	1,129,853,810.91	14.80%
2	No. 2	684,819,228.17	8.97%
3	No. 3	359,505,079.95	4.71%
4	No. 4	208,935,938.85	2.74%
5	No. 5	174,474,688.15	2.29%
Total	--	2,557,588,746.03	33.51%

Description of major customers' other situation

☐ Applicable ☒ Not Applicable

Major suppliers of the Company

Total purchase amount of top five suppliers (RMB)	565,682,491.87
Proportion of total purchase amount of top 5 suppliers	31.83%

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against the total purchase amount	
Proportion of related parties' total purchase among the purchase amount of top 5 suppliers against the total purchase amount	0.00%

Profiles of top 5 suppliers

S/N	Supplier Name	Purchasing amount (RMB)	Proportion in annual total purchase amount
1	No. 1	222,561,545.35	12.52%
2	No. 2	123,298,738.37	6.94%
3	No. 3	88,873,339.60	5.00%
4	No. 4	81,570,946.86	4.59%
5	No. 5	49,377,921.69	2.78%
Total	--	565,682,491.87	31.83%

Description of major customers' other situation

☐Applicable ☒Not Applicable

3. Expenses

Unit: RMB

	2018	2017	Year-on-year increase/decrease	Explanation
Selling and distribution expenses	3,347,261,308.33	1,908,207,466.32	75.41%	This was mainly due to a huge year-on-year increase in Internet traffic expenses of the Company's mobile game business during the reporting period. The increase in mobile game business expenses was mainly due to the increase in the number of registered users. The number of new users in the reporting period exceeded 110 million. The main reasons were: (1) During the reporting period, games such as Gui Yu Mi Cheng, Swords of Archangels H5, Xian Ling Jue Xing, and Tu Long Po Xiao were in the main promotion period; (2) Gui Yu Mi Cheng, Xian Ling Jue Xing and other products of new themes attracted users from more market segments, which enlarged the Company's customer acquisition scope, and promoted the new theme products. Products of new themes were effectively promoted. During the reporting period, games such as Gui Yu Mi Cheng, Swords of Archangels H5, Xian Ling Jue Xing, and Tu Long Po Xiao were in the main promotion period. In the same period last year, the main source of income, Yong Heng Ji Yuan (永恒纪元) and other games entered the peak period of gross billing.
Administrative expense	246,062,902.36	340,490,511.74	-27.73%	Mainly because the Company received equity incentive fee of RMB 101 million in the same period last year, but did not receive such fee in the

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				current period.
Financial expense	17,097,099.24	28,555,783.27	-40.13%	Mainly due to the decrease in exchange losses during the reporting period.
R&D expense	537,705,604.63	436,169,030.12	23.28%	Mainly due to the increase in the number of R&D personnel in the game business and the increase in salary during the reporting period.

4. R&D investment

☒Applicable ☐Not Applicable

Since 2018, more than 10 self-developed mobile games have been launched, among which Dou Luo Da Lu H5 (斗罗大陆H5) and Yi Dao Chuan Shi (一刀传世) and other games achieved a monthly gross billing of over 100 million RMB. As of the issuance date of this report, the Company was developing a browser game of MU X (working title)(奇迹X(暂定名)), and mobile games such as Chuan Qi NB (传奇NB), Code YZD (代号YZD), Chuan Qi S (传奇S), Code DG (代号DG), Chao Neng Qiu Qiu (working title)(超能球球(暂定名)), An Hei Hou Yi (暗黑后裔), Jing Ling Sheng Dian (精灵盛典) and Mobile Game AOD (手游项目AOD). Through continuous R&D investment, deep technical accumulation and continuous innovation, the Company is expected to continue to launch high-quality games to realize continuous revenue growth.

As of the end of the reporting period, the number of R&D staff decreased by 5.61% compared with that at the end of 2017, mainly due to the Company's disposal of Shunrong Auto Parts in November 2018, resulting a fall in the number of R&D staff by 178 compared with that at the beginning of the current period.

R&D investment

	2018	2017	Change proportion (%)
Number of R&D staff	1,379	1,461	-5.61%
Proportion of R&D staff	60.94%	54.05%	6.89%
Amount of R&D investment (RMB)	539,841,128.36	439,094,559.01	22.94%
Proportion of R&D investment in operating income	7.07%	7.09%	-0.02%
Amount of capitalized R&D investment (RMB)	2,254,237.93	7,663,076.06	-70.58%
Percentage of capitalized R&D investment in R&D investment	0.42%	1.75%	-1.33%

The reason for the significant change in the proportion of total R&D investment in operating income compared with the previous year

☐Applicable ☒Not Applicable

Reasons and justification for the substantial change in the capitalization rate of R&D investment

☐Applicable ☒Not Applicable

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

Unit: RMB

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Project name	Capitalized amount of R&D	Basic information of relevant projects	Schedule
Browser game projects	6,205,796.16	Get a genuine license, use 3D engine support, and ARPG browser games with MU client games as the theme.	At the late development stage, and expected to be launched by 2019.

Basis for the above amount of capitalized R&D investment is as follows:

- (1) Technically feasible in completing the use or sales of the intangible assets;
- (2) Intention of the Company to complete the use or sales of the intangible assets for use and sale;
- (3) There are markets for intangible assets, which can produce economic benefits for the Company;
- (4) The Company has rich R&D experience and good business performance, gains the support of enough technique, finance and other resources to accomplish the development of intangible assets, and is able to use or sell the intangible assets;
- (5) The expenditures in the development period of intangible assets can be measured reliably.

The above projects have undergone rigorous evaluation through market research, project initiating report and development plan, and the accounting treatment of capitalization of R&D expenditure has been properly reviewed, and the internal control of the Company's R&D expenditure is sound.

5. Cash flow

Unit: RMB

Item	2018	2017	Year-on-year increase/decrease
Sub-total of cash inflows from operating activities	7,656,830,471.69	6,764,509,897.17	13.19%
Sub-total of cash outflows from operating activities	5,702,396,850.85	4,932,613,968.87	15.61%
Net cash flows from operating activities	1,954,433,620.84	1,831,895,928.30	6.69%
Sub-total of cash inflows from investing activities	4,242,654,828.03	2,567,482,176.55	65.25%
Sub-total of cash outflows from investing activities	4,297,762,675.44	3,935,420,406.47	9.21%
Net cash flows from investing activities	-55,107,847.41	-1,367,938,229.92	95.97%
Sub-total of cash inflows from financing activities	668,789,457.72	1,344,262,496.88	-50.25%
Sub-total of cash outflows from financing activities	2,638,059,560.80	1,034,016,584.46	155.13%
Net cash flows from financing activities	-1,969,270,103.08	310,245,912.42	-734.74%
Net increase of cash and cash equivalents	-65,170,587.19	761,697,925.86	-108.56%

Description of main factors influencing major year-on-year changes in relevant data

√Applicable □Not Applicable

1. The sub-total of cash inflows from investing activities increased by 65.25% from the previous year, mainly due to the increase in

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the Company's redemption of financial products during the reporting period.

2. The cash inflow of financing activities decreased by 50.25% from the previous year, mainly due to: 1) the Company's issuance of shares to raise funds in the same period last year; 2) decrease in the Company's bank loans during the reporting period.

3. The sub-total of cash inflows from investing activities increased by 155.13% from the previous year, mainly due to the Company's payment for acquiring the minority shareholders' equity of Jiangsu Aurora during the reporting period.

Reasons for the significant difference between the net cash flow from the Company's operating activities and the net profit for the year during the reporting period

☐Applicable ☒Not Applicable

III. Analysis of non-main business

☒Applicable ☐Not Applicable

Unit: RMB

	Amount	Proportion of total profit	Cause	Is it consistently applied?
Investment income	80,543,972.30	6.61%	Mainly due to investment profits from the disposal of equity investment	No
Asset impairment	1,049,355,112.25	86.06%	Mainly due to the asset impairment losses of the goodwill of Shanghai Mokun.	No
Non-operating income	463,914,478.18	38.05%	Mainly due to the income from performance compensation recognized resulting from the under-performance of Shanghai Mokun	No
Other profits	97,647,310.60	8.01%	Mainly refund of VAT upon collection and other government subsidies related to daily operations.	Refund of VAT upon collection can be consistently applied, but other government subsidies cannot be consistently applied.

IV. Analysis of assets and liabilities

1. Significant changes in the composition of assets

Unit: RMB

	End of 2018		End of 2017		Increase/d ecrease of proportion	Explanation
	Amount	Proportion of total assets	Amount	Proportion of total assets		
Monetary fund	1,532,965,200.05	18.26%	1,580,910,931.98	17.26%	1.00%	No significant change.
Accounts	1,298,554,481.23	15.47%	884,909,012.77	9.66%	5.81%	Mainly due to the increase in operating income

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receivable						in the fourth quarter of the current year compared with the same period of the previous year.
Inventories			101,828,085.31	1.11%	-1.11%	Mainly due to the disposal of Shunrong Auto Parts during the reporting period.
Long-term equity investments	555,602,013.99	6.62%	376,972,832.08	4.12%	2.50%	Mainly due to the new investment into the equity of Sanqi Guangzheng (Guangzhou) Cultural Technology Investment Partnership (Limited Partnership), Shanghai Fenghua Qiushi Culture Media Co., Ltd., New Cues (Beijing) Television Investment Co., Ltd. and other companies during the reporting period.
Fixed assets	36,458,454.56	0.43%	292,395,887.17	3.19%	-2.76%	Mainly due to the disposal of Shunrong Auto Parts during the reporting period.
Construction in progress			50,672,878.42	0.55%	-0.55%	No significant change.
Short-term loan	369,000,000.00	4.40%	372,054,500.00	4.06%	0.34%	No significant change.
Long-term loans	281,176,106.33	3.35%	310,775,272.06	3.39%	-0.04%	No significant change.
Other receivables	792,425,628.90	9.44%	388,694,512.02	4.24%	5.20%	Mainly due to the increase in the amount of equity receivable from the disposal of Shunrong Auto Parts during the reporting period.
Other current assets	356,865,377.91	4.25%	592,189,323.99	6.46%	-2.21%	Mainly due to the decrease in the performance compensation receivables.
Goodwill	1,578,567,397.76	18.80%	2,540,312,996.76	27.73%	-8.93%	Mainly due to provision made by the Company for impairment on the goodwill formed by the merger resulting from Shanghai Mokun's failure to reach the expected performance in 2018.
Notes payable and accounts payable	1,082,362,368.29	12.89%	741,792,973.33	8.10%	4.79%	Mainly due to the increase in the cost of Internet traffic resulting from the year-on-year increase in Internet traffic expenses during the reporting period.

2. Assets and liabilities measured by fair value

√Applicable □Not Applicable

Unit: RMB

Item	Beginning balance	Profits and losses from change of fair value in this	Change in fair value included in equity	Impairment accrued in current period	Purchase amount in current period	Sales amount in current period	Ending balance
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		period					
Financial assets							
3. Financial assets available for sale	81,100,692.72		31,572,708.00	-52,732,066.85	35,582,900.00	16,845,591.30	78,678,642.57
Subtotal of financial assets	81,100,692.72		31,572,708.00	-52,732,066.85	35,582,900.00	16,845,591.30	78,678,642.57
Total of the above	81,100,692.72		31,572,708.00	-52,732,066.85	35,582,900.00	16,845,591.30	78,678,642.57
Financial liabilities	0.00						0.00

Whether there is significant change to measurement attributes of main assets during the reporting period

☐ Yes ☒ No

3. Restriction of main assets and rights as if the end of the reporting period

1. The prepaid purchase price of Company's subsidiaries corresponding to the borrowing with the office building as the mortgage was RMB 799,637,688.54 in total.
2. In the bank account balance of the Company's subsidiaries, RMB 12,925,183.70 was the restricted fund, and RMB 4,299,671.56 was the guarantee.

V. Analysis of Investment Situations

1. Overview

☒ Applicable ☐ Not Applicable

Investment amount during the reporting period (yuan)	Investment amount of previous year (yuan)	Change %
1,914,383,167.80	2,401,535,373.99	-20.29%

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2. Major equity investment during the reporting period

√Applicable □Not Applicable

Unit: RMB

Name of invested company	Main businesses	Way of contribution	Investment amount	Shareholding ratio	Capital sources	Partner	Investment period	Product types	Progress as of the balance sheet date	Anticipated revenue	Current investment profit and loss	Involved in lawsuit or not?	Date of disclosure (if any)	Index of disclosure (if any)
Jiangsu Aurora	Technology development, technology transfer, technical consultation, technical services in the field of network technology and computer technology; computer system integration, network engineering, animation design, creative services; graphic design and production; sales of computer hardware, software and auxiliary equipment.	Purchase	1,400,000,000.00	20.00%	Self-owned	None	Long-term	R&D of games	Industrial and commercial changes have been registered	0.00	157,665,891.95	No	February 8th, 2018	Announcement of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. on Acquiring 20% equity of Jiangsu Aurora Network Technology Co., Ltd. (Announcement No.: 2018-008)
Huai'an Sanqi	Equity investment, investment and asset management in the cultural media industry.	Purchase	155,215,923.89	60.30%	Self-owned	None	Long-term	Investment management	Industrial and commercial changes have been registered		238,480.95	No	December 4th, 2018	Announcement on the Subsidiary's Intention to Invest in and Receive Shares of Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership) (Announcement No.: 2018-090)
Beijing	Organizational culture and art exchange	Capital	25,000,000.00	2.50%	Self-owned	None	Long-term	Culture	Industrial			No		

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Chenming Media Co., Ltd.	activities; film and television planning; economic information consultation; animation design; design, production, agency and release of ads; conference services; hosting exhibition and display events; technology promotion.	increase					rm	media	and commercial changes have been registered				
Shanghai Zhangmen g Network Technolog y Co., Ltd.	Technology consulting, technical services, technology development and technology transfer in network technology, communication technology, computer technology, information technology, electronic technology, intelligent technology and multimedia professional fields, communication engineering, network engineering, computer system integration, graphic design and production, art design, design and production of various ads, the use of self-owned media to release ads, business information consulting (except for brokerage), R&D and sales of electronic products.	Capital increase	10,000,000.00	10.00%	Self-owned	None	Long-te rm	R&D of games	Industrial and commercial changes have been registered			No	
Hebei Youying Culture Spreading Co., Ltd.	Production, reproduction, distribution, copyright transactions and agency transactions of TV dramas, TV variety shows, TV feature shows, animated story, columns and radio play (production of TV dramas requires separate licenses) (operating with licenses); design,	Capital increase	26,800,000.00	7.00%	Self-owned	None	Long-te rm	Culture media	Industrial and commercial changes have been registered			No	

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	production and agent of domestic advertising business, release of domestic outdoor advertising, organization of cultural and artistic exchange activities (except for commercial performance); marketing planning; corporate image planning.												
Shanghai Touch Culture Communication Co., Ltd.	Planning of cultural and artistic exchange activities, design, production, agent and release of various advertisements, etiquette services, exhibition and display services, animation design, network technology (acting as a technology intermediary is not permitted); technology development, technology transfer, technology consulting and technical services in the field of computer software and hardware technology; investment management, literary creation, photography services (other than developing and enlargement printing), computer system integration; sales of computers, software and auxiliary equipment (other than dedicated products for computer information system security) and electronic products.	Capital increase	15,000,000.00	10.00%	Self-owned	None	Long-term	Culture media	Industrial and commercial changes have been registered		No		
Shanghai Original Plan Culture &	Cultural and artistic exchanges and planning, corporate image planning, animation design and production, etiquette services, exhibition and conference	Capital increase	10,000,000.00	2.50%	Self-owned	None	Long-term	Culture media	Industrial and commercial changes		No		

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Media Co. Ltd.	services, design, production, agency and release of various ads, organization and planning of public relations activities, performance broker; technological development, technology transfer, technical consulting and technical services in the field of computer and network technology; e-commerce (value-added telecommunications and financial services are not permitted); sales of daily necessities and cosmetics; production of radio and television programs.								have been registered				
Hangzhou Honghua Duoduo Network Technology Co., Ltd.	Technology R&D, technical consulting, technical services and transfer of technology results: computer software and hardware, network technology, education software; computer system integration, data processing technology services; education information consultation (other than services for studying abroad and agencies for studying abroad); copyright agency, conference and exhibition; sales of: electronic products (other than electronic publications), communication equipment, articles, toys and audio-visual products for children; design, production, agent and release of: domestic ads; value-added telecom services; wholesale and retail of publications; computer animation design,	Capital increase	16,978,390.00	5.00%	Self-owned	None	Long-term	Children's digital reading platform	Industrial and commercial changes have been registered			No	

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	electronic equipment leasing, art training, organization and planning of cultural and artistic exchange activities (other than performances and performance agencies); commercial Internet culture services; production of radio and television programs; import and export of goods												
Shenzhen Zhonghui Television Culture Communication Co., Ltd.	Management of entrusted assets (it is not permitted to engage in trust, financial asset management, securities asset management, etc.); equity investment; investment consulting, business management consulting; corporate marketing planning; cultural event planning; planning of culture and art exchange activities themed at film and television; organization and planning of public relations activities; planning of conference affairs and activities; planning of etiquette events; corporate image planning; investment in film and television projects; investment in cultural industry projects; creation of literary scripts, music works, songs, folk art, calligraphy and seal cutting works; technological development, technology transfer, technical consultation and technical maintenance in film and television culture; multimedia design; animation design; graphic design; advertising business; radio play, TV dramas,	Others	50,000,000.00	3.85%	Self-owned	None	Long-term	Culture media	Industrial and commercial changes have been registered			No	

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	cartoons (production must be declared separately), special topics, columns (excluding political news), production, reproduction and distribution of variety shows, film distribution.												
Jiangsu Yezi Network Technology Co., Ltd.	Technology development, technical consultation, technical services, technology transfer in the fields of network technology and computer technology; design and production of various ads; animation design; computer graphic design and production; sales of computer software and auxiliary equipment.	Capital increase	15,000,000.00	20.00%	Self-owned	None	Long-term	R&D of games	Industrial and commercial changes have been registered		-1,098,251.51	No	
Sanqi Guangzheng (Guangzhou) Cultural Technology Investment Partnership (Limited Partnership)	Corporate financial consulting; investment consulting; investment of corporate's own funds; project investment	Newly-established	45,000,000.00	45.00%	Self-owned	Guangzhou Securities Innovation Investment Management Co., Ltd.	Long-term	Investment management	Industrial and commercial changes have been registered			No	December 4th, 2018
Chengdu	R&D and sales of computer hardware and	Capital	12,000,000.00	20.00%	Self-owned	None	Long-term	R&D of	Industrial		-388,213.60	No	

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Popcorn Interactive Entertainment Technology Co., Ltd.	software and electronic products; network technology development; computer system integration; basic software services; application software services; technology import and export.	increase					rm	games	and commercial changes have been registered					
Mango Excellent Media Co., Ltd.	Production of broadcasting and television programs; cultural entertainment brokerage; performance brokerage; technical consulting services for electronic products and accessories; intelligent technology consulting and related services; computer hardware development; computer network system engineering services; computer technology transfer; development and construction of computer network platform; computer technology consultation; computer technology development and technical services; information network communication audio-visual program business; sales of electronic products and accessories and intelligent products; R&D of electronic products and intelligent technologies; retail of household chemicals, daily necessities, cultural and sports goods, toys, hardware tools, household appliances, clothing, shoes and hats, furniture, communication equipment and jewelry; development and sales of tourism products,	Others	35,582,900.00	0.18%	Self-owned	None	Long-term	Culture media	Industrial and commercial changes have been registered			No		

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	tourism information consulting and related services; advertising design and outdoor advertising, and agent for television and newspaper advertising; event planning, exhibition and training; sales of pre-packaged food and liquor; retail of Chinese medicine, health food, medical equipment, audio-visual products, book and newspaper; information service of second-class value-added telecom business (excluding fixed-line telephone information service business and mobile network information service); part-time insurance agency; import and export of various commodities and technologies (other than those limited or prohibited by the country); fertilizer retail; sales of packaged seeds that are not repackaged; sales of tree and crop seeds.													
Total	--	--	1,816,577,213.89	--	--	--	--	--	--	0.00	156,417,907.79	--	--	--

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3. Major non-equity investment during the reporting period

√Applicable □Not Applicable

Unit: RMB

Project name	Way of contribution	Is it fixed assets investment	Industries relevant for investment projects	Investment amount during the reporting period	Accumulated input amount as of the end of reporting period	Capital sources	Project progress	Anticipated revenue	Accumulated gains as of the end of the reporting period	Reasons for failure to reach planned schedule or expected revenue	Date of disclosure (if any)	Index of disclosure (if any)
12F, 14F, 17F~23F office premises, underground 3F and 4F parking spaces of Zhongrong Plaza, No. 666, Huangpu Avenue, Tianhe District, Guangzhou	Others	Yes	Commercial real estate	40,940,000.00	836,804,793.02	Own + mortgage loans		0.00	0.00	Not applicable	April 26th, 2017	Announcement on the Subsidiary's Purchase of Office Space and Supporting Parking Lot (Announcement No.: 2017-034)
Total	--	--	--	40,940,000.00	836,804,793.02	--	--	0.00	0.00	--	--	--

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4. Financial assets that are measured by fair value

√Applicable □Not Applicable

Unit: RMB

Assets category	Initial investment cost	Profits and losses from change of fair value in this period	Change in fair value included in equity	Purchase amount during the reporting period	Amount sold during the reporting period	Accumulated investment income	Ending amount	Capital sources
Share	112,016,157.36	0.00	-21,159,358.85	35,582,900.00	12,178,155.94	-9,114,992.25	78,678,642.57	Self-owned
Total	112,016,157.36	0.00	-21,159,358.85	35,582,900.00	12,178,155.94	-9,114,992.25	78,678,642.57	--

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5. Utilization of raised fund

√Applicable □Not Applicable

(1) Utilization of raised fund

√Applicable □Not Applicable

Unit: RMB 10,000

Year of fund raising	Way of fund raising	Total amount of raised fund	Total amount of used raised fund during the reporting period	Total amount of raised fund that has been used	Total raised fund with changed purpose during the reporting period	Accumulated total raised fund with changed purpose	Proportion of accumulated raised fund with changed purpose	Total amount of unused raised fund	Use and expenditure of unused raised fund	Amount of raised fund left unused for over two years
2017	Non-public offerings	45,596.25	45,596.25	45,596.25	0	0	0.00%	0	--	0
Total	--	45,596.25	45,596.25	45,596.25	0	0	0.00%	0	--	0
Description of overall utilization of raised fund										
<p>Upon verification of Reply on Verification of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. Issuing Shares to, Purchasing Assets from, and Raising Supporting Funds from Wuhu Shunrong Sanqi Mutual Entertainment Network Technology Co., Ltd. (Z.J.X.K. [2017] No. 579) from China Securities Regulatory Commission, Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. issued, in the form of non-public offerings, 17,866,869 shares of common stocks ("A-shares") with par value of RMB 1 per share and issue price of 25.52 yuan/share to two specific investors: Shenzhen State-owned Enterprise Structural Adjustment, Investment Attraction & M&A Equity Investment Fund Partnership (Limited Partnership) and Shenzhen Yidun Media Investment Fund Partnership (Limited Partnership), and the total raised funds were RMB 455,962,496.88. After deducting the issuance expenses of RMB 31,313,316.06 (including tax), and considering the VAT input tax of RMB 1,768,867.93, the net raised funds were RMB 426,418,048.75. As of June 30th, 2017, the supporting fund raised from the above issuance was in place and verified by Pan-China Certified Public Accountants (Special Ordinary Partnership), which issued the Capital Verification Report (T.J.Y. [2017] No. 3-64) on July 1st, 2017. The raised fund was mainly used for purchasing 68.43% equity of Shanghai Mokun and 49.00% equity of Jiangsu Zhiming, with cash consideration of RMB 422,642,500.00 and relevant intermediary fees of RMB 33,320,000.00 for this transaction.</p>										

(2) Change items of the raised fund

√Applicable □Not Applicable

Unit: RMB 10,000

Committed investment project and investment of extra raised fund	Whether the project has been	Total committed investment	Total investment after adjustment	Investment amount during	Accumulated investment	Investment schedule at the	Date on which the project will reach	Benefits realized during the	Whether realize the expected	Significant change to the project
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	changed (including partial change)	nt amount for raised fund	nt (1)	the reporting period	amount at the closing period (2)	closing period (3) = (2)/(1)	expected use state	reporting period	benefits	feasibility
Committed investment project										
Cash consideration for purchasing 68.43% equity of Shanghai Mokun	No	33,346.25	33,346.25	0	33,346.25	100.00%	May 31st, 2017	-330.17	No	No
Cash consideration for purchasing 49.00% equity of Jiangsu Zhiming	No	8,918	8,918	0	8,918	100.00%	May 31st, 2017	3,155.69	Yes	No
Fees for intermediary agency related to the transaction	No	3,332	3,332	0	3,332	100.00%	June 30th, 2017	0	Yes	No
Subtotal of committed investment projects	--	45,596.25	45,596.25	0	45,596.25	--	--	2,825.52	--	--
Investment of extra raised fund										
None										
Total	--	45,596.25	45,596.25	0	45,596.25	--	--	2,825.52	--	--
Description and reason for failure to reach planned schedule or expected revenue (by individual project)	During the reporting period, due to the restrictions on the publication number and the overall decline in growth rate of the game industry, the R&D and launch schedule of Shanghai Mokun, a subsidiary of the Company, was not up to expectations, resulting in its major games failing to be launched in 2018 and generate revenue and profits and Shanghai Mokun's operating results lower than expected.									
Description of major change to project feasibility	None									
Amount, purpose and use schedule of extra raised fund	Not applicable									
Change of implementation location of raised fund investment project	Not applicable									
Adjustment of implementation mode of raised fund investment project	Not applicable									

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Initial input and replacement of raised fund investment project	Applicable
	Before the raised funds were in place, to ensure the smooth implementation of the Company's restructuring, the Company made a preliminary investment in the use of raised funds by self-raised fund according to the actual situation, including the payment of the cash consideration of RMB 50 million for the transaction, and relevant intermediary agency of RMB 4,466,000, totaling RMB 54,466,000. After the raised funds were in place, the Proposal on Replacing the Funds That Have Been Put into Investment Projects with the Raised Funds was reviewed and approved at the 7 th Meeting of the 4 th Board of Directors, and it was agreed to use RMB 54,466,000 of the raised funds to replace the pre-invested self-raised funds.
Use idle raised fund as temporary supplementary working capital	Not applicable
Amount of raised fund balance and reasons for project implementation	Not applicable
Use and expenditure of unused raised fund	As of the end of the reporting period, the Company's raised funds have been used up, without any surplus.
Other problems or circumstances in the use and disclosure of raised fund	None

(3) Change items of the raised fund

☐Applicable ☒Not Applicable

No change items of the raised funds during the reporting period.

VI. Major asset and equity sales

1. Sales of major assets

☐Applicable ☒Not Applicable

The Company did not sell major assets during the reporting period.

2. Sales of major equity

√Applicable □Not Applicable

Counterparty	Sold equity	Sale date	Transaction price (10,000 yuan)	Profits contributed by the equity to the listed company from the beginning of this year to the sale date (RMB 10,000)	Impact of the selling on the Company	Percentage of profits contributed by sales of assets to the listed company of total net profits	Pricing principle of selling equity	Is it an associated transaction?	Relationship with the counterparty	Are the equity involved fully transferred?	Is it implemented as scheduled? If not, explain the reasons and the measures the Company has taken.	Date of disclosure	Index of disclosure
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	Shunrong Auto Parts	November 30th, 2018	81,900	125.84	By divesting the auto component sector assets with low profitability that are not suitable for the long-term strategy of listed companies, the Company can use its resources to focus on developing cultural and creative industries, improve asset operation efficiency, and improve the asset quality and profitability of listed companies.	-0.94%	Refer to the appraisal value, determined through consultation	Yes	Companies under control of the controlling shareholders	Yes	Implemented as schedule	September 21st, 2018	Announcement of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. on Selling Auto Parts Assets and Associated Transaction (Announcement No.: 2018-075)

VII. Analysis of Main Holding and Joint-Stock Company

√Applicable □Not Applicable

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Main subsidiaries and joint-stock companies affecting more than 10% of the Company's net profit

Unit: RMB

Company name	Company type	Main businesses	Registered capital	Total assets	Net asset	Operating income	Operating profit	Net profit
Shanghai Sanqi Interactive Entertainment	Subsidiary	Online games	10,000,000.00	6,933,137,265.67	4,056,858,080.40	7,283,837,859.03	1,076,368,498.40	1,463,682,662.09

Acquisition and disposal of subsidiaries during this reporting period

√Applicable □Not Applicable

Company name	Method for acquisition and disposal of subsidiaries during this reporting period	Influence on overall production, operation and performance
Shunrong Auto Parts	Sale	This equity sale was a reasonable choice made by the Company based on its development strategy. By divesting the auto component sector assets with low profitability that are not suitable for the long-term strategy of listed companies, the Company can use its resources to focus on developing cultural and creative industries, improve asset operation efficiency, and improve the asset quality and profitability of listed companies.

Major holding and joint-stock companies

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VIII. The Structured Entity Controlled by the Company

☐Applicable ☒Not Applicable

IX. Prospect on the future development of the Company

(I) Development strategy and business plan for 2019

After years of development, the Chinese game market has seen a drop in growth rate of the actual sales revenue, and a single-digit growth rate of game users for five consecutive years. As the Chinese game industry enters a mature stage, the growth drivers have changed from “demographic dividend” to “content dividend”. Against the backdrop, the Company remains committed to the development strategy of “quality, diversification, platform, and globalization”, and develops incrementally on basis of existing advantages, while exploring other fields to create space for future development.

1. Quality-development strategy

Quality content is an important guarantee for the survival and development of the Company. In 2019, the Company will take the following measures to increase the quality content reserve:

- 1) Enhance independent R&D strength: Increase R&D investment and the reserve of high-quality R&D talents, and enhance our own ability to produce high-quality products;
- 2) Strengthen cooperation with upstream high-quality content providers such as Tencent, NetEase, Perfect World and Century Huatong, and increase the reserve of high-quality content;
- 3) Further explore and support the development of high-quality R&D companies and R&D teams through investment in capital and strategic cooperation, and expand the supply of quality products;
- 4) Strengthen IP development: Continue to explore high-quality IPs, deeply understand the essence of IPs, select highly fit IPs for product development to match the characteristics of target game users; continue to create original IPs, bring forth the new through continuous iterative development of excellent original works, add rich content to enhance the awareness of product IPs, and thus increase the value of IPs.

2. Diversification strategy

The Company's diversification strategy includes two aspects: diversification of products and diversification of traffic operation.

- 1) In terms of product diversification, the Company will intensify its attempt to new products, themes, gameplays and technologies in the process of R&D and operation, and enhance our ability to develop and operate diversified products in 2019;
- 2) In terms of diversified traffic operation, the Company will improve traffic conversion efficiency and increase profit margin by adopting a diversified mode of “three-dimensional marketing + precise delivery + long-term service” in 2019.

3. Platform strategy

The Company's goal is to become a high-quality content platform, and create a brand providing a wide range of cultural consumer goods in games, movies, animation, music, literature, VR/AR, Internet health, Internet education for all ages. In 2019, the Company will further explore high-quality content targets, improve the layout of cultural and creative industry chain through investment in capital, and expand the coverage of products, especially the coverage of the young, to become a cultural and creative brand that accompanies the growth of the young generation of China.

4. Globalization strategy

In 2019, the company will keep advancing its globalization strategy.

On one hand, the Company will focus on developing high-potential markets such as the United States, Japan and South Korea depending on localized product selection and marketing tools to achieve new growth. In terms of products, the Company will focus

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on breakthroughs in operating SLG products in global market. As of the issuance date of this report, it has reserves of such SLG games as developed by excellent teams with successful experience, including Western Magic Code MH (代号MH) and Code ZSJ (代号ZSJ), to gain a position in the global SLG market. In terms of regional development, it will focus on the development of the Japanese and Korean markets in 2019 based on the initial breakthrough in the Japanese and Korean markets in 2018. As of the issuance date of this report, it has a wealth of products targeting the two markets: card games SNK オールスター, female game Tian E Zuo (天鹅座), nijigen game Mo Wang Ji Hua (魔王计划) and Dengeki Bunko: Crossing Void (电击文库: 零境交错), SLG game Zhen Long Ba Ye (真龙霸业), ARPG game An Hei Hou Yi (暗黑后裔) and others.

On the other hand, the Company will introduce more diversified products into China's Hong Kong, Macao and Taiwan, Southeast Asia and other advantageous areas to meet the diversified used demands to further enhance its dominant position.

(II) Possible risks

1. Market competition risks and countermeasures

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

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

2. Business risks and countermeasures

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

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

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

3. Risks of core personnel turnover and countermeasures

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

In response, much attention has been attached to cultivation and acquisition of professional talents. The Company creatively builds a platform-based talent management mechanism, according to which excellent game producers are rewarded with high project bonus, and given discretion of research and creation. The Company maintains the stability of core technology and management personnel by signing agreements with core personnel, creating a favorable working environment and building a great corporate culture. Meanwhile, the Company helps employees to realize their potential through a well-trained employee training system, and rationally manages the team by using a clear rule of survival of the fittest to reinforce the team's dynamics.

Section V Financial Report

I. Financial Statements

Unit in statements in financial notes: RMB

1. Consolidated balance sheet

Prepared by: Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.

December 31st, 2018

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary fund	1,532,965,200.05	1,580,910,931.98
Transaction settlement funds		
Loans to other banks		
Financial assets measured at fair value with changes included in current profits and losses		
Derivative financial assets		
Notes receivable and accounts receivable	1,298,554,481.23	940,249,012.77
Wherein: Notes receivable		55,340,000.00
Accounts receivable	1,298,554,481.23	884,909,012.77
Prepayments	193,770,132.83	283,516,789.29
Premiums receivable		
Reinsurance premiums receivable		

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Reinsurance contract reserves receivable		
Other receivables	792,425,628.90	388,694,512.02
Wherein: Interest receivable	64,445.20	582,592.17
Dividends receivable		
Redemptory monetary capital for sale		
Inventories		101,828,085.31
Assets held-for-sale	7,536,816.46	75,066,714.34
Non-current assets due within one year		
Other current assets	356,865,377.91	592,189,323.99
Total current assets	4,182,117,637.38	3,962,455,369.70
Non-current assets:		
Disbursement of advances and loans		
Available-for-sale financial assets	1,119,291,025.55	882,481,586.86
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	555,602,013.99	376,972,832.08
Investment property		
Fixed assets	36,458,454.56	292,395,887.17
Construction in progress		50,672,878.42
Productive biological assets		
Oil and gas assets		
Intangible assets	14,296,437.04	44,898,112.29
Development expenditure	6,205,796.16	4,070,272.43
Goodwill	1,578,567,397.76	2,540,312,996.76
Long-term deferred expenses	74,286,546.49	79,803,089.59
Deferred income tax assets	27,325,270.01	11,810,692.92
Other non-current assets	801,611,138.04	914,263,967.16
Total non-current assets	4,213,644,079.60	5,197,682,315.68
Total assets	8,395,761,716.98	9,160,137,685.38
Current liabilities:		
Short-term loan	369,000,000.00	372,054,500.00
Loan from central bank		
Receipt of deposits and deposits from		

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other banks		
Loans from other banks		
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		
Notes payable and accounts payable	1,082,362,368.29	741,792,973.33
Account received in advance	94,628,742.59	84,886,734.84
Financial assets sold for repurchase		
Service charges and commissions payable		
Payroll payable	121,978,401.18	113,480,021.50
Tax payable	89,275,803.43	58,281,315.47
Other payables	108,142,599.83	61,962,553.64
Wherein: Interests payable	52,841.84	390,533.38
Dividends payable		
Reinsured accounts payable		
Reserves for insurance contract		
Receivings from securities trading for customers		
Receivings from vicariously sold securities		
Liabilities held for sale		
Non-current liabilities due within one year	29,599,165.73	28,117,893.57
Other current liabilities	97,256,568.16	57,738,251.19
Total current liabilities	1,992,243,649.21	1,518,314,243.54
Non-current liabilities:		
Long-term loans	281,176,106.33	310,775,272.06
Bonds payable		27,163,239.26
Wherein: Preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income	3,903,715.32	17,226,474.44

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Deferred income tax liabilities	4,735,906.20	
Other non-current liabilities		
Total non-current liabilities	289,815,727.85	355,164,985.76
Total liabilities	2,282,059,377.06	1,873,479,229.30
Owners' equity:		
Share capital	2,124,870,253.00	2,148,110,844.00
Other equity instruments		1,947,846.62
Wherein: Preferred shares		
Perpetual capital securities		
Capital reserve	298,739,967.21	1,972,639,580.66
Less: Treasury stock		
Other comprehensive income	46,376,346.58	-25,087,592.30
Special reserves		
Surplus reserve	170,477,835.88	99,561,946.09
General risk provisions		
Undistributed profit	3,332,211,003.19	2,819,597,585.78
Total equity attributable to parent company owners	5,972,675,405.86	7,016,770,210.85
Minority shareholders' equity	141,026,934.06	269,888,245.23
Total owners' equities	6,113,702,339.92	7,286,658,456.08
Total liabilities and owners' equity	8,395,761,716.98	9,160,137,685.38

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

2. Balance sheet of parent company

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary fund	4,325,959.18	5,437,518.91
Financial assets measured at fair value with changes included in current profits and losses		
Derivative financial assets		
Notes receivable and accounts receivable		

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Wherein: Notes receivable		
Accounts receivable		
Prepayments	63,300.00	
Other receivables	1,391,766,571.39	1,655,547,345.04
Wherein: Interest receivable		
Dividends receivable	500,000,000.00	
Inventories		
Assets held-for-sale		69,996,897.11
Non-current assets due within one year		
Other current assets	1,165,393.00	403,527,827.28
Total current assets	1,397,321,223.57	2,134,509,588.34
Non-current assets:		
Available-for-sale financial assets	179,996,897.11	60,000,000.00
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	6,402,393,690.49	5,754,424,925.15
Investment property		
Fixed assets		
Construction in progress		
Productive biological assets		
Oil and gas assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	8,090.43	3,334,186.37
Other non-current assets		50,000,000.00
Total non-current assets	6,582,398,678.03	5,867,759,111.52
Total assets	7,979,719,901.60	8,002,268,699.86
Current liabilities:		
Short-term loan	369,000,000.00	369,000,000.00
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		

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Notes payable and accounts payable	36,357,038.26	
Account received in advance		
Payroll payable	484,767.87	539,632.89
Tax payable	1,745,935.68	17,271,522.21
Other payables	711,616,794.64	565,476,999.44
Wherein: Interests payable	52,841.84	390,533.38
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		936,428.02
Total current liabilities	1,119,204,536.45	953,224,582.56
Non-current liabilities:		
Long-term loans		
Bonds payable		
Wherein: Preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	1,119,204,536.45	953,224,582.56
Owners' equity:		
Share capital	2,124,870,253.00	2,148,110,844.00
Other equity instruments		
Wherein: Preferred shares		
Perpetual capital securities		
Capital reserve	3,952,461,239.82	4,401,934,248.25
Less: Treasury stock		
Other comprehensive income		
Special reserves		

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Surplus reserve	170,477,835.88	99,561,946.09
Undistributed profit	612,706,036.45	399,437,078.96
Total owner's equity	6,860,515,365.15	7,049,044,117.30
Total liabilities and owners' equity	7,979,719,901.60	8,002,268,699.86

3. Consolidated profit statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Total operating income	7,632,679,668.47	6,188,828,116.75
Wherein: Operating incomes	7,632,679,668.47	6,188,828,116.75
Interest incomes		
Earned insurance premium		
Incomes from service charges and commissions		
II. Total operating cost	7,041,943,419.64	5,039,424,012.89
Wherein: Operating costs	1,811,420,940.10	1,948,197,239.76
Interest payment		
Service charges and commission expenses		
Refunded premium		
Net amount of compensation payout		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsured expenses		
Taxes and additional charges	33,040,452.73	26,508,097.89
Selling and distribution expenses	3,347,261,308.33	1,908,207,466.32
Administrative expense	246,062,902.36	340,490,511.74
R&D expense	537,705,604.63	436,169,030.12
Financial expense	17,097,099.24	28,555,783.27
Wherein: Interest fee	44,631,901.22	32,858,899.90
Interest income	27,632,671.32	24,363,295.31

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Assets impairment losses	1,049,355,112.25	351,295,883.79
Add: Other profits	97,647,310.60	111,259,077.18
Investment profit (“-” indicates the loss)	80,543,972.30	256,030,245.92
Wherein: Investment income of joint-venture and partnership	7,617,107.86	-11,139,329.07
Income from changes in fair value (“-” indicates the loss)		
Exchange income (“-” indicates the loss)		
Assets disposal income (“-” indicates the loss)	1,289,755.10	1,055,284.09
III. Operation profit (“-” indicates the loss)	770,217,286.83	1,517,748,711.05
Add: Non-operating income	463,914,478.18	403,057,922.86
Less: Non-operating expense	14,812,283.49	4,187,038.90
IV. Total profit (“-” indicates the total loss)	1,219,319,481.52	1,916,619,595.01
Less: Income taxes	67,889,647.39	80,119,872.98
V. Net profit (“-” indicates the loss)	1,151,429,834.13	1,836,499,722.03
(I) Net profit of going concern (“-” indicates net loss)	1,150,171,412.45	1,826,090,011.93
(II) Net profit of discontinuing operation (“-” indicates net loss)	1,258,421.68	10,409,710.10
Net profits attributable to parent company owners	1,008,503,357.80	1,620,582,427.47
Gain and loss of minority shareholders	142,926,476.33	215,917,294.56
VI. After-tax net of other comprehensive incomes	71,463,938.88	-19,783,336.38
After-tax net of other comprehensive incomes owned by the owner of the parent company	71,463,938.88	-20,469,057.23
(I) Other comprehensive incomes that cannot be classified into profit and loss		
1. Re-measurement of changes in defined benefit plan		

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2. Other comprehensive incomes that cannot be reclassified into profits and losses under the equity method		
(II) Other comprehensive incomes that would be classified into profit and loss	71,463,938.88	-20,469,057.23
1. Other comprehensive incomes that can be reclassified into profits and losses under the equity method		
2. Loss and profit of change in fair value of available-for-sale financial assets	52,307,268.18	-21,799,686.38
3. Loss and profit of available-for-sale financial assets of held-to-maturity investments		
4. Effective part of hedge profit and loss of cash flow		
5. Translation difference in the foreign currency financial statement	19,156,670.70	1,330,629.15
6. Others		
Other comprehensive income net of tax attributed to minority stockholders		685,720.85
VII. Total comprehensive income	1,222,893,773.01	1,816,716,385.65
Total comprehensive income attributable to parent company owners	1,079,967,296.68	1,600,113,370.24
Total comprehensive income attributable to minority shareholders	142,926,476.33	216,603,015.41
VIII. Earnings per share:		
(I) Basic earning per share	0.47	0.76
(II) Diluted earning per share	0.47	0.76

For combination of enterprises under the same control in this period, the net profit realized by the merged party before combination was: 0.00 yuan, net profit realized by the merged party in last times: RMB 0.00.

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

4. Profit statement of parent company

Unit: RMB

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

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	0.00	751,646.53
Less: Operating cost	0.00	31,646.53
Taxes and additional charges	1,439,813.45	1,349,357.00
Selling and distribution expenses		
Administrative expense	48,933,572.35	17,159,274.42
R&D expense		
Financial expense	16,087,126.85	4,144,539.06
Wherein: Interest fee	23,907,281.20	19,681,094.85
Interest income	8,065,073.02	15,735,776.78
Assets impairment losses	-13,304,383.76	10,753,616.43
Add: Other profits	191,216.36	156,969.20
Investment profit ("-" indicates the loss)	766,968,765.34	-294,252,732.59
Wherein: Investment income of joint-venture and partnership	-2,136,170.23	-1,555,025.80
Income from changes in fair value ("-" indicates the loss)		
Assets disposal income ("-" indicates the loss)		
II. Operating profit ("-" indicates the loss)	714,003,852.81	-326,782,550.30
Add: Non-operating income		401,364,984.06
Less: Non-operating expense	805,483.09	
III. Total profit ("-" indicates the total loss)	713,198,369.72	74,582,433.76
Less: Income taxes	4,039,471.84	13,852,445.44
IV. Net profit ("-" indicates the loss)	709,158,897.88	60,729,988.32
(I) Net profit of going concern ("-" indicates net loss)	709,158,897.88	60,729,988.32
(II) Net profit of discontinuing operation ("-" indicates net loss)		
V. Net of tax of other comprehensive incomes		
(I) Other comprehensive incomes that cannot be classified into profit and		

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loss		
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive incomes that cannot be reclassified into profits and losses under the equity method		
(II) Other comprehensive incomes that would be classified into profit and loss		
1. Other comprehensive incomes that can be reclassified into profits and losses under the equity method		
2. Loss and profit of change in fair value of available-for-sale financial assets		
3. Loss and profit of available-for-sale financial assets of held-to-maturity investments		
4. Effective part of hedge profit and loss of cash flow		
5. Translation difference in the foreign currency financial statement		
6. Others		
VI. Total comprehensive income	709,158,897.88	60,729,988.32
VII. Earnings per share:		
(I) Basic earning per share		
(II) Diluted earning per share		

5. Consolidated cash flow statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	7,517,301,512.57	6,627,148,304.92
Net increase of deposits from customers and other banks		

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Net increase of loans from central bank		
Net increase of loans from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase of policy holder deposits and investment funds		
Disposal of financial assets measured at fair value with changes included in profits and losses		
Cash received from interests, fees and commissions		
Net increase of loans from other banks		
Net capital increase of repurchase business		
Refunds of taxes and levies	58,796,021.20	81,575,068.42
Cash received from other operating activities	80,732,937.92	55,786,523.83
Sub-total of cash inflows from operating activities	7,656,830,471.69	6,764,509,897.17
Cash paid for purchasing goods and services	1,592,652,631.45	1,918,243,942.60
Net increase of customer's loans and advances		
Net increase of deposits in central bank and other banks		
Cash paid for indemnity of original insurance contract		
Cash paid for interests, service charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	716,621,799.73	597,184,300.24

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Payments of taxes and levies	258,651,093.19	363,818,448.62
Other cash paid relating to operating activities	3,134,471,326.48	2,053,367,277.41
Sub-total of cash outflows from operating activities	5,702,396,850.85	4,932,613,968.87
Net cash flows from operating activities	1,954,433,620.84	1,831,895,928.30
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	421,971,645.20	304,550,800.00
Cash received from returns on investments	66,495,799.11	25,999,566.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	13,201,717.90	8,909,245.08
Net cash received from disposal of subsidiaries and other business units	160,122,465.82	
Other cash received relating to investing activities	3,580,863,200.00	2,228,022,565.14
Sub-total of cash inflows from investing activities	4,242,654,828.03	2,567,482,176.55
Cash paid to procure fixed assets, intangible assets and other long-term assets	324,484,119.63	1,018,821,190.70
Cash paid to acquire investments	227,024,902.40	344,220,277.93
Net increase of pledge loans		
Net cash received from payment of subsidiaries and other business entities	155,074,986.19	450,009,937.84
Cash payments relating to other investment activities	3,591,178,667.22	2,122,369,000.00
Sub-total of cash outflows from investing activities	4,297,762,675.44	3,935,420,406.47
Net cash flows from investing activities	-55,107,847.41	-1,367,938,229.92
III. Cash flows from financing activities:		
Cash received from capital contribution	19,789,457.72	433,862,496.88
Wherein: Cash from the investment of minority shareholders of	19,789,457.72	4,900,000.00

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the subsidiaries		
Cash received from borrowings	649,000,000.00	910,400,000.00
Cash received from issuance of debentures		
Other cash received relating to financing activities		
Sub-total of cash inflows from financing activities	668,789,457.72	1,344,262,496.88
Cash repayments of amounts borrowed	680,172,393.57	572,506,834.37
Cash payments for interest expenses and distribution of dividends or profits	557,419,932.16	368,016,434.03
Wherein: Dividends and profits paid by subsidiaries to minority shareholders	90,000,000.00	128,000,000.00
Other cash payments relating to financing activities	1,400,467,235.07	93,493,316.06
Sub-total of cash outflows from financing activities	2,638,059,560.80	1,034,016,584.46
Net cash flows from financing activities	-1,969,270,103.08	310,245,912.42
IV. Influence of exchange rate change on cash and cash equivalents	4,773,742.46	-12,505,684.94
V. Net increase of cash and cash equivalents	-65,170,587.19	761,697,925.86
Add: Opening balance of cash and cash equivalents	1,580,910,931.98	819,213,006.12
VI. Balance of cash and cash equivalents at the end of period	1,515,740,344.79	1,580,910,931.98

6. Cash flow statement of parent company

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services		831,026.44
Refunds of taxes and levies		

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Cash received from other operating activities	2,839,071,058.58	1,173,262,433.61
Sub-total of cash inflows from operating activities	2,839,071,058.58	1,174,093,460.05
Cash paid for purchasing goods and services		31,646.53
Cash paid to and on behalf of employees	2,906,501.07	3,096,452.80
Payments of taxes and levies	17,678,775.88	1,484,543.09
Other cash paid relating to operating activities	1,695,271,506.47	1,204,811,508.30
Sub-total of cash outflows from operating activities	1,715,856,783.42	1,209,424,150.72
Net cash flows from operating activities	1,123,214,275.16	-35,330,690.67
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	497,690,000.00	195,000,000.00
Cash received from returns on investments	224,996,712.32	1,582,261.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investing activities		6,000,000.00
Sub-total of cash inflows from investing activities	722,686,712.32	202,582,261.90
Cash paid to procure fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	1,400,000,000.00	
Net cash received from payment of subsidiaries and other business entities		372,642,500.00
Cash payments relating to other investment activities		
Sub-total of cash outflows from investing activities	1,400,000,000.00	372,642,500.00

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Net cash flows from investing activities	-677,313,287.68	-170,060,238.10
III. Cash flows from financing activities:		
Cash received from capital contribution		428,962,496.88
Cash received from borrowings	649,000,000.00	560,000,000.00
Cash received from issuance of debentures		
Other cash received relating to financing activities		
Sub-total of cash inflows from financing activities	649,000,000.00	988,962,496.88
Cash repayments of amounts borrowed	649,000,000.00	561,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	446,695,312.14	228,181,607.55
Other cash payments relating to financing activities	317,235.07	4,313,316.06
Sub-total of cash outflows from financing activities	1,096,012,547.21	793,494,923.61
Net cash flows from financing activities	-447,012,547.21	195,467,573.27
IV. Influence of exchange rate change on cash and cash equivalents		
V. Net increase of cash and cash equivalents	-1,111,559.73	-9,923,355.50
Add: Opening balance of cash and cash equivalents	5,437,518.91	15,360,874.41
VI. Balance of cash and cash equivalents at the end of period	4,325,959.18	5,437,518.91

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7. Consolidated statement of changes in owners' equity

Amount of current period

Unit: RMB

Item	Current period												
	Total owners' equity attributable to the parent company											Minority shareholders' equity	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
		Preferred shares	Perpetual capital securities	Others									
I. Balance at the end of previous year	2,148,110,844.00			1,947,846.62	1,972,639,580.66		-25,087,592.30		99,561,946.09		2,819,597,585.78	269,888,245.23	7,286,658,456.08
Add: Changes to accounting policies													
Fund for corrections of errors of previous period													
Business combination under the same control													

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Others													
II. Beginning balance at this year	2,148,110,844.00			1,947,846.62	1,972,639,580.66		-25,087,592.30		99,561,946.09		2,819,597,585.78	269,888,245.23	7,286,658,456.08
III. Increased/decreased amount this year (“-” indicates decrease)	-23,240,591.00			-1,947,846.62	-1,673,899,613.45		71,463,938.88		70,915,889.79		512,613,417.41	-128,861,311.17	-1,172,956,116.16
(I) Total comprehensive income							71,463,938.88				1,008,503,357.80	142,926,476.33	1,222,893,773.01
(II) Owner investment and decreased capital	-23,240,591.00			-1,947,846.62	-1,669,411,237.39							-181,787,787.50	-1,876,387,462.51
1. Ordinary share invested by Owners	-23,240,591.00				-446,970,507.71							7,286,957.72	-462,924,140.99
2. Capital invested by other equity instrument holders													
3. Amounts of share-based payments recognized in owners' equity													
4. Others				-1,947,846.62	-1,222,440,729.68							-189,074,745.22	-1,413,463,321.52
(III) Profit									70,915,889.79		-495,889,940.39	-90,000,000.00	-514,974,050.60

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distribution													
1. Appropriation to surplus reserves									70,915,889.79		-70,915,889.79		
2. Appropriation of general risk reserves													
3. Distribution to owners (or shareholders)											-424,974,050.60	-90,000,000.00	-514,974,050.60
4. Others													
(IV) Internal transfer of owners' equity													
1. Capital (or share capital) from capital reserves													
2. Capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Set the income from the carrying forward and retaining of benefit													

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plan change amount													
5. Others													
(V) Special reserves													
1. Withdrawn amount of this period													
2. Using amount this period													
(VI) Others					-4,488,376.06								-4,488,376.06
IV. Closing balance of this accounting period	2,124,870,253.00				298,739,967.21		46,376,346.58		170,477,835.88		3,332,211,003.19	141,026,934.06	6,113,702,339.92

Amount of previous period

Unit: RMB

Item	Previous period												
	Total owners' equity attributable to the parent company											Minority shareholders' equity	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
		Preferred shares	Perpetual capital securities	Others									
I. Balance at the end	2,084,794,788.00			1,947,846.62	934,484,599.29		-4,618,535.07		93,488,947.26		1,413,567,635.94	205,489,001.44	4,729,154,283.48

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of previous year													
Add: Changes to accounting policies													
Fund for corrections of errors of previous period													
Business combination under the same control													
Others													
II. Beginning balance at this year	2,084,794,788.00			1,947,846.62	934,484,599.29		-4,618,535.07		93,488,947.26		1,413,567,635.94	205,489,001.44	4,729,154,283.48
III. Increased/decreased amount this year (“-” indicates decrease)	63,316,056.00				1,038,154,981.37		-20,469,057.23		6,072,998.83		1,406,029,949.84	64,399,243.79	2,557,504,172.60
(I) Total comprehensive income							-20,469,057.23				1,620,582,427.47	216,603,015.41	1,816,716,385.65
(II) Owner investment and decreased capital	63,316,056.00				1,038,154,981.37							-24,203,771.62	1,077,267,265.75
1. Ordinary share invested by Owners	63,316,056.00				1,148,009,452.24							4,900,000.00	1,216,225,508.24

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2. Capital invested by other equity instrument holders													
3. Amounts of share-based payments recognized in owners' equity					85,836,485.00							15,147,615.00	100,984,100.00
4. Others					-195,690,955.87							-44,251,386.62	-239,942,342.49
(III) Profit distribution								6,072,998.83		-214,552,477.63		-128,000,000.00	-336,479,478.80
1. Appropriation to surplus reserves								6,072,998.83		-6,072,998.83			
2. Appropriation of general risk reserves													
3. Distribution to owners (or shareholders)										-208,479,478.80		-128,000,000.00	-336,479,478.80
4. Others													
(IV) Internal transfer of owners' equity													
1. Capital (or share capital) from capital reserves													
2. Capital (or share capital) from surplus													

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reserves													
3. Surplus reserves for making up losses													
4. Set the income from the carrying forward and retaining of benefit plan change amount													
5. Others													
(V) Special reserves													
1. Withdrawn amount of this period													
2. Using amount this period													
(VI) Others													
IV. Closing balance of this accounting period	2,148,110,844.00			1,947,846.62	1,972,639,580.66		-25,087,592.30		99,561,946.09		2,819,597,585.78	269,888,245.23	7,286,658,456.08

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

8. Statement of changes in owner's equity of parent company

Amount of current period

Unit: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred shares	Perpetual capital securities	Others							
I. Balance at the end of previous year	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96	7,049,044,117.30
Add: Changes to accounting policies											
Fund for corrections of errors of previous period											
Others											
II. Beginning balance at this year	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96	7,049,044,117.30
III. Increased/decreased amount this year ("-" indicates decrease)	-23,240,591.00				-449,473,008.43				70,915,889.79	213,268,957.49	-188,528,752.15
(I) Total comprehensive income										709,158,897.88	709,158,897.88
(II) Owner investment and	-23,240,591.00				-449,473,008.43						-472,713,599.43

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decreased capital											
1. Ordinary share invested by Owners	-23,240,591.00				-449,473,008.43						-472,713,599.43
2. Capital invested by other equity instrument holders											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution									70,915,889.79	-495,889,940.39	-424,974,050.60
1. Appropriation to surplus reserves									70,915,889.79	-70,915,889.79	
2. Distribution to owners (or shareholder)										-424,974,050.60	-424,974,050.60
3. Others											
(IV) Internal transfer of owners' equity											
1. Capital (or share capital) from capital reserves											
2. Capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Set the income from the carrying forward and											

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retaining of benefit plan change amount											
5. Others											
(V) Special reserves											
1. Withdrawn amount of this period											
2. Using amount this period											
(VI) Others											
IV. Closing balance of this accounting period	2,124,870,253.00				3,952,461,239.82				170,477,835.88	612,706,036.45	6,860,515,365.15

Amount of previous period

Unit: RMB

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit	Total owner's equity
		Preferred shares	Perpetual capital securities	Others							
I. Balance at the end of previous year	2,084,794,788.00				3,253,924,796.01				93,488,947.26	553,259,568.27	5,985,468,099.54
Add: Changes to accounting policies											
Fund for corrections of errors of previous period											
Others											

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

II. Beginning balance at this year	2,084,794,788.00				3,253,924,796.01				93,488,947.26	553,259,568.27	5,985,468,099.54
III. Increased/decreased amount this year ("-" indicates decrease)	63,316,056.00				1,148,009,452.24				6,072,998.83	-153,822,489.31	1,063,576,017.76
(I) Total comprehensive income										60,729,988.32	60,729,988.32
(II) Owner investment and decreased capital	63,316,056.00				1,148,009,452.24						1,211,325,508.24
1. Ordinary share invested by Owners	63,316,056.00				1,148,009,452.24						1,211,325,508.24
2. Capital invested by other equity instrument holders											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution									6,072,998.83	-214,552,477.63	-208,479,478.80
1. Appropriation to surplus reserves									6,072,998.83	-6,072,998.83	
2. Distribution to owners (or shareholder)										-208,479,478.80	-208,479,478.80
3. Others											
(IV) Internal transfer of owners' equity											

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

1. Capital (or share capital) from capital reserves											
2. Capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Set the income from the carrying forward and retaining of benefit plan change amount											
5. Others											
(V) Special reserves											
1. Withdrawn amount of this period											
2. Using amount this period											
(VI) Others											
IV. Closing balance of this accounting period	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96	7,049,044,117.30

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

II. Item notes to consolidated financial statement

1. Monetary funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	29,585.32	59,238.53
Bank deposit	1,526,769,012.67	1,573,326,143.60
Other monetary funds	6,166,602.06	7,525,549.85
Total	1,532,965,200.05	1,580,910,931.98
Wherein: Total amount deposited in the foreign countries	382,759,855.68	309,430,937.71

Other notes

Other monetary funds are the balances of third party payment platforms and portfolio accounts for the Company and its subsidiaries.

2. Notes receivable and accounts receivable

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable		55,340,000.00
Accounts receivable	1,298,554,481.23	884,909,012.77
Total	1,298,554,481.23	940,249,012.77

(1) Notes receivable

1) Type of bills receivable is listed

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance		55,340,000.00
Total		55,340,000.00

(2) Accounts receivable

1) Disclosure of accounts receivable types

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with provision for bad debts withdrawn based on the credit risk feature portfolio	1,367,120,440.35	100.00%	68,565,959.12	5.02%	1,298,554,481.23	932,039,535.47	99.73%	47,130,522.70	5.06%	884,909,012.77
Receivables of individual account with insignificant amount but accrued for provision of bad debts						2,493,589.80	0.27%	2,493,589.80	100.00%	
Total	1,367,120,440.35	100.00%	68,565,959.12	5.02%	1,298,554,481.23	934,533,125.27	100.00%	49,624,112.50	5.31%	884,909,012.77

Receivables of individual account with significant amount and accrued provision for bad account at the end of this period:

☐ Applicable ☒ Not Applicable

Accounts receivable with bad debts provisions accrued by aging analysis method in the portfolio:

☒ Applicable ☐ Not Applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual proportion

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Items within 1 year			
Subtotal within 1 year	1,365,178,454.75	68,258,899.39	5.00%
1 - 2 year (s)	1,415,470.24	141,547.02	10.00%
2 - 3 years	488,724.86	146,617.46	30.00%
3 - 4 years	37,790.50	18,895.25	50.00%
4 - 5 years			80.00%
Over 5 years			100.00%
Total	1,367,120,440.35	68,565,959.12	5.02%

Description of basis for this portfolio determination:

Receivables of same aging share similar characteristics of credit risk

Receivables with bad debts provisions accrued by balance percentage method in the portfolio:

☐Applicable ☒Not Applicable

Account receivables with bad debts provisions accrued by other methods in the portfolio:

None

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

The Company does not have any account receivable with age of more than 3 years and high single amount.

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2) Reserve of the bad debts that are accrued, withdrew and taken back in current period

The provision for bad debt accrued in this current period is RMB 24,946,245.78 and the provision for bad debts returned back or taken back in this current period is RMB 0.00.

Including important provision for bad debt returned back or taken back in this current period:

Unit: RMB

Organization name	Amount returned back or taken back	Change the way of return
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3) Accounts receivables actually written off in this period

Unit: RMB

Item	Verification amount
Receivable software operating income	2,499,329.10

Including important notes for cancellation of receivables after verification:

Unit: RMB

Organization name	Nature of account receivables	Verification amount	Verification reason	Verification procedures performed	Generated from related party transactions or not
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Note for cancellation of account receivables after verification:

In the current period, the write-off of the provision for bad debts is RMB 2,499,329.10, and the amount arising from the reduction of bad debt provision due to disposal of subsidiaries is RMB 3,505,070.06.

4) Top five arrears balance of accounts receivable by the end of the period

Unit: RMB

Organization name	Book balance	Percentage in accounts receivable (%)	Provision for bad debts
No. 1	645,500,526.41	47.22%	32,275,026.32
No. 2	56,721,344.85	4.15%	2,836,067.24
No. 3	54,887,510.53	4.01%	2,744,375.53
No. 4	49,540,943.92	3.62%	2,477,047.20
No. 5	38,602,959.32	2.82%	1,930,147.97
Subtotal	845,253,285.03	61.82%	42,262,664.26

3. Prepayments

(1) Prepayments listed by aging

Unit: RMB

Aging	Closing balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	146,868,718.41	75.80%	198,328,892.96	69.95%

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1 - 2 year(s)	39,028,966.61	20.14%	56,723,653.42	20.01%
2 - 3 years	4,642,733.10	2.40%	28,413,652.41	10.02%
Over 3 years	3,229,714.71	1.66%	50,590.50	0.02%
Total	193,770,132.83	--	283,516,789.29	--

The explanation for the reasons of failure in in-time settlement for significant amount of advance payment with aging of more than 1 year:

Unit: RMB

Unit	Amount of prepayment with age of more than 1 year	Unsettlement reasons
WEBZEN INC.	20,670,730.34	The game has not been launched
Total	20,670,730.34	/

(2) Top five ending balances of prepayments classified by prepayment objects:

Unit: RMB

Organization name	Book balance	Proportion in remaining pre-paid amount
No. 1	20,670,730.34	10.67%
No. 2	18,725,822.60	9.66%
No. 3	18,000,000.00	9.29%
No. 4	12,353,760.00	6.38%
No. 5	10,427,258.32	5.38%
Subtotal	80,177,571.26	41.38%

Other notes:

None

4. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	64,445.20	582,592.17
Other receivables	792,361,183.70	388,111,919.85
Total	792,425,628.90	388,694,512.02

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(1) Interest receivable

1) Classification of interests payable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed-term deposits	64,445.20	582,592.17
Total	64,445.20	582,592.17

(2) Other receivables

1) Classification of other receivables

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	819,655,662.79	99.98%	27,294,479.09	3.33%	792,361,183.70	411,171,304.86	100.00%	23,059,385.01	5.61%	388,111,919.85
Other receivables of individual account with insignificant amount and accrued for provision of bad	200,000.00	0.02%	200,000.00	100.00%						

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account										
Total	819,855,662.79	100.00%	27,494,479.09	3.35%	792,361,183.70	411,171,304.86	100.00%	23,059,385.01	5.61%	388,111,919.85

Other receivables of individual account with significant amount and with bad debt provision accrued at the end of current period:

☐Applicable ☒Not Applicable

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Other receivable with provisions of bad debts accrued by aging analysis method in the portfolio:

√Applicable □Not Applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Provision for bad debts	Accrual proportion
Items within 1 year			
Subtotal within 1 year	334,249,175.30	16,712,458.76	5.00%
1 - 2 year (s)	80,725,203.02	8,070,461.36	10.00%
2 - 3 years	1,122,916.40	336,874.92	30.00%
3 - 4 years	147,368.07	73,684.05	50.00%
4 - 5 years			80.00%
Over 5 years	2,101,000.00	2,101,000.00	100.00%
Total	418,345,662.79	27,294,479.09	6.52%

Description of basis for this portfolio determination:

Receivables of same aging share similar characteristics of credit risk

Other receivables with bad debts provisions accrued by balance percentage method in the portfolio:

□Applicable √Not Applicable

Other receivables with provisions of bad debts accrued by other methods in the portfolio:

√Applicable □Not Applicable

Other accounts receivable (by unit)	Ending balance			
	Other receivables	Provision for bad debts	Accrual proportion	Reason for not accruing
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	RMB 401,310,000.00	-	-	For single tests of controlling shareholders' funds, the present value of estimated future cash flows is equal to the book value.
Total	RMB 401,310,000.00	-	-	/

2) Reserve of the bad debts that are accrued, withdrew and taken back in current period

The provision for bad debt accrued in this current period is RMB 5,538,704.08 and the provision for bad debts returned back or taken back in this current period is RMB 0.00.

Including important provision for bad debt transferred back or recovered in this period:

Unit: RMB

Organization name	Amount carried forward or recovered	Change the way of return
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3) Accounts receivables actually written off in this period

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Unit: RMB

Item	Verification amount
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Important notes for cancellation of other receivables after verification:

Unit: RMB

Organization name	Nature of other receivables	Verification amount	Verification reason	Verification procedures performed	Generated from related party transactions or not
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Note for cancellation of other receivables after verification:

In the current period, the disposal of subsidiaries reduced the amount of bad debt provision by RMB 1,103,610.00.

4) Classification of other receivables based on the fund nature

Unit: RMB

Fund nature	Ending book value	Opening book balance
Security, deposit and imprest	69,863,183.59	45,432,385.25
Related parties borrowing		267,459,561.64
Receivable sharing and royalty	33,563,609.65	33,849,014.57
Equity-related receivables	448,486,888.88	57,768,000.00
Performance compensation receivables	260,868,040.88	
Others	7,073,939.79	6,662,343.40
Total	819,855,662.79	411,171,304.86

5) Other accounts receivable in top five based on year-end balance collected from arrears party

Unit: RMB

Organization name	Fund nature	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	Equity disposal receivables	401,310,000.00	Within 1 year	48.95%	
Original shareholders of Shanghai Mokun Digital Technology Co., Ltd. (Zhangshu Wangzhong Investment Management Center (Limited Partnership), Yang Dongmai, Chen Wei)	Performance compensation receivables	260,868,040.88	Within 1 year	31.82%	13,043,402.04
Jiangyin Zhongnan Heavy Industries Co., Ltd	Equity disposal receivables	42,768,000.00	1 - 2 year(s)	5.22%	4,276,800.00
Tibet is also complex Advertising Co., Ltd.	Cash deposit and pledge	24,450,000.00	Within 1 year, 1 - 2 years	2.98%	1,347,500.00
Hefei Intermediate People's Court	Cash deposit and pledge	20,000,000.00	Within 1 year	2.44%	1,000,000.00

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Total	--	749,396,040.88	--	91.41%	19,667,702.04
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5. Inventories

Does the Company need to comply with the disclosure requirements for real estate industry?

No

(1) Classifications of inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Devaluation provision	Book value	Book balance	Devaluation provision	Book value
Raw material				54,932,578.33		54,932,578.33
Products in process				3,074,467.07		3,074,467.07
Commodity stocks		0.00		45,497,455.50	1,676,415.59	43,821,039.91
Total		0.00		103,504,500.90	1,676,415.59	101,828,085.31

Does the Company need to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 4 - Listed Companies Engaged in Seed Industry and Planting Business?

No

Does the Company need to comply with the disclosure requirements of the SZSE Industrial Information Disclosure Guide No. 11 - Listed Companies Engaged in Jewelry Related Business?

No

(2) Inventory valuation allowance

Unit: RMB

Item	Beginning balance	Increased amount of current period		Decreased amount of current period		Ending balance
		Withdrawing	Others	Write-back or write-off	Others	
Commodity stocks	1,676,415.59	4,004,132.44			5,680,548.03	0.00
Total	1,676,415.59	4,004,132.44	0.00	0.00	5,680,548.03	0.00

In the current period, the disposal of subsidiaries reduced the amount of inventory valuation allowance by RMB 5,680,548.03.

(3) Description for amount of borrowing costs capitalization in the final balance of the inventory

None

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(4) Finished but not calculated assets that is formed by construction contract at the end of the period.

Unit: RMB

Item	Amount
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Other notes:

None

6. Assets held-for-sale

Unit: RMB

Item	Carrying value at the end of the period	Fair value	Estimated disposal expense	Estimated disposal date
Available-for-sale financial assets	7,536,816.46	7,536,816.46	0.00	December 31st, 2019
Total	7,536,816.46	7,536,816.46	0.00	--

Other notes:

The above assets are expected to be disposed of within the next 12 months.

7. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Financing products of bank	116,000,000.00	110,000,000.00
Retained VAT and VAT to be certified	115,335,389.59	76,813,938.41
Prepaid income tax	6,410,819.68	4,010,401.52
Performance compensation receivables	119,119,168.64	401,364,984.06
Total	356,865,377.91	592,189,323.99

Other notes:

Performance compensation receivables are arising from the acquisition of 68.43% equities from Shanghai Mokun Digital Technology Co., Ltd. in 2017 and the signing of profit compensation agreement with Yang Dongmai, Chen Wei and Zhangshu Wangzhong Investment Management Center (Limited Partnership) (original shareholders of Shanghai Mokun). According to the calculation methods stipulated in the profit compensation agreement; Shanghai Mokun Digital Technology Co., Ltd.'s audited net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2016, 2017 and 2018; and the impairment amount of goodwill and the calculation method of impairment compensation at the end of 2018, it is calculated that three original shareholders of Shanghai Mokun Digital Technology Co., Ltd. in 2018 should compensate the Company at a price of RMB 453,859,535.09, of which: cash compensation is RMB 260,868,040.88 and included in other receivables; and stock compensation is RMB 192,991,494.21 and calculated at the issue price of RMB 17.27/share. In addition, 12,618,556 shares shall be offered to the Company as compensation, and their fair value shall be calculated to be RMB 119,119,168.64 based on the market price on December 31st, 2018.

8. Available-for-sale financial assets

(1) Information of available-for-sale financial assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Equity instrument available for sale:	1,131,091,025.55	11,800,000.00	1,119,291,025.55	894,281,586.86	11,800,000.00	882,481,586.86
Fair value measurements	71,141,826.11		71,141,826.11	57,541,101.92		57,541,101.92
Measured at cost	1,059,949,199.44	11,800,000.00	1,048,149,199.44	836,740,484.94	11,800,000.00	824,940,484.94
Total	1,131,091,025.55	11,800,000.00	1,119,291,025.55	894,281,586.86	11,800,000.00	882,481,586.86

(2) Available-for-sale financial assets measured at fair values at the end of the period

Unit: RMB

Classification of available-for-sale financial assets	Equity instrument available for sale	Available-for-sale liability instrument		Total
Costs of equity instruments/amortized costs of debt instruments	57,810,972.60			57,810,972.60
Fair value	71,141,826.11			71,141,826.11
Change amount of fair value accumulatively included in other comprehensive incomes	13,330,853.51			13,330,853.51

(3) Available-for-sale financial assets measured by cost at the end of term

Unit: RMB

Invested company	Book balance				Impairment provision				Shareholding ratio in invested companies	Cash bonus of current period
	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Beginning balance	Increase in current period	Decrease in current period	Ending balance		
Shenzhen Mokylin Technology Co., Ltd.	60,000,000.00			60,000,000.00					1.95%	
Tianjin Purple Dragon Singular Point Interactive Entertainment Co., Ltd.	25,264,211.00		2,148,421.10	23,115,789.90					1.72%	
Hangzhou Southern Pictures Co., Ltd.		69,996,897.11		69,996,897.11					10.00%	
Shenzhen Zhonghui Television Culture Communication Co., Ltd.		50,000,000.00		50,000,000.00					3.85%	
Chengdu Jule Technology Co., Ltd.	100,000.00			100,000.00	100,000.00			100,000.00	8.00%	
Beijing Jizhi Xunyou Technology Co., Ltd.	6,000,000.00			6,000,000.00	6,000,000.00			6,000,000.00	10.00%	
Shenzhen QiFun Network Corp. Ltd.	50,000,000.00			50,000,000.00					6.22%	

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Gortune Investment Co., Ltd		1,000,000.00		1,000,000.00					0.20%	
Guangzhou Joyegame Software Co., Ltd.	4,000,000.00			4,000,000.00	4,000,000.00			4,000,000.00	15.00%	
Suzhou Youge Hulian Venture Investment Center (Limited Partnership)	5,000,000.00			5,000,000.00					2.98%	
Chengdu 91ACT Technology Company		52,731,000.00		52,731,000.00					17.01%	2,440,350.00
Guangzhou Xiaoyi Network Technology Co., Ltd.	200,000.00			200,000.00	200,000.00			200,000.00	10.00%	
Xiamen Intensive Joint Technology Co., Ltd.	8,000,000.00			8,000,000.00					10.00%	
Beijing Chinese Anci Equity Investment Fund Management Center (Limited Partnership)	50,000,000.00			50,000,000.00					16.67%	
Hunan Tianlei Network Technology Co., Ltd.	1,500,000.00			1,500,000.00	1,500,000.00			1,500,000.00	10.00%	

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Shanghai Mango Creative Equity Investment Fund (L.P.)	240,000,000.00		66,418,508.59	173,581,491.41					7.78%	4,956,454.96
Beijing Colorful Game Technology Co., Ltd.	5,000,000.00			5,000,000.00					8.54%	
Jiangsu Mingtong Information Technology Co., Ltd.	50,000,000.00			50,000,000.00					5.00%	
Zhongsheng Chunqiu Film and TV Culture (Beijing) Co., Ltd.	9,000,000.00			9,000,000.00					5.00%	
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	42,000,000.00		42,000,000.00							
Wafa Games Limited		875.06		875.06					10.00%	
SNK Corporation		1,036.35		1,036.35					1.42%	
Miaocode Education BVI Holding Limited		6,863,200.00		6,863,200.00					3.00%	
Archiact Interactive Ltd.	20,587,940.96	1,036,481.90		21,624,422.86					7.86%	
Tianjin Digital Color	80,000,000.00			80,000,000.00					1.51%	

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Interactive Technology Co., Ltd.										
Tianshe (Shanghai) Culture & Media Co., Ltd.	10,000,000.00			10,000,000.00					18.30%	
Shanghai Quwei Network Technology Co., Ltd.	7,000,000.00			7,000,000.00					4.75%	
Antic gameworld co.,ltd	38,332.98		38,332.98						5.00%	
X.D. Network Co., Ltd.	100,050,000.00			100,050,000.00					2.38%	1,194,183.75
Najia Technology (Shenzhen) Co., Ltd.	40,000,000.00			40,000,000.00					7.20%	
Shenzhen Zen-game Technology Co., Ltd.	18,000,000.00			18,000,000.00					2.78%	2,166,684.00
Haojiahua Media Fund I Partners (Limited Partnership)	5,000,000.00		1,100,000.00	3,900,000.00					20.00%	
Beijing Chenming Media Co., Ltd.		25,000,000.00		25,000,000.00					2.50%	
Beijing Longri Technology Co., Ltd.		2,999,193.00		2,999,193.00					10.00%	
Xiamen Huoyou Information		5,000,000.00		5,000,000.00					7.00%	

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Technology Co., Ltd.										
Shanghai Zhangmeng Network Technology Co., Ltd.		10,000,000.00		10,000,000.00					10.00%	
Hebei Youying Culture Spreading Co., Ltd.		26,800,000.00		26,800,000.00					7.00%	
Shanghai Touch Culture Communication Co., Ltd.		15,000,000.00		15,000,000.00					10.00%	
Wake Of Light Network Technology Co., Ltd.		9,900,000.00		9,900,000.00					7.00%	
Shanghai Original Plan Culture & Media Co. Ltd.		10,000,000.00		10,000,000.00					2.50%	
Beijing Jinhai Shiyi Culture Media Co., Ltd.		7,500,000.00		7,500,000.00					15.00%	
Hangzhou Honghua Duoduo Network Technology Co., Ltd.		16,978,390.00		16,978,390.00					5.00%	
Beijing Blueberry Time Technology Co., Ltd.		2,623,200.00		2,623,200.00					10.02%	

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Beijing Yuge Technology Co., Ltd.		2,000,000.00		2,000,000.00					10.00%	
YHKT Entertainment Co., Ltd.		14,400,000.00		14,400,000.00					8.10%	
Guangzhou Xuyang Network Technology Co., Ltd.		1,000,000.00		1,000,000.00					10.00%	
Changzhou Pengyou Interactive Entertainment Network Technology Co., Ltd.		1,500,000.00		1,500,000.00					15.00%	
Wuji Entertainment Games Co., Ltd. (Korea)		2,583,703.75		2,583,703.75					14.16%	
Total	836,740,484.94	334,913,977.17	111,705,262.67	1,059,949,199.44	11,800,000.00			11,800,000.00	--	10,757,672.71

(4) Change of impairment of available-for-sale financial assets in the reporting period

Unit: RMB

Classification of available-for-sale financial assets	Equity instrument available for sale	Available-for-sale liability instrument		Total
Balance of opening impairment accrued	11,800,000.00			11,800,000.00
Accruing of current period	52,732,066.85			52,732,066.85

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Wherein: Transfer in from other comprehensive income	52,732,066.85			52,732,066.85
Decrease in current period	52,732,066.85			52,732,066.85
Balance of closing impairment accrued	11,800,000.00			11,800,000.00

9. Long-term equity investment

Unit: RMB

Invested company	Beginning balance	Increase or decrease in this period								Ending balance	Closing balance of depreciation reserves
		Addition al investme nts	Negative investment	Profit and loss on investments confirmed with equity method	Other comprehensive income adjustment	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment provision	Others		
I. Joint ventures											
II. Associates											
Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership)	50,000,000.00	5,000.00		-1,868,895.65						48,136,104.35	
Chengdu Epietheus Technology Co., Ltd.	0.00									0.00	2,205,871.87
Shenzhen Yiwan Network Technology Co., Ltd.	5,530,326.40			-986,852.06						4,543,474.34	
Penta Game Co., Ltd.	530,972.63			91,040.99					-622,013.62	0.00	
Shanghai Tingting Network Technology	0.00									0.00	6,718,402.50

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Co., Ltd.											
Shanghai Aoting Network Technology Co., Ltd.	0.00									0.00	2,978,876.18
Shanghai Moe Palace Network Technology Co., Ltd.	2,462,825.73							-2,462,825.73		0.00	2,462,825.73
Beijing Zhuayou Interactive Network Technology Co., Ltd.	0.00									0.00	4,874,914.55
YHKT Entertainment Co., Ltd.	5,830,002.99								-5,830,002.99	0.00	
Longzhang Network Technology (Shanghai) Co., Ltd.	5,722,316.69			-530,438.17						5,191,878.52	
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	7,313,570.51			-732,632.93						6,580,937.58	
Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership)	101,677,840.80			8,407,544.53					-110,085,385.33	0.00	
Xiamen Yiqi Investment Management Co., Ltd.	2,125,258.74			-462,336.57						1,662,922.17	

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Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	38,646,762.21			516,747.41						39,163,509.62	
Chengdu 91ACT Technology Company	23,501,260.32			-57,515.85					-23,443,744.47	0.00	
Chengdu Mofei Technology Co., Ltd.	10,962,498.78			4,814,920.27						15,777,419.05	
Chengdu Modu Technology Co., Ltd.	10,969,974.47			-1,264,717.03						9,705,257.44	
Chengdu Pengwan Technology Co., Ltd.	57,102,073.65			922,526.36			-2,234,228.00			55,790,372.01	
Shanghai Fuhai Sanqi Investment Management Co., Ltd.	3,000,419.01			-13,417.91						2,987,001.10	
Shanghai Jueli Culture Media Co., Ltd.	29,729,869.92			-2,136,170.23						27,593,699.69	
Jiangsu Yezi Network Technology Co., Ltd.		15,000,000.00		-1,098,251.51						13,901,748.49	
Beijing Xize Interactive Entertainment Technology Co., Ltd.		6,000,000.00		-488,215.07						5,511,784.93	
Sanqi Guangzheng (Guangzhou) Cultural		45,000,000.00								45,000,000.00	

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Technology Investment Partnership (Limited Partnership)											
Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.		12,000,000.00		-388,213.60						11,611,786.40	
Shanghai Yuhouyi Network Technology Co., Ltd.	21,866,859.23			-1,632,900.41						20,233,958.82	
Shaoxing Shangyu Zhangyu Network Technology Co., Ltd.		4,900,000.00		-253,649.26						4,646,350.74	
Khorgos Tuolu Lingyin Culture Technology Co., Ltd.		3,600,000.00								3,600,000.00	
Shanghai Fenghua Qiushi Culture Media Co., Ltd.				3,414,788.87					129,263,558.53	132,678,347.40	
New Cues (Beijing) Television Investment Co., Ltd.				1,363,745.68					99,921,715.66	101,285,461.34	
Longzhang Animation (Shanghai) Co., Ltd.											
Subtotal	376,972,832.08	86,505,000.00	0.00	7,617,107.86	0.00	0.00	-2,234,228.00	-2,462,825.73	89,204,127.78	555,602,013.99	19,240,890.83

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Total	376,972,832.08	86,505,000.00	0.00	7,617,107.86	0.00	0.00	-2,234,228.00	-2,462,825.73	89,204,127.78	555,602,013.99	19,240,890.83
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Other notes

(1) Other changes in the current period include: The disposal of Wuji Entertainment Games Co., Ltd. (a subsidiary of the Company) caused its shareholding company - Penta Game Co., Ltd. to reduce the other amount of RMB 622,013.62; as the joint venture of Tibet Taifu Culture Media Co., Ltd., a subsidiary of the Company, YHKT Entertainment Co., Ltd. and Chengdu 91ACT Technology Company decreased their shareholding ratio this year, and the other amount was reduced by RMB 5,830,002.99 and RMB 23,443,744.47, respectively with long-term equity investment as available-for-sale financial assets; the Company acquired the remaining equity of Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership) and included it in its consolidated statements, resulting in the reduction of other amounts of RMB 110,085,385.33; in addition, Shanghai Fenghua Qiushi Culture Media Co., Ltd. and New Cues (Beijing) Television Investment Co., Ltd., the original joint stock company of Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership), were included in the Company's long-term equity investment, adding to other amounts by RMB 129,263,558.53 and RMB 99,921,715.66.

(2) As of the end of the reporting period, Longzhang Animation (Shanghai) Co., Ltd. has not recognized an excess loss of RMB 7,906,627.53.

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10. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	36,458,454.56	292,395,887.17
Total	36,458,454.56	292,395,887.17

(1) Status of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Motor vehicles	Electric and office equipment	Total
I. Original carrying value:					
1. Balance at the beginning of this period	164,616,484.07	321,150,698.63	18,039,511.37	120,026,021.36	623,832,715.43
2. Increase of this period	29,728,748.00	35,686,559.35	181,780.37	20,925,975.65	86,523,063.37
(1) Purchasing	27,876,250.00	2,319,334.98	181,780.37	20,925,975.65	51,303,341.00
(2) Construction in progress transferred-in	1,852,498.00	33,367,224.37			35,219,722.37
(3) Increase by business combination					
3. Decrease of this period	194,345,232.07	356,837,257.98	11,796,962.89	23,971,485.65	586,950,938.59
(1) Disposal or discard as useless	122,256.76	13,259,910.76		6,747,003.55	20,129,171.07
(2) Disposal of subsidiaries or liquidation	194,222,975.31	343,577,347.22	11,796,962.89	17,224,482.10	566,821,767.52
4. Ending balance			6,424,328.85	116,980,511.36	123,404,840.21
II. Accumulated depreciation					
1. Balance at the	39,642,480.79	177,572,760.75	9,547,888.32	87,385,476.20	314,148,606.06

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beginning of this period					
2. Increase of this period	5,098,435.17	23,736,930.77	2,433,786.65	16,050,267.65	47,319,420.24
(1) Accruing	5,098,435.17	23,736,930.77	2,433,786.65	16,050,267.65	47,319,420.24
3. Decrease of this period	44,740,915.96	201,309,691.52	8,847,579.27	19,623,453.90	274,521,640.65
(1) Disposal or discard as useless	24,841.74	872,458.22		5,063,458.30	5,960,758.26
(2) Disposal of subsidiaries or liquidation	44,716,074.22	200,437,233.30	8,847,579.27	14,559,995.60	268,560,882.39
4. Ending balance			3,134,095.70	83,812,289.95	86,946,385.65
III. Provision for impairment of assets					
1. Balance at the beginning of this period		17,288,222.20			17,288,222.20
2. Increase of this period					
(1) Accruing					
3. Decrease of this period		17,288,222.20			17,288,222.20
(1) Disposal or discard as useless		701,638.09			701,638.09
(2) Disposal of subsidiaries or liquidation		16,586,584.11			16,586,584.11
4. Ending balance					
IV. Book value					
1. Ending book value			3,290,233.15	33,168,221.41	36,458,454.56
2. Book value at the beginning of period	124,974,003.28	126,289,715.68	8,491,623.05	32,640,545.16	292,395,887.17

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11. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress		50,672,878.42
Total		50,672,878.42

(1) Status of construction under progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Phase II equipment engineering				51,102,382.68	429,504.26	50,672,878.42
Total				51,102,382.68	429,504.26	50,672,878.42

(2) Change of significant construction during the period

Unit: RMB

Project name	Budget	Beginning balance	Increased amount of current period	Amount of transfer-in fixed assets at current period	Amount of other decreases of this period	Ending balance	Proportion of accumulative engineering investment in budget	Project progress	Accumulated amount of capitalized interest	Wherein: Amount of capitalized interest in current period	Capitalization rate of interest for this period	Capital sources
Phase II equipment engineering		51,102,382.68	159,573,327.28	35,219,722.37	175,455,987.59							
Total		51,102,382.68	159,573,327.28	35,219,722.37	175,455,987.59		--	--				--

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12. Intangible assets

(1) Status of intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patent technology	Cost of publication number	Domain name	Game copyright	Trademark	Office software	Total
I. Original carrying value									
1. Balance at the beginning of this period	26,840,827.98	433,225.73		354,930.00	12,778,182.04	102,289,169.43	1,093,770.09	13,789,477.71	157,579,582.98
2. Increase of this period	0.00	46,757.09		0.00	0.00	0.00	10,923.36	2,188,309.03	2,245,989.48
(1) Purchasing		46,757.09						2,188,309.03	2,235,066.12
(2) Internal R&D									
(3) Increase by business combination									
(4) Exchange rate variation	0.00			0.00	0.00	0.00	10,923.36		10,923.36
3. Decrease of this period	26,840,827.98	479,982.82				8,849,452.49	238,929.14	3,617,392.10	40,026,584.53
(1) Disposal						8,849,452.49			8,849,452.49
(2) Disposal of subsidiaries or liquidation	26,840,827.98	479,982.82					238,929.14	3,617,392.10	31,177,132.04
4. Ending balance				354,930.00	12,778,182.04	93,439,716.94	865,764.31	12,360,394.64	119,798,987.93
II. Accumulated amortization	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00

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1. Balance at the beginning of this period	5,039,376.59	88,303.26		354,930.00	2,395,909.31	65,733,536.40	421,636.24	7,422,677.44	81,456,369.24
2. Increase of this period	494,536.68	34,752.89		0.00	638,909.16	3,480,714.04	26,424.53	3,293,272.55	7,968,609.85
(1) Accruing	494,536.68	34,752.89		0.00	638,909.16	3,480,714.04	17,073.10	3,293,272.55	7,959,258.42
(2) Exchange rate variation	0.00	0.00		0.00	0.00	0.00	9,351.43	0.00	9,351.43
3. Decrease of this period	5,533,913.27	123,056.15				6,357,983.58	74,362.67	2,680,855.64	14,770,171.31
(1) Disposal		103,771.15				6,357,983.58			6,461,754.73
(2) Disposal of subsidiaries or liquidation	5,533,913.27	19,285.00					74,362.67	2,680,855.64	8,308,416.58
4. Ending balance				354,930.00	3,034,818.47	62,856,266.86	373,698.10	8,035,094.35	74,654,807.78
III. Provision for impairment of assets	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
1. Balance at the beginning of this period						30,440,779.99		784,321.46	31,225,101.45
2. Increase of this period									
(1) Accruing									
3. Decrease of this period								377,358.34	377,358.34
(1) Disposal									

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4. Ending balance						30,440,779.99		406,963.12	30,847,743.11
IV. Book value	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
1. Ending book value					9,743,363.57	142,670.09	492,066.21	3,918,337.17	14,296,437.04
2. Book value at the beginning of period	21,801,451.39	344,922.47			10,382,272.73	6,114,853.04	672,133.85	5,582,478.81	44,898,112.29

The ratio of intangible assets formed through the internal research and development of the Company at the end of the period to the balance of intangible assets is 16.48%.

13. Development expenditure

Unit: RMB

Item	Beginning balance	Increased amount of current period			Decreased amount of current period			Ending balance
Item I	3,951,558.23	2,254,237.93						6,205,796.16
Item II	118,714.20					118,714.20		
Total	4,070,272.43	2,254,237.93				118,714.20		6,205,796.16

Other notes

14. Goodwill

(1) Carrying value of goodwill

Unit: RMB

Name of the invested company and the matter which forms goodwill	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Formed through business combination	Others	Disposal	Others	
Shanghai Sanqi Interactive Entertainment	1,578,065,048.53					1,578,065,048.53
Wuji Entertainment Games Co., Ltd.	1,911,913.34			1,911,913.34		
Chengdu Shengge Times Network Technology Co., Ltd.	263,737.88					263,737.88
Shanghai Mokun	1,259,793,585.93					1,259,793,585.93
Total	2,840,034,285.68					2,838,122,372.34

(2) Goodwill impairment

Unit: RMB

Name of the invested company and the matter which forms	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Withdrawing	Others	Disposal	Others	

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goodwill						
Chengdu Shengge Times Network Technology Co., Ltd.	263,737.88					263,737.88
Shanghai Mokun	299,457,551.04	959,833,685.66				1,259,291,236.70
Total	299,721,288.92	959,833,685.66				1,259,554,974.58

Information about the asset group or portfolio in which the goodwill is recognized

Name of asset group	Composition	Carrying amount (Unit: RMB)	Determination method	Whether it is consistent with the asset group recognized at the date of acquisition and the time of goodwill impairment test in previous years
Shanghai Sanqi Interactive Entertainment	All assets and liabilities of Shanghai Sanqi Interactive Entertainment	3,527,707,463.90	Shanghai Sanqi Interactive Entertainment can bring independent cash flows and is therefore identified as a portfolio	Yes
Shanghai Mokun	All assets and liabilities of Shanghai Mokun	106,085,800.19	Shanghai Mokun can bring independent cash flows and is therefore identified as a portfolio	Yes

Explain the process of goodwill impairment test, key parameters (such as the growth rate in forecast period, growth rate in steady period, profit rate, discount rate, forecast period, etc. for estimation of the present value of future cash flows), and the recognition method of goodwill impairment loss:

At the end of 2018, the book value of the goodwill formed by the merger of above-mentioned companies was apportioned to relevant asset groups with a reasonable method as of the date of acquisition, and the relevant asset groups containing goodwill were also tested for impairment. The recoverable amount of the goodwill formed by the merger is calculated by the Company based on the present value of estimated future cash flows, and the above key data are determined based on historical experiences and forecasts on market development.

Shanghai Mokun: The current value of the expected future cash flow of the asset group refers to the evaluation basis, evaluation process and evaluation results in the Evaluation Report (L.X.(Z.)P.B.Z. [2019] No. A0043) issued by Guangdong Union Trust Evaluation Co., Ltd. In 2018, due to the restrictions on the publication number and the overall decline in growth rate of the game industry, the launch schedule of Shanghai Mokun's developed games was not up to expectations, resulting in its major games failing to be launched in 2018 and generate revenue and profits and Shanghai Mokun's operating results lower than expected. In 2018, the future cash flow was estimated based on the financial budget and perpetual cash flow of the asset group approved by the management for five years. The annualized growth rate of operating income in the next five years will range from 15.91% to 7%. The perpetual cash flow after the next five years will be determined by the level of the final year at the detailed forecast period, combined with the industry development trend. The discount rate for calculating the present value is 14.11%, which is the pre-tax discount rate that reflects the specific risks of the relevant asset group. Compared with the present value of the asset group including goodwill, a provision for impairment of goodwill of RMB 959,833,685.66 shall be set aside this year.

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Shanghai Sanqi Interactive Entertainment: The management prepares the cash flow forecast for the next five years based on the most recent financial budget, and estimates the cash flow for the perpetual period. It is expected that the annual growth rate of operating income will be 20%-0% in the next 5 years. The perpetual cash flow after the next five years will remain stable, and the discount rate for calculating the present value will be 13.74%. Compared with the present value of the asset group including goodwill, the goodwill of Shanghai Sanqi Interactive Entertainment is not impaired.

Impact of goodwill impairment test

In 2018, due to the restrictions on the publication number and the overall decline in growth rate of the game industry, the R&D and launch schedule of Shanghai Mokun, a subsidiary of the Company, was not up to expectations, resulting in its major games failing to be launched in 2018 and generate revenue and profits and Shanghai Mokun's operating results lower than expected. In 2018, the committed net profit was RMB 168.00 million and Shanghai Mokun's net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2018 was RMB -4.8249 million. According to the relevant provisions of Accounting Standards for Business Enterprises and the Company's accounting policies, the Company conducted an impairment test on the goodwill formed by the acquisition of equities from Shanghai Mokun, and the difference of the total amount of goodwill at the end of the year and the fair value of net identifiable assets minus the assessed value of all equities was deemed as the amount of goodwill impairment that should be accrued at the end of 2018.

Other notes

None

15. Long-term deferred expenses

Unit: RMB

Item	Beginning balance	Increased amount of current period	Amortization amount of the current period	Other decreases	Ending balance
Cost of copyright agency	74,821,106.66	55,766,989.82	59,910,845.76	502,309.77	70,174,940.95
Trade mark registration fee	99,838.19		96,894.93		2,943.26
Cost of building decoration	4,882,144.74	1,601,805.24	2,375,287.70		4,108,662.28
Total	79,803,089.59	57,368,795.06	62,383,028.39	502,309.77	74,286,546.49

Other notes

None

16. Deferred income tax assets and deferred income tax liabilities

(1) Non-offset deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
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	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	130,272,445.92	22,476,347.10	36,779,247.42	7,231,974.30
Deductible losses	23,377,176.05	3,718,400.30	3,304,795.02	826,198.75
Changes in fair value of available-for-sale financial assets (impairment losses)			23,559,590.80	2,091,835.89
Accrued performance compensation receivables	7,536,817.40	1,130,522.61	3,756,740.62	338,106.66
Governmental subsidies recognized into deferred income			8,817,182.16	1,322,577.32
Total	161,186,439.37	27,325,270.01	76,217,556.02	11,810,692.92

(2) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	80,408,693.08	114,160,721.60
Deductible losses	122,954,217.39	186,240,044.70
Total	203,362,910.47	300,400,766.30

(3) Deductible losses of unrecognized deferred income tax assets will be expired at the end of following years

Unit: RMB

Year	Ending amount	Initial amount	Remarks
2019		5,191,066.43	
2020	2,058,386.09	29,786,482.41	
2021	18,045,171.61	53,635,799.65	
2022	85,382,375.75	97,626,696.21	
After 2022	17,468,283.94		
Total	122,954,217.39	186,240,044.70	--

Other notes:

None

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17. Other non-current assets

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for engineering equipment		68,399,174.14
Prepayment for equity investment		50,000,000.00
Prepayment for house purchase	801,611,138.04	795,864,793.02
Total	801,611,138.04	914,263,967.16

Other notes:

None

18. Short-term Loans

(1) Classification of short-term loans

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed loans	369,000,000.00	372,054,500.00
Total	369,000,000.00	372,054,500.00

Description of classification of other short-term borrowings:

The Company classifies short-term borrowings by borrowing conditions.

19. Notes payable and accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable	1,082,362,368.29	741,792,973.33
Total	1,082,362,368.29	741,792,973.33

(1) List of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Payables on materials		78,742,772.74
Payable shared profits of games	508,051,919.40	406,735,668.55
Payable internet traffic costs	560,422,006.00	219,833,849.91
Other payable costs	13,888,442.89	36,480,682.13
Total	1,082,362,368.29	741,792,973.33

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(2) Significant accounts payable with age of more than one year

Unit: RMB

Item	Ending balance	Reasons for outstanding or non-carryover
Shengji Information Technology (Shanghai) Co., Ltd.	6,866,723.87	In the process of reconciliation
Total	6,866,723.87	--

Other notes:

None

20. Account received in advance

(1) List of account received in advance

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales		2,085,495.91
Recharge received in advance	94,547,117.27	81,795,279.69
Shared profits received in advance		1,005,959.24
Others	81,625.32	
Total	94,628,742.59	84,886,734.84

21. Staff salaries payable

(1) List of staff salaries payable

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
I. Short-term remuneration	112,808,985.92	701,173,947.60	692,849,384.25	121,133,549.27
II. Post-employment benefit-defined contribution plans	596,785.58	39,018,138.69	38,940,125.19	674,799.08
III. Dismiss welfares	74,250.00	1,171,439.98	1,075,637.15	170,052.83
Total	113,480,021.50	741,363,526.27	732,865,146.59	121,978,401.18

(2) List of short-term remuneration

Unit: RMB

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Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
1. Salaries, bonus, allowances and subsidies	108,121,922.68	620,043,409.78	607,671,407.42	120,493,925.04
2. Staff welfare expenses		36,155,187.78	36,155,187.78	
3. Social insurance premiums	342,764.93	21,444,703.98	21,407,991.85	379,477.06
Wherein: Medical insurance premiums	299,439.24	18,304,959.00	18,271,766.75	332,631.49
Industrial injuries insurance premium	6,233.18	574,387.94	575,034.84	5,586.28
Maternity insurance premiums	28,595.97	1,972,851.71	1,967,583.68	33,864.00
Critical illness insurance	8,496.54	592,505.33	593,606.58	7,395.29
4. Housing provident fund	223,868.00	18,764,192.84	18,738,999.84	249,061.00
5. Union expenses and employee educational expenditure	4,120,430.31	4,766,453.22	8,875,797.36	11,086.17
Total	112,808,985.92	701,173,947.60	692,849,384.25	121,133,549.27

(3) List of defined contribution plans

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
1. Basic endowment insurance	582,242.35	37,633,046.65	37,561,162.84	654,126.16
2. Unemployment insurance premiums	14,543.23	1,385,092.04	1,378,962.35	20,672.92
Total	596,785.58	39,018,138.69	38,940,125.19	674,799.08

Other notes:

None

22. Taxes payable

Unit: RMB

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Item	Ending balance	Beginning balance
VAT	33,574,036.91	22,778,212.15
Enterprise income tax	51,032,839.33	31,249,164.08
Individual income tax	971,561.88	1,078,087.62
Urban maintenance and construction tax	1,366,222.30	929,920.78
Education surtax	590,668.51	497,953.99
Local education surcharge	392,703.75	331,969.34
Housing property tax		454,278.16
Land use tax		253,945.28
Water conservancy funds	397,874.74	182,693.41
Stamp tax	591,306.68	485,653.80
River management fees		39,257.62
Embankment protection fee	179.23	179.24
Outbound income tax	358,410.10	
Total	89,275,803.43	58,281,315.47

Other notes:

None

23. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Interests payable	52,841.84	390,533.38
Other payables	108,089,757.99	61,572,020.26
Total	108,142,599.83	61,962,553.64

(1) Interest payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable for short-term loan	52,841.84	390,533.38
Total	52,841.84	390,533.38

Significant interest overdue but unpaid:

Unit: RMB

Borrower	Default penalty	Overdue reason
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Other notes:

None

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(2) Other payables

1) Other accounts payable listed by the nature of accounts

Unit: RMB

Item	Ending balance	Beginning balance
Deposit and guarantee deposit	8,360,000.00	7,650,158.00
Payable temporary receipts		2,000,000.00
Freight and storage charges		9,825,807.62
Investment funds payable	8,500,000.00	35,448,685.81
Equity funds	86,936,207.21	
Others	4,293,550.78	6,647,368.83
Total	108,089,757.99	61,572,020.26

24. Non-current liability due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	29,599,165.73	28,117,893.57
Total	29,599,165.73	28,117,893.57

Other notes:

Non-current liabilities due within one year are the mortgage loans due within one year for house purchase by legal persons that are used by the subsidiaries of the Company for the purchase of office space.

25. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Temporarily estimated output tax	89,719,750.76	53,981,510.57
Payable performance compensation	7,536,817.40	3,756,740.62
Total	97,256,568.16	57,738,251.19

Movements in short-term bonds payable:

Unit: RMB

Name of bonds	Nominal value	Issuing date	Bond period	Issuing amount	Beginning balance	Issuance in the current period	Withdrawing interest at par	Amortization of premium or discount	Repayments in the current period		Ending balance

Other notes:

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Payable performance compensation is the performance compensation arising from canceling 357,483 shares of Jiangyin Zhongnan Heavy Industries Co., Ltd due to Shanghai Aurora Networks Technology Co., Ltd. transferred in 2017 failing to satisfy its performance commitment in 2018.

26. Long-term loans

(1) Classification of long-term loans

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage, guaranteed loan	281,176,106.33	310,775,272.06
Total	281,176,106.33	310,775,272.06

Description of classification of other long-term borrowings:

Long-term borrowings are the mortgage loans for house purchase by legal persons that are used by the subsidiaries of the Company for the purchase of office space. The Company assumes joint and several liabilities for these borrowings.

Other instructions, including interest rate range:

The applicable interest rate is 105% of the benchmark interest rate for 5-year RMB loans from financial institutions.

27. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Ending balance	Beginning balance
Convertible corporate bonds		27,163,239.26
Total		27,163,239.26

(2) Increase and decrease of bonds payable (excluding other financial instruments like preferred shares and perpetual capital securities that were classified into financial liabilities)

Unit: RMB

Name of bonds	Nominal value	Issuing date	Bond period	Issuing amount	Beginning balance	Issuance in the current period	Withdrawing interest at par	Amortization of premium or discount	Repayments in the current period	Decrease in current period	Ending balance
private convertible bonds 1st	23,028,000.00	December 2nd, 2016	December 1st, 2021	20,237,720.27	23,288,349.08		1,151,400.00	718,643.84		25,158,392.92	0.00
private convertible bonds 2nd	3,831,571.35	December 2nd, 2016	December 1st, 2021	3,367,303.68	3,874,890.18		191,578.57	119,573.36		4,186,042.11	0.00
Total	--	--	--	23,605,023.95	27,163,239.26		1,342,978.57	838,217.20		29,344,435.03	

(3) Description of the conversion conditions and time of convertible corporate bonds

The issuer of convertible corporate bonds at the beginning of the period is Wuji Entertainment Games Co., Ltd. (Korea), a holding subsidiary of the Company, and the holder of convertible corporate bonds can request conversion during the period from the date of one year from the date of issuance to one month before the expiration date. The decrease of convertible corporate bonds in this period is due to the disposal for control loss by Wuji Entertainment Games Co., Ltd. (Korea).

28. Deferred income

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Cause
Government subsidies	8,817,182.17	681,000.00	9,498,182.17		Governmental subsidy related to assets
Deferred income from royalty income	8,409,292.27	1,931,196.96	6,436,773.91	3,903,715.32	Royalty income

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Total	17,226,474.44	2,612,196.96	15,934,956.08	3,903,715.32	--
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Items revolving governmental subsidies:

Unit: RMB

Items of liabilities	Beginning balance	Amounts of new subsidies in current period	Amount of non-operating income in current period	Amount of other income in current period.	Amount of cost offset in the current period	Other movements	Ending balance	Related to assets/income
Project subsidies of Automotive Fuel System R&D Center	650,000.08			119,166.67		-530,833.41		Related to assets
Subsidy for the purchase of single equipment by SMEs	152,896.27			25,163.35		-127,732.92		Related to assets
Provincial “6+1” subsidies for building independent innovation capacity in Anhui Province	699,833.33			90,566.67		-609,266.66		Related to assets
Special funds for development of provincial enterprises of Nanling Country Commission of Economy and Information Technology	383,333.35			45,833.33		-337,500.02		Related to assets
Provincial innovation enterprise R&D equipment subsidy	215,062.50			25,437.50		-189,625.00		Related to assets
2015 provincial special fund to build an innovative province	219,687.50			25,437.50		-194,250.00		Related to assets
Subsidies for R&D and purchase of instruments and equipment	666,400.00			71,866.67		-594,533.33		Related to assets
2016 provincial special fund to build an innovative province	666,400.00			71,866.67		-594,533.33		Related to assets

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2017 Construction fund supports for building manufacturing strong provinces, and equipment subsidies for technological transformation projects to improve industrial foundation	3,363,000.00			313,500.00		-3,049,500.00		Related to assets
Reward and subsidy for industrial technology reform of Country Commission of Economy and Information Technology	1,668,677.50			154,247.50		-1,514,430.00		Related to assets
2017 provincial special fund to build an innovative province of Nanling County Commission of Economy and Information Technology (technology division)	131,891.64			12,191.65		-119,699.99		Related to income
Special funds for development of county-level foreign trade enterprises in 2017		681,000.00				-681,000.00		Related to assets
Total	8,817,182.17	681,000.00		955,277.51		-8,542,904.66		

Other notes:

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29. Share capital

Unit: RMB

	Beginning balance	Changes (+/-) in this time					Ending balance
		Stock issue	Dividend stock	Shares converted from accumulated reserves	Others	Subtotal	
Total number of shares	2,148,110,844.00				-23,240,591.00	-23,240,591.00	2,124,870,253.00

Other notes:

According to the resolution of the Company's 2017 annual general meeting of shareholders, as Shanghai Mokun failed to fulfill its 2017 annual performance commitment, Yang Dongmai and other performance compensation obligors should compensate for a total of 23,240,591 shares. The Company will repurchase and cancel these shares according to relevant agreements, resulting in changes to the Company's registered capital and equity: The Company's registered capital decreased from RMB 2,148,110,844 to RMB 2,124,870,253, and the Company's equity decreased from 2,148,110,844 shares to 2,124,870,253 shares.

30. Other equity instruments

(1) Statement of changes in financial instruments such as outstanding preferred shares and perpetual capital securities issued at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning balance		Increase in current period		Decrease in current period		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Equity component value of convertible corporate bonds	1	1,947,846.62			1	1,947,846.62		
Total	1	1,947,846.62			1	1,947,846.62		

The changes in other equity instruments in the current period, the reasons for the changes, and the basis for relevant accounting treatment:

The decrease in this period is the reduction of equity component value of convertible corporate bonds due to disposal of Wuji Entertainment Games Co., Ltd. (a subsidiary of the Company).

Other notes:

None

31. Capital reserves

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current	Ending balance
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			period	
Capital Premium (share premium)	1,965,229,405.38	35,892,959.50	1,705,304,196.89	295,818,167.99
Other capital reserves	7,410,175.28		4,488,376.06	2,921,799.22
Total	1,972,639,580.66	35,892,959.50	1,709,792,572.95	298,739,967.21

Other notes, involving changes in the current period and change reasons:

(1) The increase in capital premium in this year included the increase of capital reserve of RMB 18,745,498.96 due to the exercise of conversion rights by the shareholders of preferred shares of Wuji Entertainment Games Co., Ltd. (a subsidiary of the Company); increase of capital reserve of RMB 14,644,959.82 due to Shanghai Sanqi Interactive Entertainment (a subsidiary wholly owned by the Company) transferring its subsidiaries - Guangzhou Huoshanhu Company and Anhui Sanqi to Guangzhou Sanqi (a holding subsidiary of the Company); increase of capital reserve of RMB 2,502,500.72 in Shanghai Mokun, a subsidiary of the Company, due to the increase in capital of minority shareholders.

The decrease in capital premium in this year included the 20% equities of Jiangsu Aurora acquired by the Company offsetting the capital reserve - equity premium by RMB 1,248,120,566.34; the acquisition of 15% equities of Guangzhou Huoshanhu by Guangzhou Sanqi (a subsidiary of the Company) offsets capital reserve-share premium by RMB 7,710,622.12; Shanghai Mokun, a subsidiary of the Company, failed to achieve its performance commitments, so it repurchased shares to offset the capital reserve by RMB 449,473,008.43.

(2) The decrease in other capital reserve in this period was due to the fact that as the joint venture of Tibet Taifu Culture Media Co., Ltd., a subsidiary of the Company, YHKT Entertainment Co., Ltd. decreased its shareholding ratio this year with long-term equity investment as available-for-sale financial assets and caused other capital reserve to decline by RMB 4,488,376.06.

32. Other comprehensive income

Unit: RMB

Item	Beginning balance	Amount incurred in the current period					Ending balance
		Accrual before income tax in this period	Less: The amount calculated in other comprehensive income in earlier period and carried over to profit and loss in current period.	Less: Income taxes	Attributable to parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive incomes that would be classified into profit and loss	-25,087,592.30	52,311,844.22	-23,888,000.86	4,735,906.20	71,463,938.88		46,376,346.58
Variable Loss and Profit of fair value of salable financial assets	-25,470,466.38	31,572,708.00	-25,470,466.38	4,735,906.20	52,307,268.18		26,836,801.80

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Translation difference in the foreign currency financial statement	382,874.08	20,739,136.22	1,582,465.52		19,156,670.70		19,539,544.78
Other total comprehensive income	-25,087,592.30	52,311,844.22	-23,888,000.86	4,735,906.20	71,463,938.88		46,376,346.58

Other notes, involving conversion of the effective component of the cash flow hedging profit and loss to the initially recognized amount of the hedged items:

None

33. Surplus reserves

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserves	99,561,946.09	70,915,889.79		170,477,835.88
Total	99,561,946.09	70,915,889.79		170,477,835.88

Surplus reserve notes, involving changes in the current period and change reasons:

The company shall reserve 10% of the net profit of the parent company as the provision for legal surplus.

34. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Adjustment of undistributed profits of previous year	2,819,597,585.78	1,413,567,635.94
Undistributed profits at the beginning of the period after adjustment	2,819,597,585.78	1,413,567,635.94
Add: Net profit owned by parent company owners in this year	1,008,503,357.80	1,620,582,427.47
Less: Appropriation to legal surplus reserves	70,915,889.79	6,072,998.83
Dividends payable on common stock	424,974,050.60	208,479,478.80
Undistributed profits at the end of the period	3,332,211,003.19	2,819,597,585.78

Details of undistributed profits at the beginning of adjustment period:

- 1) Due to retroactive adjustment of Enterprise Accounting Standard and its relevant new provisions, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 2) Due to changes in accounting policies, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 3) Due to correction of significant accounting errors, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 4) Due to changes of consolidation scope caused by the same control, the affected undistributed profit at the beginning of the period is RMB 0.00.

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5) Due to all the other adjustments, the affected undistributed profit at the beginning of the period is RMB 0.00.

35. Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	7,632,679,668.47	1,811,420,940.10	6,188,729,008.57	1,948,067,595.79
Other businesses			99,108.18	129,643.97
Total	7,632,679,668.47	1,811,420,940.10	6,188,828,116.75	1,948,197,239.76

36. Taxes and additional charges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	10,486,240.49	7,941,837.63
Education surtax	4,693,077.15	3,518,238.96
Housing property tax	1,248,953.90	1,145,438.72
Land use tax	2,563,885.00	3,207,777.30
Vehicle and vessel use tax	22,325.20	20,389.47
Stamp tax	8,003,772.08	6,703,094.58
Local education surcharge	3,269,512.10	2,345,492.62
Water conservancy funds	2,752,686.81	1,404,336.13
Construction fund for cultural undertakings		104,319.98
River management fees		7,404.96
Others		109,767.54
Total	33,040,452.73	26,508,097.89

Other notes:

None

37. Sales expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	125,454,065.25	94,862,624.16
Depreciation cost	2,201,939.07	2,452,462.02
Office expense	1,171,092.14	2,294,285.34

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Internet traffic fee	3,188,625,479.94	1,767,614,006.47
Traveling expense	1,462,185.31	2,725,380.16
Transportation and storage fees	18,091,042.19	27,201,590.38
Entertainment expenses	4,025,796.16	4,151,221.02
Others	6,229,708.27	6,905,896.77
Total	3,347,261,308.33	1,908,207,466.32

Other notes:

None

38. Management expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	138,154,150.37	122,730,667.18
Office expense	25,604,123.72	34,206,282.94
Traveling and conference fees	12,780,600.56	12,278,341.07
Fees of depreciation and amortization	11,959,200.23	13,818,326.98
Business entertainment expense	12,180,998.39	13,901,648.09
Rentals	23,245,925.37	20,591,183.94
Agency and consulting fees	19,134,146.42	15,404,989.50
Share payment		100,984,100.00
Others	3,003,757.30	6,574,972.04
Total	246,062,902.36	340,490,511.74

Other notes:

None

39. R&D expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	439,113,908.11	344,422,361.03
Operation and maintenance fees	42,414,470.88	36,523,870.96
Fees of depreciation and amortization	13,015,245.63	18,421,390.26
Design cost	17,566,420.48	16,667,400.08
Traveling and transportation expenses	5,135,780.17	3,677,004.63
Office expense	7,584,107.07	6,566,727.06

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Rent and office utilities	5,107,935.40	2,220,064.44
Others	7,767,736.89	7,670,211.66
Total	537,705,604.63	436,169,030.12

Other notes:

None

40. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest payment	44,631,901.22	32,858,899.90
Service charges and others paid to financial authorities	645,223.32	606,729.28
Less: Interest incomes	27,632,671.32	24,363,295.31
Exchange gains and losses	-547,353.98	19,453,449.40
Total	17,097,099.24	28,555,783.27

Other notes:

None

41. Asset impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Losses on bad debts	30,322,401.56	19,082,968.12
II. Inventory devaluation losses	4,004,132.44	66,962.78
III. Available-for-sale financial asset impairment losses	52,732,066.85	3,000,000.00
V. Long-term equity investment impairment losses	2,462,825.74	11,593,317.05
VII. Fixed asset impairment losses		17,288,222.20
IX. Construction in progress impairment losses		429,504.26
XII. Intangible asset impairment losses		377,358.34
XIII. Goodwill impairment losses	959,833,685.66	299,457,551.04
Total	1,049,355,112.25	351,295,883.79

Other notes:

None

42. Other profits

Unit: RMB

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Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies	97,647,310.60	111,259,077.18
Total	97,647,310.60	111,259,077.18

43. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by equity method	7,617,107.86	-11,139,329.07
Investment profits by the disposal of long-term equity investment	6,403,021.73	218,512,763.55
Investment profit by marketable financial assets during the holding period	10,930,309.95	10,503,501.81
Investment profit by the disposal of marketable financial assets	-9,740,417.35	20,264,211.00
Original equity treated as investment income from disposal	48,392,551.99	1,411,495.72
Bank yields from financial products	16,941,398.12	13,370,838.07
Others		3,106,764.84
Total	80,543,972.30	256,030,245.92

Other notes:

None

44. Income from disposal of assets

Unit: RMB

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Gains (losses) from disposal of fixed assets	1,289,755.10	1,055,284.09
Total	1,289,755.10	1,055,284.09

45. Non-operating income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized into current non-recurring profits and losses
Government subsidies		11,200.00	
Tort compensation	8,891,208.00	1,528,930.43	8,891,208.00
Performance compensation receivables	453,859,535.09	401,364,984.06	453,859,535.09
Others	1,163,735.09	152,808.37	1,163,735.09
Total	463,914,478.18	403,057,922.86	

Government subsidy recognized in current losses and gains:

Unit: RMB

Subsidy items	Entity	Reason	Nature and type	Do subsidies affect the profit and loss of the year?	Whether it is a special subsidy or not?	Amount incurred in this period	Amount incurred in the previous period	Related to assets/income
VAT immediate levy and refund	Tax bureaus in Shanghai, Guangzhou, Huai'an, etc.	Subsidies	Subsidies received from the government to encourage and support specific industries and segments (according to national policies and regulations)	No	No	58,796,021.20	81,575,068.42	Related to income
Return of handling charges of individual income tax	Tax bureaus in Guangzhou, Huai'an, Shanghai, Nanling County (Anhui), etc.	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	1,463,852.75	1,135,760.56	Related to income
Subsidy for post stability	Social insurance fund management centers in Guangzhou, Huai'an, Wuhu, Shenzhen, etc.	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	690,765.77	665,044.69	Related to income

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Subsidies for Huai'an Software Park	Huai'an Software Park Management Development Co., Ltd.	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	4,556,098.16	10,516,637.23	Related to income
Subsidies for Internet Industry Base in Hongze District, Huai'an City	Huai'an Hongze District Internet Industry Base Management Co., Ltd.	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	1,011,370.36		Related to income
Subsidies from Huai'an Overseas Students Pioneer Park Management Committee	Huai'an Economic and Technological Development Zone Overseas Students Pioneer Park Management Office	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	3,007,996.25	3,540,171.40	Related to income
Tax rebate from Shanghai government	Tax Bureau of Shanghai Jiading District and Pudong New Area	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	1,298,632.80		Related to income
Industrial subsidies	Finance and Taxation Service Center in Wuhu Machinery Industry Development Zone	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	2,167,000.00	4,935,700.00	Related to income
Industrial subsidies	Management Committee of Anhui Xinwu Economic & Technological Development Zone	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	961,399.64		Related to income
Industrial subsidies	Treasury Payment Center of Wuhu Jiujiang District Finance Bureau	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	12,856,498.14		Related to income
Industrial subsidies	Wuhu Advertising Industry	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	62.00	268,618.87	Related to income

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	Park Asset Management Co., Ltd.		policies for investment promotion by local governments					
Provincial Financial Research Funds for Research and Development of Enterprises in Guangdong Province	Department of Science and Technology of Guangdong Province	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	1,777,800.00		Related to income
Subsidies to Guangzhou enterprises' R&D investment	Guangzhou Science, Technology and Innovation Commission	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	853,900.00	100,000.00	Related to income
Special fund for subsidies to Guangzhou enterprises' R&D investment	The Bureau of Science, Technology, Industry & Informatization of Tianhe District, Guangzhou	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	0.00	100,000.00	Related to income
Special subsidy of Tianhe District to support development of software development and enterprise R&D investment	The Bureau of Science, Technology, Industry & Informatization of Tianhe District, Guangzhou	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	500,000.00		Related to income
Special subsidy of Tianhe District to support innovation and entrepreneurship	Office of Talent Affairs, Tianhe District Committee of Guangzhou	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	200,000.00		Related to income

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of high-level talents								
Special fund of Tianhe District for subsidies to Thero brand building service	The Bureau of Science, Technology, Industry & Informatization of Tianhe District, Guangzhou	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	500,000.00	500,000.00	Related to income
Funding support of Tianhe District for cultural and creative industry	Guangzhou Municipal Development and Reform Commission	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	200,000.00		Related to income
Provincial financial reward for enterprise R&D expenses	Jiangsu Department of Finance, Department of Science and Technology	Reward	Subsidies for research and development, technology renewal and renovation	No	No	2,000,000.00		Related to income
Supporting subsidy from the Finance Bureau of Jiading District, Shanghai	Finance Bureau of Jiading District, Shanghai	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	1,339,770.00	Related to income
Reward for “Four Standards” enterprises	Nanling Economic Development Zone Construction Investment Co., Ltd.	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	110,000.00	120,000.00	Related to income
Reward for “Four Standards” enterprises	Statistics Bureau of Wuhu County	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	3,000.00	2,000.00	Related to income
Reward for scientific and technical innovation of Science	Science & Technology Bureau of Wuhu County	Reward	Subsidies for research and development, technology renewal and renovation	No	No	52,000.00	50,000.00	Related to income

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& Technology Bureau								
Reward and subsidy to province with strong manufacturing power	Wuhu Municipal Commission of Economy and Information Technology	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	500,000.00	Related to income
Return of handling charges of VAT and enterprise income tax	Huai'an Tax Service	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	71,081.94	25,238.00	Related to income
Incentive fund for high-tech enterprises	Huai'an Municipal Science and Technology Bureau	Reward	Subsidies for research and development, technology renewal and renovation	No	No	100,000.00		Related to income
District-level supporting incentive fund for high-tech enterprises	Science and Technology Division of Huai'an Economic and Technological Development Zone	Reward	Subsidies for research and development, technology renewal and renovation	No	No	100,000.00		Related to income
Incentive fund for cultivation of provincial new high-tech enterprises	Jiangsu Department of Finance	Reward	Subsidies for research and development, technology renewal and renovation	No	No	55,555.00		Related to income
Special fund of commercial development	Department of Commerce of Jiangsu Province	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	110,100.00		Related to income
Rebates of VAT levied by South Korea	Sam Sung Tax Office	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	9,633.64		Related to income
Supporting subsidy of Guro, Seoul, South	Internal Revenue Services and Government of Guro,	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local	No	No	0.00	1,348,511.17	Related to income

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Korea	Seoul, South Korea		governments					
2017 supporting fund for animation of Shanghai Municipal Administration of Culture and Tourism, Radio and Television	Shanghai Municipal Administration of Culture and Tourism, Radio and Television	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	235,849.06	Related to income
Tax return of Jiading District Government	People's Government of Jiading District of Shanghai Municipality	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	518,800.00	Related to income
2016 city-level directing fund for cultural industry development	Management Committee of Huai'an Software Park of Jiangsu Province	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	400,000.00	Related to income
Incentive fund for offshore outsourcing	Economic Development Bureau of Huai'an Economic and Technological Development Zone	Reward	Subsidies for research and development, technology renewal and renovation	No	No	0.00	400,000.00	Related to income
Subsidies for Huaishang Talent Project	Leading Group Office for Talent Affairs of Huai'an	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	150,000.00	Related to income
Special incentive of Tianhe District Business and Finance Bureau for introduction of key	Finance Bureau of Tianhe District	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	122,100.00	Related to income

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enterprises								
Support for fashion creative animation of Culture, Radio, Film, Television & Public Press Bureau of Guangzhou Municipality	Guangzhou Municipal Bureau of Finance	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	400,000.00	Related to income
Special subsidies for rents of key industrial enterprises granted by the Finance Bureau of Tianhe District	The Bureau of Science, Technology, Industry & Informatization of Tianhe District, Guangzhou	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	90,100.00	Related to income
Supporting fund of the Finance Bureau of the Khorgas Economic Development Zone Management Committee of Xinjiang Uygur Autonomous Region	Human Resources and Social Security Bureau of the Khorgas Economic Development Zone Management Committee of Xinjiang Uygur Autonomous Region	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	118,857.00	Related to income
Copyright grant of Shanghai Copyright Association	Copyright Association of Shanghai	Subsidies	Subsidies received from the government to encourage and support specific industries and segments (according to national policies and regulations)	No	No	0.00	3,500.00	Related to income
2016 Excellent Copyright of Chuan Qi Ba Ye (传奇霸业)	Huai'an Municipal Bureau of Culture, Radio, Film and Television Press and	Reward	Subsidies for research and development, technology renewal and renovation	No	No	0.00	3,000.00	Related to income

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of Huai'an	Publication (Copyright)							
2016 policy fund for promotion of provincial foreign trade transferred by the Commerce Bureau of Nanling County	Commerce Bureau of Nanling County	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	64,500.00	Related to income
Subsidies for blue collar apartment rents granted by Nanling Economic Development Zone Construction Investment Co., Ltd.	Nanling Economic Development Zone Construction Investment Co., Ltd.	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	0.00	27,648.00	Related to income
Return of land use tax	Jishan Town Government of Nanling County, Anhui Province	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	1,857,265.44	1,411,521.00	Related to income
Project subsidies of Automotive Fuel System R&D Center	Anhui Department of Finance	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	119,166.67	130,000.00	Related to assets
Subsidy for the purchase of single equipment by SMEs	Wuhu Municipal Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	25,163.35	27,450.92	Related to assets
Provincial "6+1" subsidies for building independent	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	90,566.67	98,800.00	Related to assets

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innovation capacity								
Special funds for development of provincial enterprises of Nanling County Commission of Economy and Information Technology	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	45,833.33	50,000.00	Related to assets
Provincial innovation enterprise R&D equipment subsidy	Wuhu Municipal Science and Technology Bureau	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	25,437.50	27,750.00	Related to assets
2015 provincial special fund to build an innovative province	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	25,437.50	27,750.00	Related to assets
Subsidies for R&D and purchase of instruments and equipment	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	71,866.67	78,400.00	Related to assets
2016 provincial special fund to build an innovative province	Wuhu Municipal Science and Technology Bureau	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	71,866.67	78,400.00	Related to assets
Subsidies for technologically transformed	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	313,500.00	57,000.00	Related to assets

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equipment to make the foundation of industry development more solid for provinces with strong manufacturing power								
Reward and subsidy for technology reform	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	154,247.50	14,022.50	Related to assets
2017 provincial special fund to build an innovative province	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	12,191.65	1,108.36	Related to assets
Reward for scientific and technical innovation	Nanling County Commission of Economy and Information Technology	Reward	Subsidies for research and development, technology renewal and renovation	No	No	200,000.00		Related to income
Reward for invention patent	Nanling County Commission of Economy and Information Technology	Reward	Subsidies for research and development, technology renewal and renovation	No	No	86,000.00		Related to income
2017 provincial supporting fund of foreign trade policy	Commerce Bureau of Nanling County	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	96,000.00		Related to income
Reward and subsidy for specialized, sophisticated, special and new SMEs and provincial industry	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	1,000,000.00		Related to income

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design center which are identified in the province								
Subsidy of the Wuhu Joint Conference Office for Air Pollution Prevention and Control on the elimination of heavy-polluting vehicles	Wuhu Municipal Environmental Protection Bureau	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	0.00	11,200.00	Related to income

Other notes:

None

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46. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized into current non-recurring profits and losses
External donation	3,454,249.54	134,259.40	3,454,249.54
Losses on the damage and retirement of non-current assets	1,107,986.48		1,107,986.48
Payable performance compensation	7,702,951.36	3,756,740.62	7,702,951.36
Fine and fine for delaying payment	32,392.81	219,253.60	32,392.81
Others	2,514,703.30	76,785.28	2,514,703.30
Total	14,812,283.49	4,187,038.90	

Other notes:

None

47. Income taxes

(1) Income tax sheet

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income taxes of current period	88,775,602.71	83,470,564.82
Deferred income tax	-20,885,955.32	-3,350,691.84
Total	67,889,647.39	80,119,872.98

(2) Accounting profit and income tax expenses adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profit	1,219,319,481.52
Income tax expenses calculated at legal/applicable tax rate	304,829,870.39
Impact of various tax rates applicable to subsidiaries	-325,192,357.62
Adjustment of impact on the income tax in the previous period	3,411,685.40
Impact of non-taxable income	-10,974,398.80
Impact of the non-deductible costs, expenses and losses	152,848,212.09

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Impact of deductible losses of unrecognized deferred income tax assets in the previous period	-17,450,098.57
Impact of deductible temporary differences or deductible loss of unrecognized deferred income tax assets of this period	7,148,912.28
Impact of weighted R&D cost deduction	-46,224,603.40
Others	-507,574.39
Income taxes	67,889,647.39

Other notes

48. Other comprehensive income

For details, please refer to Note 32 - Other comprehensive income.

49. Items of cash flow statements

(1) Cash received from other operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Operational incomings and outgoings received	7,170,260.47	3,000,000.00
Government subsidies received	38,577,011.89	29,104,526.97
Interest income received	10,849,579.35	8,756,161.69
Deposits and guarantees received	12,431,744.54	6,814,202.79
Other amounts received	11,704,341.67	8,111,632.38
Total	80,732,937.92	55,786,523.83

Description of other received cash relevant to operating activities:

None

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Out-of-pocket expenses	3,091,233,883.86	2,029,450,687.59
Payment of guarantee and reserve	36,152,700.88	19,562,859.61
Service charge	645,223.32	606,729.28
Non-operating expense	5,635,594.16	430,298.28
Other payables	803,924.26	3,316,702.65

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Total	3,134,471,326.48	2,053,367,277.41
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Description of other cash paid relating to operating activities:

None

(3) Other cash received relating to investment activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies related to assets received		5,235,700.00
Financial products	3,580,863,200.00	2,212,369,000.00
Earnest money for repurchase of equities		6,000,000.00
Return of copyright money		4,417,865.14
Total	3,580,863,200.00	2,228,022,565.14

Description of other cash received relating to investing activities:

None

(4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Financial products	3,586,863,200.00	2,122,369,000.00
Payment of performance compensation	15,795.67	
Guarantee for government freezing	4,299,671.55	
Total	3,591,178,667.22	2,122,369,000.00

Description of other cash payments relating to investing activities:

None

(5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Issuing costs of raised fund		4,313,316.06
Cash payment for acquisition of minority stocks of subsidiary	1,400,150,000.00	89,180,000.00
Repurchase of treasury stocks	317,235.07	
Total	1,400,467,235.07	93,493,316.06

Description of cash payments relating to financing activities:

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None

50. Supplementary data of cash flow statement

(1) Supplementary data of cash flow statement

Unit: RMB

Supplementary data	Amount of current period	Amount of previous period
1. Net profits transferred to cash flow of operation activities:	--	--
Net profit	1,151,429,834.13	1,836,499,722.03
Add: Provision for assets impairment	1,049,355,112.25	351,295,883.79
Depreciations of fixed assets, oil and gas assets, and productive biological assets	47,319,420.24	54,913,911.20
Amortization of intangible assets	7,959,258.42	19,083,068.70
Amortization of long-term deferred expenses	62,383,028.39	86,013,536.69
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" indicates the profit)	-1,289,755.10	-1,055,284.09
Losses at discard of fixed assets ("-" indicates the profit)	1,107,986.48	
Financial expense ("-" indicates the profit)	22,428,003.26	45,364,584.84
Losses on investments ("-" indicates the profit)	-80,543,972.30	-256,030,245.92
Decrease of deferred income tax assets ("-" indicates increase)	-23,600,218.04	-3,350,691.84
Decrease of inventories ("-" indicates increase)	24,488,168.49	-30,413,122.55
Decrease of operational receivable items ("-" indicates increase)	-482,254,618.57	-244,342,642.44
Increase of operational payable items ("-" indicates decrease)	621,807,956.92	270,541,351.33
Others	-446,156,583.73	-296,624,143.44
Net cash flows from operating activities	1,954,433,620.84	1,831,895,928.30
2. Major investments and financing activities not related to cash expenditure and income:	--	--
3. Changes of cash and cash equivalent:	--	--
Ending cash balance	1,515,740,344.79	1,580,910,931.98

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Less: Cash balance at the beginning of the period	1,580,910,931.98	819,213,006.12
Net increase of cash and cash equivalents	-65,170,587.19	761,697,925.86

(2) Net cash paid for acquisition of subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalent paid in the current period for the business combination in the current period	155,215,923.89
Wherein:	--
Huai'an Sanqi	155,215,923.89
Less: Cash and cash equivalent held by subsidiary on purchase date	140,937.70
Wherein:	--
Huai'an Sanqi	140,937.70
Wherein:	--
Net cash paid for acquisition of the subsidiary	155,074,986.19

Other notes:

None

(3) Net cash received for the disposal of subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalent received in current period for the disposal of subsidiaries in the current period	420,169,978.90
Wherein:	--
Shunrong Auto Parts	417,690,000.00
Wuji Entertainment Games Co., Ltd.	2,479,978.90
Less: Cash and cash equivalent held by subsidiary at the date of losing control	260,047,513.08
Wherein:	--
Shunrong Auto Parts	232,034,091.47
Wuji Entertainment Games Co., Ltd.	28,013,421.61
Wherein:	--
Net cash received for the disposal of subsidiaries	160,122,465.82

Other notes:

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None

(4) Constitution of cash and cash equivalent

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,515,740,344.79	1,580,910,931.98
Wherein: Cash on hand	29,585.32	59,238.53
Bank deposit available for payment at any time	1,509,544,157.41	1,573,326,143.60
Other monetary fund available for payment at any time	6,166,602.06	7,525,549.85
III. Balance of cash and cash equivalents at the end of period	1,515,740,344.79	1,580,910,931.98

Other notes:

The ending balance of cash and cash equivalents in 2018 annual cash flow statement was RMB 1,515,740,344.79. The ending balance of monetary funds on the balance sheet as of December 31st, 2018 was RMB 1,532,965,200.05. The difference of RMB 17,224,855.25 was the guarantee and frozen fund not meeting the cash and cash equivalent standard.

51. Assets with limited ownership or right of use

Unit: RMB

Item	Carrying value at the end of the period	Reason for restriction
Monetary fund	17,224,855.26	RMB 12,925,183.70 was the frozen fund in bank account, and RMB 4,299,671.56 was the guarantee
Other non-current assets	799,637,688.54	Borrowing of the Company's subsidiaries with the office building corresponding to the prepaid purchase price as the mortgage
Total	816,862,543.80	--

Other notes:

None

52. Foreign currency monetary items

(1) Monetary items in foreign currency

Unit: RMB

Item	Balance of foreign currency at the end of period	Exchange rate	Balance in RMB at the end of period
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Monetary fund	--	--	
Wherein: USD	58,717,072.67	6.8632	402,987,013.15
EUR	79,895.03	7.8741	629,101.46
HKD	2,248,414.35	0.8764	1,970,510.34
KRW	425,522,955.00	0.0061	2,595,690.03
NT	7,799,117.00	0.2244	1,750,121.85
JPY	1,131,161.00	0.0625	70,697.56
THB	1,856,586.38	0.2128	395,081.58
Accounts receivable	--	--	
Wherein: USD	15,479,578.51	6.8632	106,239,443.23
EUR	16,672.53	7.8741	131,281.17
HKD	38,880,089.32	0.8764	34,074,510.28
PHP	18,676,829.00	0.1311	2,448,532.28
RM	5,419,450.42	1.6609	9,001,165.20
THB	64,283,102.33	0.2128	13,679,444.18
TRY	206,472.59	1.2978	267,960.13
IDR (Indonesian Rupiah)	6,246,489,120.87	0.0005	3,123,244.56
VND	32,192,102,114.71	0.0003	9,657,630.63
KRW	783,163,539.00	0.0061	4,777,297.59
AUD	826,855.17	4.8310	3,994,537.33
JPY	408,755,016.97	0.0625	25,547,188.56
GBP	414.65	8.7485	3,627.57
BRL	2,511.74	1.7680	4,440.76
PLN	437.93	1.8345	803.38
CAD	6.25	5.0300	31.44
SGD	375,691.38	5.0376	1,892,582.90
INR	9,315.00	0.0988	920.32
SEK	72.80	0.7680	55.91
RUB	9,532.32	0.0981	935.12
Other receivables			
Wherein: USD	640,000.00	6.8632	4,392,448.00
NT	68,500.00	0.2244	15,371.40
Accounts payable			

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Wherein: NT	116,384,895.97	0.2244	26,116,770.66
USD	20,061,742.56	6.8632	137,687,751.54
EUR	7,984.30	7.8741	62,869.18
THB	28,007.57	0.2128	5,960.01
VND	4,676,607,625.40	0.0003	1,402,982.29
HKD	29,385.09	0.8764	25,753.09
JPY	1,061,811.00	0.0625	66,363.19

Other notes:

(2) Notes to overseas operational entities, including disclosures of overseas principal places of business, functional currencies and the basis of choosing the currency of important overseas operational entities, as well as the reasons for the change in functional currencies (if any).

☒Applicable ☐Not Applicable

The Company's wholly-owned subsidiary Vogue Entertainment International and its six subsidiaries, G-MEI Network, Wisdom Entertainment International, Wisdom Game International, Top Increase, 37 Games Company, 37 Games Entertainment Limited (hereinafter referred to as "Vogue Entertainment International") and Easy Gaming, Inc. are mainly engaged in overseas business. Taking USD as the bookkeeping base currency can better reflect the actual situation of Vogue Entertainment International and Easy Gaming, Inc. The Company carefully considers and combines existing financial settlement conditions and future. To more accurately reflect the information of Vogue Entertainment International and Easy Gaming, Inc., the bookkeeping currency was changed from RMB to USD from January 1st, 2018. This bookkeeping currency change is accounted for using the future applicable method.

53. Government subsidies

(1) Basic information on government subsidies

Unit: RMB

Type	Amount	Presented item	Amount included in current profits and losses
Governmental subsidy related to assets	681,000.00	Deferred income	
Government Subsidy Related to Income	96,692,033.09	Other profits	96,692,033.09

(2) Return of government subsidies

☐Applicable ☒Not Applicable

Other notes:

None

III. Consolidation scope change

1. Business combinations not under the same control

(1) Business combination not under common control in current period

Unit: RMB

Name of acquiree	Time point of stock control	Equity control cost	Share ratio	Stock controlling mode	Purchasing date	Confirmation basis on purchase day	Revenue of Acquiree from purchase date to the end of term	Net profit of Acquiree from purchase date to the end of term
Huai'an Sanqi	November 30th, 2018	155,215,923.89	60.30%	Cash purchase	November 30th, 2018	2018.11.30 actual handover date		4,769,618.99

Other notes:

Pursuant to the Priority Limited Partnership Share Transfer Agreement signed between the Company and China Resources SZITIC Trust Co., Ltd. in November 2018, the follow-up supplementary agreement, and the purchase agreement signed with Guangdong Yijian Investment Co., Ltd, the Company acquired 60.30% equity of Huai'an Sanqi in cash. For the transaction price of the assets to be purchased, refer to the book value of the identifiable net assets at the purchasing date as stipulated in the Priority Limited Partnership Share Transfer Agreement and the follow-up supplementary agreement, and the transaction price was RMB 155,215,923.89.

The Company originally held 39.70% equity of Huai'an Sanqi, and became a wholly-owned subsidiary of the Company after acquisition of 60.30% in cash.

(2) Merger cost and goodwill

Unit: RMB

Combination cost	Huai'an Sanqi
- Cash	155,215,923.89
- Fair value on the acquisition date of the equities held before the acquisition date	98,626,954.68
Total merger cost	253,842,878.57
Less: Proportion of fair value of identifiable net assets acquired	253,842,878.57
Amount of goodwill/ merger cost which is less than the definable net assets fair proportion	0.00

Recognition method for fair value on the combined costs and description of contingent consideration and its change:

For the transaction price of the assets to be purchased, refer to the book value of the identifiable net assets at the purchasing date as stipulated in the Priority Limited Partnership Share Transfer Agreement and the follow-up supplementary agreement, and it was determined by the parties to this restructuring transaction to be RMB 155,215,923.89.

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The main reasons for the large goodwill:

Not applicable

Other notes:

None

(3) Identifiable assets and liabilities of acquiree on the acquisition date

Unit: RMB

	Huai'an Sanqi	
	Fair value on purchase day	Book value on purchase day
Monetary fund	140,937.70	140,937.70
Receivables	25,875,923.89	25,875,923.89
Long-term equity investments	229,185,274.20	229,185,274.20
Accounts payable	1,359,257.22	1,359,257.22
Net asset	253,842,878.57	253,842,878.57
Net asset acquired	253,842,878.57	253,842,878.57

Recognition method for identifiable assets and fair value:

Determined by book value.

Contingent liabilities of the acquiree assumed in business combination:

None

Other notes:

None

2. Disposal of subsidiaries

Whether there are cases where the control over investment in subsidiary is lost in single disposal

☐ Yes ☒ No

Unit: RMB

Name of subsidiary	Disposal price of equity	Ratio of disposal equity (%)	Disposal method of equity	Time point of losing control	Determination basis of time point of losing control	Difference of enjoyed net asset share of the subsidiary between consolidated financial statements corresponding to disposal price and investment	Proportion of remaining equity on the date of losing control	Carrying value of remaining equity on the date of losing control	Fair value of remaining equity on the date of losing control	Profits or losses attributing to remaining equity re-measured by fair values	Recognition methods and main assumption for fair value of remaining equity on the date of losing control	Amount of other comprehensive income, related to equity investment of original subsidiary, carried forward to the profit and loss on investments
Shunrong Auto Parts	819,000,000.00	100.00%	Right offering	November 30th, 2018	The equity transfer procedure was completed	6,470,484.05					-	
Wuji Entertainment Games Co., Ltd.	6,935,700.00	40.74%	Right offering	December 31st, 2018	The equity transfer procedure was completed	-1,117,205.48	14.16%	1,533,960.59	2,583,703.75	1,049,743.16	Equity transaction price	

Other notes:

None

Whether there are cases where investment in subsidiary is disposed step by step through multiple transactions and the control is lost in the current period

☐ Yes ☒ No

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3. Merger scope change for other reasons

Notes to changes in scope of combination due to other reasons (e.g., establishment of new subsidiaries, liquidation of subsidiaries, etc.) and their related circumstances:

Company name	Cause of changes	Establishment/Change date
Anhui Wanhu	Newly-established	March 1st, 2018
Zhuhai Miaohu	Newly-established	April 26th, 2018
Zhuhai Shangjie	Newly-established	April 26th, 2018
Khorgas Mopeng	Newly-established	May 29th, 2018
Ningbo Langkun	Newly-established	July 26th, 2018
Shanghai Jiakun	Newly-established	July 17th, 2018
Guangzhou Sanqi Culture & Entertainment	Newly-established	August 9th, 2018
Anhui Zhusheng	Newly-established	October 11 th , 2018
37Games.Japan Co., Ltd.	Newly-established	December 17th, 2018
Guangzhou Jisheng	Write-off	March 23rd, 2018
Guangzhou Jishi	Write-off	May 24th, 2018

IV. Rights and interests in other parties

1. Rights and interests in subsidiary

(1) Organization of enterprise group

Name of subsidiary	Principal place of business	Registered address	Business nature	Shareholding ratio		Acquisition method
				Directly	Indirectly	
Level 1 subsidiary						
Shanghai Sanqi Interactive Entertainment	Guangzhou	Shanghai	Software	100.00%		Business combination not under common control
Tibet Xintai	Tibet	Tibet	Investment	100.00%		Establishment
Guangzhou Sanqi Culture & Entertainment	Guangzhou	Guangzhou	Software	100.00%		Establishment
Level 2 subsidiary						
Shanghai Yingtong	Guangzhou	Shanghai	Software		100.00%	Business combination not under common control
Anhui Vogue Entertainment	Guangzhou	Wuhu	Software		100.00%	Business combination not under common control
Guangzhou Sanqi	Guangzhou	Guangzhou	Software		80.00%	Business combination not under common control
Vogue Entertainment International	British Virgin Islands	British Virgin Islands	Software		100.00%	Business combination not under common control
Jiangsu Aurora	Guangzhou	Huai'an	Software	20.00%	80.00%	Business combination not under common control
Guangzhou Xingzhong	Guangzhou	Guangzhou	Software		100.00%	Business combination not under common control
Shanghai Guanhang	Guangzhou	Shanghai	Software		100.00%	Business combination not under common control
Anhui Jiashang	Guangzhou	Wuhu	Software		100.00%	Business combination not under common control
Easy Gaming, Inc.	United States	United States	Software		100.00%	Business combination not under common control

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Khorgas Sanqi	Xinjiang	Xinjiang	Investment		100.00%	Establishment
Level 3 subsidiary						
Shanghai Zhiren	Guangzhou	Shanghai	Software		100.00%	Business combination not under common control
Zhuhai Shangjie	Zhuhai	Zhuhai	Software		100.00%	Establishment
G-MEI Network	Taiwan	British Virgin Islands	Software		100.00%	Business combination not under common control
Top Increase	British Virgin Islands	British Virgin Islands	Software		100.00%	Business combination not under common control
Shanghai Mobile Game	Guangzhou	Shanghai	Software		80.00%	Business combination not under common control
Chengdu Shengge Times Network Technology Co., Ltd.	Chengdu	Chengdu	Software		80.00%	Business combination not under common control
Beijing Shangheng	Guangzhou	Beijing	Software		80.00%	Business combination not under common control
Jiangsu Jiaqu	Guangzhou	Huai'an	Software		80.00%	Business combination not under common control
Guangzhou Huoshanhu	Guangzhou	Guangzhou	Software		80.00%	Establishment
Anhui Sanqi	Guangzhou	Wuhu	Software		80.00%	Establishment
Anhui Wanhu	Guangzhou	Wuhu	Software		80.00%	Establishment
Zhuhai Miaohu	Zhuhai	Zhuhai	Software		80.00%	Establishment
Guangzhou Sanqi Interactive Entertainment	Guangzhou	Guangzhou	Software		100.00%	Establishment
Anhui Aurora	Guangzhou	Wuhu	Software		100.00%	Establishment
Guangzhou Jisheng	Guangzhou	Guangzhou	Software		100.00%	Establishment
Anhui Xuhong	Guangzhou	Wuhu	Advertising		100.00%	Establishment
Anhui Guanyu	Guangzhou	Wuhu	Advertising		100.00%	Business combination not under common control
Anhui Zhusheng	Guangzhou	Wuhu	Software		100.00%	Establishment

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Level 4 subsidiary						
Tibet Taifu	Tibet	Tibet	Software		100.00%	Business combination not under common control
Khorgas Xinghui	Xinjiang	Xinjiang	Software and Information Technology Service		100.00%	Establishment
Jiangsu Zhiming	Guangzhou	Huai'an	Software	49.00%	51.00%	Business combination not under common control
37Games Entertainment Co., Ltd.	Hong Kong	Hong Kong	Software		100.00%	Business combination not under common control
Wisdom Game International	British Virgin Islands	British Virgin Islands	Software		100.00%	Business combination not under common control
Wisdom Entertainment International	Hong Kong	Hong Kong	Software		100.00%	Business combination not under common control
37 Games Company	South Korea	South Korea	Software		100.00%	Business combination not under common control
Khorgas Xinrui	Xinjiang	Xinjiang	Software and Information Technology Service		80.00%	Establishment
Level 5 subsidiary						
Tibet Yaotong	Guangzhou	Tibet	Software		100.00%	Establishment
Tibet Shengge	Guangzhou	Tibet	Software		100.00%	Establishment
Shanghai Mokun	Shanghai	Shanghai	Software		100.00%	Combination not under the same control
Huai'an Sanqi	Huai'an	Huai'an	Business services industry		100.00%	Business combination not under common control
Khorgas Qianyu	Xinjiang	Xinjiang	Software and Information Technology Service		100.00%	Establishment
37Games.Japan Co., Ltd.	Japan	Japan	Software		100.00%	Establishment

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Level 6 subsidiary						
Shanghai Langkun	Shanghai	Shanghai	Software		76.50%	Business combination not under common control
Shanghai Miji	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Shanghai Kunkun	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Shanghai Aojue	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Khorgas Mopeng	Xinjiang	Xinjiang	Software		100.00%	Establishment
Level 7 subsidiary						
Khorgas Jiaji	Xinjiang	Xinjiang	Software		76.50%	Business combination not under common control
Shanghai Jiakun	Shanghai	Shanghai	Software		76.50%	Establishment
Ningbo Langkun	Xinjiang	Xinjiang	Software		76.50%	Establishment

The shareholding ratio in the subsidiary is different from the percentage of the voting rights:

Not applicable

Basis for a company to control the invested organization with half or less than half of voting rights and a company not to control the invested organization with more than half of voting rights:

Not applicable

For important structured entities that are included in the scope of consolidation, the basis for control:

Not applicable

Basis for determining whether the company is an agent or a client:

Not applicable

Other notes:

None

(2) Key no-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding ratio of	Profit and loss belonging to minority	Dividend declared to be distributed to minority	Balance of minority equity at the end of period
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	minority shareholders	shareholder of the current period	shareholder of the current period	
Guangzhou Sanqi	20.00%	133,337,736.30	90,000,000.00	147,368,592.82

Notes to shareholding ratio of minority shareholders of subsidiaries which is different from the percentage of the voting rights:

Not applicable

Other notes:

None

(3) Main financial information of key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangzhou Sanqi	2,156,907,783.27	127,801,334.17	2,284,709,117.44	1,516,725,501.90	31,140,651.44	1,547,866,153.34	1,043,430,956.42	115,896,348.84	1,159,327,305.26	531,531,578.14	34,416,645.44	565,948,223.58

Unit: RMB

Name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating incomes	Net profit	Total consolidated income	Cash flows from operating activities	Operating income	Net profit	Total consolidated income	Cash flows from operating activities
Guangzhou Sanqi	3,593,993,326.91	666,688,681.51	666,688,681.51	1,464,777,160.65	2,098,517,906.50	470,530,214.76	470,530,214.76	863,880,248.47

Other notes:

None

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2. Change of owner's equity share in subsidiaries and the business of subsidiaries still under control

(1) Notes on change of owner's equity share in subsidiaries

Name of subsidiary	Change time	Shareholding ratio before change	Shareholding ratio after change
Jiangsu Aurora	February 2018	80.00%	100.00%
Guangzhou Huoshanhu	June 2018	85.00%	80.00%
Anhui Sanqi	June 2018	100.00%	80.00%

(2) Effect of the transaction on minority interests and attributable to owners' equity of the parent company

Unit: RMB

	Jiangsu Aurora	Anhui Sanqi	Guangzhou Huoshanhu
- Cash	1,400,000,000.00		150,000.00
Total of purchase cost/ disposal consideration	1,400,000,000.00		150,000.00
Less: Subsidiaries' share of net assets calculated based on share of equity received/disposed.	151,879,433.66	-5,028,053.57	-1,756,284.13
Balance	1,248,120,566.34	5,028,053.57	1,906,284.13
Wherein: Capital reserves adjustment	1,248,120,566.34	5,028,053.57	1,906,284.13

Other notes

(1) In the current year, the Company acquired 20% equity of Jiangsu Aurora from Hu Yuhang by paying cash of RMB 1.4 billion, and completed the procedures for industrial and commercial change on February 7th, 2018. According to the Evaluation Report on the Shareholders' Equity Assets of Jiangsu Aurora Network Technology Co., Ltd. Involved in the Equities Acquisition by Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. (L.X.(Z.)P.B.Z. [2017] No. A0553) issued by Guangdong Union Trust Evaluation Co., Ltd., the assessed value of Jiangsu Aurora's total shareholders' equity was RMB 7,004,652,200, and the consideration price agreed by the parties to the transaction was RMV 1.4 billion.

(2) In June 2018, the Company acquired 15% of Guangzhou Huoshanhu's equity from Wang Ziqiang by paying cash of RMB 150,000.00, and completed the procedures for industrial and commercial changes on July 18th, 2018.

In June 2018, the Company transferred 100% equity of Guangzhou Huoshanhu and Anhui Sanqi to Guangzhou Sanqi Network Technology Co., Ltd., one of its holding subsidiaries. After the transfer, the Company indirectly held 80% equity of Guangzhou Huoshanhu Information Technology Co., Ltd. and Anhui Sanqi Network Technology Co., Ltd. Guangzhou Huoshanhu Information Technology Co., Ltd. completed the procedures for industrial and commercial changes on July 18th, 2018, and Anhui Sanqi Network Technology Co., Ltd. completed the procedures for industrial and commercial changes on August 3rd, 2018.

3. Equity in jointly operated arrangements or joint ventures

(1) Key joint ventures or associates

Names of joint ventures or associated enterprises	Principal place of business	Registered address	Business nature	Shareholding ratio		Accounting treatment methods of joint ventures or associated enterprises
				Directly	Indirectly	
Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership)	Yangzhou	Yangzhou	Investment		25.46%	Equity method
Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Xiamen	Xiamen	Investment		31.75%	Equity method
Shanghai Fenghua Qiushi Culture Media Co., Ltd.	Shanghai	Shanghai	Investment		20.00%	Equity method
New Cues (Beijing) Television Investment Co., Ltd.	Beijing	Beijing	Investment		20.00%	Equity method

The shareholding ratio in the joint ventures or associates is different from the percentage of the voting rights:

Not applicable

Evidence of voting right below 20% but significant, or voting right over 20% but not significant:

Not applicable

(2) Main financial information on key associated enterprises

Unit: RMB

	Ending balance/Amount incurred in the current period				Opening balance/Amount incurred in previous period		
	Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership)	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Shanghai Fenghua Qiushi Culture Media Co., Ltd.	New Cues (Beijing) Television Investment Co., Ltd.	Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership)	Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership)	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)
Current assets	59,887,123.89	96,865,384.60	88,732,285.69	174,005,448.14	72,887,128.32	2,530,160.27	116,887,443.92
Non-current assets	139,000,000.00	26,500,000.00	41,926,172.74	17,240,844.95	37,750,000.00	233,574,085.99	9,300,000.00
Total assets	198,887,123.89	123,365,384.60	130,658,458.43	191,246,293.09	110,637,128.32	236,104,246.26	126,187,443.92
Current liabilities			35,247,574.35	142,418,605.58			4,465,358.22
Total liabilities			35,247,574.35	142,418,605.58			4,465,358.22
Total shareholders' equity attributed to parent company	198,887,123.89	123,365,384.60	95,410,884.08	48,827,687.51	110,637,128.32	236,104,246.26	121,722,085.70
Share of net assets calculated at shareholding ratio	48,136,104.35	39,163,509.62	19,082,176.82	9,765,537.50	50,000,000.00	101,677,840.80	38,646,762.21
- Goodwill			113,596,170.58	91,519,923.84			
Book value of equity investment on associates	48,136,104.35	39,163,509.62	132,678,347.40	101,285,461.34	50,000,000.00	101,677,840.80	38,646,762.21
Operating income			22,850,573.32	9,309,366.03			
Net profit	-7,680,004.43	1,628,080.84	17,073,944.37	5,994,031.50	137,128.32	11,067,234.25	-4,262,166.26
Total consolidated income	-7,680,004.43	1,628,080.84	17,073,944.37	5,994,031.50	137,128.32	11,067,234.25	-4,262,166.26

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Dividend from associated enterprises received in the current year							8,769,681.68
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Other notes

None

(3) Financial information summary on less important joint ventures and associated enterprises

Unit: RMB

	Ending balance/Amount incurred in the current period	Opening balance/Amount incurred in previous period
Joint ventures:	--	--
Totals of the following items calculated as per respective shareholding proportion	--	--
Affiliated enterprises:	--	--
Total investment book value	229,338,591.28	186,648,229.07
Totals of the following items calculated as per respective shareholding proportion	--	--
- Net profit	4,099,680.58	-10,183,932.08
- Total consolidated income	4,099,680.58	-10,183,932.08

Other notes

Except for Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership), Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership), Shanghai Fenghua Qishi Culture Media Co., Ltd. and New Cues (Beijing) Television Investment Co., Ltd., other associates are of slight importance.

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(4) Excess deficit in joint ventures or associated enterprises

Unit: RMB

Names of joint ventures or associated enterprises	Accumulated unconfirmed losses recognized in the previous period	Unconfirmed loss of the current period (or shared net profits of the current period)	Accumulated unconfirmed loss at the end of the period
Longzhang Animation (Shanghai) Co., Ltd.	-5,201,916.08	-2,704,711.45	-7,906,627.53

Other notes

None

V. Risk associated with financial instruments

The target of risk management by the Group is to balance risk and profit, and minimize the negative influence of risk on the Company's operation performance, and maximize the profit of shareholder and other equity investors. Base on this risk management target, the fundamental strategy of the Company's risk management is to identify and analyze various risks in the Company, establish appropriate risk tolerance baseline, manage risks, and to supervise all risks promptly and reliably so as to control risk in limited scope.

The various risks related to financial instruments Company faces in its daily activities mainly include credit risk, liquidity risk and market risk. The policy that has been examined and authorized by the management to manage the risks is summarized as follows.

(I) Risks of credit

Credit risk refers to the possibility of financial loss borne by one party caused by the failure to performance obligation by another party of the financial instrument.

The Company's credit risk is mainly derived from bank deposits and receivables. To control the above-mentioned relevant risks, the Company adopts the following measures.

1. Bank deposit

The Company deposits bank deposits in financial institutions with higher credit ratings, so its credit risk is lower.

2. Receivables

The Company regularly conducts credit evaluations for customers who use credit-based transactions. Based on the results of the credit evaluation, the Company chooses to conduct transactions with recognized customers of good credit, and monitors the balance of its receivables to avoid significant risks of bad debts.

As the Company's risk points of accounts receivable are distributed among multiple partners and customers, as of December 31st, 2018, 61.82% of the Company's accounts receivable (December 31st, 2017: 51.36%) was from the top five balance customers. The company does not have significant credit concentration risks.

(II) Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the Company is required to settle its obligations in the form of cash or other financial assets. The liquidity risk may result from the inability to sell financial assets at fair value as soon as possible; or from the inability of the other party to repay their contractual debts; or from debts that are due in advance; or from the inability to generate expected cash flows.

The Company's current financial assets can meet working capital needs and capital expenditures, so it does not assume significant liquidity risks.

(III) Market risk

Market risk refers to the possibility of fluctuation in the fair value of financial instruments or future cash flow caused by market price change. Market risk includes interest rate risk and foreign exchange risk.

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1. Interest rate risk

Interest rate risk refers to the possibility of fluctuation in the fair value of financial instruments/future cash flow caused by market interest rate change. The Company does not have the risk of changes in market interest rates.

2. Foreign currency risk

Exchange rate risk refers to the possibility of fluctuation of the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. The exchange rate risk of the company mainly related to monetary assets and debts of foreign currency.

The main business place of the Company is in Mainland China and the main activities is calculated in RMB. Therefore, the market risk of foreign exchange changes tolerated by the Company is not significant.

The ending foreign currency monetary assets and liabilities of the Company can be found in the description of foreign currency monetary items under Item Notes to Consolidated Financial Statement in the notes to the financial statements.

VI. Disclosure of fair value

1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Ending fair value			
	Level I measurement of fair value	Level II measurement of fair value	Level III measurement of fair value	Total
I. Continuous fair value measurements	--	--	--	--
(II) Available-for-sale financial assets	71,141,826.11			71,141,826.11
(2) Equity instrument investment	71,141,826.11			71,141,826.11
II. Non-continuous measurement of fair value	--	--	--	--
(I) Assets held-for-sale	7,536,816.46			7,536,816.46

2. Determining basis for the market price of continuous and non-continuous first-level fair value-measured project

The fair value of available-for-sale financial assets and hold-for-sale is determined based on the open market value.

VII. Related parties and related transaction

1. Information of the Company's parent company

Name of parent company	Registered address	Business nature	Registered capital	Shareholding ratio of the parent company against the Company	Percentage of the Company's vote rights held by the parent company
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Description of the information of the Company's parent company

Final controllers of the Company are Wu Xushun, Wu Weihong and Wu Weidong.

Other notes:

Actual controller of the Company

Name of affiliated parties	Percent of stocks of the Company (%)	The percent of voting share of the Company (%)
Wu Xushun	7.89	7.89
Wu Weihong	6.99	6.99
Wu Weidong	6.16	6.16

Wu Xushun is in father-daughter relation with Wu Weihong, and father-son relation with Wu Weidong. The above three shareholders held a total of 21.04% of the Company's shares.

2. Information of the Company's subsidiaries

Details of the subsidiaries of the company are shown in Note IX: Rights and Interests in Other Bodies.

3. Affiliates and joint ventures of the Company

For the important joint ventures or affiliated enterprises of the Company, please refer to Notes IX: Rights and Interests in Other Entities.

Details on other joint ventures or associated enterprises with balance from related party transactions with the Company this period or earlier are as follows:

Names of joint ventures or associated enterprises	Relation with the Company
Shenzhen Yiwan Network Technology Co., Ltd.	An associated enterprise of the Company
Chengdu Pengwan Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Tingting Network Technology Co., Ltd.	An associated enterprise of the Company
Chengdu Mofei Technology Co., Ltd.	An associated enterprise of the Company
Longzhang Animation (Shanghai) Co., Ltd.	An associated enterprise of the Company
Chengdu Modu Technology Co., Ltd.	An associated enterprise of the Company
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	An associated enterprise of the Company
Longzhang Network Technology (Shanghai) Co., Ltd.	An associated enterprise of the Company
Shaoxing Shangyu Zhangyu Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Yuhouyi Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Fuhai Sanqi Investment Management Co., Ltd.	An associated enterprise of the Company
Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	An associated enterprise of the Company
Jiangsu Yezi Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Aoting Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Aurora Network Technology Co., Ltd.	An associate of the Company before March 31st, 2017
Shanghai Mokun	An associate of the Company before May 31st, 2017, and a subsidiary of

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	the Company after May 31st, 2017.
Huai'an Sanqi	An associate of the Company before November 30th, 2018, and a subsidiary of the Company after November 30th, 2018.

Other notes

1. The Company disposed of the joint venture Shanghai Aurora Network Technology Co., Ltd. on March 31st, 2017, and disclosed amount of the related party transaction with it in the previous period from January to March 2017.
2. The Company completed the overall acquisition of Shanghai Mokun on May 31st, 2017, and disclosed amount of the related party transaction with it in the previous period from January to May 2017.

4. Other affiliated parties

Names of other related parties	Relationship between other affiliated parties and the Company
Shenzhen Mokylin Technology Co., Ltd.	A related person for the past 12 months ended January 31st, 2018, (Vice Chairman and General Manager of the Company and a director of this company)
Beijing Colorful Game Technology Co., Ltd.	A related person (Deputy General Manager of the Company and a director of this company)
Shenzhen QiFun Network Corp. Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Guangzhou Joyegame Software Co., Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Chengdu 91ACT Technology Company	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Xiamen Huoyou Information Technology Co., Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Shanghai Zhangmeng Network Technology Co., Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
YHKT Entertainment Co., Ltd.	A related person (a director and Deputy General Manager of the Company, and a director of this company)
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	A company under of the controlling shareholders before November 13th, 2018
Li Weiwei	Natural person who holds more than 5% of the shares of a listed company, Vice Chairman and General Manager
Zeng Kaitian	Natural person who holds more than 5% of the shares of a listed company

Other notes

Vice Chairman and General Manager of the Company, and a director of Shenzhen Mokylin Technology Co., Ltd. before January 31st, 2017, that is, a related person of this company for the past 12 months ended January 31st, 2018. During the reporting period, the related party transaction with it disclosed was the amount incurred in January 2018.

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5. Status of associated transaction

(1) Associated transaction regarding trade of goods and labor services

Profile on purchasing products and obtaining labor services

Unit: RMB

Related party	Details of transaction between related parties	Amount incurred in the current period	Approved transaction amount	Whether it exceeds the transaction amount	Amount incurred in the previous period
Shenzhen Yiwan Network Technology Co., Ltd.	Shared revenue from games, copyright money purchasing and commissioned R&D fees	194,977.48	400,000.00	No	212,164.40
Chengdu Pengwan Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	6,482,280.85	40,127,600.00	No	26,751,740.93
Shanghai Aurora Network Technology Co., Ltd.	Shared revenue from games, copyright money purchasing			No	11,932,597.82
Shanghai Tingting Network Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	300,592.09	300,400.00	Yes	7,495,417.36
Shenzhen Mokylin Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	155,553.92	500,000.00	No	5,490,077.96
Shanghai Mokun	Shared revenue from games, copyright money purchasing			No	1,051,125.60
Chengdu Mofei Technology Co., Ltd.	Shared revenue from games, copyright money purchasing	36,644,866.42	38,500,000.00	No	157,157.40
Beijing Colorful Game Technology Co., Ltd.	Shared revenue from games	674,552.81	5,715,000.00	No	952,493.00
Shenzhen QiFun Network Corp. Ltd.	Shared revenue from games, copyright money purchasing	45,803.04	10,000,000.00	No	121,757.67

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Guangzhou Joyegame Software Co., Ltd.	Shared revenue from games and commissioned R&D fees			No	8,279.46
Chengdu 91ACT Technology Company	Shared revenue from games		10,000,000.00	No	255,657.80
Longzhang Animation (Shanghai) Co., Ltd.	Shared revenue from games, copyright money purchasing	6,202,792.26	49,700,000.00	No	514,216.26
Xiamen Huoyou Information Technology Co., Ltd.	Shared revenue from games	432,497.68	500,000.00	No	
Shanghai Zhangmeng Network Technology Co., Ltd.	Shared revenue from games	433,686.77		Yes	
Chengdu Modu Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	1,794,731.88	6,000,000.00	No	
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	Shared revenue from games	2,707,232.67	2,000,000.00	Yes	
Longzhang Network Technology (Shanghai) Co., Ltd.	Commissioned R&D expense	546,721.82		Yes	
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	Shared revenue from games and fees for new product design	895,684.27	6,342,800.00	No	4,228,519.65
Shaoxing Shangyu Zhangyu Network Technology Co., Ltd.	Shared revenue from games	76,623.87	112,000,000.00	No	

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Shanghai Aoting Network Technology Co., Ltd.	Shared revenue from games			No	38,453.71
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Profile on selling products/providing labor services

Unit: RMB

Related party	Details of transaction between related parties	Amount incurred in the current period	Amount incurred in the previous period
Shanghai Yuhouyi Network Technology Co., Ltd.	Software operating income	18,624,476.80	5,545,397.18
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	Software operating income	20,037.16	840,274.48
Shenzhen Mokylin Technology Co., Ltd.	Income from evaluation service, technical service fees		473,057.78
Beijing Colorful Game Technology Co., Ltd.	Software operating income	5,557.51	12,466.87
Shanghai Fuhai Sanqi Investment Management Co., Ltd.	Service consultation income	1,870,000.00	

Note to related party transactions for the purchase and sale of goods, provision and acceptance of labor services

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(2) Affiliated-party guarantee

The company acts as the guarantor

Unit: RMB

The guaranteed	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
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The company acts as the guaranteed

Unit: RMB

Guarantor	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
Li Weiwei, Zeng Kaitian	210,000,000.00	May 23rd, 2017	May 22nd, 2018	Yes
Li Weiwei, Zeng Kaitian	90,000,000.00	May 24th, 2017	May 22nd, 2018	Yes
Li Weiwei, Zeng Kaitian	69,000,000.00	June 9th, 2017	June 8th, 2018	Yes
Li Weiwei, Zeng Kaitian	80,000,000.00	January 30th, 2018	November 16th, 2018	Yes
Li Weiwei, Zeng Kaitian	200,000,000.00	February 28th, 2018	November 16th, 2018	Yes
Li Weiwei, Zeng Kaitian	210,000,000.00	June 22nd, 2018	June 21st, 2019	No
Li Weiwei, Zeng Kaitian	159,000,000.00	June 25th, 2018	June 21st, 2019	No

Status of associated guarantee

(3) Asset transfer and debt restructuring of affiliated party

Unit: RMB

Related party	Details of transaction between related parties	Amount incurred in the current period	Amount incurred in the previous period
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	Disposal of equity	819,000,000.00	

(4) Remuneration for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration for key management personnel	17,574,216.02	14,575,079.96

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6. Accounts receivable and payable by related parties

(1) Receivables

Unit: RMB

Project name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shanghai Yuhouyi Network Technology Co., Ltd.	2,091,604.00	104,580.20	5,473,326.88	273,666.34
Accounts receivable	Shanghai Mango Interactive Entertainment Technology Co., Ltd.			141,403.60	7,070.18
Accounts receivable	Beijing Colorful Game Technology Co., Ltd.	370.22	18.51	13,214.88	660.74
Prepayment	Chengdu Modu Technology Co., Ltd.			1,000,000.00	
Prepayment	Chengdu Mofei Technology Co., Ltd.	2,000,000.00		842,842.60	
Prepayment	Longzhang Animation (Shanghai) Co., Ltd.			14,485,783.74	
Prepayment	Longzhang Network Technology (Shanghai) Co., Ltd.	2,061,081.07		1,982,010.00	
Prepayment	Shenzhen QiFun Network Corp. Ltd.	2,264,856.00		1,978,994.10	
Prepayment	Chengdu 91ACT Technology Company			1,450,617.07	
Prepayment	Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	1,000,000.00			
Prepayment	Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	650,147.37			
Prepayment	Jiangsu Yezi Network Technology Co., Ltd.	3,000,000.00			
Prepayment	Shenzhen Yiwang Network Technology Co., Ltd.	2,193,140.33		1,757,963.61	

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Other receivables	Wuhu Ningzhong Auto Parts Technology Co., Ltd.	401,310,000.00			
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(2) Payables

Unit: RMB

Project name	Related party	Ending book value	Opening book balance
Accounts payable	Chengdu Mofei Technology Co., Ltd.	11,483,657.92	
Accounts payable	Chengdu Modu Technology Co., Ltd.	1,794,731.88	
Accounts payable	Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	175,699.90	
Accounts payable	Shanghai Zhangmeng Network Technology Co., Ltd.	1,941,996.00	
Accounts payable	Chengdu Pengwan Technology Co., Ltd.	311,961.83	11,622,401.24
Accounts payable	Guangzhou Joyegame Software Co., Ltd.		3,951.38
Accounts payable	Shenzhen Mokylin Technology Co., Ltd.		14,717,281.13
Accounts payable	Shaoxing Shangyu Zhangyu Network Technology Co., Ltd.	33,370.33	
Accounts payable	Shanghai Mango Interactive Entertainment Technology Co., Ltd.	490,418.65	346,198.97
Accounts payable	Beijing Colorful Game Technology Co., Ltd.	1,512,769.27	1,138,598.90
Accounts payable	Shanghai Aoting Network Technology Co., Ltd.	7,360.48	7,360.48
Accounts payable	Shanghai Tingting Network Technology Co., Ltd.	299,979.17	727,664.83
Accounts payable	Shenzhen Yiwan Network Technology Co., Ltd.	339,622.58	
Other payables	Chengdu Modu Technology Co., Ltd.		6,000,000.00
Other payables	Chengdu Mofei Technology Co., Ltd.		6,000,000.00
Other payables	Huai'an Sanqi		19,032,685.81
Other payables	YHKT Entertainment Co., Ltd.		2,000,000.00

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Other payables	Xiamen Huoyou Information Technology Co., Ltd.	5,000,000.00	
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VIII. Share-based payment

1. Overview of share payment

☐Applicable ☒Not Applicable

IX. Commitment and contingencies

1. Material commitments

The existence of material commitments at the balance sheet date

As of December 31st, 2018, the Company had no major commitments needed to be disclosed for normal production and business activities.

2. Contingencies

(1) The existence of material contingencies at the balance sheet date

As of December 31st, 2018, the Company had no major contingencies needed to be disclosed for normal production and business activities.

(2) The fact that the Company has no significant contingencies required to be disclosed should also be explained

The Company does not have material commitments or contingencies that need to be disclosed.

3. Others

X. Events after the Balance Sheet Date

1. Profit distribution

Unit: RMB

Proposed distributed profits or dividends	423,246,120.00
Profits or dividends that are approved to be issued after deliberation	423,246,120.00

2. Description of events after the balance sheet date

The Company held the 23rd meeting of the 4th Board of Directors on January 3rd, 2019 and the first Extraordinary General Meeting of 2019 on January 21st, 2019, at which the Plan for Repurchasing Shares of the Company by Centralized Competitive Bidding was reviewed and approved. The Company held the 24th meeting of the 4th Board of Directors on January 21st, 2019, at which the Proposal on Amending and Supplementing the “Plan for Repurchasing Shares of the Company by Centralized Competitive Bidding” was reviewed and approved. The Company intends to use its own funds or self-raised funds to concentrate buy back shares of the Company by centralized competitive bidding. The repurchase amount is not less than RMB 300 million (included) and not

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more than RMB 600 million (included), with the repurchase price not exceeding 15.00 yuan / share (included). The specific repurchase quantity is based on the number of shares actually repurchased at the end of the repurchase period. On April 11th, 2019, the Company repurchased shares through a stock repurchase special securities account for the first time by centralized competitive bidding. A total of 8,639,653 shares were repurchased, accounting for 0.41% of the Company's current total share capital, with highest price of 13.73 yuan / share and the lowest price of 13.13 yuan / share. The total amount paid was RMB 116,113,041.13 (excluding transaction costs). This repurchase was in line with the requirements of the Company's repurchase program.

On February 28th, 2019, the Company's wholly-owned subsidiary Tibet Taifu Culture Media Co., Ltd. (hereinafter referred to as "Tibet Taifu") and Beijing Zhaoxi Guangnian Information Technology Co., Ltd. (hereinafter referred to as "Zhaoxi Guangnian Company") signed the Equity Transfer Agreement of Shanghai Mokun Digital Technology Co., Ltd., under which it sold 100% equity of Shanghai Mokun Digital Technology Co., Ltd. held by Tibet Taifu to Zhaoxi Guangnian Company at a price of RMB 110 million. The procedures for the industrial and commercial change have been completed for this transaction.

On March 13th, 2019, the Company received a notice from Wu Xushun, one of the controlling shareholders and actual controllers of the Company. Wu Xushun subscribed offline the shares of Yinhu MSCI China A-Share Index Exchange-Traded Open-Ended Securities Investment Fund (hereinafter referred to as "Yinhu MSCI China ETF"), and directly purchased Yinhu MSCI China ETF shares with 21,200,000 shares, to subscribe for the fund share corresponding to the value of 21,200,000 shares. After the completion of the share swap, Wu Xushun's shareholding ratio decreased to 5.12%, so the total shareholding ratio of Wu Xushun, the original largest shareholder, and his persons acting in concert Wu Weihong and Wu Weidong (hereinafter referred to as "Wu Family") fell to 18.27%, resulting in a change in the Company's largest shareholder from Wu Family to Li Weiwei.

On April 8th, 2019, the Company held the 3rd Extraordinary General Meeting of 2019, at which the Proposal on Advancing the General Election of Non-independent Directors for the Fifth Board of Directors and the Proposal on Advancing the General Election of Independent Directors for the Fifth Board of Directors were reviewed and approved. The Company officially completed the general election of the Board of Directors, and the Fifth Board of Directors was formed. Li Weiwei, Yang Jun and Chen Xialin, who were recommended by Li Weiwei for non-independent directors, were elected. Candidates Ni Ning, Zhu Ning, Yin Bin and Chen Jianlin for independent directors were elected. Seven members of the Company's Fifth Board of Directors were recommended by Li Weiwei. Based on the above facts, the voting rights held by Li Weiwei have had a material influence on the resolution of the Company's 3rd Extraordinary General Meeting of 2019, and played a decisive role in electing more than half of the members of the Company's Board of Directors through this meeting, effectively controlling the majority of the new board of directors, that is owning the controlling right of a listed company as specified in provisions of the Listing Rules. After the reelection, Li Weiwei became the controlling shareholder and actual controller of the Company.

The Company held the 26th Meeting of the 4th Board of Directors on March 18th, 2019, at which the Proposal on Changing the Name of the Company was reviewed and approved. The Company plans to change its Chinese name from "芜湖顺荣三七互娱网络科技股份有限公司" to "芜湖三七互娱网络科技集团股份有限公司". (The final company name is subject to the approval of the Administration for Industry and Commerce).

XI. Other Important Events

1. Discontinued operation

Unit: RMB

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Item	Income	Fees	Total profit	Income taxes	Net profit	Discontinued operating profit attributable to the owner of parent company
Shunrong Auto Parts	385,219,167.92	386,251,651.91	443,643.42	-814,778.26	1,258,421.68	1,258,421.68

Other notes

The expenses are the operating costs, taxes and surcharges and current operating expenses for the January to November of the year.

2. Segment information

(1) Basis for determining reportable divisions and accounting policies

The Company determines the reporting segment based on internal organizational structure, management requirement and internal reporting system, and determines the reporting segment based on the industry segment. The performance of the auto parts business and the online game business were assessed separately. Each segment uses assets and liabilities separately.

(2) Financial information of reportable divisions

Unit: RMB

Item	Automotive Parts Business Division	Online Games Business Division	Offset among segments	Total
Operating income	385,219,167.92	7,247,460,500.55		7,632,679,668.47
Operating cost	285,491,515.41	1,487,131,978.05		1,772,623,493.46
Total assets		8,435,308,789.48		8,435,308,789.48
Total liabilities		2,282,059,377.06		2,282,059,377.06

3. Other significant transactions and events having influence on the investors' decisions

The Proposal on the Company's Phase II ESOP Plan (Draft) and Its Summary, the Proposal on the Management Rules of the Company's Phase II ESOP, and the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the Company's Phase II ESOP were reviewed and approved at the Company's 16th meeting of the 4th Board of Directors held on July 2nd, 2018 and the 2nd Extraordinary General Meeting of 2018 held on July 18th, 2018. On September 5th, 2018, the Company's Phase II ESOP has been transferred to the unlimited tradable shares of the Company held by the Company's actual controllers Wu Weihong and Wu Weidong through the block trading method, totaling 26,310,527 shares, accounting for 1.24% of the Company's total share capital. The total transaction amount is RMB 249,999,996.58 (including transaction costs), with the average transaction price being 9.50 yuan/share.

As of September 5th, 2018, the Company has completed the purchase of shares in the Phase II Employee Stock Ownership Plan within 6 months after reviewed and approved at the Company's General meeting of Shareholders. The shares purchased in this shareholding plan are locked in accordance with the regulations, and the lock-up period will be from September 6th, 2018 to September 5th, 2019.

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XII. Notes to Main Items of Financial Statements of Parent Company

1. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable	500,000,000.00	
Other receivables	891,766,571.39	1,655,547,345.04
Total	1,391,766,571.39	1,655,547,345.04

(1) Dividend receivable

1) Dividends receivable

Unit: RMB

Item (or invested organization)	Ending balance	Beginning balance
Shanghai Sanqi Interactive Entertainment	500,000,000.00	
Total	500,000,000.00	

(2) Other receivables

1) Classification of other receivables

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	891,798,933.09	100.00%	32,361.70	0.00%	891,766,571.39	1,668,884,090.50	100.00%	13,336,745.46	0.80%	1,655,547,345.04
Total	891,798,933.09	100.00%	32,361.70	0.00%	891,766,571.39	1,668,884,090.50	100.00%	13,336,745.46	0.80%	1,655,547,345.04

Other receivables of individual account with significant amount and with bad debt provision accrued at the end of current period:

☐Applicable ☒Not Applicable

Other receivable with provisions of bad debts accrued by aging analysis method in the portfolio:

☒Applicable ☐Not Applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Provision for bad debts	Accrual proportion
Items within 1 year			
Subtotal within 1 year	317,234.07	15,861.70	5.00%
1 - 2 year (s)	40,000.00	4,000.00	10.00%
2 - 3 years			30.00%
Over 3 years	25,000.00	12,500.00	50.00%

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3 - 4 years	25,000.00	12,500.00	50.00%
Total	382,234.07	32,361.70	

Description of basis for this portfolio determination:

Other receivables of same aging share similar characteristics of credit risk

Other receivables with bad debts provisions accrued by balance percentage method in the portfolio:

☐Applicable ☒Not Applicable

Other receivables with provisions of bad debts accrued by other methods in the portfolio:

☒Applicable ☐Not Applicable

The related accounts (including the controlling shareholder) within the scope of the consolidation have a lower credit risk, and the provision for bad debts of other receivables in the portfolio is 0%. The ending balance of other receivables in this portfolio is RMB 891,416,699.02, and the ending balance of bad debt provision is RMB 0.00.

2) Reserve of the bad debts that are accrued, withdrew and taken back in current period

The provision for bad debt accrued in this current period is RMB 0.00 and the provision for bad debts returned back or taken back in this current period is RMB 13,304,383.76.

Including important provision for bad debt transferred back or recovered in this period:

Unit: RMB

Organization name	Amount carried forward or recovered	Change the way of return
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3) Classification of other receivables based on the fund nature

Unit: RMB

Fund nature	Ending book value	Opening book balance
Deposits and guarantees	65,000.00	65,000.00
Amount of affiliated parties	490,106,699.02	1,402,274,181.21
Related parties borrowing		266,543,561.64
Equity disposal receivables	401,310,000.00	
Others	317,234.07	1,347.65
Total	891,798,933.09	1,668,884,090.50

4) Other accounts receivable in top five based on year-end balance collected from arrears party

Unit: RMB

Organization name	Fund nature	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	Equity disposal receivables	401,310,000.00	Within 1 year	45.00%	
Anhui Xuhong	Amount of affiliated parties	300,000,000.00	Within 1 year	33.64%	
Shanghai Sanqi Interactive Entertainment	Amount of affiliated parties	170,000,000.00	Within 1 year	19.06%	
Tibet Xintai	Amount of affiliated parties	20,100,000.00	Within 1 year	2.25%	
Zhangshu Wangzhong Investment Management Center (Limited Partnership)	Others	166,745.03	Within 1 year	0.02%	8,337.25
Total	--	891,576,745.03	--	99.97%	8,337.25

2. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to subsidiaries	6,374,799,990.80		6,374,799,990.80	5,724,695,055.23		5,724,695,055.23

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Investment into associated enterprises and joint ventures	27,593,699.69		27,593,699.69	29,729,869.92		29,729,869.92
Total	6,402,393,690.49		6,402,393,690.49	5,754,424,925.15		5,754,424,925.15

(1) Investment to subsidiaries

Unit: RMB

Invested company	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Estimated accrued impairment provision of current period	Ending balance of depreciation reserves
Shanghai Sanqi Interactive Entertainment	4,720,000,000.00			4,720,000,000.00		
Shunrong Auto Parts	749,895,064.43		749,895,064.43			
Jiangsu Zhiming	254,799,990.80			254,799,990.80		
Jiangsu Aurora		1,400,000,000.00		1,400,000,000.00		
Total	5,724,695,055.23	1,400,000,000.00	749,895,064.43	6,374,799,990.80		

(2) Investment into associates and joint ventures

Unit: RMB

Investment company	Beginning balance	Increase or decrease in this period								Ending balance	Ending balance of depreciation reserves
		Addi tiona l inves tmen ts	Negative investmen t	Profit and loss on investments confirmed with equity method	Other comprehe nsive income adjustme nt	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairmen t provision	Others		
I. Joint ventures											
II. Associates											
Shanghai Jueli Culture Media Co., Ltd.	29,729,869.92			-2,136,170.23						27,593,699.69	
Subtotal	29,729,869.92			-2,136,170.23						27,593,699.69	
Total	29,729,869.92			-2,136,170.23						27,593,699.69	

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

3. Operating incomes and operating costs

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business			751,646.53	31,646.53
Total			751,646.53	31,646.53

Other notes:

None

4. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by cost method	700,000,000.00	
Long-term equity investment income measured by equity method	-2,136,170.23	-1,555,025.80
Investment profits by the disposal of long-term equity investment	69,104,935.57	-295,279,968.69
Investment profit by marketable financial assets during the holding period		1,582,261.90
Investment profit by the disposal of marketable financial assets		1,000,000.00
Total	766,968,765.34	-294,252,732.59

XIII. Supplementary data

1. Incidental profit or loss statement in current period

☒ Applicable ☐ Not Applicable

Unit: RMB

Item	Amount	Description
Losses and profits on disposal of non-current assets	56,085,328.82	Mainly profit and loss from the disposal of long-term equity investment and fixed assets.
Government subsidy included in current profit or loss (except those closely related to enterprise operation and received based on consolidated national standard quota or quantitative)	38,851,289.40	Mainly government subsidy other than the refund of value-added tax.

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Funds occupation fees collected from non-financial enterprises and included in current profit or loss	17,307,831.49	Mainly interest income from borrowings.
Profit or loss of asset whose investment or management is entrusted to others	16,941,398.12	Mainly the income from bank's financial products.
Except effective hedging business relating to normal operating business of the company, profit or loss caused by change in the fair value of held-for-trading financial asset and financial liabilities, and investment profit for disposal of trading financial asset, trading financial liabilities and available-for-sales financial assets.	-9,740,417.35	Mainly the investment income from disposal of available-for-sale financial assets.
Other non-operating revenue and expenditure except the foregoing items	2,945,610.96	
Other items consistent with definition of non-recurring profit and loss	446,156,583.73	Mainly including performance compensation income (the Company's impairment loss accrued against the goodwill of Shanghai Mokun Company is RMB 959,833,685.66 and included in recurring profit and loss) and performance compensation expenses.
Less: Affected amount of income taxes	33,857,857.74	
Affected amount of minority interest income	1,095,547.63	
Total	533,594,219.80	--

As to non-recurring profits and losses determined based on the definition provided in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profit and Loss, and the recurring profits and losses determined from non-recurring profits and losses listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profit and Loss, reasoning shall be provided

☐Applicable ☒Not Applicable

2. Return on equity and earnings per share

Profits during reporting period	Weighted average rate of return on equity	Earnings per share	
		Basic earning per share (yuan/share)	Diluted earning per share (yuan/share)
Net profits attributable to the company common shareholders	16.59%	0.47	0.47
Net profits attributable to the company common shareholders after deducting non-recurring profits and losses	7.81%	0.22	0.22

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3. Data differences due to different accounting standards in China and the rest of the world

(1) Differences regarding net profits and net assets between financial statements disclosed by international standards and Chinese standards

☐Applicable ☒Not Applicable

(2) Differences regarding to net profits and net assets between financial statements disclosed by overseas standards and Chinese standards

☐Applicable ☒Not Applicable