



**Wuhu Shunrong Sanqi Interactive Entertainment Network**

**Technology Co., Ltd.**

**2017 Annual Report**

**April 2018**

## Section I Table of Contents and Definitions

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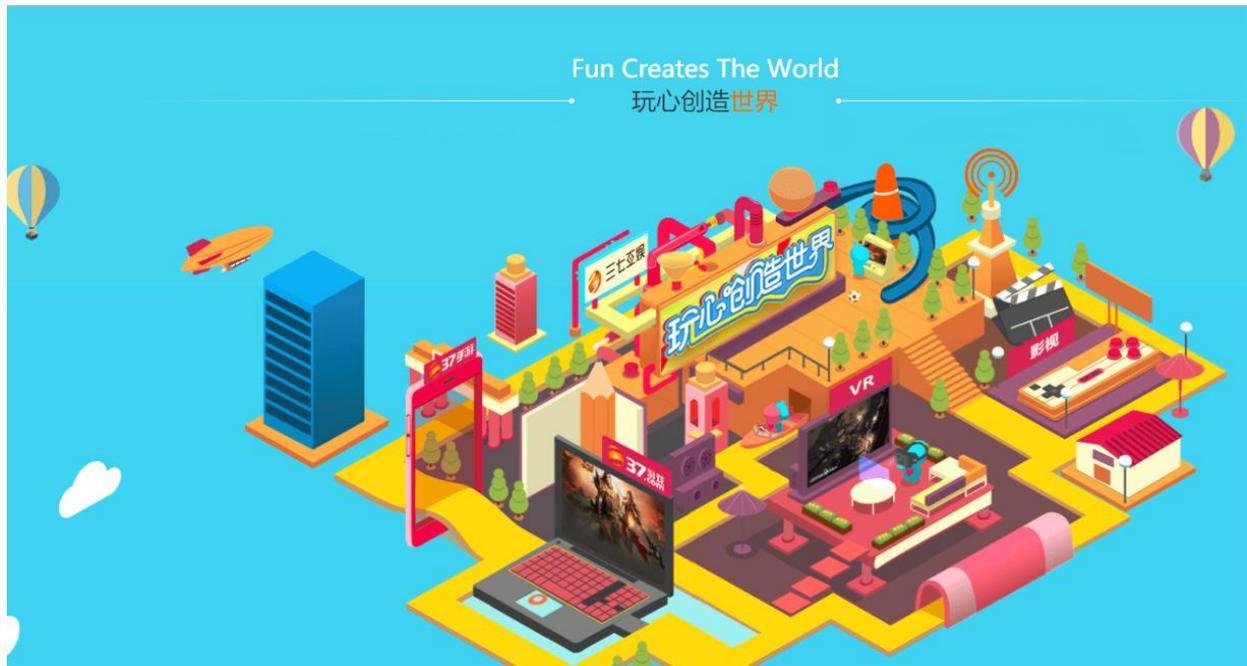
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## Definitions

Term	Definition
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Company/the Company/Listed Company/Sanqi Interactive Entertainment	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.
Shanghai Sanqi Interactive Entertainment	Sanqi Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	The Company Law of the People's Republic of China
Securities Law	The Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd. / Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.
Auditor	GP Certified Public Accountants (Special General Partnership)
Legal counsel	Beijing Tian Yuan Law Firm
Sponsor (lead underwriter)	GF Securities Co., Ltd.
GF Securities	GF Securities Co., Ltd.
Yuan or 10,000 Yuan	RMB yuan or RMB 10,000 yuan
Reporting Period/this Reporting Period	From January 1, 2017 to December 31, 2017
End of Reporting Period/End of this Reporting Period	December 31, 2017
Browser game	A game that is based on web technologies, uses standard protocols as the basic transmission form, and does not require any client software or requires a mini client based on browser kernel. Game users can directly play the game over the Internet using a web browser.
Mobile game	A game that is downloaded over mobile network and runs on a mobile phone or other mobile terminals.
RPG	Role-playing games
ARPG	Action role-playing game
SLG	Strategy games
MMOARPG	Massive multiplayer on-line action role-playing game
Shanghai Mokun	Shanghai Mokun Digital Technology Co., Ltd.
Jiangsu Zhiming	Jiangsu Zhiming Network Technology Co., Ltd.

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

Guangzhou Jishi		Guangzhou Jishi Network Technology Co., Ltd.
Huoerguosi Qianyu		Huoerguosi Qianyu Network Technology Co., Ltd.
Huoerguosi Xinghui		Huoerguosi Xinghui Network Technology Co., Ltd.
Huoerguos Xinrui		Huoerguosi Xinrui Network Technology Co., Ltd.
Top Increase		Top Increase Global Limited
Lihui Venture		Huoerguosi Lihui Venture Investment Co., Ltd.
Anhui Aurora		Anhui Sanqi Aurora Network Technology Co., Ltd.
Shanghai Langkun		Shanghai Langkun Digital Technology Co., Ltd.
Shanghai Kunkun		Shanghai Kunkun Digital Technology Co., Ltd.
Shanghai Miji		Shanghai Miji Digital Technology Co., Ltd.
Shanghai Aojue		Shanghai Aojue Digital Technology Co., Ltd.
Huoerguosi Jiayi		Huoerguosi Jiayi Digital Technology Co., Ltd.
Guangzhou Jisheng		Guangzhou Jisheng Co., Ltd.
Chengdu Pengwan Technology Co., Ltd.		Chengdu Pengwan Technology Co., Ltd. and its subsidiaries
Shenzhen Moklyin Technology Co., Ltd.		Shenzhen Moklyin Technology Co., Ltd. and its subsidiaries
Wangzhong Investment		Zhangshu Wangzhong Investment Management Center (Limited Partnership)



## Section II Company Profile and Main Financial Indicators

### I. Company Information

Stock Name	Sanqi Interactive Entertainment	Stock Code	002555
Place of Listing	Shenzhen Stock Exchange		
Chinese Name of the Company	芜湖顺荣三七互娱网络科技股份有限公司		
Abbreviation of the Chinese Name of the Company	三七互娱		
Name in English	WUHU SHUNRONG SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY CO., LTD.		
Legal Representative	Li Weiwei		
Registered Address	Nanling County Economic Development Zone, Wuhu City, Anhui Province		
Postal Code of the Registered Address	243000		
Business Address	11/F, Tower A1, Wanjiang Fortune Plaza, No. 88, Ruixiang Road, Jiujiang District, Wuhu City, Anhui Province		
Postal Code of the Business	241000		

Address	
Website	www.37.com
Email	ir@37.com

## II. Contact Persons and Contact Details

	Secretary to the Board of Directors	Securities Affairs Representative
Name	Ye Wei	Chen Zhenhua
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
Fax	0553-7653737	0553-7653737
Email	ir@37.com	ir@37.com

## III. Information Disclosure and Location

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News and Securities Times
Website designated by CSRC for publication of annual reports	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Location of annual reports of the Company	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 in the principal businesses of the Company since listing of its shares (if any)	<p>1. On March 2, 2011, the Company issued its IPO on SME Board of Shenzhen Stock Exchange. The Company is mainly engaged in manufacturing and sales of plastic fuel tanks of automobiles. 2. On May 27, 2014, the material asset restructuring of the Company involving IPO, assets purchase with cash, supporting fund raising, and related-party transactions was conditionally passed at the 22th Session of 2014 of the Review Board for Merger, Acquisition, and Restructuring of Listed Companies, China Securities Regulatory Commission. On December 2, 2014, the Company received the <i>Reply of CSRC Regarding Wuhu Shunrong Auto Parts Co., Ltd. Issuing Shares to Li Weiwei and Others, Purchasing Assets, and Raising Supporting Funds</i>. Through purchase of 60% of the share in Shanghai Sanqi Interactive Entertainment, the Company grew from single main business of automotive plastic fuel tanks manufacturing to two main businesses, advanced manufacturing and modern cultural</p>

	creativity industry. 3. On December 18, 2015, the Company received the <i>Reply of China Securities Regulatory Commission Regarding Approval of Non-public Offering of Shares of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd.</i> (Zheng Jian Xu Ke [2015] No. 2941), according to which, the Company was approved to issue not more than 165,289,300 shares by non-public offering and the funds raised would be used for purchasing 40% of the share in Shanghai Sanqi Interactive Entertainment. Shanghai Sanqi Interactive Entertainment has become a wholly-owned subsidiary of the Company since 2016.
Changes in controlling shareholders (if any)	None

## V. Other Relevant Information

The accounting firm employed by the Company

Name of the accounting firm	GP Certified Public Accountants (Special General Partnership)
Business address	10/F, Yuehai Group Building, No.555 Dongfeng East Road, Yuexiu, Guangzhou
Name of the signature auditor	Xiong Yongzhong, Yang Xinchun

Sponsor institute employed by the Company to perform the duty of continuous supervision in the auditing period

Applicable  Not applicable

Name of Sponsor Institute	Business Address	Name of Sponsor Representative	Period of Continuous Supervision
GF Securities Co., Ltd.	Metro Plaza, No. 183-187, Tianhe Road North, Tianhe District, Guangzhou City, Guangdong Province	Yuan Ruobin and Zhu Baoli	From January 12, 2016 to December 31, 2017

Financial advisor employed by the Company to perform the duty of continuous supervision in the auditing period.

Applicable  Not applicable

Name of Sponsor Institute	Business Address	Name of Sponsor Representative	Period of Continuous Supervision
GF Securities Co., Ltd.	Metro Plaza, No. 183-187, Tianhe Road North, Tianhe District, Guangzhou City, Guangdong Province	Lv Shaoyi and Tian Li	From May 9, 2017 to December 31, 2018

## VI. Key Accounting Data and Financial Indicators

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

Yes  No

	2017	2016	Variance in comparison with the previous year	2015
Operating income (yuan)	6,188,828,116.75	5,247,893,728.73	17.93%	4,656,787,281.09
Net income attributable to shareholders of the listed company (yuan)	1,620,582,427.47	1,070,162,324.07	51.43%	506,016,504.78
Net income attributable to shareholders of the listed company net of non-recurring profit and loss (yuan)	1,048,251,240.84	1,010,769,599.36	3.71%	449,076,050.96
Net cash flow from operating activities (yuan)	1,831,895,928.30	1,051,939,577.83	74.14%	1,081,238,239.96
Basic earnings per share (yuan/share)	0.76	0.51	49.02%	0.29
Diluted earnings per share (yuan/share)	0.76	0.51	49.02%	0.29
Return on weighted average net assets	28.12%	26.56%	1.56%	17.58%
	End of 2017	End of 2016	Variance in comparison with the end of the previous year	End of 2015
Total assets (yuan)	9,160,137,685.38	6,386,216,011.34	43.44%	4,623,310,755.63
Net assets attributable to shareholders of the listed company (yuan)	7,016,770,210.85	4,523,665,282.04	55.11%	3,563,355,144.71

The Company considers and uses one non-GAAP measure, Adjusted Net Income/ (Loss), as supplemental measure to review and assess our operating performance. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with China Accounting Standards. The Company's Adjusted Net Income is RMB 1,408,706,561.26 for the year 2017, which is defined as net income attributable to shareholders of the listed company of RMB1, 620,582,427.47 excluding performance compensation income/expenses of RMB 397,608,243.44 and related goodwill impairment of RMB 299,457,551.04 generated by business acquisitions, after tax income/loss from disposal of equity investments of RMB 199,561,658.81 and share-based compensation of RMB 85,836,485.00. The Adjusted Net Income for the year 2016 is RMB 1,060,713,029.67. The Adjusted Net Income for the reporting period increased by 32.81% compared to last year.

## VII. Differences in Accounting Data under Domestic and Overseas Accounting Standards

### 1. The differences in net income and net assets in the financial statements disclosed in accordance with international accounting standards and in accordance with Chinese accounting standards

Applicable  Not applicable

The Company did not have any discrepancies in net income and net assets in the financial reports disclosed in accordance with international accounting standards and the Chinese accounting standards during the reporting period.

### 2. The differences in net income and net assets in the financial statements disclosed in accordance with overseas accounting standards and in accordance with Chinese accounting standards

Applicable  Not applicable

The Company did not have any discrepancies in net income and net assets in the financial reports disclosed in accordance with overseas accounting standards and in accordance with Chinese accounting standards during the reporting period.

## VIII. Key Quarterly Financial Indicators

Unit: yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating income	1,618,738,028.51	1,460,690,875.99	1,384,968,829.74	1,724,430,382.51
Net income attributable to shareholders of the listed company	433,033,150.06	417,517,368.31	360,788,807.71	409,243,101.39
Net income attributable to shareholders of the listed company net of non-recurring profit and loss	345,442,083.59	413,305,351.97	311,725,820.31	-22,222,015.03
Net cash flow from operating activities	638,703,409.51	458,143,900.12	319,124,714.02	415,923,904.65

The Company's net income attributable to the shareholders of the listed company after deducting non-recurring gains and losses is RMB -22,222,015.03 in Quarter 4, which was mainly due to the recognition as non-recurring gains and losses by the Company of the compensation of RMB 401,364,984.06 arising from Shanghai Mokun's failure to meet the performance commitment, and due to the inclusion of the goodwill impairment of RMB 299,457,551.04 corresponding to the asset in recurring gains and losses.

The Company considers and uses one non-GAAP measure, Adjusted Net Income/ (Loss), as supplemental measure to review and assess our operating performance. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with China Accounting Standards. The Company's Adjusted Net Income is RMB 1,408,706,561.26 for the year 2017, which is defined as net income attributable to shareholders of the listed company of RMB1, 620,582,427.47 excluding performance compensation income/expenses of RMB 397,608,243.44 and related goodwill impairment of RMB 299,457,551.04 generated by business acquisitions, after tax income/loss from disposal of equity investments of RMB 199,561,658.81 and share-based compensation of RMB 85,836,485.00. The Adjusted Net Income for the Quarter 1 to Quarter 4 are RMB 350,533,150.06, RMB 418,801,935.61, RMB 328,279,066.60 and RMB 311,092,408.99 respectively.

Is there major discrepancy between above financial indicators or the sum of their direct aggregate and relevant financial indicators in quarterly reports and semi-annual reports disclosed by the Company?

Yes  No

## IX. Non-Recurring Items and Amounts

Applicable  Not applicable

Unit: yuan

Item	Amount of 2017	Amount of 2016	Amount of 2015	Remarks
Profits and losses on disposal of non-current assets (including the part written-off with the provision for impairment loss on assets accrued)	200,975,719.36	7,667,198.02	557,400.93	Mainly the profits and losses from disposal of long-term equity investment and disposal of fixed assets
Government subsidy recorded in current profits and losses (except government subsidy closely related to company business and granted according to the unified quota or ration of the national standard)	29,695,208.76	68,413,211.24	60,066,571.65	Mainly government subsidies other than VAT refunds
Payment for use of funds that is recorded in current profits and losses and is collected from non-financial businesses	15,607,133.62			Mainly income from borrowing interest
Profits and losses from entrusting others to invest in or manage assets	13,370,838.07	6,931,102.57	3,411,610.12	Mainly the income of bank financial products
Profits and losses on changes in fair value arising from holding of trading financial assets and trading financial liabilities and return on investment from disposal of trading financial assets, trading financial liabilities, and available-for-sale financial assets, except for effective hedging business relating to the normal operating business of the Company	40,268,035.00	3,608,355.70	1,287,609.34	Mainly the investment income from disposal of available-for-sale financial assets
Other non-operating incomes and expenditures except above items	1,251,440.52	-8,461,639.08	-2,191,357.89	
Other profits and losses items that fit the definition of non-recurring profits and losses	296,624,143.44			Mainly performance compensation income (The amount of

				impairment loss of RMB 299,457,551.04 provided by the Company on the goodwill of Shanghai Mokun was included in current profit or loss), the share payment expenses, and performance compensation expenses
Less: affected amount of income tax	36,707,567.83	10,764,962.34	3,021,230.09	
Affected amount of minority equity (after-tax)	-11,246,235.69	8,000,541.40	3,170,150.24	
Total	572,331,186.63	59,392,724.71	56,940,453.82	--

The reason shall be specified for items of non-recurring profit and loss defined in accordance with definition in Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profit and Loss and items of non-recurring profit and loss listed in the above announcement that are defined to be recurrent profit and loss.

Applicable  Not applicable

The Company did not define items of non-recurring profit and loss defined and listed in Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profit and Loss to be items of recurrent profit and loss in the reporting period.

## Section III Summary of the Company's Business

### I. Main Business in the Reporting Period

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

No

The Company is principally engaged in interactive entertainment business and manufacturing and sales of plastic fuel tanks for automobiles. The interactive entertainment business mainly focuses on the research, development, publishing and operation of mobile games and browser games, while arranging pan-entertainment business including film and TV, animation, music and VR.

The Company steadily promoted the development strategy of "platformization, globalization and pan-entertainment" for interactive entertainment business based on IP during the reporting period. Its overall strength ranked the 18<sup>th</sup> among the top 100 Internet companies in China; the auto parts business developed steadily.

During the reporting period, the Company achieved an operating revenue of RMB 6.189 billion with a year-on-year increase of 17.9%, a pretax income of RMB 1.917 billion with a year-on-year increase of 45.3%, and the net income attributable to shareholders of the listed company of RMB 1.621 billion with a year-on-year increase of 51.4%. The main reasons for the Company's increase in the net income attributable to the shareholders of the listed company include: (1) The Company's game R&D business and mobile game publishing business achieved great development during the reporting period. R&D products represented by Yong Heng Ji Yuan, Swords of Archangels H5 and Mobile Game Chuan Qi Ba Ye have significantly increased the Company's profitability in the mobile game business; (2) The Company confirmed related performance compensation gains and goodwill impairment losses for the reason that Shanghai Mokun, its subsidiary, failed to achieve the performance commitments. The main reason for Shanghai Mokun's failure to reach the performance commitments is that the product launch time was postponed. Shanghai Mokun had successfully launched the major product and has achieved impressive billing as of the release date of this report.

### II. Significant Changes in Main Assets

#### 1. Significant changes in main assets

Main Assets	Description of Significant Changes
Equity assets	Equity assets increased RMB 312 million in the reporting period, which was mainly due to the inclusion of Shanghai Mokun, an original JV of the Company, into the consolidation scope within the reporting period. For details, see the Note 10 Available-For-Sale Financial Assets and Note 11 Long-Term Equity Investment in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Fixed assets	No major change during the reporting period.
Intangible assets	No major change during the reporting period.
Construction in progress	Construction in process increased RMB 20 million in the reporting period, which was

	mainly due to the Company's investment in second-phase equipment project. For details, see the Note 13 Construction in Progress in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Monetary funds	monetary funds increased RMB 762 million in the reporting period, which was mainly due to the increase in cash inflow generated by the Company's operating activities during the reporting period. For details, see the Item 5 Consolidated Cash Flow Statement in II. Financial Statements of Section V Financial Report.
Other current assets	other current assets increased RMB 357 million in the reporting period, which was mainly due to the Company's confirmation of performance compensation related to the failure of Shanghai Mokun, acquired by the Company during the reporting period, to fulfil its performance commitments. For details, see the Note 9 Other Current Assets in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Other receivables	Other receivables increased RMB 265 million in the reporting period, mainly because the Company's loans to others and relevant interest due within 1 year was reclassified from other non-current assets to this item. For details, see the Note 6 Other Receivables in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Goodwill	Goodwill increased RMB 960 million in the reporting period, which was mainly due to the new consolidation of the goodwill of Shanghai Mokun. For details, see the Note 16 Goodwill in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Other non-current assets	Other non-current assets increased RMB 594 million in the reporting period, which was mainly due to the prepayment for the purchase of office buildings and parking spaces. For details, see the Note 19 Other Non-Current Assets in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.

## 2. Main overseas assets

Applicable  Not applicable

## III. Analysis of Core Competitiveness

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

No

The Company steadily promoted the development strategy of "platformization, globalization and pan-entertainment" for interactive entertainment business based on IP and formed the following core competitiveness:

### 1. Team Strengths

The Company's core team consists of the experienced publishing team of mobile games and browser games, and the R&D team with

leading technology. The core team members have years of experience in publishing, operation and R&D of games, as well as numerous successful products. The core team has a prospective insight, full of creativity and efficient execution. It always upholds the marathon-type entrepreneurial spirit and leads the Company to keep up with the industry leader: (1) mobile game R&D and publishing. The Company's publishing business of domestic mobile games caught up from behind. It achieved a market share of 5.2% in 2017, becoming the leading mobile game publisher after Tencent and NetEase (source: 2017-2018 Research Report of China's Mobile Games Market from iiMedia Research). The Company's billing of overseas mobile games publishing business also realized a year-on-year increase of nearly 80%. Yong Heng Ji Yuan and Swords of Archangels H5, which are researched and developed by the Company based on its accumulated strength, have respectively obtained a monthly gross billing of more than RMB 350 million globally in the reporting period and a monthly gross billing of over RMB 180 million during the reporting period. Mobile Game Chuan Qi Ba Ye broke RMB 100 million after releasing on the Tencent platform in 30 days. (2) Browser games. The Company's browser game platform ranked second in terms of market share, just behind Tencent. The Company opened a total of nearly 28,000 groups of servers in China in 2017, ranking first in the ranking list of server quantity of operating platforms in 2017. (Source: 2017 Browser Game Data Report from 9K9K.COM).

## 2. The Company Achieved Differentiated Competitive Advantages in the Mobile Game Publishing Business and Established A Good Brand Image

The Company is experienced in the mobile game publishing business and formed strong differentiated competitive advantages, mainly reflected in:

(1) The Company specializes in mobile game traffic operation and has efficient traffic conversion capabilities. The Company is capable of continuously introducing sufficient users to target games to maintain a healthy growth of active players in an environment where mobile internet traffic prices continue to rise. At the same time, the Company has extensively covered downstream partners in the industry chain and established sustainable cooperation with mainstream channels domestically, to ensure that the Company's mobile game products continue to acquire users. The mobile game products launched by the Company achieved high levels of billing in channels such as Tencent, Huawei and OPPO during the reporting period. The newly added registered users of mobile games through traffic operations reached more than 86 million in the reporting period, taking the leading place in the industry;

(2) The Company is able to dig deep into the upper stream of the industry chain for high-quality products, has strong capabilities of adjustment, optimization and operation of products, which continuously improves the quality of games and guarantees a longer life cycle and high cumulative billing of games. The Company's self-developed Yong Heng Ji Yuan has been launched for more than one and a half years. Its users and billing remain stable; newly registered users of the self-developed Swords of Archangels H5 reached 8 million within 3 months after launch at the end of September 2017, with a total top-up billing of over RMB 500 million, which has set a benchmark for H5 game category of the mobile network.

(3) The accumulated registered mobile game users owned by the Company have reached 189 million. The Company, given the circumstances where traffic prices continue to rise, provides players with diversified game options and operation services to attend players' needs through a rich product reserve and customer service system, demonstrating the capability of further improving game experience, activity degree and retention rate. 1) The gameplay provided by the Company includes ARPGs (action role-playing games), SLGs (simulation games) and turn-based RPGs (turn-based role-playing games). Game categories consist of ancient fantasy games, card games, female-oriented games, and games adapted from cartoons and animations, etc. The Company is one of the few publishing company in the industry that can provide comprehensive game categories and one-stop services besides Tencent and NetEase; 2) The Company has a complete player account system, customer service system and experienced customer service team. Combined with sufficient product offerings, it has the ability to further enhance game experience, activity degree and retention rate and increase the Company's revenue and advertising effectiveness under the "platformization" strategy.

Relying on the publishing with differentiated competitive advantages during the reporting period, the Company was awarded “2017 China’s Top 10 Mobile Game Operators” and “2017 China’s Top 10 Mobile Game Operating Platforms” in 2017 China “Top Ten Games” Grand Celebration which was guided by the Digital Publishing Division of the State Administration of Press, Publication, Radio, Film and Television, hosted by China Audio-Video and Digital Publishing Association and organized by the Game Committee of the China Audio-Video and Digital Publishing Association. It also won the “Top Ten Mobile Game Companies” in 2017



China Game Billboard. The Company achieved a market share of 5.2% of the domestic mobile game publishing market in 2017 as of December 31, 2017 and is expected a continuous increase of the market share.

### 3. Browser Game Operation Business Kept Leading in China and Fine Operation Created Long-Term Income-Generating Competitive Products

The Company’s browser game platform ranked second in terms of market share, just behind Tencent. The Company opened a total of nearly 28,000 groups of servers domestically in 2017, ranking first in the ranking list of group quantity of operating platforms in 2017. The Company has formed the following competitive advantages with respect to browser game business:

- (1) The sound brand reputation of the Company helped establishment of brand barriers for its browser game platform, brought more players with self-owned flow and reduced the Company's costs of acquisition of players;
- (2) Leading market position and market share has attracted more R&D manufacturers and companies to cooperate, while strengthening the Company's bargaining power over R&D manufacturers and media channels;
- (3) The pragmatic business style and excellent performance have enabled the Company to establish a close cooperative relationship with multiple Internet media channels and enhance the Company’s bargaining power over Internet channel suppliers. It can obtain more and better channel resources at the same price.
- (4) The Company specializes in fine-quality game operation. The games such as Swords of Archangels and Chuan Qi Ba Ye etc. launched in 2014 still showed strong and lasting vitality. They became rare long-term revenue-generating products in the field of browser games; The new products achieving the total billing of over RMB 10 million in 2017 include: Jin Zhuang Chuan Qi, Mo Yu, Browser Game Yong Heng Ji Yuan, Nine Gods, Journey to the West: The Demons Strike Back and Princess Agents.
- (5) The Company's core operating practices for different game genre and different player types accumulated over many years of continuous game operation experience have been widely recognized in the industry. It has acquired the operation rights of multiple gaming platforms such as Jinshan Liebao, 2345 and Douyu, further enriching the publishing channels and increasing market share of the Company. Relying on the outstanding performance of its browser game business during the reporting period, the Company won the “2017 Top 10 Most Popular Browser Games” for Swords of Archangels and Chuan Qi Ba Ye and the “2018 Top 10 Most

Anticipated Browser Games" for A Step into the Past and Jin Zhuang Chuan Qi in 2017 China "Top Ten Games" Grand Celebration; Chuan Qi Ba Ye was awarded the "Favorite Browser Game of Players" and Xue Meng Rong Yao was awarded "The Most Anticipated Browser Game of Players" in 2017 Golden Plume Award.

#### 4. Development Capabilities for High-Quality Games

The Company's researched and developed series of core technologies such as game engines and game frameworks with excellent performance and stability can support the development of high-quality online games with engaging gameplay, which is an important guarantee for the Company's continued introduction of delicate games. The mature core technology and rich product experience enable the Company to control costs and shorten the product development period, timely launch of fine games that meet the development direction of the industry and seize the market opportunities with guaranteed quality. The Company implements the principle of market orientation and sustainable development and balances the commercial nature and entertainment of game products with a deep understanding of player needs in the game operation business, making the R&D games launched have the following features:

(1) The life circle of games is long and the players' activity degree is stable. The browser games including Swords of Archangels and Chuan Qi Ba Ye launched in 2014 and the mobile game Yong Heng Ji Yuan launched in June 2016 remained stable and high billing and continued to contribute profits during the reporting period.

(2) The games meet the market demands and have a high success rate. Five web and mobile games launched from 2014 to the release date of this report achieved the monthly gross billing of more than RMB 100 million, realizing a high success rate.

(3) Long-term player recognition forms brand barriers. The Company's self-developed browser games including Chuan Qi Ba Ye and Swords of Archangels have maintained a stable and high billing through excellent self-developed quality since their launch in 2014. They receive continuous recognition from core players as the domestic representatives of "Mir" and "MU" games. Mobile Game Chuan Qi Ba Ye broke through RMB 100 million in 30 days after launch and the gross billing of Swords of Archangels H5 in a single month surpassed RMB 180 million in the reporting period, which verifies the word-of-mouth effect and brand barriers of self-developed games.

The Company completed the acquisition of Shanghai Mokun and strengthened the Company's R&D capabilities for high-quality games during the reporting period. As of the report date, the Company was researching and developing three browser games including Tu Long Rong Yao, Xue Meng Rong Yao and MU X, and nine mobile games including Mobile Game MU Miracle, Huang Jin Cai Jue, Ling Yu, Fighter of the Destiny, H-GAME, Mobile Game T, Mobile Game F, Legend Mobile Game Y and Project X - Legend H5, which are expected to be launched in succession in 2018. Based on its strong development capabilities for delicate games, the Company expects to continue to produce long-term high-quality games just like Yong Heng Ji Yuan, Chuan Qi Ba Ye and Swords of Archangels.



## Section IV Discussion and Analysis of Operations

### I. Overview

The Company focused on IP and steadily promoted the development strategy of “platformization, globalization and pan-entertainment” for interactive entertainment business during the reporting period. Its overall strength ranks the 18<sup>th</sup> among the top 100 Internet companies in China; its auto parts business achieved a steady development. The Company achieved an operating revenue of RMB 6.189 billion with a year-on-year increase of 17.9%, a pretax income of RMB 1.917 billion with a year-on-year increase of 45.3% and the net income attributable to shareholders of the listed company of RMB 1.621 billion with a year-on-year increase of 51.4%. The Company completed the overall acquisition of Shanghai Mokun and Jiangsu Zhiming in May 2017, enhancing the Company’s capabilities of game R&D and publishing.

#### i. Interactive Entertainment Business

1. Mobile game business. The Company continued to defend the position of first-tier publishers of mobile games in markets at home and abroad. Its investment in mobile game R&D continued to increase.

(1) The Company’s mobile game business obtained an operating revenue of RMB 3.284 billion and the gross profit of RMB 2.512 billion during the reporting period, achieving a year-on-year increase of 100.4% and 147.7% respectively.

#### a. Domestic Publishing.

During the reporting period, the Company successfully launched long-term and high-quality games including Yong Heng Ji Yuan, Swords of Archangels H5 and Xian Ling Jue Xing. The highest number of monthly active users (MAU) exceeded 13 million. The highest monthly billing surpassed RMB 500 million. The highest record of single-day billing of Yong Heng Ji Yuan as a representative work broke through RMB 70 million during the reporting period.

The domestic mobile game publishing industry during the reporting period was highly competitive with the following characteristics:

(1) The continuous increase in traffic costs has caused industry reshuffle and survival of the fittest. The Company is strong on traffic operation and product operation. The number of its newly registered users of mobile games in the report period exceeded 74 million, leading the industry. Its market share has maintained a steady growth to 5.2%, second only to Tencent and NetEase, and was expected to increase during the reshuffle process in the market. Its influence on the flow end and product end will also be enhanced thereby.

(2) Leading products have obvious effects. According to the *China’s Game Industry Report for January-June 2017* released jointly by GPC (Game Committee of the China Audio-Video and Digital Publishing Association), CNG and IDC (International Data Corporation), the proportion of total billing of the top 10 products among the total market billing increased from 52.9% to 54.9%, showing a significant leading product effect. The Company is expected to expand the competitive advantages in the publishing business relying on the products already released such as Yong Heng Ji Yuan, Swords of Archangels H5 and Xian Ling Jue Xing, reserved self-developed products such as Mobile Game MU Miracle, Project X - Legend H5, and Legend Mobile Game Y, as well as authorized products such as Ming Yun Xian Feng, Sword and Rebirth, Code M - MMO, Code X - Cards, Code H -legend and Code S - SLG.



(3) The Company has rapidly expanded its game genre. The Company specializes in product such as ARPG, SLG and turn-based RPG, etc. According to the *China's Game Industry Report for January-June 2017* released jointly by GPC, CNG and IDC, ARPG, SLG and turn-based RPG totally accounted for more than 50% of the market share, which will benefit the further increase of the Company's market share. As for game themes, the Company is expected to further expand the market share by publishing multi-category mobile games such as *Xian Ling Jue Xing*, *Ling Yu*, *Sword and Rebirth* and other ancient fantasy games, card games, female-oriented games, and games adapted from cartoons and animations.

b. Overseas publishing. The Company adopted to the strategy of “localized operation + multi-dimensional marketing” and has accumulated rich experience in overseas game business operation. During the reporting period, the Company's billing of overseas publishing business of mobile games broke through RMB 1 billion, achieving an increase of nearly 80% over the same period of last year. *Yong Heng Ji Yuan* reached a maximum billing of RMB 70 million in a single month overseas during the reporting period and took the first place in the best-selling list of Hong Kong, Macao and Taiwan, Singapore, Malaysia, Vietnam and Philippines etc., the second place in Indonesia and Turkey, the third place in Thailand and South Korea and the fifth place in a number of overseas markets. In addition, *Demon Seals*, *Age of Immortals*, *Zhu Xian*, *Loongcraft* and other games released by the Company also achieved good results overseas, among which, *Demon Seals* ranked the 3rd in the best-selling list in Taiwan. *Age of Immortals* ascended to the second in Singapore and Malaysia. *Zhu Xian* won the 4th place in Thailand. The Company will continue to explore overseas markets in 2018 and bring together various products to the overseas markets such as *Clans of Intrigue*, *Kun Lun Xu*, *Divine*, *Qing Yun Jue* and *Mo San Guo*. At the same time, it will launch *Lords of Conquest*, *Primal Wars: Dino Age* and other European and American custom products, and release *Demon Seals* in Korea and *Yong Heng Ji Yuan* in Japan to further consolidate the strategic layout of globalization.

(2) With respect to products, the Company's self-developed *Yong Heng Ji Yuan* has achieved a cumulative global billing of over RMB 3.41 billion and a global maximum monthly billing of over RMB 350 million during the reporting period, which laid a solid foundation for the Company's mobile game R&D business. The Company's overall acquisition of Shanghai Mokun during the reporting period strengthened the Company's game R&D capabilities. As of the end of the reporting period, the Company was researching and developing nine mobile games including *Mobile Game MU Miracle*, *Ling Yu*, *Fighter of the Destiny*, *Huang Jin Cai Jue*, *H-Game*, *Mobile Game T*, *Mobile Game F*, *Legend Mobile Game Y* and *Project X - Legend H5*. It has signed a number of mobile games with the exclusive right, tentatively known as *Ming Yun Xian Feng*, *Sword and Rebirth*, *Code M - MMO*, *Code X - Cards*, *Code H -legend* and *Code S - SLG*, which will be launched in 2018 in succession. Based on the competitive advantages formed by the publishing and R&D business, the Company expects to continue to bring to the market long-term and global high-quality mobile games that are comparable to *Yong Heng Ji Yuan* and *Swords of Archangels H5*.



2. Browser game business. 1) The Company's browser game platform ranked second in terms of market share, just behind Tencent. The Company opened a total of nearly 28,000 groups of servers in China in 2017, ranking first in the ranking list of group quantity of operating platforms in 2017. 2) Its 37GAMES international platform market covers more than 180 countries, making it one of the most popular game platforms in the world. The Company's browser game business generated revenue of RMB 2.298 billion and gross profit of RMB 1.537 billion during the reporting period, which was lower than the same period of 2016. The main reasons included:

(1) Browser game users have fallen in size. With the habit of users moving from personal computers to mobile phones and other mobile devices, the scale of browser game users declined during the reporting period;

(2) In the past few years, some browser game R&D companies have turned to mobile game R&D due to the rapid demand increase in the mobile game market, which caused a decline in the number of high-quality products on the market and also on the Company.

The Company adopted a proactive strategy to respond to market changes during the reporting period. 1) With respect to authorized products, the Company cooperated closely with the top domestic browser game R&D teams and successively launched Moyu, Journey to the West: The Demons Strike Back, Nine Gods, Princess Agents, and Jue Shi Xian Wang and other products in 2017 combining its IP advantages, which stabilized operating income. It will launch a variety of browser game products in 2018 including Rise of Taichi, One Piece Online, A Step into the Past and The Legendary Swordsman; 2) with respect to R&D, the Company stepped up its efforts to practice R&D. The self-developed games which were launched in the reporting period included Jin Zhuang Chuan Qi and Browser Game Yong Heng Ji Yuan. Browser games under research and development include Tu Long Rong Yao, Xue Meng Rong Yao and MU X, which are expected to launch in 2018 successively; 3) with respect to strategic investment, the Company and invested companies including Chengdu Pengwan Technology Co., Ltd., Longzhang Animation (Shanghai) Co., Ltd., Chengdu Modu Technology Co., Ltd. and Chengdu Mofei Technology Co., Ltd. actively participate in browser game cooperation and business synergy.



3. Pan-entertainment interaction. 1) With respect to endogenous development, the Company has formed three business segments including mobile game publishing, browser game publishing and game R&D. Each business segment supports each other, which achieves efficient resource integration in product R&D, marketing and business cooperation, creating a closed loop of the game industry chain and promote the continuous growth of the Company's income level. 2) With respect to outreach development, the Company newly participated in a series of game R&D and publishing companies with equity during the reporting period, including XD Network Co., Ltd. (game R&D and publishing), Najia Technology (Shenzhen) Co., Ltd. (game R&D), Shanghai Yuhouyi Network Technology Co., Ltd. (game publishing), Chengdu Modu Technology Co., Ltd. (game R&D), Chengdu Mofei Technology Co., Ltd. (game R&D) and Shenzhen Zen Game Technology Co., Ltd. (game R&D). Such a series of game R&D investment increased the sustainable growth capacity of upstream high-quality contents and guaranteed the continuous supply of diversified contents. At the same time, such a series of game publishing investment to jointly explore the market formed a good complement to R&D. The Company completed the overall acquisition of Shanghai Mokun and Jiangsu Zhiming in the reporting period, enhancing the Company's capabilities of game R&D and publishing. 3) With respect to pan-entertainment layout, the Company has invested in film, television, animation, music, VR and other fields. the Company invested and released Reset, a domestic sci-fi movie, in the reporting period through New Clues (Beijing) Film & TV Investment Co., Ltd. indirectly invested by Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership); Forever Young, invested by the Company and jointly produced with Hangzhou Southern Pictures Co., Ltd., has grossed over RMB 700 million as of the release day of this report and received favorable comments in the market. At the same time, Till the End of the World, as the first domestic romance film with a background story based on Antarctica, was produced by Beijing C2M Media Co., Ltd, which was invested by the Company. It gained a positive reputation in the market and earned a total revenue of more than RMB 200 million. King of Fighters: Destiny, an animation which was produced by Shanghai Jueli Culture Co., Ltd., where the Company held shares was launched in the reporting period; the Company achieved a breakthrough in digital music business through Shanghai Rock Forward Entertainment Co., Ltd. indirectly invested by Huai'an Sanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership); VR content R&D teams of both Archiact Interactive Ltd. and Tianshe (Shanghai) Cultural Media Co., Ltd. where the Company held shares continued to produce Hidden Fortune, a VR game of treasure-hunting, League of Guardians, a VR game of tower defense and other products; 4) The Company established Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership) with Shenzhen Oriental Fortune Capital Investment Management Co., Ltd., a leading entertainment investment institution in China, to jointly focus on the investment in the Internet entertainment industry under the hot trend of pan-entertainment.

4. IP strategy. The Company continued to explore quality IPs to produce quality games in combination of its own advantages in the game business. In addition to direct purchase of high-quality IPs, the Company has reached a good cooperation with partners such as Mango Media. They will continue to have more cooperation on IP. The Company built an pan-entertainment strategy system based on high-quality IP strategy to meet the diversified entertainment needs of users, and further explored the value of IP in the fields of film and television, games, animation, live broadcasting, music and VR etc. At present, the Company reserves a large number of quality IPs:

(1) Game IP: MU, World of Legend, Lineage II, Wu Yi, Asura, Seal online, The King of Fighters, Samurai Shodown and Nekketsu Kouha Kunio-kun Series etc.

(2) Film and TV IP: Princess Agents, Fighter of the Destiny, Chinese Hero Zhao Zilong, Journey to the West: the Demons Strike Back, The Monkey King 2 in 3D, Taichi, and Nirvana in Fire etc.

(3) Literature IP: A Step into the Past, Transcending the Nine Heavens, and Gate of Revelation etc.

(4) Animation IP: One Piece and Astro Boy etc.

#### ii. Auto Parts Business

The Company achieved positive results in the auto parts business in the reporting period by constantly increasing technical investment, optimizing the technological process and improving its management level.

## II. Analysis of Principal Business

### 1. Overview

Refer to relevant contents in “I. Overview” of “Discussion and Analysis of Operations”

### 2. Revenue and Costs

#### (1) Composition of operating revenue

Unit: yuan

	2017		2016		Year-on-year Increase (Decrease)
	Amount	Proportion in the Operating Revenue	Amount	Proportion in the Operating Revenue	
Total of operating revenue	6,188,828,116.75	100%	5,247,893,728.73	100%	17.93%
By Industries					
Online game	5,628,616,443.76	90.95%	4,622,288,449.71	88.08%	21.77%
Auto parts	560,211,672.99	9.05%	625,605,279.02	11.92%	-10.45%
By Products					
Browser game	2,298,860,026.39	37.15%	2,948,803,661.57	56.19%	-22.04%

Mobile games	3,283,622,990.10	53.06%	1,639,185,366.69	31.24%	100.32%
Auto parts	560,211,672.99	9.05%	625,605,279.02	11.92%	-10.45%
Other	46,133,427.27	0.74%	34,299,421.45	0.65%	34.50%
By Regions					
Domestic market	5,269,286,525.60	85.14%	4,500,535,129.96	85.76%	17.08%
Overseas market	919,541,591.15	14.86%	747,358,598.77	14.24%	23.04%

**(2) Industries, products, or regions taking up more than 10% of the Company's operating revenue or profits**

√ Applicable   □ Not applicable

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

No

Unit: yuan

	Operating Revenue	Operating Cost	Gross Margin	Increased or Decreased Rate of Operating Revenue over the Same Period of the Previous Year	Increased or Decreased Rate of Operating Costs over the Same Period of the Previous Year	Increased or Decreased Rate of Gross Margin over the Same Period of the Previous Year
By Industries						
Online game	5,628,616,443.76	1,533,843,501.10	72.75%	21.77%	2.10%	5.25%
Auto parts	560,211,672.99	414,353,738.66	26.04%	-10.45%	-5.60%	-3.80%
By Products						
Browser games	2,298,860,026.39	761,943,558.28	66.86%	-22.04%	-13.12%	-3.40%
Mobile games	3,283,622,990.10	771,899,942.82	76.49%	100.32%	23.43%	14.64%
Auto parts	560,211,672.99	414,353,738.66	26.04%	-10.45%	-5.60%	-3.80%
Other	46,133,427.27		100.00%	34.50%	0.00%	0.00%
By Regions						
Domestic market	5,269,286,525.60	1,745,664,356.75	66.87%	17.08%	7.07%	3.10%
Overseas market	919,541,591.15	202,532,883.01	77.97%	23.04%	-34.85%	19.56%

In case of any adjustment to the statistical caliber of the Company's main business data in the report period, the Company's main business data in the latest one year after adjustment by the end of the reporting period shall prevail.

Applicable  Not applicable

**(3) Is the sales proceeds in kind of the Company more than service revenue?**

Yes  No

**(4) Performance of important sales contracts signed by the Company as of current reporting period**

Applicable  Not applicable

No

**(5) Composition of operating costs**

By Industries and Products

Unit: yuan

Industries	Item	2017		2016		Year-on-year Increase (Decrease)
		Amount	Proportion in the Operating Costs	Amount	Proportion in the Operating Costs	
Online game	Online game	1,533,843,501.10	78.73%	1,502,334,412.70	77.39%	2.10%
Auto parts	Auto parts	414,353,738.66	21.27%	438,952,363.96	22.61%	-5.60%

Product Types	Item	2017		2016		Year-on-year Increase (Decrease)
		Amount	Proportion in the Operating Costs	Amount	Proportion in the Operating Costs	
Browser games	Browser games	761,943,558.28	39.11%	876,972,214.03	45.18%	-13.12%
Mobile games	Mobile games	771,899,942.82	39.62%	625,362,198.67	32.21%	23.43%
Auto parts	Auto parts	414,353,738.66	21.27%	438,952,363.96	22.61%	-5.60%

Note:

**(6) Is there any change in the scope of consolidation in the reporting period?**

Yes  No

In May 2017, the company acquired 68.43% of the equity in Shanghai Mokun, and the company began to include Shanghai Mokun and its subsidiaries including Shanghai Langkun, Shanghai Miji, Shanghai Kunkun, Shanghai Aojue and Huoerguosi Jiaji, in the scope of consolidated statements from May 31, 2017.

2. Newly-established subsidiary in the current period:

In February 2017, Tibet Xintai, the company's first-tier subsidiary, established Lihui Venture. The company holds 100% of the equity in this newly-established subsidiary and has included it in the scope of consolidation since February 2017.

In March 2017, Jiangsu Aurora, the company's second-tier subsidiary, established Anhui Aurora. The company holds 80% of the equity in this newly-established subsidiary and has included it in the scope of consolidation since March 2017.

In April 2017, Top Increase, the company's third-tier subsidiary, established 37 Games company. The company holds 100% of the share in this newly-established subsidiary and has included it in the scope of consolidation since April 2017.

In August 2017, Jiangsu Aurora, the company's second-tier subsidiary, established Guangzhou Jisheng. The company holds 80% of the share in this newly-established subsidiary and has included it in the scope of consolidation since August 2017.

### (7) Significant changes or adjustments of the Company's businesses, products, or services in the reporting period

Applicable  Not applicable

### (8) Major customers and suppliers

#### Major customers

Total sales amount of top 5 customers (yuan)	2,437,105,234.58
Proportion of the total sales amount of top 5 customers in annual gross sales	39.38%
Proportion of related-party sales amount in sales amount of top 5 customers in annual gross sales	0.00%

#### Information of top 5 customers

S/N	Name of Customer	Sales amount (yuan)	Proportion in annual gross sales
1	No. 1	883,130,692.89	14.27%
2	No. 2	698,031,405.69	11.28%
3	No. 3	367,434,362.57	5.94%
4	No. 4	328,889,590.32	5.31%
5	No. 5	159,619,183.11	2.58%
Total	--	2,437,105,234.58	39.38%

#### Other information of the major customers

Applicable  Not applicable

#### Major suppliers

Total purchase amount of top 5 suppliers (yuan)	570,457,026.86
Total purchase amount of top 5 suppliers in annual gross purchases	29.66%
Proportion of related-party purchase amount in the purchase amount of top 5 suppliers in annual gross	0.00%

purchases	
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## Information of top 5 suppliers

S/N	Name of supplier	Purchase amount (yuan)	Proportion in annual gross purchases
1	No. 1	259,137,583.55	13.47%
2	No. 2	131,887,811.91	6.86%
3	No. 3	63,933,766.07	3.32%
4	No. 4	61,580,079.92	3.20%
5	No. 5	53,917,785.41	2.80%
Total	--	570,457,026.86	29.66%

## Other information of the major suppliers

Applicable  Not applicable

### 3. Expenses

Unit: yuan

	2017	2016	Year-on-year increase (decrease)	Description of significant changes
Operating expenses	1,908,207,466.32	1,607,745,221.19	18.69%	The variation mainly results from the increase in internet traffic charges in the reporting period. For details, see the Note 41 Operating Expenses in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
General and administrative expenses	776,659,541.86	514,933,615.17	50.83%	The variation mainly results from increase in R&D costs and share-based payment expense in the reporting period. For details, see the Note 42 General and Administrative Expenses in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
Financial expenses	28,555,783.27	-5,460,395.61	-622.96%	The variation mainly results from the increase in interest expenditure due to additional bank loans and great exchange losses arising from depreciation of the U.S. dollar against RMB in the reporting period. The

				variation in the prior year mainly resulted from exchange gains. For details, see the Note 43 Financial Expenses in the Notes to the Consolidated Financial Statements in part II of Section V Financial Report.
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#### 4. Investment in research & development

Applicable    Not applicable

##### i. Mobile Game R&D Projects

###### Project 1: MU (Mobile Game)

MU is an ARPG mobile game that is licensed by Webzen with the theme of miracle client game. With the support of the Unity3D engine, the game not only allows players to experience the classic on-hook treasure hunting, but also restore partial dress-up and a variety of magnificent streamer effects of equipment.

###### Project 2: Search for Gold (Huang Jin Cai Jue)

Search for Gold (Huang Jin Cai Jue) is a magical ARPG mobile game. The triad of heaven, human and demons constitutes a huge world view. Warriors, wizards and Taoist priests are destined to fight against the demons and recast the heaven! The game not only authentically presents the classic PK, but also creates unique gameplay including capture of the BOSS as a fight pet, cross-server winning and awarding of gold ingots for equipment recovery. It strives to present players with a wonderful world of games.

###### Project 3: Ling Yu

Ling Yu is a 2D H5 mobile game with a theme of immortal cultivation. It's easy to hang up for treasure hunting without burden, which is unique and breaks the traditional features of games. Different choices made by players in the game will affect their own characters, while changing the game's storyline. When the character reaches a certain level, the player will activate the hidden immortal and gain the exclusive and powerful secrets specially for immortals, making the player a unique immortal.

###### Project 4: Fighter of the Destiny

Fighter of the Destiny is adapted from a novel of the same name from Mao Ni, an author of Tencent Literature. It is a MMORPG mobile game developed based on the Unity engine. It perfectly restores the characters, plots and scenes of the TV series. Chen Changsheng, Xu Yourong and other partners accompany the players to practice, fight against the destiny and change their lives in the game; Qing Gong of four levels in the game help players free to soar the eastern continent. Abundant partners, implements and other game features help players practice and break the predicaments. Furthermore, family, couples and other rich social gameplay allow players to find a good partner to practice together.

###### Project 5: H-Game

H-Game is an anime IP-based 3D ARPG mobile game based on the Unity engine. It is rich in characters, has a strong sense of fighting and exquisitely reproduces the feelings of adventure in the fantasy world. It satisfies most of the players for experiencing the story and is also integrated with team cooperation, wrestle competition and fighting against people, which greatly enhance the fun of the game.

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#### Project 6: Mobile Game T

Mobile Game T is a competitive game of top-view team shooting based on Unity3D. The game brings brand-new 5v5PVP gameplay through exquisite levels and hero designs, so that players can experience the hot shooting fun through the top-level view. The game adopts the next-generation art production method to present cartoons and powerful scenes and characters, magnifies the drama experience of some of the core battles, and combine multiple layers of light and shadow effects, striving to provide players with a sense of reality and stunning visual experience.

#### Project 7: Mobile Game F

Mobile Game F is a competitive and turn-based 3D card games featuring next-generation screen effects and fighting theme developed based on the Unity3D engine. The R&D team has made a deep customization of the Unity3D engine, and developed specifications for art resources and development standards in line with the future high-quality mobile game market based on the project type. The game fully exploits players' free and fragmented time. It solves tedious repetitive operation behaviors with humanized system design such as "mopping-up" and automatic fighting. It always focuses players' interest on the core gameplay, allowing the players to obtain the best gaming experience within a limited time.

#### Project 8: Legend Mobile Game Y

Legend Mobile Game Y is produced by the company's R&D team. The classic combination battle of warriors, wizards and Taoist priests is reproduced in the game, following the grand and free world outlook and iterative update of the technical level, so that the PK is more exciting and the siege is more refreshing, with rich and varied BOSS gameplay and a wide variety of luxury equipment. In addition, more layers of remodeling of screen effects and 3D modeling of characters give more freedom of battle experience, satisfying the warriors' pursuit of the game.

#### Project 9: Project X - Legend H5

Project X - Legend H5 is an ARPG mobile game independently researched and developed by the Company. The screen effects are based on nostalgic realism. It reproduces the classic gameplay including killing the BOSS and PK of miracle games. The brand new placement design, creative combination battle of warriors, wizards and Taoist priests, and the special three-in-one ring help the players to easily upgrade and enjoy PK.

#### ii. Browser Game R&D Projects

##### Project 1: Tu Long Rong Yao

Tu Long Rong Yao is an ARPG browser game with the theme of oriental magical realism. The game offers three kinds of occupations for players to choose from. Each profession has its own unique skills and distinctive style equipment to play its own role in the classic system gameplay, giving players a different gaming experience. The game has exquisite scenes, realistic sound effects, gorgeous skill effects and various forms of monsters and characters, allowing players to enjoy the visual and auditory effects while playing the game.

##### Project 2: Xue Meng Rong Yao

Xue Meng Rong Yao is a 3D MMOARPG browser game that is authorized by NCSOFT Lineage II of South Korea. It successfully restores the classic gameplay and top-level game screen effects of the original client game. The advanced settings and transition of the professions, creation of the equipment and stunning fights fully guarantee the fighting fun of the original client game.

##### Project 2: MU X

MU X is a miracle-type 3D ARPG browser game that uses advanced self-developed 3D game engine to restore the miraculous images of miracle-type games. While continuing to maintain the classic gameplay of miracle-type games, it also features cross-server free trade, multiple roles and other industry-leading and innovative gameplay.

#### Investment in research & development

	2017	2016	Changes in proportion
Number of R&D personnel (person)	1,461	1,004	45.52%
Proportion of R&D personnel	54.05%	45.72%	8.33%
Amount of R&D investment (yuan)	439,094,559.01	317,670,122.59	38.22%
Proportion of R&D investment in operating revenue	7.09%	6.05%	1.04%
Amount of capitalized R&D investment (yuan)	7,663,076.06	7,073,030.69	8.34%
Proportion of capitalized R&D investment in R&D investment	1.75%	2.23%	-0.48%

Reason for significant changes in the proportion of total R&D investment in operating revenue compared to the previous year

Applicable  Not applicable

Reasons for significant changes in capitalization rate of R&D investment and their rationality

Applicable  Not applicable

## 5. Cash flow

Unit: yuan

Item	2017	2016	Year-on-year increase (decrease)
Subtotal of cash inflows from operating activities	6,764,509,897.17	5,304,046,606.31	27.53%
Subtotal of cash outflows from operating activities	4,932,613,968.87	4,252,107,028.48	16.00%
Net cash flow from operating activities	1,831,895,928.30	1,051,939,577.83	74.14%
Subtotal of cash inflows from investment activities	2,567,482,176.55	872,586,555.02	194.24%
Subtotal of cash outflows from investment activities	3,935,420,406.47	2,390,119,798.33	64.65%

Net cash flow from investment activities	-1,367,938,229.92	-1,517,533,243.31	-3.98%
Subtotal of cash inflows from financing activities	1,344,262,496.88	449,463,250.61	199.08%
Subtotal of cash outflows from financing activities	1,034,016,584.46	280,642,645.46	268.45%
Net cash flow from financing activities	310,245,912.42	168,820,605.15	83.77%
Net increase of cash and cash equivalents	761,697,925.86	-286,575,995.03	-365.79%

Main factors affecting significant changes year on year in relevant data

Applicable  Not applicable

1. The net cash flow from operating activities increased by 74.14%, mainly due to the increase in operating revenue during the reporting period.
2. The subtotal of cash inflows from investing activities increased by 194.24%, mainly due to the increase in the amount of redemption of financial products by the company, the sale of equity of Shanghai Zheyuan Culture & Media Co., Ltd. and Tianjin Zilong Jidian Interactive Entertainment Co., Ltd.
3. The subtotal of cash outflows from investing activities increased by 64.65%, mainly due to the increase in the purchase of financial products by the company and the prepayment for the purchase of office buildings and parking spaces.
4. The subtotal of cash inflows from financing activities increased by 199.08%, mainly due to the increase in bank loans and share issuance for financing during the reporting period.
5. The subtotal of cash outflows from financing activities increased by 268.45%, mainly due to the increase in repayment of bank loans due by the Company, increase in payment of dividends, and the payment for acquisition of minority equity during the reporting period.

Reasons for significant discrepancy between the net cash flow from operating activities and net income of the current year in the reporting period.

Applicable  Not applicable

### III. Analysis of Non-Principal Business

Applicable  Not applicable

Unit: yuan

	Amount	Proportion in Pre-tax incomes	Reasons for formation	Sustainable or not
Investment income	256,030,245.92	13.36%	Mainly the investment income from disposal of equity	No

			investment and performance compensation	
Impairment loss on assets	351,295,883.79	18.33%	Mainly the impairment loss on goodwill of Shanghai Mokun .	No
Non-operating income	403,057,922.86	21.03%	Mainly the performance compensation recognized for the failure of Shanghai Mokun to fulfil its performance commitments	No
Other income	111,259,077.18	5.80%	Mainly the VAT refunds and other government grants related to daily operations	Yes

#### IV. Analysis of Assets and Liabilities

##### 1. Significant changes in composition of assets

Unit: yuan

	December 31,2017		December 31,2016		Increase and decrease in proportion	Description of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	1,580,910,931.98	17.26%	819,213,006.12	12.83%	4.43%	The proportion of monetary funds in total assets on December 31, 2017 increased by 4.43% from that of December 31, 2016, mainly due to the increase in cash inflow generated by the company's operating activities during the reporting period.
Accounts receivable	884,909,012.77	9.66%	815,645,754.68	12.77%	-3.11%	The proportion of accounts receivable in total assets on December 31, 2017 decreased by -3.11% from that of December 31, 2016, mainly due to an increase in total assets arising from the accelerated collection of accounts receivable during the reporting period and increase in total assets arising from

						increase in other assets such as goodwill and other non-current assets.
Inventory	101,828,085.31	1.11%	71,481,925.54	1.12%	-0.01%	No major changes of the proportion of inventories in total assets on December 31, 2017 from that of December 31, 2016.
Investment real estate		0.00%		0.00%	0.00%	
Long-term equity investment	376,972,832.08	4.12%	786,567,839.80	12.32%	-8.20%	The proportion of long-term equity investments in total assets on December 31, 2017 decreased by -8.20% from that of December 31, 2016, mainly due to the inclusion of Shanghai Mocun, the original JV of the Company, in the consolidation scope within the reporting period.
Fixed assets	292,395,887.17	3.19%	271,491,379.50	4.25%	-1.06%	The proportion of fixed assets in total assets on December 31, 2017 decreased by -1.06% from that of December 31, 2016, mainly due to an increase in total assets arising from increase in assets such as goodwill and other non-current assets.
Construction in process	50,672,878.42	0.55%	31,078,391.88	0.49%	0.06%	No major changes of the proportion of construction in process in total assets on December 31, 2017 from that of December 31, 2016.
Short-term loans	372,054,500.00	4.06%	372,878,500.00	5.84%	-1.78%	The proportion of short-term loans in total assets on December 31, 2017 decreased by -1.78% from that of December 31, 2016, mainly due to an increase in total assets arising from increase in assets such as goodwill and other non-current assets.
Long-term loans	310,775,272.06	3.39%		0.00%	3.39%	The proportion of newly-added long-term loans in total assets accounted for 3.39% by December 31, 2017, mainly due to the new mortgage borrowings for purchase of office

						space.
Other non-current assets	592,189,323.99	6.46%	234,948,261.89	3.68%	2.78%	The proportion of the other non-current assets in total assets on December 31, 2017 increased by 2.78% from that of December 31, 2016, mainly due to the Company's recognition of performance compensation related to the failure of Shanghai Mokun, acquired by the Company during the reporting period, to fulfil its performance commitments.
Goodwill	2,540,312,996.76	27.73%	1,579,976,961.87	24.74%	2.99%	The proportion of goodwill in total assets on December 31, 2017 increased by 2.99% from that of December 31, 2016, mainly due to recognition of the goodwill generated by the consolidation of Shanghai Mokun.
Other non-current assets	914,263,967.16	9.98%	320,590,794.35	5.02%	4.96%	The proportion of other non-current assets in total assets on December 31, 2017 increased by 4.96% from that of December 31, 2016, mainly due to prepayment for purchase of office buildings and parking spaces.
Accounts payable	741,792,973.33	8.10%	700,713,118.00	10.97%	-2.87%	The proportion of accounts payable in total assets on December 31, 2017 decreased by -2.87% from that of December 31, 2016, mainly due to an increase in total assets arising from increase in assets such as goodwill and other non-current assets.
Other payables	61,572,020.26	0.67%	293,166,635.18	4.59%	-3.92%	The proportion of other payables in total assets on December 31, 2017 decreased by -3.92% from that of December 31, 2016, mainly due to decrease of investment payable.

## 2. Assets and liabilities measured at fair values

√ Applicable   □ Not applicable

Unit: yuan

Item	Beginning	Current profits	Cumulative	Impairment	Purchase	Sales amount in	Ending
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	balance	and losses from variation in fair value	changes in fair value recorded in profits and gains	accrued in current period	amount in current period	current period	balance
Financial assets							
3. Financial assets available for sale	5,445,472.73		-24,337,628.17		80,189,997.98	3,756,740.62	57,541,101.92
Total of the above	5,445,472.73		-24,337,628.17		80,189,997.98	3,756,740.62	57,541,101.92

Is there significant change in the measurement attribute of the Company's main assets in the reporting period?

Yes  No

### 3. Limitation of assets rights as of the end of the reporting period

The Company is free from any limitation of assets right as of the end of the reporting period.

## V. Analysis of Investments

### 1. General

Applicable  Not applicable

Investment amount in the reporting period (yuan)	Investment amount in the same period of the previous year (yuan)	Variation
2,401,535,373.99	1,426,943,171.05	68.30%

### 2. Important equity investment in the reporting period

Applicable  Not applicable

Unit: yuan

Name of the company invested in	Princip al busines s	Invest ment method	Invest ment amount	Shareh olding ratio	Capital source	Partner	Invest ment horizon	Types of product s	Progre ss as of the balanc e sheet date	Antici pated income	Investm ent profit and loss in the current period	Involve ment in litigatio n	Disclosu re date (if any)	Disclos ure index (if any)
Shangh ai	Technic al	Acquisi	952,74 9,968.6	68.43%	Share payme	No	Long	Game	Compl eted		-24,826,	No		

Mokun	development and services in the fields of digital technology and computer science; computer network engineering; computer system integration; corporate marketing planning; sales of digital products, computer hardware and software, peripheral equipment,	tion	9		nt and private offering		term	R&D	industrial and commercial changes`		452.48			
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	communication equipment, communication equipment, and electronic products; design of computer hardware and software; data processing services; import and export businesses of goods and technology.												
Jiangsu Zhiming	Technical development, transfer and consulting services in the	Acquisition	254,799,990.80	--49.00%	Share payment and private offering	No	Long term	Game distribution and operation	Completed industrial and commercial changes	19,165,238.82	No		

fields of network technology and computer technology; computer system integration and network engineering services; animation design; graphic design and production; sales of computer software and ancillary equipment; operation of game products with information													
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	network (including distribution of virtual currency of online games).												
Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership)	Cultural industry investment on the Internet, film and television investment businesses, investment management businesses, investment consulting businesses, asset management services, and other investm	Newly established	50,000,000.00	64.52%	Proprietary	Shenzhen Oriental Fortune Capital Investment Management Co., Ltd.	Long term	Investment management	Completed industrial and commercial changes	0.00	No		

	ent busines s permitt ed by laws and adminis trative regulati ons.												
XD Network k Co., Ltd.	Technic al develop ment, transfer, consulti ng and services in the fields of comput er science and technol ogy and network technol ogy; sales of comput ers, softwar e and auxiliar y equipm ent (except for special	Other	100,05 0,000.0 0	2.38%	Proprie tary	No	Long term	Game R&D and distribu tion	Compl eted industr ial and comme rcial change s`	0.00	No	Februar y 06, 2017	<a href="http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1203065044?announceTime=2017-02-06%2007:55">http://www.cninfo.com.cn/cninfo-new/disclosure/fulltext/bulletin_detail/true/1203065044?announceTime=2017-02-06%2007:55</a>

<p>product s for informa tion system security of comput ers); comput er system integrat ion; web design; softwar e develop ment; design , product ion, agency services and publishi ng of various types of advertis ements; investm ent manage ment; busines s consulti ng (except for</p>													
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	brokerage); clothing sales; telecommunications business.												
Zhongnan Hong Culture Group Co., Ltd.	Product ion and distribu tion of broadca sting, film, televisi on and music progra ms; corpora te image plannin g; organiz ation of cultural and artistic exchan ge activitie s; technol ogy develop ment and sales of mobile	Other	80,189,997.98	0.52%	Proprie tary	No	Long term	Culture and media	Compl eted industr ial and comme rcial change s	0.00	No		

phones, computer hardware and software, ancillary equipment, electronic products, and communication products; design, production, agency services and distribution of various types of advertisements; conference and etiquette services; investment in foreign countries using													
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<p>its own funds; equity investment; educational information consultation (excluding intermediary services for self-funded overseas study); manufacturing of pipe fittings, steel pipes, mechanical parts, expansion joints, prefabricated and directly buried insulation pipes;</p>														
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	Proprietary trading and agency services for import and export of various types of goods and technologies (except for products and technologies that the state restricts enterprises to operate or are prohibited from import and export)												
Guangzhou Haojiahuo Yiqi Media Partnership	Production of radio and television programs	Other	5,000,000.00	20.00%	Proprietary	No	Long term	Investment management	Completed industrial and commercial change		0.00	No	

(Limited Partnership)	ms (specific scope of business is subject to the <i>Permit for Production and Operation of Radio and Television Programs</i> ); advertising business; movie and television agency services; organization and planning services for large-scale events (large-s								5.					
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<p>cale events refer to parties, sports games, celebrat ions, art and model contests , art festival s, film festival s, public welfare perform ances, exhibiti ons, etc. Activiti es that are subject to special examin ation and approva l may only be operate d after acquisit ion of relevant approva l; cultural</p>														
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and artistic consulting services ; planning and creative services ; planning of non-profit cultural activities participated by the masses including literary performances and competitions; investment with the company's own capital; investment consulting services ;													
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	business management consulting services ;												
Chengdu Modu Technology Co., Ltd.	Computer system integration; research and development, sales of computer hardware and software and electronic products; computer network technology services ; basic software services ; application software	Capital increase	12,000,000.00	20.00%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes	-1,030,025.53	No		

	e services ; import and export of goods and technology; leasing of network connection equipment, furniture and household appliances.													
Chengdu Mofei Technology Co., Ltd.	Research and development, sales of computer hardware and software and electronic products; services , development,	Capital increase	12,000,000.00	20.00%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes		-1,037,501.22	No		

	promoti on and transfer of comput er network technol ogy; comput er system integrat ion; basic softwar e services ; applicat ion softwar e services ; technol ogy import and export; leasing of furnitur e and househ old applian ces.													
Shangh ai Fuhai Sanqi Asset	Investm ent manag ement, Newly establis hed	3,000,0 00.00	30.00%	Proprie tary	No	Long term	Invest ment manag ement	Compl eted industr ial and		419.01	No			

Management Co., Ltd.	investment consulting, asset management, business management consulting, business consulting, financial consulting.								commercial changes					
Najia Technology (Shenzhen) Co., Ltd.	Technical development, transfer, consulting and services in the fields of digital technology and computer science and technology; computer	Newly established	40,000,000.00	7.20%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes	0.00	No			

network enginee ring; comput er system integrat ion; design of comput er softwar e and hardwar e; data processi ng services ; marketi ng plannin g; sales of comput er hardwar e and softwar e and auxiliar y equipm ent, telecom municat ions equipm ent and electron ic													
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product s, and import and export of goods and technol ogies. Adverti sing busines s; flat and three-di mensio nal design; web design; researc h and develop ment, technic al mainten ance of social network ing platfor ms; sales of toys, artware (excludi ng gold and silver jewelry													
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<p>), digital electron ic product s, statione ry, plastic product s and hardwar e product s. Design and technic al consulti ng of animati on product s. (Items that are subject to approva l accordi ng to the law may only be carried out after approva l by the relevant</p>														
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departm ent) ^ Product ion of radio and televisi on progra ms; film product ion; manufa cturing and processi ng of toys, artware (excludi ng gold and silver jewelry ) digital electron ic product s, statione ry, plastic product s and hardwar e product s; publicat ion													
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	product ion and distribu tion; online game product ion.												
Shangh ai Ilwan Networ k Technol ogy Co., Ltd.	Technic al develop ment, transfer, consulti ng and services in the fields of network technol ogy and comput er technol ogy; comput er system integrat ion; network enginee ring; animati on design; creative services ; graphic design and	Capital increas e	23,500,000.00	25.00%	Proprie tary	No	Long term	Game distribu tion	Compl eted industr ial and comme rcial change s	-1,633,140.77	No		

	product ion; sales of computers, software and auxiliary equipment; import and export of goods and technologies.												
Archiact Interactive Ltd.	Supply of VR game contents	Capital increase	6,858,800.00	10.00%	Proprietary	No	Long term	VR Game R&D	Completed industrial and commercial changes`		0.00	No	
Chengdu 91Act Technology Co., Ltd.	Technology services of computer hardware and software; R&D and sales of computer hardware	Capital increase	11,500,000.00	20.50%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes`		1,001,260.32	No	

<p>             e and              softwar              e and              auxiliar              y              equipm              ent,              electron              ic              product              s, office              equipm              ent and              commu              nication              s              equipm              ent              (excludi              ng              wireless              broadca              st              televisi              on              transmi              ssion              equipm              ent and              satellite              ground              receptio              n              equipm              ent);              network              technol              ogy              develop              ment,              technic              al           </p>														
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

	consulting, technology transfer; multimedia design; animation design; import and export of goods and technologies.												
Shenzhen Chanyo Technology Co., Ltd.	Technical development, technical transfer and related information consultation of online games and computer software; design of web	Capital increase	18,000,000.00	2.78%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes	0.00	No		

<p>pages; domesti c trade (except for the above items that are subject to examin ation and approva l before registrat ion accordi ng to the laws and regulati ons as well as decisio ns of the State Council ); import and export busines s (except for items that are prohibit ed by laws,</p>														
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<p>administrative regulations and State Council . The restricted items may be operated after acquisition of relevant approval); planning of cultural activities (excluding restricted items); advertising businesses (The items that are subject to examination and approval of advertising</p>														
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<p>business s accordi ng to laws, adminis trative regulati ons and decisio ns of the State Council may be operate d upon acquisit ion of relevant approva l.) ^ Informa tion service busines s (Interne t informa tion services only); operatio n of game product s with Internet (includi ng distribu</p>													
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	tion of virtual currency of online games).													
Chengdu Pengwan Technology Co., Ltd.	Design, development and sales of computer hardware and software; computer system integration; network engineering design and construction (operating with qualifications and licenses); web design; technical support services	Capital increase	33,021,823.48	22.34%	Proprietary	No	Long term	Game R&D	Completed industrial and commercial changes`	2,076,426.17	No			

	technical consulting, technical services and technology promotion for computers; digital content services; animation design.													
Total	--	--	1,602,670,580.95	--	--	--	--	--	--	0.00	-6,283,775.68	--	--	--

3. Important non-equity investment in the reporting period

Applicable  Not applicable

Unit: yuan

Projects	Investment method	Investment in fixed assets or not	Industries of the investment projects	Investment amount in this reporting period	Cumulative investment amount as of the end of this reporting period	Capital source	Project progress	Anticipated income	Cumulative returns as of the end of this reporting period	Reasons for failure to achieve scheduled progress and anticipated income	Disclosure date (if any)	Disclosure index (if any)

12/F, 14/F, 17/F to 23/F of Office Building and -3/F and -4/F of undergro und parking spaces of Zhongro ng Plaza, No. 666 Huangpu Road Middle, Tianhe, Guangzh ou	Other	Yes	Commer cial real estate	795,864, 793.02	795,864, 793.02	Mortgag e loan			0.00	0.00	N/A	April 26, 2017	<a href="http://www.cninfo.com.cn/cninfo-new/disclosure/szse_sme/bulletin_detail/true/1203387463?announceTime=2017-04-26">http://www.cninfo.com.cn/cninfo-new/disclosure/szse_sme/bulletin_detail/true/1203387463?announceTime=2017-04-26</a>
Total	--	--	--	795,864, 793.02	795,864, 793.02	--	--	0.00	0.00	--	--	--	--

#### 4. Financial assets measured at fair value

√ Applicable   □ Not applicable

Unit: yuan

Category of assets	Initial investment cost	Profits and losses from change in fair value in the current period	Cumulative changes in fair value recorded in profits and gains	Purchase amount in the reporting period	Sales amount in the reporting period	Cumulative returns on investment	Ending balance	Capital source
Shares	81,100,692.72	0.00	-23,559,590.80	80,189,997.98	3,756,740.62	0.00	57,541,101.92	Proprietary
Total	81,100,692.72	0.00	-23,559,590.80	80,189,997.98	3,756,740.62	0.00	57,541,101.92	--

## 5. Use of raised funds

 Applicable  Not applicable

## (1) Overall use of raised funds

 Applicable  Not applicable

Unit: 10,000 yuan

Year of fundraising	Fundraising mode	Total amount of raised funds	Total amount of raised funds used in the current period	Cumulative amount of raised funds used	Total amount of raised fund with purposes changed in the reporting period	Cumulative amount of raised fund with purposes changed	Proportion of cumulative amount of raised fund with purposes changed	Total amount of raised funds not used	Purpose and direction of raised funds not used	Amount of raised funds idle for over two years
2017	Private offering	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

## Overall use of raised funds

With the Reply of China Securities Regulatory Commission on Approving the Share Issuance of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. to Yang Dongmai etc. for Purchasing Assets and Raising Supporting Funds (Zheng Jian Permit [2017] No. 579), Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. offered to 2 specific targets including Shenzhen Guodiao Investment M&A Equity Investment Fund Partnership (Limited Partnership) and Shenzhen Yidun Media Investment Fund Partnership (Limited Partnership) 17,866,869 RMB common shares (A shares) of non-public issuance shares (with a nominal value of RMB 1 per share). The issue price was RMB 25.52 per share and the total funds raised were RMB 455,962,496.88. After deduction of the issuance costs of RMB 31,313,316.06 (including tax) and the VAT input tax of RMB 1,768,867.9. The net amount of funds was RMB 426,418,048.75. As of June 30, 2017, the supporting funds raised by the above issuance had been put in place and examined by Pan-China Certified Public Accountants (Special General Partnership). It issued the Tianjian Yan [2017] No. 3-64 Capital Verification Report on July 1, 2017. The funds raised were mainly used for the cash consideration of RMB 422,642,500.00 for purchasing 68.43% of the equity of Shanghai Mokun and 49.00% of the equity of Jiangsu Zhiming and RMB 33,320,000.00 for related intermediary agency expenses of the transaction.

## (2) Projects to be invested in with raised funds

 Applicable  Not applicable

Unit: 10,000 yuan

Projects to be invested	Change	Total	Total	Investme	Cumulati	Investme	Date	Benefit in	Whether	Significa
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and investment direction of excess funds	of project or not (including partial change)	amount of raised fund to be invested	investment after adjustment (1)	investment amount in this reporting period	investment amount as of the end of the current period (2)	investment progress by the end of the current period (3) = (2)/(1)	when the project reaches the expected serviceable conditions	this reporting period	the expected benefit is reached or not	investment change in feasibility of the project or not
Projects to be invested in										
Cash consideration for purchasing 68.43% of the equity of Shanghai Mokun	No	33,346.25	33,346.25	28,346.25	33,346.25	100.00%	May 31, 2017	-2,482.65	No	No
Cash consideration for purchasing 49.00% of the equity of Jiangsu Zhiming	-- No	8,918	8,918	8,918	8,918	--100.00%	May 31, 2017	1,916.52	--Yes	--No
Payment for related intermediary agency expenses of the transaction	No	3,332	3,332	3,332	3,332	100.00%	June 30, 2017	0	Yes	No
Subtotal of the projects to be invested in	--	45,596.25	45,596.25	40,596.25	45,596.25	--	--	--	--	--
Subtotal of projects to be invested in	--					--	--	-566.13	--	--
Investment direction of excess funds										
No										
Repayment of bank loan (if any)	--	0	0	0	0	0.00%	--	--	--	--
Supplement of current funds (if any)	--	0	0	0	0	0.00%	--	--	--	--
Subtotal of investment direction of excess funds	--	0	0	0	0	--	--	0	--	--
Total	--	45,596.25	45,596.25	40,596.25	45,596.25	--	--	-566.13	--	--
Failure to meet scheduled progress or	Shanghai Mokun Digital Technology Co., Ltd., a subsidiary of the Company, failed to fulfil its performance commitments during the reporting period, the main reason of which was that its product									

anticipated income and reasons (specific projects)	launch schedule was postponed. It has successfully launched its main products and achieved impressive billing as of the date of this report, which was expected to have a positive effect on its future performance.
Description of significant changes in project feasibility	No
Amount, purpose, and progress of excess funds	N/A
Change in place of implementation of projects invested in with raised funds	N/A
Adjustment of implementation method of projects invested in with raised funds	N/A
Up-front cost and replacement of projects invested in with raised funds	<p>Applicable</p> <p>In order to ensure the successful implementation of the Company's restructuring before the raised funds arrived, the Company had invested in the fundraising projects at the earlier stage with self-raised funds according to the actual situation, including the payment of cash consideration of RMB 50 million and related intermediary agency expenses of RMB 4.466 million for this transaction, totaling RMB 54.466 million. After the raised funds were in place, the 7th meeting of the 4th Board of Directors of the Company reviewed and approved the Proposal on Replacing the Up-Front Funds Invested in the Fundraising Project with the Funds Raised, agreeing that the company would use the raised funds of RMB54.466 million to replace the self-raised funds invested in advance.</p>
Temporary supplement of current funds with idle raised funds	N/A
Amount of surplus raised funds in project implementation and the reason	N/A
Purpose and direction of unused raised funds	The funds raised have all been used up during the reporting period without surplus.
Problems or other situations in use and disclosure of raised	No

funds	
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### (3) Change in projects invested in with raised funds

Applicable  Not applicable

There is no change in projects invested in with raised funds in the reporting period.

## VI. Sales of Major Assets and Equity

### 1. Sales of major assets

Applicable  Not applicable

The Company did not sell any major asset in the reporting period.

### 2. Sales of major equity

Applicable  Not applicable

Counter party	Equity sold	Date of sales	Price (10,000 yuan)	Net income realized by the equity for the listed company from the beginning of the current period to the date of sales (10,000 yuan)	Impact of sales on the Company	Proportion of net income from equity sales in Pre-tax income of the listed company	Pricing principle for equity sales	Related-party transaction or not	Relationship with the counter party	Transfer of the equity involved in whole or not	Implementation of the sales as planned or not, and explain the reasons and measures taken by the company if not.	Disclosure date	Disclosure index
Zhongnan Hong Culture Group	Shanghai Aurora Network	March 31, 2017	13,365	29.3	No effect on the Company	5.36%	Market fair value	No	Non-related parties	Yes	As planned		

Co., Ltd.	Technology Co., Ltd.				y's business ; increase its current net income								
Tianjin Kale Interactive Technology Co., Ltd.	Shanghai Haoyuan Culture & Media Co., Ltd.	January 13, 2017	19,500	0	No effect on the Company's business ; increase its current net income	4.49%	Market fair value	No	Non-related parties	Yes	As planned	January 05, 2017	
Huaren Culture Limited Liability Company	Tianjin Zilong Qidian Interactive Entertainment Co., Ltd.	August 21, 2017	5,500	0	No effect on the Company's business ; increase its current net income	1.00%	Market fair value	No	Non-related parties	Yes	As planned		

## VII. Analysis of Main Controlling and Shareholding Companies

√ Applicable   □ Not applicable

Main subsidiaries and shareholding companies contributing to more than 10% of the net income of the Company

Unit: yuan

Company name:	Type of the Company	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net income
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Shanghai Sanqi Interactive Entertainment	Subsidiary	On-line game	10,000,000.00	6,080,611,038.82	3,321,683,317.25	5,619,311,644.89	1,575,879,628.50	1,514,053,826.46
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Subsidiaries acquired and disposed in the reporting period

Applicable  Not applicable

Company name:	Methods of subsidiary acquisition and disposal in the reporting period	Impact on overall production, operation, and performance
Shanghai Mokun	Acquisition	Shanghai Mokun's ability of high-quality game R&D effectively enhances the R&D ability of the listed company and improves users' willingness to pay.

Description of main controlling and shareholding companies

## VIII. Structured Entities Controlled by the Company

Applicable  Not applicable

## IX. Prospect for Future Development of the Company

### i. Development Strategy and Business Plan of the Company

#### 1. Development Strategy

The Company will adhere to the development strategy of “platformization, globalization and pan-entertainment”, uphold the marathon-type entrepreneurial spirit, and lead the Company to keep catching and surpassing the industry leader under the trend that the global online game industry still maintains growth. The Company will create brand barriers by leveraging team strengths, differentiated competitive advantages of mobile game publishing business, leading advantages in the browser game industry and R&D advantages of superior games, and will enhance operating performance through endogenous and outreach development. Looking into the future, the Company will further develop its IP strategy and customize more premium games with high-quality IPs to become the world's leading developer, operator and distributor of mobile games and browser games, and will continue to increase its presence in the interactive entertainment industry and improve its interactive entertainment ecosystem.

#### 2. Business Plan

##### (1) Further Promote the “ARPG+ Multi-Category” Product Strategy of Mobile Game

The achievements of games such as Yong Heng Ji Yuan, Swords of Archangels H5, Xian Ling Jue Xing and King of Avalon in R&D and publishing business verified the "ARPG+ multi-category" product strategy of the Company for mobile game R&D and publishing and the Company's capacities of purchase and conversion of traffic and channel cooperation. Accordingly, the Company will further strengthen its R&D and publishing competitive advantages in mobile games and make full use of its abundant product reserves. It will make greater efforts to expand the leading edge in superior ARPG game products with Mobile Game Chuan Qi Ba

Ye, Swords of Archangels H5 and Yong Heng Ji Yuan etc. Meanwhile, it will occupy a larger market share by publishing multi-category mobile games such as Fighter of the Destiny, Xian Ling Jue Xing, Ling Yu, Sword and Rebirth and other ancient fantasy games, card games, female-oriented games, and games adapted from cartoons and animations.

(2) Adequate Browser Game Product Reserves and Continuous Elaborate Operation on High-Quality Products

The Company will conduct elaborate operation on high-quality browser games in 2018. The main products that will be released in 2018 include Rise of Taichi, One Piece Online, A Step into the Past, The Legendary Swordsman and Xue Mai and self-developed Tu Long Rong Yao, Xue Meng Rong Yao and MU X.

(3) In-Depth Localization and Operation on High-Quality Products to Increase Overseas Market Share

The Company will expand the countries and regions covered by the 37GAMES platform to dig deep into the European and American market using English, Asia market, as well as the markets using minor languages such as German, French and Turkish etc. The Company will further leverage its first-mover advantage in overseas markets and rely on advanced game R&D capabilities and localization capabilities to expand its overseas business scale and increase its overseas market share.

(4) Strengthen R&D of Mobile Games and Browser Games and Consolidate Brand Barriers of Self-Developed Games

The Company will continue to consolidate its R&D capabilities in mobile games and browser games, enhance the performance of its product engines, improve the artistic quality of its products, and actively carry out design innovations in 2018. Meanwhile, it will conduct multi-platform and multi-gameplay development for the Company's self-developed premium games such as Chuan Qi Ba Ye, Swords of Archangels and Yong Heng Ji Yuan etc. to enhance the core user stickiness, accumulate reputation and further consolidate brand barriers. In addition, the Company will further recruit excellent R&D talents, expand R&D teams and further enrich the product lines.

(5) Strengthen Cooperation with R&D Manufacturers and Media Channels, and Consolidate the Company's Bargaining Power in the Industry Chain

The Company will continue to strengthen cooperation with R&D manufacturers and media channels, and expand the Company's market share through benign cooperation in 2018, thereby further enhancing its bargaining power in the industry chain.

(6) Maintain Synergy among Business Segments and Enhance Complementarity between Endogenous Development and Outreach Development

While maintaining the rapid growth of endogenous development, the Company will focus on its development strategy and plans and actively accelerate the Company's layout of the upstream and downstream of the industrial chain through investment, equity participation, mergers and acquisitions and other means, including media channels, game videos, and film and TV, animation and other interactive entertainment industries, to maximize the value of the platform users and the Company.

(7) Continue to Implement the IP Strategy and Reserve Premium Contents Customized and Developed based on IPs

Based on the pan-entertainment layout such as animation, film and TV, the Company actively seeks ways including investment, mergers and acquisitions to increase investment in animation, VR and other fields to carry out the layout of pan-entertainment industries. Relying on IP, it will develop and publish premium pan-entertainment contents of new areas. In particular, it will soon introduce finished product contents of the animation industry to further expand the Company's brand strength in the game market.

iii. Future Challenges Faced by the Company and Countermeasures

### 1. Market Competition Risks and Countermeasures

The online game industry has formed fierce competition in products and market channels. With the development of various entertainment industries and the Internet industry, online game users are also upgrading their requirements of products. If market competition is further intensified, it will exert pressure on the Company's development from the aspects of products and market channels.

With respect to countermeasures, the Company needs to maintain its existing brand advantages and bargaining power and accelerate the integration of upstream and downstream of the industry chain, while leveraging its first-mover advantage in overseas game markets to accelerate the expansion of overseas business scale. In addition, it should constantly introduce more exquisite mobile games and browser games by virtue of continuously successful product R&D experience and accumulation and through targeted development with abundant IP resources, so as to achieve continuous connection with users through ceaseless boutique games and maintain improvement of core competitiveness in the market.

### 2. Operational Risks and Countermeasures

The online game industry has the characteristics of fast product replacement, limited life cycle and fast change of user preferences. Game-related companies need to increase investment in technology development and keep up with industry technology trends. If the game industry's technology, products and other aspects undergo major changes, but the Company fails to keep up with the pace of industrial technology development, resulting in failure of products to meet market demand, significant negative impact may generate on user experience of the original business and brand image etc., thereby affecting the Company's operating performance.

With respect to countermeasures, the Company needs to increase its investment in product R&D and should, at the same time, continue outreach development and deploy the upstream of the industrial chain through investment, equity participation, mergers and acquisitions.

### 3. Loss of Core Personnel and Countermeasures

A stable and high-quality game development talent team is an important guarantee for the Company, as a light-asset online game company, to maintain its leading edge in technology. If the Company cannot effectively maintain the incentive mechanism of the core personnel and constantly improve it in accordance with changes in the market environment, it will affect the enthusiasm and creativity of the core personnel, and even result in the loss of core personnel. If the Company cannot externally introduce technical and operational talents that are closely related to the Company's development and retain them, the Company's business operation, development space and profitability levels will be adversely affected.

In response, the Company attaches great importance to training and seeking of professional talents. It has built a platform-based talent management mechanism in an innovative manner to inspire outstanding game producers through high project awards while giving them great space for R&D and freedom of creation. The Company maintains the stability of core technology and management personnel by signing agreements with key personnel, creating a sound working environment and establishing a good corporate culture. At the same time, the Company has always paid attention to the training and increase of sense of belonging of employees, especially the core employees and managers, to help them build a sense of ownership of the Company and increase their loyalty to the Company.

## Section V Financial Reports

### I. Financial Statements

Numbers in the financial statements and notes thereto are expressed in Renminbi yuan.

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

#### CONSOLIDATED BALANCE SHEET

31 December 2017

(Expressed in Renminbi yuan)

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,580,910,931.98	819,213,006.12
Notes receivable	55,340,000.00	94,638,841.21
Accounts receivable	884,909,012.77	815,645,754.68
Advance payments	283,516,789.29	291,963,008.64
Interests receivable	582,592.17	
Other receivables	388,111,919.85	122,662,618.02
Inventory	101,828,085.31	71,481,925.54
Held-for-sale assets	75,066,714.34	
Other current assets	592,189,323.99	234,948,261.89
Total current assets	3,962,455,369.70	2,450,553,416.10
Non-current assets:		
Available-for-sale financial assets	882,481,586.86	785,068,643.78
Long-term equity investment	376,972,832.08	786,567,839.80
Fixed assets	292,395,887.17	271,491,379.50
Construction in progress	50,672,878.42	31,078,391.88
Intangible assets	44,898,112.29	43,864,656.11
Development expenditure	4,070,272.43	8,689,105.40
Goodwill	2,540,312,996.76	1,579,976,961.87

Long-term deferred expenses	79,803,089.59	101,966,657.36
Deferred income tax assets	11,810,692.92	6,368,165.19
Other non-current assets	914,263,967.16	320,590,794.35
Total non-current assets	5,197,682,315.68	3,935,662,595.24
Total assets	9,160,137,685.38	6,386,216,011.34
Current liabilities:		
Short-term loans	372,054,500.00	372,878,500.00
Notes payable		17,414,395.42
Accounts payable	741,792,973.33	700,713,118.00
Payments received in advance	84,886,734.84	59,679,946.95
Payroll payable	113,480,021.50	81,943,285.80
Taxes payable	58,281,315.47	53,798,244.69
Interests payable	390,533.38	411,567.28
Other payables	61,572,020.26	293,166,635.18
Non-current liabilities due within one year	28,117,893.57	
Other current liabilities	57,738,251.19	44,259,562.28
Total current liabilities	1,518,314,243.54	1,624,265,255.60
Non-current liabilities:		
Long-term loans	310,775,272.06	
Bonds payable	27,163,239.26	23,757,428.88
Deferred income	17,226,474.44	9,039,043.38
Total non-current liabilities	355,164,985.76	32,796,472.26
Total liabilities	1,873,479,229.30	1,657,061,727.86
Owner's equity:		
Share capital	2,148,110,844.00	2,084,794,788.00
Other equity instruments	1,947,846.62	1,947,846.62
Capital reserves	1,972,639,580.66	934,484,599.29
Other comprehensive incomes	-25,087,592.30	-4,618,535.07
Surplus reserves	99,561,946.09	93,488,947.26
Undistributed profit	2,819,597,585.78	1,413,567,635.94
Total owner's equity attributable to parent company	7,016,770,210.85	4,523,665,282.04
Minority interests	269,888,245.23	205,489,001.44

Total owner's equity	7,286,658,456.08	4,729,154,283.48
Total liabilities and owner's equity	9,160,137,685.38	6,386,216,011.34

Legal representative: Li Weiwei    Person in charge of accounting: Ye Wei    Person in charge of the accounting Department: Ye Wei

**BALANCE SHEET OF THE PARENT COMPANY**  
(Expressed in Renminbi yuan)

Item	Closing balance	Opening balance
<b>Current assets:</b>		
Monetary capital	5,437,518.91	15,360,874.41
Advance payments		1,886,792.45
Dividends receivable		500,000,000.00
Other receivables	1,655,547,345.04	49,248,886.95
Assets held for sale	69,996,897.11	
Other current assets	403,527,827.28	299,277.50
<b>Total current assets</b>	<b>2,134,509,588.34</b>	<b>566,795,831.31</b>
<b>Non-current assets:</b>		
Available-for-sale financial assets	60,000,000.00	189,996,897.11
Long-term equity investment	5,754,424,925.15	5,586,179,960.15
Deferred income tax assets	3,334,186.37	
Other non-current assets	50,000,000.00	298,500,000.00
<b>Total non-current assets</b>	<b>5,867,759,111.52</b>	<b>6,074,676,857.26</b>
<b>Total assets</b>	<b>8,002,268,699.86</b>	<b>6,641,472,688.57</b>
<b>Current liabilities:</b>		
Short-term loans	369,000,000.00	370,000,000.00
Payroll payable	539,632.89	208,649.67
Taxes payable	17,271,522.21	133,574.94
Interests payable	390,533.38	411,567.28
Other payables	565,086,466.06	285,250,797.14
Other current liabilities	936,428.02	
<b>Total current liabilities</b>	<b>953,224,582.56</b>	<b>656,004,589.03</b>
<b>Non-current liabilities:</b>		
<b>Total liabilities</b>	<b>953,224,582.56</b>	<b>656,004,589.03</b>

Owner's equity:		
Share capital	2,148,110,844.00	2,084,794,788.00
Capital reserves	4,401,934,248.25	3,253,924,796.01
Surplus reserves	99,561,946.09	93,488,947.26
Undistributed profit	399,437,078.96	553,259,568.27
Total owner's equity	7,049,044,117.30	5,985,468,099.54
Total liabilities and owner's equity	8,002,268,699.86	6,641,472,688.57

**CONSOLIDATED INCOME STATEMENT**  
**(Expressed in Renminbi yuan)**

Item	Accruals in the current period	Accruals in the prior period
I. Total operating revenue	6,188,828,116.75	5,247,893,728.73
Including: operating revenue	6,188,828,116.75	5,247,893,728.73
II. Total operating costs	5,039,424,012.89	4,137,677,116.62
Including: operating costs	1,948,197,239.76	1,941,286,776.66
Taxes and surcharges	26,508,097.89	29,714,525.49
Operating expenses	1,908,207,466.32	1,607,745,221.19
General and administrative expenses	776,659,541.86	514,933,615.17
Financial expenses	28,555,783.27	-5,460,395.61
Impairment loss on assets	351,295,883.79	49,457,373.72
Investment income (represented in "-" for loss)	256,030,245.92	54,668,504.76
Including: investment income from associated enterprise and joint venture	-11,139,329.07	33,654,987.57
Gains and losses on asset disposal (represented in "-" for loss)	1,055,284.09	1,316,063.68
Other incomes	111,259,077.18	
III. Operating profit (represented in "-" for loss)	1,517,748,711.05	1,166,201,180.55
Add: Non-operating income	403,057,922.86	162,018,871.61
Less: Non-operating expenditures	4,187,038.90	9,448,442.14
IV. Pre-tax profit (represented in "-" for total loss)	1,916,619,595.01	1,318,771,610.02

Less: Income tax expense	80,119,872.98	102,102,999.99
V. Net profit (represented in “-” for net loss)	1,836,499,722.03	1,216,668,610.03
(I) Net profit of continued operations (represented in “-” for net loss)	1,836,499,722.03	1,216,668,610.03
Net income attributable to owners of parent company	1,620,582,427.47	1,070,162,324.07
Minority interest income	215,917,294.56	146,506,285.96
VI. Other net comprehensive incomes after tax	-19,783,336.38	-14,243,985.29
Other comprehensive incomes after tax attributable to owners of parent company	-20,469,057.23	-8,895,261.69
(II) Other comprehensive incomes that can be reclassified as profit or loss in the future	-20,469,057.23	-8,895,261.69
2. Profit and loss on changes in fair value of available-for-sale financial assets	-21,799,686.38	-7,908,783.53
5. Converted difference in foreign currency statements	1,330,629.15	-986,478.16
Other comprehensive incomes after tax attributable to minority shareholders	685,720.85	-5,348,723.60
VII. Total comprehensive incomes	1,816,716,385.65	1,202,424,624.74
Total comprehensive income attributable to owners of parent company	1,600,113,370.24	1,061,267,062.38
Total comprehensive incomes attributable to minority shareholders	216,603,015.41	141,157,562.36
VIII. Earnings per share:		
(1) Basic earnings per share	0.76	0.51
(2) Diluted earnings per share	0.76	0.51

In case of business combination under common control in the current period, the combined party realized a net profit of RMB 0.00 yuan prior to the combination and it realized a net profit of RMB 0.00 yuan in the prior period.

Legal representative: Li Weiwei Person in charge of accounting: Ye Wei Person in charge of the accounting department: Ye Wei

### INCOME STATEMENT OF PARENT COMPANY

(Expressed in Renminbi yuan)

Item	Accruals in the current period	Accruals in the prior period
I. Operating revenue	751,646.53	124,856,929.57
Less: Operating cost	31,646.53	123,665,864.69
Taxes and surcharges	1,349,357.00	46,078.86
Operating expenses		491,661.09
General and administrative expenses	17,159,274.42	10,613,763.22
Financial expenses	4,144,539.06	8,035,038.84
Impairment loss on assets	10,753,616.43	2,581,848.90
Investment income (represented in "-" for loss)	-294,252,732.59	607,782,394.69
Including: investment income from associated enterprise and joint venture	-1,555,025.80	-940,529.89
Other incomes	156,969.20	
II. Business profit (represented in "-" for loss )	-326,782,550.30	587,205,068.66
Add: Non-operating revenue	401,364,984.06	178,189.52
Less: Non-operating expenditures		2,000,000.00
III. Pre-tax profit (represented in "-" for total loss)	74,582,433.76	585,383,258.18
Less: Income tax expense	13,852,445.44	1,019,059.92
IV. Net profit (represented in "-" for net loss)	60,729,988.32	584,364,198.26
(I) Net profit of continued operations (represented in "-" for net loss)	60,729,988.32	584,364,198.26
VI. Total comprehensive incomes	60,729,988.32	584,364,198.26
VII. Earnings per share:		

### CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Renminbi yuan)

Item	Accruals in the current period	Accruals in the prior period
I. Cash flows from operating activities:		

Cash received from the sales of goods or rendering services	6,627,148,304.92	5,123,965,167.21
Cash received from tax refunds	81,575,068.42	92,618,857.31
Other cash received relating to operating activities	55,786,523.83	87,462,581.79
Sub-total of cash inflow from operating activities	6,764,509,897.17	5,304,046,606.31
Cash paid for goods acquired and services received	1,918,243,942.60	1,847,381,195.05
Cash paid to and on behalf of employees	597,184,300.24	401,186,834.55
Taxes paid	363,818,448.62	288,953,619.88
Other cash paid relating to operating activities	2,053,367,277.41	1,714,585,379.00
Sub-total of cash outflow from operating activities	4,932,613,968.87	4,252,107,028.48
Net cash flows from operating activities	1,831,895,928.30	1,051,939,577.83
II. Cash flows from investing activities		
Cash received from withdrawal of investment	304,550,800.00	33,610,847.31
Cash received from return on investment	25,999,566.33	11,350,004.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,909,245.08	13,257,703.03
Other cash received relating to investing activities	2,228,022,565.14	814,368,000.00
Sub-total of cash inflow from investing activities	2,567,482,176.55	872,586,555.02
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,018,821,190.70	209,226,627.28
Cash paid for investment	344,220,277.93	1,225,093,171.05
Net cash paid for acquisition of subsidiaries and other business entities	450,009,937.84	
Other cash paid relating to investing activities	2,122,369,000.00	955,800,000.00

Sub-total of cash outflow from investing activities	3,935,420,406.47	2,390,119,798.33
Net cash flows from investing activities	-1,367,938,229.92	-1,517,533,243.31
III. Cash flows from financing activities:		
Cash received from absorbing investment	433,862,496.88	16,002,903.80
Including: cash received from subsidiary investment from minority shareholders	4,900,000.00	
Cash received from borrowings	910,400,000.00	406,600,775.46
Cash received from issuing bond		26,859,571.35
Sub-total of cash inflow from financing activities	1,344,262,496.88	449,463,250.61
Cash paid for repayment of debts	572,506,834.37	65,116,982.42
Cash paid for distribution of dividends or profits or interest payment	368,016,434.03	215,525,663.04
Including: dividend and profit paid to minority shareholders by subsidiaries	128,000,000.00	100,931,000.00
Other cash paid relating to financing activities	93,493,316.06	
Sub-total of cash outflow from financing activities	1,034,016,584.46	280,642,645.46
Net cash flows from financing activities	310,245,912.42	168,820,605.15
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	-12,505,684.94	10,197,065.30
V. Net increase in cash and cash equivalents	761,697,925.86	-286,575,995.03
Add: Opening balance of cash and cash equivalents	819,213,006.12	1,105,789,001.15
VI. Closing balance of cash and cash equivalents	1,580,910,931.98	819,213,006.12

**CASH FLOW STATEMENT OF PARENT COMPANY**
**(Expressed in Renminbi yuan)**

Item	Accruals in the current period	Accruals in the prior period
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I. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	831,026.44	56,370,508.35
Other cash received relating to operating activities	1,173,262,433.61	6,684,417.01
Sub-total of cash inflow from operating activities	1,174,093,460.05	63,054,925.36
Cash paid for goods acquired and services received	31,646.53	60,632,762.92
Cash paid to and on behalf of employees	3,096,452.80	6,895,773.15
Taxes paid	1,484,543.09	2,105,246.44
Other cash paid relating to operating activities	1,204,811,508.30	106,063,884.41
Sub-total of cash outflow from operating activities	1,209,424,150.72	175,697,666.92
Net cash flows from operating activities	-35,330,690.67	-112,642,741.56
II. Cash flows from investing activities		
Cash received from withdrawal of investment	195,000,000.00	
Cash received from return on investment	1,582,261.90	108,722,924.58
Other cash received relating to investing activities	6,000,000.00	
Sub-total of cash inflow from investing activities	202,582,261.90	108,722,924.58
Cash paid for investment		474,642,388.20
Net cash paid for acquisition of subsidiaries and other business entities	372,642,500.00	
Other cash paid relating to investing activities		51,500,000.00
Sub-total of cash outflow from investing activities	372,642,500.00	526,142,388.20
Net cash flows from investing activities	-170,060,238.10	-417,419,463.62
III. Cash flows from financing activities:		

Cash received from absorbing investment	428,962,496.88	
Cash received from borrowings	560,000,000.00	370,000,000.00
Sub-total of cash inflow from financing activities	988,962,496.88	370,000,000.00
Cash paid for repayment of debts	561,000,000.00	
Cash paid for distribution of dividends or profits or interest payment	228,181,607.55	111,921,553.41
Other cash paid relating to financing activities	4,313,316.06	
Sub-total of cash outflow from financing activities	793,494,923.61	111,921,553.41
Net cash flows from financing activities	195,467,573.27	258,078,446.59
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		5.12
V. Net increase in cash and cash equivalents	-9,923,355.50	-271,983,753.47
Add: Opening balance of cash and cash equivalents	15,360,874.41	287,344,627.88
VI. Closing balance of cash and cash equivalents	5,437,518.91	15,360,874.41

### CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

#### Current Amount

(Expressed in Renminbi yuan)

Item	Current period												
	Owner's equity attributable to parent company											Minority interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Provisions for general risks	Undistributed profit		
		Preferred Share	Perpetual capital securities	Others									
I. Closing balance of the prior year	2,084,794.78		1,947,846.6	934,484,599.29		-4,618,535.07		93,488,947.26		1,413,567,635.	205,489,001.44	4,729,154,283.	

	8.00			2						94		48	
II. Opening balance of current year	2,084,794.78			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. Increase and decrease of current year (represented in "-" for 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 incomes							-20,469,057.23				1,620,582,427.47	216,603,015.41	1,816,716,385.65
(II) Capital input and reduced by owners	63,316,056.00				1,038,154,981.37							-24,203,771.62	1,077,267,265.75
1. Common shares input by shareholders	63,316,056.00				1,148,009,452.24							4,900,000.00	1,216,225,508.24
2. Amount of share-based payment recorded in owner's equity					85,836,485.00							15,147,615.00	100,984,100.00
3. 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 of surplus reserves									6,072,998.83		-6,072,998.83		
2. Distribution to owners (or shareholder)											-208,479,478.80	-128,000,000.00	-336,479,478.80
IV. Closing balance of current 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

**Amount of Prior Period**  
**(Expressed in Renminbi yuan)**

Item	Prior period
------	--------------

	Owner's equity attributable to parent company											Minority interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Provisions for general risks	Undistributed profit		
		Preferred Share	Perpetual capital securities	Others									
I. Closing balance of the prior year	1,042,397,394.00				1,975,551,294.76		4,276,726.62		35,052,527.43		506,077,201.90	147,570,271.88	3,710,925,416.59
II. Opening balance of current year	1,042,397,394.00				1,975,551,294.76		4,276,726.62		35,052,527.43		506,077,201.90	147,570,271.88	3,710,925,416.59
III. Increase and decrease of current year (represented in "-" for decrease)	1,042,397,394.00		1,947,846.62	-1,041,066,695.47		-8,895,261.69		58,436,419.83		907,490,434.04	57,918,729.56		1,018,228,866.89
(I) Total comprehensive incomes						-8,895,261.69				1,070,162,324.07	141,157,562.36		1,202,424,624.74
(III) Capital input and reduced by owners			1,947,846.62		1,330,698.53							17,692,167.20	20,970,712.35
1. Common shares input by shareholders					-259,661.93							2,030,160.70	1,770,498.77
2. Capital input by owners of other equity instruments			1,947,846.62									15,539,105.81	17,486,952.43
3. Others					1,590,360.46							122,900.69	1,713,261.15
(III) Profit distribution								58,436,419.83		-162,671,890.03	-100,931,000.00		-205,166,470.20
1. Appropriation of surplus reserves								58,436,419.83		-58,436,419.83			

2. Distribution to owners (or shareholder)											-104,235,470.20	-100,931,000.00	-205,166,470.20
(IV) Internal carryover of owner's equity	1,042,397,394.00				-1,042,397,394.00								
1. Capitalized capital reserve (or stock capital)	1,042,397,394.00				-1,042,397,394.00								
IV. Closing balance of current period	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

**STATEMENT OF CHANGES IN OWNER'S EQUITY OF PARENT COMPANY**
**Current Amount**
**(Expressed in Renminbi yuan)**

Item	Current period										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Total owner's equity
		Preferred Share	Perpetual capital securities	Others							
I. Closing balance of the prior year	2,084,794,788.00				3,253,924,796.01				93,488,947.26	553,259,568.27	5,985,468,099.54
II. Opening balance of current 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. Increase and decrease in current year (represented in "-" for 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 incomes										60,729,988.32	60,729,988.32
(III) Capital input and reduced by owners	63,316,056.00				1,148,009,452.24						1,211,325,508.24
1. Common shares input by	63,316,056.00				1,148,009,452.24						1,211,325,508.24

shareholders											
(III) Profit distribution									6,072,998.83	-214,552,477.63	-208,479,478.80
1. Appropriation of surplus reserves									6,072,998.83	-6,072,998.83	
2. Distribution to owners (or shareholder)										-208,479,478.80	
IV. Closing balance of current period	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96	7,049,044,117.30

**Amount of Prior Period**  
(Expressed in Renminbi yuan)

Item	Prior period										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stocks	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Total owner's equity
		Preferred Share	Perpetual capital securities	Others							
I. Closing balance of the prior year	1,042,397,394.00				4,296,322,190.01				35,052,527.43	131,567,260.04	5,505,339,371.48
II. Opening balance of current year	1,042,397,394.00				4,296,322,190.01				35,052,527.43	131,567,260.04	5,505,339,371.48
III. Increase and decrease of current year (represented in "-" for decrease)	1,042,397,394.00				-1,042,397,394.00				58,436,419.83	421,692,308.23	480,128,728.06
(I) Total comprehensive incomes										584,364,198.26	584,364,198.26
(II) Profit distribution									58,436,419.83	-162,671,890.03	-104,235,470.20
1. Appropriation of surplus reserves									58,436,419.83	-58,436,419.83	

2. Distribution to owners (or shareholder)										-104,235,470.20	-104,235,470.20
(III) Internal carryover of owner's equity	1,042,397,394.00				-1,042,397,394.00						
1. Capitalized capital reserve (or stock capital)	1,042,397,394.00				-1,042,397,394.00						
IV. Closing balance of current period	2,084,794,788.00				3,253,924,796.01				93,488,947.26	553,259,568.27	5,985,468,099.54

## II. Notes to Items of Consolidated Financial Statements

### 1. Monetary funds

Unit: yuan

Item	Closing balance	Opening balance
Cash on hand	59,238.53	31,328.92
Bank deposit	1,573,326,143.60	809,039,113.18
Other monetary capital	7,525,549.85	10,142,564.02
Total	1,580,910,931.98	819,213,006.12
Including: total amount deposited overseas	309,430,937.71	156,677,334.45

Additional descriptions

Other monetary capital refers to the balance of the company and its subsidiaries in the third-party payment platform and securities investment accounts.

### 2. Notes receivable

#### (1) Presentation of notes receivable by categories

Unit: yuan

Item	Closing balance	Opening balance
Bank acceptance bill	55,340,000.00	94,638,841.21
Commercial acceptance bill	0.00	0.00
Total	55,340,000.00	94,638,841.21

**(2) Notes receivable that are endorsed or discounted by the company at the end of the period but are not mature on the balance sheet date**

Unit: yuan

Item	Amount derecognized at the end of the period	Amount note derecognized at the end of the period
Bank acceptance bill	52,112,168.54	0.00
Total	52,112,168.54	0.00

**3. Accounts receivable**

**(1) Disclosure of accounts receivable by categories**

Unit: yuan

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Ratio	Amount	Provision ratio		Amount	Ratio	Amount	Provision ratio	
Accounts receivable which are grouped according to credit risk features and for which provision for bad debt is made	932,039,535.47	99.73%	47,130,522.70	5.06%	884,909,012.77	858,763,336.37	99.74%	43,117,581.69	5.02%	815,645,754.68
Accounts receivable whose single amounts are small but for which provision for bad debt is separately made	2,493,589.80	0.27%	2,493,589.80	100.00%	0.00	2,220,496.62	0.26%	2,220,496.62	100.00%	0.00
Total	934,533,125.27	100.00%	49,624,112.50	5.31%	884,909,012.77	860,983,832.99	100.00%	45,338,078.31	5.27%	815,645,754.68

Accounts receivable whose single amounts are large and for which provision for bad debt is separately made at the end of the period:

Applicable  Not applicable

In the group, accounts receivable for which provision for bade debt are made by aging-of-accounts-receivable method:

Applicable  Not applicable

Unit: yuan

Age	Closing balance		
	Accounts receivable	Provision for bad debt	Provision ratio
Accounts receivable due within one year			
Subtotal of accounts receivable due within one year	927,992,733.55	46,399,636.66	5.00%
1-2 years	2,664,303.53	266,430.36	10.00%
2-3 years	1,237,061.92	371,118.58	30.00%
Over 3 years	145,436.47	93,337.10	64.18%
3-4 years	76,706.96	38,353.49	50.00%
4-5 years	68,729.51	54,983.61	80.00%
Total	932,039,535.47	47,130,522.70	5.06%

Description of the basis of grouping:

Accounts receivable of the same age have similar credit risk characteristics.

In the group, the accounts receivable for which provision for bad debt is made by the percentage-of-balance method:

Applicable  Not applicable

In the portfolios, accounts receivable for which provision for bad debt is made by other methods:

## (2) Provision for bad debt made, recovered, or reversed in the current period

The provision for bad debt increases by RMB 420,382.55 for business combination not under common control in the current period; the provision for bad debt in the amount of RMB 4,491,422.56 yuan is made in the current period; and RMB 0.00 yuan of the provision for bad debt is recovered or reversed in the current period.

Among them, provisions for bad debt whose recovered or reversed amounts are large in the current period are:

Unit: yuan

Name of the entity	Recovered or reversed amount	Means of recovery

## (3) Accounts receivable actually written off in the current period

Unit: yuan

Item	Amount written off
Accounts receivable	625,770.92

Of them, significant accounts receivable written off include:

Unit: yuan

Name of the entity	Nature of the account receivable	Amount written off	Write-off reasons	Write-off procedures performed	Amount arising from related-party transaction or not

Description of write-off of accounts receivable:

**(4) Top 5 accounts receivable in term of closing balance collected as per debtors**

Debtor	Book balance	Proportion in the balance of accounts receivable	Provision for bad debt
No. 1	184,054,231.93	19.69%	9,202,918.96
No. 2	173,966,306.59	18.62%	8,698,315.33
No.3	45,409,205.50	4.86%	2,270,460.28
No. 4	38,441,674.46	4.11%	1,922,083.72
No. 5	38,107,381.33	4.08%	1,905,369.07
Subtotal	479,978,799.81	51.36%	23,999,147.36

**4. Advance payments**
**(1) Advance payments presented by ages**

Unit: yuan

Age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	198,328,892.96	69.95%	226,593,287.73	77.61%
1-2 years	56,723,653.42	20.01%	62,704,684.15	21.48%
2-3 years	28,413,652.41	10.02%	2,628,587.26	0.90%
Over 3 years	50,590.50	0.02%	36,449.50	0.01%
Total	283,516,789.29	--	291,963,008.64	--

Reasons for untimely settlement of advance payment whose age is over one year and whose amount is significant:

Entity	Advance payment whose age is over one year	Reason for no carry-over
TOEI ANIMATION CO., LTD.	20,294,889.79	Advance payment for new product design, and the game is not released.
Longzhang Animation (Shanghai) Co., Ltd.	14,485,783.74	Advance payment for entrusted R&D, and the game is not released.
Tencent Technology (Shenzhen) Co., Ltd.	6,937,000.00	Prepaid royalty, and the game is not released.
Chinese Gamer International Corporation	5,000,000.00	Advance payment for new product design, and the game is not released.
LEDO (HK)CO.,LIMITED.	4,535,092.02	Advance payment for game sharing, and the game is not releases.
Total	51,252,765.55	

**(2) Advance payments whose closing balance is within top five and which are collected by payees of the advance payments**

Entity	Book balance	Proportion in the balance of advance payment
No. 1	26,031,189.79	9.16%
No. 2	20,670,730.34	7.27%
No. 3	14,485,783.74	5.10%
No. 4	11,920,123.43	4.19%
No. 5	10,050,128.69	3.54%
Total	83,157,955.99	29.26%

Additional descriptions:

Provision for bad debt increased by RMB 0.00 yuan for business combination not under common control in the current period. Provision for bad debt in the amount of RMB 720,439.08 yuan was made in the current period, and the provision for bad debt in the amount of RMB 11,934,738.90 yuan was written off in the current period.

**5. Interests receivable**
**(1) Classification of interest receivable**

Unit: yuan

Item	Closing balance	Opening balance
Time deposit	582,592.17	0.00
Total	582,592.17	

**6. Other receivables**
**(1) Disclosure of other receivables by categories**

Unit: yuan

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Ratio	Amount	Provision ratio		Amount	Ratio	Amount	Provision ratio	
Other receivables which are grouped according to credit	411,171,304.86	100.00%	23,059,385.01	5.61%	388,111,919.85	131,367,994.36	100.00%	8,705,376.34	6.63%	122,662,618.02

risk features and for which provision for bad debt is made										
Total	411,171,304.86	100.00%	23,059,385.01	5.61%	388,111,919.85	131,367,994.36	100.00%	8,705,376.34	6.63%	122,662,618.02

Other receivables whose single amounts are significant and for which provision for bad debt is separately made at the end of the period:

Applicable  Not applicable

In the portfolio, other receivables for which provision for bade debt is made by aging-of-other-receivables method:

Applicable  Not applicable

Unit: yuan

Age	Closing balance		
	Other receivables	Provision for bad debt	Provision ratio
Accounts receivable due within one year			
Subtotal of accounts receivable due within one year	396,403,847.19	19,820,192.36	5.00%
1-2 years	11,706,554.31	1,170,655.44	10.00%
2-3 years	359,145.00	107,743.50	30.00%
Over 3 years	2,701,758.36	1,960,793.71	72.57%
3-4 years	670,709.95	335,354.98	50.00%
4-5 years	2,028,048.41	1,622,438.73	80.00%
Over 5 years	3,000.00	3,000.00	100.00%
Total	411,171,304.86	23,059,385.01	5.61%

Description of the basis of grouping:

Accounts receivable of the same age have similar credit risk characteristics.

In the portfolio, other receivables for which provision for bad debt is made by the percentage-of-balance method:

Applicable  Not applicable

In the portfolios, other receivables for which provision for bad debt is made by other methods:

Applicable  Not applicable

## (2) Provisions for bad debt made, recovered, or reversed in the current period

The provision for bad debt increases by RMB 483,908.03 yuan for business combination not under common control in the current period; the provision for bad debt in the amount of RMB 13,871,106.48 yuan is made in the current period; and RMB 0.00 yuan of the provision for bad debt is recovered or reversed in the current period.

Among them, provisions for bad debt whose recovered or reversed amounts are of significance in the current period are:

Unit: yuan

Name of the entity	Recovered or reversed amount	Means of recovery
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### (3) Other receivables actually written off in the current period

Unit: yuan

Item	Amount written off
Other receivables	1,005.84

Of them, significant other receivables written off include:

Unit: yuan

Name of the entity	Nature of other receivables	Amount written off	Write-off reasons	Write-off procedures performed	Amount arising from related-party transaction or not
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Description of write-off of other receivables:

### (4) Classification of other receivables by nature

Unit: yuan

Nature	Closing book balance	Opening book balance
Deposit, earnest money, and reserve	45,432,385.25	32,683,728.43
Investment in films		20,000,000.00
Intercompany lending	267,459,561.64	1,500,000.00
Receivables from disposal of fixed assets		7,700,000.00
Investment margin		65,000,000.00
Receivable sharing and royalty	33,849,014.57	
Equity-related receivables	57,768,000.00	
Others	6,662,343.40	4,484,265.93
Total	411,171,304.86	131,367,994.36

### (5) Top 5 other receivables in term of closing balance collected as per debtors

Unit: yuan

Entity	Nature	Closing balance	Age	Proportion in total closing balance of other receivables	Closing balance of provision for bad debt
Shenzhen Zhonghui Television Culture Communication Co.,	Intercompany lending	266,543,561.64	Within 1 year	64.83%	13,327,178.08

Ltd.					
Zhongnan Red Culture Group Co., Ltd.	Receivables from equity disposal	42,768,000.00	Within 1 year	10.40%	2,138,400.00
Tibet Yifu Advertising Co., Ltd.	Deposit, earnest money, and reserve	14,200,000.00	Within 1 year	3.45%	710,000.00
Shanghai Quwei Network Technology Co., Ltd.	Accounts to be recovered	12,792,458.57	Within 1 year	3.11%	639,622.93
Shanghai Fizeo Advertising Co., Ltd.	Deposit, earnest money, and reserve	10,000,000.00	1-2 years	2.43%	1,000,000.00
Total	--	346,304,020.21	--	84.22%	17,815,201.01

## 7. Inventory

Shall the company comply with the disclosure requirements for the real estate industry?

No

### (1) Classification of inventory

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	54,932,578.33		54,932,578.33	22,718,587.77		22,718,587.77
Products in-progress	3,074,467.07		3,074,467.07	1,289,419.12		1,289,419.12
Goods on hand	45,497,455.50	1,676,415.59	43,821,039.91	49,805,352.24	2,331,433.59	47,473,918.65
Total	103,504,500.90	1,676,415.59	101,828,085.31	73,813,359.13	2,331,433.59	71,481,925.54

Shall the company comply with the disclosure requirements of the *Guidelines of Shenzhen Stock Exchange for Industrial Information Disclosure No. 4 – Listed Company Engaged in Seeds and Planting Businesses*?

No

### (2) Inventory falling price reserves

Unit: yuan

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Withdrawal	Others	Transfer or	Others	

				write-off		
Goods on hand	2,331,433.59	66,962.78		721,980.78		1,676,415.59
Total	2,331,433.59	66,962.78		721,980.78		1,676,415.59

Item	Basis for inventory falling-price reserve	Reason for inventory falling-price reserve reversed or written off in the current period
Goods on hand	Realizable net value is lower than the book value.	For the inventory sold, inventory falling-price reserve is written off.

### (3) Description of inclusion of the amount of borrowing costs capitalized in closing balance of inventory

No

### (4) Completed and unaccounted assets formed from construction contract at the end of the period

Unit: yuan

Item	amount
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Additional descriptions:

## 8. Held-for-sale Assets

Unit: yuan

Item	Book value at the end of the period	Fair value	Expected disposal costs	Expected disposal time
Long-term equity investment to be sold	1,313,076.61	4,000,000.00	0.00	December 31, 2018
Available-for-sale financial assets to be sold	73,753,637.73	86,778,813.76	0.00	December 31, 2018
Total	75,066,714.34	90,778,813.76	0.00	--

Additional descriptions:

The said assets are expected to be sold in the following 12 months.

## 9. Other current assets

Unit: yuan

Item	Closing balance	Opening balance
Wealth investment product of bank	110,000,000.00	170,000,000.00
Remaining VAT credit and VAT to be	76,813,938.41	60,590,757.42

credited		
VAT prepaid	4,010,401.52	4,357,504.47
Performance compensation receivable	401,364,984.06	
Total	592,189,323.99	234,948,261.89

Additional descriptions:

The performance compensation receivable means the amount receivable by the company according to the profit compensation agreement entered into by the company and the original shareholders, Yang Dongmai, Chen Wei, and Zhangshu Wangzhong Investment Management Center (Limited Partnership) when the company acquired 68.43% of the share in Shanghai Mokun in the current period. According to the calculation method agreed in the profit compensation agreement and in light with the audited net profits attributable to shareholders of parent company achieved by Shanghai Mokun in 2016 (the performance undertaking was fulfilled) and 2017, net of non-recurring profits and losses, the above three original shareholders of Shanghai Mokun shall compensate the company RMB 401,364,984.06 yuan in 2017.

## 10. Available-for-sale financial assets

### (1) Details of available-for-sale financial assets

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument:	894,281,586.86	11,800,000.00	882,481,586.86	796,868,643.78	11,800,000.00	785,068,643.78
Measured at fair value	57,541,101.92		57,541,101.92	5,445,472.73		5,445,472.73
Measured at cost	836,740,484.94	11,800,000.00	824,940,484.94	791,423,171.05	11,800,000.00	779,623,171.05
Total	894,281,586.86	11,800,000.00	882,481,586.86	796,868,643.78	11,800,000.00	785,068,643.78

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

Unit: yuan

Classification of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument		Total
Cost of equity instrument / amortized cost of debt instrument	81,100,692.72			81,100,692.72
Fair value	57,541,101.92			57,541,101.92

Aggregate variation in fair value recorded in other comprehensive incomes	-23,559,590.80			-23,559,590.80
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**(3) Available-for-sale financial assets measured at costs at the end of the period**

Unit: yuan

Invested entity	Book balance				Provision for impairment				Shareholding ratio in the invested enterprise	Cash dividend in the current period
	Opening	Increase in the current period	Decrease in the current period	Closing	Opening	Increase in the current period	Decrease in the current period	Closing		
Shenzhen Mokylin Technology Co., Ltd.	60,000,000.00			60,000,000.00					1.95%	1,582,261.90
Tianjin Purple Dragon Singular Point Interactive Entertainment Co., Ltd.	60,000,000.00		34,735,789.00	25,264,211.00					2.00%	
Hangzhou Southern Pictures Co., Ltd.	69,996,897.11		69,996,897.11							
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	50,000,000			50,000,000					8.89%	

QiFun Network Corp. Ltd.	.00			.00						
Guangzhou Joyegame Software Co., Ltd.	4,000,000.00			4,000,000.00	4,000,000.00			4,000,000.00	15.00%	
Chengdu Pengwan Technology Co., Ltd.	5,000,000.00		5,000,000.00							
Suzhou Youge Hulian Venture Investment Center (Limited Partnership)	5,000,000.00			5,000,000.00					2.98%	
Chengdu 91ACT Technology Company	8,000,000.00		8,000,000.00							
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	50,000,000.00			50,000,000.00					16.67%	

Fund Management Center (Limited Partnership)										
Hunan Tianlei Network Technology Co., Ltd.	1,500,000.00			1,500,000.00	1,500,000.00			1,500,000.00	10.00%	
Shanghai Mango Creative Equity Investment Fund (L.P.)	240,000.00			240,000.00					7.78%	8,769,681.68
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	42,000,000.00			42,000,000.00					7.00%	

Technology Co., Ltd.										
Archiact Interactive Ltd.	20,587,940.96	6,858,800.00	6,858,800.00	20,587,940.96					10.00%	
Tianjin Digital Color Interactive Technology Co., Ltd.	80,000,000.00			80,000,000.00					1.55%	
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 gameworl d 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%	
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%	
Haojiahua Media Fund I Partners		5,000,000.00		5,000,000.00					20.00%	

(Limited Partnership)										
Shenzhen Chengwan Network Technology Co., Ltd.		3,000,000.00	3,000,000.00			3,000,000.00	3,000,000.00			
<b>Total</b>	791,423,171.05	172,908,800.00	127,591,486.11	836,740,484.94	11,800,000.00	3,000,000.00	3,000,000.00	11,800,000.00	--	10,351,943.58

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

Unit: yuan

Classification of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument		Total
Opening balance of the provision for impairment	11,800,000.00			11,800,000.00
Withdrawal in current period	3,000,000.00			3,000,000.00
Decrease in the current period	3,000,000.00			3,000,000.00
Closing balance of the provision for impairment	11,800,000.00			11,800,000.00

### 11. Long-term equity investment

Unit: yuan

Invested entity	Opening balance	Increase/decrease in the current period								Closing balance	Closing balance of provision for impairment
		Additional investment	Negative investment	Gains or losses on investment recognized under the equity law	Adjustment to other comprehensive incomes	Variation in other incomes	Issuing cash dividends or profits	Provision for impairment	Others		
I. Cooperative enterprises											

II. Associated enterprises										
Yangzhou Fuhai Sanqi Internet Culture Investment Center (L.P.)			50,000,000.00							50,000,000.00
Chengdu Mixiusi Technology Co., Ltd.										2,205,871.87
Shenzhen EONE Network Technology Co., Ltd.	4,338,029.22			1,192,297.18						5,530,326.40
Shanghai Aurora Network Technology Co., Ltd.	24,850,473.57		25,143,474.43	293,000.86						0.00
Shanghai Tingting Network Technology Co., Ltd.	7,870,181.20			-1,151,778.70				6,718,402.50		6,718,402.50
Shanghai Aoting network Technology Co., Ltd.										2,978,876.18
Shanghai Menggon gfang	2,661,827.62			-1,808,704.17		1,609,702.28				2,462,825.73

Network Technology Co., Ltd.										
Beijing Zhuayou Interactive Network Technology Co., Ltd.	4,951,569.26			-76,654.71				4,874,914.55		4,874,914.55
Wuhan Yihua Kaitian Culture and Communication Co., Ltd.	5,107,618.78			-1,045,757.92		3,081,218.74		-1,313,076.61	5,830,002.99	
Longzhang Network Technology (Shanghai) Co., Ltd.	5,979,810.31			-257,493.62					5,722,316.69	
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	9,483,047.02			-2,169,476.51					7,313,570.51	
Huai'an Sanqi Jianyi Pan-Inves	101,280,000.00			397,840.80					101,677,840.80	

Management Center (L.P.)											
Xiamen Yiqi Investment Management Co., Ltd.	1,875,924.67			249,334.07						2,125,258.74	
Mango (Xiamen) Incubation and Equity Investment Fund Partnership (L.P.)	40,000.00			-1,353.237.79						38,646.762.21	
Shanghai Jueli Culture & Media Co., Ltd.	31,828,207.79			-2,098,337.87						29,729,869.92	
Shanghai Zheyuan Culture & Media Co., Ltd.	84,456,687.93		85,000,000.00	543,312.07						0.00	
Chengdu 91ACT Technology Company		11,500,000.00		1,001,260.32					11,000,000.00	23,501,260.32	
Chengdu Modu Technology Co., Ltd.		12,000,000.00		-1,030.025.53						10,969,974.47	

Chengdu Mofei Technology Co., Ltd.		12,000,000.00		-1,037,501.22						10,962,498.78	
Shanghai Fuhai Sanqi Investment Management Co., Ltd.		3,000,000.00		419.01						3,000,419.01	
Shanghai Iiwan Network Technology Co., Ltd.		23,500,000.00		-1,633,140.77						21,866,859.23	
Penta Game Co., Ltd.	980,182.94			-467,875.79				18,665.48		530,972.63	
Chengdu Pengwan Technology Co., Ltd.		33,021,823.48		2,076,426.17				22,003,824.00		57,102,073.65	
Shanghai Mokun	460,904.279.49		458,141.044.54	-2,763.234.95						0.00	
Longzhang Animation (Shanghai) Co., Ltd.											
Subtotal	786,567,839.80	145,021,823.48	568,284,518.97	-11,139,329.07		4,690,921.02		11,593,317.05	31,709,412.87	376,972,832.08	16,778,065.10
Total	786,567,839.80	145,021,823.48	568,284,518.97	-11,139,329.07		4,690,921.02		11,593,317.05	31,709,412.87	376,972,832.08	16,778,065.10

## Additional descriptions

- (1) When the company acquired the remaining 68.43% of Shanghai Mokun this year, it controlled Shanghai Mokun. Therefore, it is deemed that the investment originally accounted by equity method was disposed according to its fair value.
- (2) The company increased its investment in Chengdu Pengwan Technology Co., Ltd. and Chengdu 91ACT Technology Co., Ltd. this year and thus had significant influence on them. The investment originally recorded in available-for-sale financial assets were re-measured and carried over to long-term equity investment accounted by equity method.
- (3) As of the end of this reporting period, the excess deficit unrecognized by Longzhang Animation (Shanghai) Co., Ltd. amounted to RMB 5,201,916.08 yuan.

## 12. Fixed Assets

### (1) Details of fixed assets

Unit: yuan

Item	Housing and building	Machinery and equipment	Means of transport	Electronics and office supplies	Total
I. Original book value					
1. Opening balance	135,597,500.07	299,583,305.52	15,091,603.97	95,169,527.99	545,441,937.55
2. Increase in current period	30,569,403.66	40,566,606.54	5,143,156.31	27,550,787.52	103,829,954.03
(1) Purchase		24,551,151.32	1,224,917.85	21,445,588.39	47,221,657.56
(2) Construction in progress	30,577,453.66	16,015,455.22			46,592,908.88
(3) Increase of business combination			3,918,238.46	6,097,149.13	10,015,387.59
3. Decrease in current period	1,558,469.66	18,999,213.43	2,195,248.91	2,686,244.15	25,439,176.15
(1) Disposal or scrap	1,558,469.66	18,999,213.43	2,195,248.91	2,686,244.15	25,439,176.15
4. Ending balance	164,616,484.07	321,150,698.63	18,039,511.37	120,026,021.36	623,832,715.43
II Accumulated depreciation					
1. Opening balance	35,534,828.04	162,506,051.43	8,817,796.12	67,091,882.46	273,950,558.05

2.Increase in current period	5,002,917.82	28,634,373.59	2,815,578.65	22,434,579.26	58,887,449.32
(1) Provision	5,002,917.82	28,634,373.59	2,430,373.57	18,846,246.22	54,913,911.20
(2) Increase of business combination			385,205.08	3,588,333.04	3,973,538.12
3.Decrease in current period	895,265.07	13,567,664.27	2,085,486.45	2,140,985.52	18,689,401.31
(1) disposal or scrap	895,265.07	13,567,664.27	2,085,486.45	2,140,985.52	18,689,401.31
4.Ending balance	39,642,480.79	177,572,760.75	9,547,888.32	87,385,476.20	314,148,606.06
III. Provision for impairment					
1.Opening balance					
2.Increase in current period		17,288,222.20			17,288,222.20
(1) Provision		17,288,222.20			17,288,222.20
3. Decrease in current period					
(1) Disposal or scrap					
4.Ending balance		17,288,222.20			17,288,222.20
IV. Book value					
1.Ending book value	124,974,003.28	126,289,715.68	8,491,623.05	32,640,545.16	292,395,887.17
2.Opening book value	100,062,672.03	137,077,254.09	6,273,807.85	28,077,645.53	271,491,379.50

### 13. Construction in Progress

#### (1) Details of construction in progress

Unit: yuan

Item	Closing balance	Opening balance
------	-----------------	-----------------

	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Second-phase equipment project	51,102,382.68	429,504.26	50,672,878.42	31,078,391.88		31,078,391.88
Total	51,102,382.68	429,504.26	50,672,878.42	31,078,391.88		31,078,391.88

## (2) Details of current variation in important construction in progress

Unit: yuan

Project	Budget	Opening balance	Increase in current period	Transfers of fixed assets in the current period	Other decreases in the current period	Closing balance	Proportion of accumulated project investment in the budget	Project progress	Accumulated amount of capitalized interests	Including: amount of capitalized interests in the current period	Capitalization ratio of interest in the current period	Source of fund
Second-phase equipment project		31,078,391.88	66,616,899.68	46,592,908.88		51,102,382.68						Others
												Others
Total		31,078,391.88	66,616,899.68	46,592,908.88		51,102,382.68	--	--				--

## (3) Provision for impairment of construction in progress in the current period

Unit: yuan

Item	Provision withdrawn in current period	Reason for withdrawal of provision
Second-phase equipment project	429,504.26	Realizable net value less than book value
Total	429,504.26	--

Additional descriptions

**14. Intangible assets**
**(1) Details of intangible assets**

Unit: yuan

Item	Land use right	Patent	Unpatented technology	Edition fee	Domain name	Game copyright	Trademark	Office software	Total
I. Original book value									
1. Opening balance	26,840,827.98	345,593.94		354,930.00	12,778,182.04	87,914,583.37	1,014,267.71	7,827,547.78	137,075,932.82
2. Increase in current period		87,631.79				14,374,586.06	82,790.39	5,961,929.93	20,506,938.17
(1) Purchase		87,631.79				331,500.00	82,790.39	5,949,549.93	6,451,472.11
(2) Internal R&D						7,663,076.06			7,663,076.06
(3) Increase of business combination						6,380,010.00		12,380.00	6,392,390.00
3. Decrease in current period							3,288.01		3,288.01
(1) Disposal							3,288.01		3,288.01
4. Ending balance	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
II. Accumulated amortization									
1. Opening	4,499,882.0	60,351.11		353,680.11	1,757,000.1	50,241,477.	323,060.28	5,128,082.5	62,363,533.

balance	3				5	41		1	60
2.Increase in current period	539,494.56	27,952.15		1,249.89	638,909.16	15,492,058.99	98,712.96	2,294,594.93	19,092,972.64
(1) Provision	539,494.56	27,952.15		1,249.89	638,909.16	15,492,058.99	98,712.96	2,284,690.99	19,083,068.70
(2) Increase of business combination								9,903.94	9,903.94
3.Decrease in current period							137.00		137.00
(1) Disposal							137.00		137.00
4.Ending balance	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
III. Provision for impairment									
1. Opening balance						30,440,779.99		406,963.12	30,847,743.11
2. Increase in current period								377,358.34	377,358.34
(1) Provision								377,358.34	377,358.34
3. Ending balance						30,440,779.99		784,321.46	31,225,101.45
IV. Book value									
1. Closing book value	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
2.Opening book value	22,340,945.95	285,242.83		1,249.89	11,021,181.89	7,232,325.97	691,207.43	2,292,502.15	43,864,656.11

At the end of the period, the ratio of the intangible assets formed through internal research and development to the balance of intangible assets is 16.91%.

## 15. Development expenditures

Unit: yuan

Item	Opening balance	Increase in current period			Decrease in current period			Ending balance
		Internal development expenditure	Others		Recognized as intangible assets	Transferred into current profits or losses		
I	6,137,026.43	762,426.06	0.00		6,899,452.49			
II	763,623.57				763,623.57			
III		3,951,558.23					3,951,558.23	
IV	1,788,455.40	118,714.20				1,788,455.40	118,714.20	
Total	8,689,105.40	4,832,698.49			7,663,076.06	1,788,455.40	4,070,272.43	

Additional descriptions

## 16. Goodwill

### (1) Original book value of goodwill

Unit: yuan

Name of the invested entity or goodwill formation	Opening balance	Increase in current period		Decrease in current period		Ending balance
		Formed by business combination		Disposal		
Shanghai 37 Interactive Entertainment	1,578,065,048.53					1,578,065,048.53
ENP Games	1,911,913.34					1,911,913.34
Chengdu Shengge	263,737.88					263,737.88
Shanghai Mokun		1,259,793,585.93				1,259,793,585.93
Total	1,580,240,699.75	1,259,793,585.93				2,840,034,285.68

### (2) Provision for impairment of goodwill

Unit: yuan

Name of the invested entity or goodwill formation	Opening balance	Increase in current period		Decrease in current period		Ending balance
		Provision		Disposal		
Chengdu Shengge	263,737.88					263,737.88
Shanghai Mokun		299,457,551.04				299,457,551.04
Total	263,737.88	299,457,551.04				299,721,288.92

The company shall specify the goodwill impairment test procedure, parameters, and recognition method of impairment loss on goodwill:

At the end of 2017, the book value of the goodwill formed by the aforesaid business combination has been allocated to the relevant asset group in a reasonable manner from the date of purchase, and the relevant asset group containing goodwill has been tested for impairment. The Company calculates the recoverable amount of the goodwill formed by the business combination in accordance with the present value of the estimated future cash flow, and determines the above-mentioned key data based on historical experience and market development forecast.

The Company will calculate the future recoverable amount of Shanghai Mokun Digital Technology Co., Ltd. based on the present value of the estimated future cash flow, and determine the above-mentioned key data based on historical experience and market development forecast. With reference to Evaluation Report (Huaxin Zhonghe Ping Bao Zi No. 1050) issued by Huaxin Zhonghe Assets Evaluation Co., Ltd., as the sum of the closing balance of goodwill and the fair value of identifiable net assets is higher than the appraised value of all shareholders' equity, the positive difference equals to the provision for impairment of goodwill made at the end of 2017.

Except for the goodwill of Shanghai Mokun Digital Technology Co., Ltd., no impairment was found in other goodwill of the company upon test during the year.

Additional descriptions

## 17. Long-term deferred expenses

Unit: yuan

Item	Opening balance	Increase in the current period	Amortized amount in the current period	Other decreases	Closing balance
Copyright royalty	95,486,474.35	67,226,410.32	82,738,231.09	5,153,546.92	74,821,106.66
Trademark registration fee	212,758.37		112,920.18		99,838.19
Building renovation cost	6,267,424.64	1,777,105.52	3,162,385.42		4,882,144.74
Total	101,966,657.36	69,003,515.84	86,013,536.69	5,153,546.92	79,803,089.59

Additional descriptions

**18. Deferred income tax assets / deferred income tax liabilities**
**(1) Deferred income tax assets without offset**

Unit: yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provisions for impairment of assets	36,779,247.42	7,231,974.30	24,316,216.59	5,325,124.20
Deductible loss	3,304,795.02	826,198.75		
Changes in fair value of available-for-sale financial assets	23,559,590.80	2,091,835.89		
Accrued compensation for performance	3,756,740.62	338,106.66		
Government subsidies included in deferred income	8,817,182.16	1,322,577.32	4,172,163.95	1,043,040.99
<b>Total</b>	<b>76,217,556.02</b>	<b>11,810,692.92</b>	<b>28,488,380.54</b>	<b>6,368,165.19</b>

**(2) Details of unrecognized deferred income tax assets**

Unit: yuan

Item	Closing balance	Opening balance
Deductible temporary difference	114,160,721.60	
Deductible losses	186,240,044.70	115,102,956.23
<b>Total</b>	<b>300,400,766.30</b>	<b>115,102,956.23</b>

**(3) Deductible losses on unrecognized deferred tax assets due in the following years**

Unit: yuan

Year	Closing balance	Opening balance	Remarks
2018			
2019	5,191,066.43	10,025,154.51	
2020	29,786,482.41	30,548,602.85	
2021	53,635,799.65	74,529,198.87	

Years after 2021	97,626,696.21		
Total	186,240,044.70	115,102,956.23	--

Additional descriptions:

## 19. Other non-current assets

Unit: yuan

Item	Closing balance	Opening balance
Prepayment for engineering equipment	68,399,174.14	22,090,794.35
Prepayment for equity	50,000,000.00	298,500,000.00
Prepayment for housing purchase	795,864,793.02	
Total	914,263,967.16	320,590,794.35

Additional descriptions:

## 20. Short-term loans

### (1) Classification of short-term loans

Unit: yuan

Item	Closing balance	Opening balance
Guaranteed borrowings	372,054,500.00	372,878,500.00
Total	372,054,500.00	372,878,500.00

Description of the classification of short-term loans:

The company classifies short-term loans according to the borrowing conditions for short-term loans.

## 21. Notes payable

Unit: yuan

Type	Closing balance	Opening balance
Banker's acceptance bill		17,414,395.42
Total		17,414,395.42

The total amount of matured notes payable unpaid at the end of the current period is 0.00.

## 22. Accounts payable

### (1) Presentation of accounts payable

Unit: yuan

Item	Closing balance	Opening balance
Amount payable for materials	78,742,772.74	131,694,803.22
Game sharing payable	406,735,668.55	387,526,162.21
Internet promotion and traffic costs payable	219,833,849.91	167,461,532.64
Other costs payable	36,480,682.13	14,030,619.93
Total	741,792,973.33	700,713,118.00

## (2) Significant accounts payable whose age is over one year

Unit: yuan

Item	Closing balance	Reason for no payment or carry-down
Chengdu Molong Technology Co., Ltd	16,334,639.34	Settlement method is in negotiation
Shanghai Lingyao Network Technology Co., Ltd	3,472,410.00	Settlement method is in negotiation
Total	19,807,049.34	--

Additional descriptions:

## 23. Payments received in advance

### (1) Presentation of payments received in advance

Unit: yuan

Item	Closing balance	Opening balance
Payment for goods received in advance	2,085,495.91	740,494.12
Game top-up received in advance	81,795,279.69	57,497,008.43
Sharing received in advance	1,005,959.24	1,442,444.40
Total	84,886,734.84	59,679,946.95

## 24. Payroll payable

### (1) Presentation of payroll payable

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	81,585,709.27	586,309,688.88	555,086,412.23	112,808,985.92

II. Post-employment benefit – defined contribution plan	243,576.53	36,417,719.81	36,064,510.76	596,785.58
III. Dismissal welfare	114,000.00	1,543,676.36	1,583,426.36	74,250.00
Total	81,943,285.80	624,271,085.05	592,734,349.35	113,480,021.50

## (2) Presentation of short-term compensation

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Salary, bonus, allowance, and subsidy	78,674,091.95	516,656,964.28	487,209,133.55	108,121,922.68
2. Employee welfare expenses	5,763.16	29,813,468.13	29,819,231.29	
3. Social insurance premiums	169,523.89	18,479,368.51	18,306,127.47	342,764.93
Including: Medical insurance premium	150,195.68	15,989,060.75	15,839,817.19	299,439.24
Work-related injury insurance premium	6,437.23	538,528.07	538,732.12	6,233.18
Maternity insurance premium	12,890.98	1,664,893.84	1,649,188.85	28,595.97
Major disease insurance premium		286,885.85	278,389.31	8,496.54
4. Housing provident fund	98,826.20	15,918,716.88	15,793,675.08	223,868.00
5. Labor-union expenditure and personnel education fund	2,637,504.07	5,441,171.08	3,958,244.84	4,120,430.31
Total	81,585,709.27	586,309,688.88	555,086,412.23	112,808,985.92

## (3) Presentation of defined contribution plan

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment	226,973.86	35,237,516.94	34,882,248.45	582,242.35

insurance				
2. Unemployment insurance premium	16,602.67	1,180,202.87	1,182,262.31	14,543.23
Total	243,576.53	36,417,719.81	36,064,510.76	596,785.58

Additional descriptions:

## 25. Taxes payable

Unit: yuan

Item	Closing balance	Opening balance
Value-added tax	22,778,212.15	20,166,324.01
Corporate income tax	31,249,164.08	26,758,616.95
Individual income tax	1,078,087.62	527,592.44
Urban construction and maintenance tax	929,920.78	2,540,913.79
Education surcharges	497,953.99	1,250,581.03
Local education surcharges	331,969.34	804,142.95
Property tax	454,278.16	455,002.54
Land use tax	253,945.28	253,945.34
Water conservancy fund	182,693.41	195,487.74
Stamp duty	485,653.80	371,327.30
River management fee	39,257.62	614.80
Embankment protection fee	179.24	179.23
Foreign income tax		402,862.35
Cultural construction costs		70,654.22
Total	58,281,315.47	53,798,244.69

Additional descriptions:

## 26. Interests payable

Unit: yuan

Item	Closing balance	Opening balance
Interest on the short-term loan	390,533.38	411,567.28
Total	390,533.38	411,567.28

Information of important overdue interest:

Unit: yuan

Borrowing entity	Overdue amount	Overdue reason
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Additional descriptions:

## 27. Other payables

### (1) Other payables presented by natures of the accounts

Unit: yuan

Item	Closing balance	Opening balance
Deposit and earnest money	7,650,158.00	1,650,000.00
Temporary collection receivable	2,000,000.00	499,955.79
Freight and storage fees	9,825,807.62	10,634,324.38
Investment payable	35,448,685.81	276,200,000.00
Others	6,647,368.83	4,182,355.01
Total	61,572,020.26	293,166,635.18

## 28. Non-current liabilities due within one year

Unit: yuan

Item	Closing balance	Opening balance
Long-term loans due within one year	28,117,893.57	
Total	28,117,893.57	

Additional descriptions:

Non-current liabilities that are due within one year are corporate mortgage loans that are used by the company's subsidiaries to purchase office space within one year.

## 29. Other current liabilities

Unit: yuan

Item	Closing balance	Opening balance
Temporary assessment of output tax	53,981,510.57	44,259,562.28
Performance compensation payable	3,756,740.62	
Total	57,738,251.19	44,259,562.28

Increase or decrease in short-term bonds payable:

Bond name	Nominal value	Issuance date	Bond term	Issuance amount	Opening balance	Issuance in current	Interest provided	Premium or discount	Repayment in current		Closing balance

						period	accordi ng to nomina l value	t amortiz ation	period		
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Additional description:

### 30. Long-term loans

#### (1) Classification of long-term loans

Unit: yuan

Item	Closing balance	Opening balance
Mortgaged or guaranteed loans	310,775,272.06	
Total	310,775,272.06	

Description of the classification of long-term loans:

The long-term loans are mortgage loans used by the company's subsidiaries to purchase office space, and the company assumed joint and several liabilities for the loans.

Additional descriptions, including the interest rate collars:

The interest rate is 5% above the benchmark interest rate for 5-year financial institutions' RMB loans.

### 31. Bonds payable

#### (1) Bonds payable

Unit: yuan

Item	Closing balance	Opening balance
Convertible corporate bonds	27,163,239.26	23,757,428.88
Total	27,163,239.26	23,757,428.88

#### (2) Increase / decrease in bonds payable (excluding preferred stock, perpetual capital securities, and other financial instruments classified as financial liabilities)

Unit: yuan

Bond name	Par value	Issuing date	Bond period	Issuing value	Opening balance	Amount issued in the current period	Interests credited at par value	Amortization of premium	Repayme nt in the current period		Closing balance
private convertible	23,028,000.00	2016/12/2	2021/12/1	20,237,720.27	20,368,377.02		1,151,400.00	1,768,572.06			23,288,349.08

e bonds 1st											
private convertible bonds 2nd	3,831,571 .35	2016/12/2	2021/12/1	3,367,303 .68	3,389,051 .86		191,578.5 7	294,259.7 5			3,874,890 .18
Total	--	--	--	23,605, 023.95	23,757, 428.88		1,342,9 78.57	2,062,8 31.81			27,163, 239.26

### (3) Description of conditions and time of bond-for-share swap for convertible corporate bonds

The issuer of the convertible corporate bonds in this period is ENP Games, a subsidiary controlled by the company, whose convertible corporate bond holders can request conversion from the date of one year after the date of issue to one month before the expiry date. However, the conversion right may not be exercised within one year from the date of issuance.

## 32. Deferred income

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for formation
Government subsidy	4,172,163.95	5,235,700.00	590,681.78	8,817,182.17	Related to assets
Deferred income from royalty income	4,866,879.43	10,690,519.57	7,148,106.73	8,409,292.27	Game royalty not amortized
Total	9,039,043.38	15,926,219.57	7,738,788.51	17,226,474.44	--

Projects involving government subsidies:

Unit: yuan

Liability item	Opening balance	Amount of additional subsidies in the current period	Amount recorded in non-operating revenue in the current period	Amount recorded in other incomes in the current period	Closing balance	In relation to assets/in relation to incomes
Subsidy for automobile fuel system R&D center project	780,000.08			130,000.00	650,000.08	Related to assets
Subsidy for small and medium-sized enterprises single equipment acquisition	180,347.19			27,450.92	152,896.27	Related to assets

Anhui Province "6+1" Independent Innovation Capacity Construction Subsidy Fund	798,633.33			98,800.00	699,833.33	Related to assets
Nanling County Economic and Trade Committee Enterprise Development Special Fund	433,333.35			50,000.00	383,333.35	Related to assets
Provincial Innovative Enterprise R&D Equipment Subsidy	242,812.50			27,750.00	215,062.50	Related to assets
2015 Provincial Special Funds for the Construction of Innovative Provinces	247,437.50			27,750.00	219,687.50	Related to assets
Subsidies for purchase of R&D equipment	744,800.00			78,400.00	666,400.00	Related to assets
2016 Provincial Special Funds for the Construction of Innovative Provinces	744,800.00			78,400.00	666,400.00	Related to assets
Equipment subsidy for industrial technology reform project provided by the strong province construction fund of Nanling County Economic		3,420,000.00		57,000.00	3,363,000.00	Related to assets

and Information Commission in 2017						
Industrial reform subsidy of Nanling County Economic and Information Commission		1,682,700.00		14,022.50	1,668,677.50	Related to assets
Special fund for innovative provisions construction of Nanling County Economic and Information Commission in 2017		133,000.00		1,108.36	131,891.64	Related to assets
<b>Total</b>	4,172,163.95	5,235,700.00		590,681.78	8,817,182.17	--

Additional descriptions:

### 33. Capital stock

Unit: yuan

	Opening balance	Increase / decrease in current period (+/-)					Closing balance
		Offering of new shares	Bonus shares	Reserve-for-share swap	Others	Subtotal	
Total number of share	2,084,794,788.00	63,316,056.00				63,316,056.00	2,148,110,844.00

Additional descriptions:

In this year, the company issued shares and paid cash to buy 68.43% shares in Shanghai Mokun and 49% shares in Jiangsu Zhiming, and raised funds by issuing 63,316,056.00 shares.

### 34. Other equity instruments

#### (1) Variations in preferred stock, perpetual debts, and other financial instruments outstanding at the end of the period

Unit: yuan

Outstanding financial instruments	Opening		Increase in the current period		Decrease in the current period		Closing	
	Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
Convertible corporate bond equity component value	1	1,947,846.62					1	1,947,846.62
<b>Total</b>	<b>1</b>	<b>1,947,846.62</b>					<b>1</b>	<b>1,947,846.62</b>

Description of current increase or decrease in other equity instruments and reasons for the variation and the basis of related accounting treatment:

Additional descriptions:

### 35. Capital reserves

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital surplus (share premium)	931,765,345.03	1,251,820,587.00	218,356,526.65	1,965,229,405.38
Other capital reserves	2,719,254.26	4,690,921.02		7,410,175.28
<b>Total</b>	<b>934,484,599.29</b>	<b>1,256,511,508.02</b>	<b>218,356,526.65</b>	<b>1,972,639,580.66</b>

Additional descriptions, including descriptions of current increase and decrease and reasons for the variation:

(1) The increase in the current year of capital surplus includes the increase in capital reserve of RMB 1,148,009,452.24 yuan generated from the company's issuing shares and raising funds to purchase 68.43% equity in Shanghai Mokun and 49% equity in Jiangsu Zhiming, the increase in capital reserve of RMB 85,836,485.00 yuan resulted from the equity incentive of Guangzhou Sanqi, a subsidiary held by the company, the increase in capital reserve of RMB 17,826,400.46 yuan resulted from the acquisition of part of a subsidiary of Shanghai Mokun by other investors, the increase in capital reserve of RMB 148,249.30 yuan resulted from option exercise by employees of ENP Games, a subsidiary of the company;

The decrease in the current year of capital premium results from offset of capital reserve of RMB 216,666,155.75 yuan as the company purchases 49% share in Jiangsu Zhiming, and the offset of capital reserve-capital premium of RMB 1,690,370.90 yuan as the company transfers 5% share in Guangzhou 37, a subsidiary held by the Company.

(2) Other shareholders increase their capital in Wuhan Yihua Kaitian Culture Transmission Co., Ltd and Shanghai Menggongfang Network Technology Co., Ltd, affiliates of Tibet Taifu who is a subsidiary of the company, and thus cause other capital reserve to increase by RMB 4,690,921.02 yuan.

### 36. Other comprehensive incomes

Unit: yuan

Item	Opening balance	Accruals in the current period					Closing balance
		Accruals in the current period before income tax	Less: accounts recorded in other comprehensive incomes in the prior period and carried down to current profits and losses	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive incomes that can be reclassified as profits and losses in the future	-4,618,535.07	-21,875,172.27		-2,091,835.89	-20,469,057.23	685,720.85	-25,087,592.30
Profits and losses on variation in fair value of available-for-sale financial assets	-3,670,780.00	-24,337,628.17		-2,091,835.89	-21,799,686.38	-446,105.90	-25,470,466.38
Difference from translation of foreign-currency financial statements	-947,755.07	2,462,455.90			1,330,629.15	1,131,826.75	382,874.08
Total of other comprehensive incomes	-4,618,535.07	-21,875,172.27		-2,091,835.89	-20,469,057.23	685,720.85	-25,087,592.30

Additional descriptions, including adjustment to the effective part of profits and losses on cash flow hedging converted to initially recognized amount of hedged items:

### 37. Surplus reserves

Unit: yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	93,488,947.26	6,072,998.83		99,561,946.09
Total	93,488,947.26	6,072,998.83		99,561,946.09

Description of surplus reserves, including descriptions of current increase and decrease and reasons for the variation:

The increase in surplus reserve in the current period is the statutory surplus reserve of 10% of the net profit realized by the company in the current period.

### 38. Undistributed profit

Unit: yuan

Item	Current period	Prior period
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Undistributed profit at the end of the prior period before adjustment	1,413,567,635.94	506,077,201.90
Undistributed profit at the beginning of the period after adjustment	1,413,567,635.94	506,077,201.90
Add: net profit attributable to owner(s) of the parent company in the current period	1,620,582,427.47	1,070,162,324.07
Less: Provision of statutory surplus reserve	6,072,998.83	58,436,419.83
Dividend payable on common stock	208,479,478.80	104,235,470.20
Undistributed profit at the end of the year	2,819,597,585.78	1,413,567,635.94

Ledger of undistributed profit at the beginning of the period after adjustment:

- 1) Due to retrospective adjustment according to the accounting standards for enterprises and their applicable new regulations, undistributed profit of RMB 0.00 at the beginning of the period is affected.
- 2) Due to changes in the accounting policies, undistributed profit of RMB 0.00 at the beginning of the period is affected.
- 3) Due to correction of significant accounting errors, undistributed profit of RMB 0.00 at the beginning of the period is affected.
- 4) Due to changes in the consolidation scope as a result of the common control, undistributed profit of RMB 0.00 at the beginning of the period is affected.
- 5) A total of undistributed profit of RMB 0.00 at the beginning of the period is affected by other adjustments.

### 39. Operating revenues and costs

Unit: yuan

Item	Accruals in the current period		Accruals in the prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	6,188,729,008.57	1,948,067,595.79	5,247,426,215.96	1,940,783,836.36
Other businesses	99,108.18	129,643.97	467,512.77	502,940.30
Total	6,188,828,116.75	1,948,197,239.76	5,247,893,728.73	1,941,286,776.66

### 40. Taxes and surcharges

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Urban construction and maintenance tax	7,941,837.63	9,792,292.91
Educational surcharge	3,518,238.96	4,546,187.19
Property tax	1,145,438.72	790,118.01
Land use tax	3,207,777.30	2,140,781.70
Vehicle and vessel tax	20,389.47	12,458.00
Stamp tax	6,703,094.58	2,572,252.86

Local educational surcharge	2,345,492.62	3,184,179.41
Water conservancy fund	1,404,336.13	1,518,937.12
Construction costs of cultural undertakings	104,319.98	88,523.15
River management fee	7,404.96	135,997.02
Business tax		4,932,798.12
Others	109,767.54	
<b>Total</b>	<b>26,508,097.89</b>	<b>29,714,525.49</b>

Additional descriptions:

#### 41. Operating expenses

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Salary and benefits	89,002,610.72	69,275,392.58
Depreciation	2,452,462.02	2,261,428.79
Office cost	2,294,285.34	3,910,249.66
Internet promotion and traffic cost	1,767,614,006.47	1,480,035,900.50
Travel cost	2,725,380.16	2,745,335.60
Insurance premium	7,521,664.12	6,317,205.24
Transportation and storage fees	27,201,590.38	31,710,085.98
Packaging fee	1,135,941.11	3,533,778.77
Material consumption	2,269,378.06	2,730,746.55
Three-guarantee cost	415,210.57	690,279.56
Entertainment cost	4,151,221.02	1,819,112.94
Others	1,423,716.35	2,715,705.02
<b>Total</b>	<b>1,908,207,466.32</b>	<b>1,607,745,221.19</b>

Additional descriptions:

During the reporting period, labor dispatch expenses were classified as "wage and welfare expenses". The amount of RMB 18,542,124.59 in the prior period was reclassified from "other" items to "wage and welfare expenses" items.

#### 42. General and administrative expenses

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Salary and benefits	108,714,662.59	78,106,747.94

Office cost	34,206,282.94	36,843,326.62
Travel and meeting cost	12,278,341.07	8,892,605.81
Depreciation and amortization	13,818,326.98	13,134,251.68
Trade union and educational funds	5,001,412.49	4,073,229.32
Business entertainment cost	13,901,648.09	8,708,914.97
Taxes		3,789,460.86
Labor insurance premium	9,014,592.10	6,183,170.17
Lease cost	20,591,183.94	15,864,767.85
Agency fees and consulting fees	15,404,989.50	9,397,473.36
R&D cost	436,169,030.12	310,597,091.90
Share-based compensation	100,984,100.00	
Others	6,574,972.04	19,342,574.69
Total	776,659,541.86	514,933,615.17

Additional description:

During the reporting period, Shanghai 37 Interactive Entertainment, a first-level subsidiary of the company, transferred 5% share in Guangzhou 37, a second-level subsidiary of the company, to Huai'an Shunjing Enterprise Management Partnership (Limited Partnership) for the consideration of RMB10,000,000.00 yuan in cash. The partners of Huai'an Shunjing Enterprise Management Partnership (Limited Partnership) are all major managers of Guangzhou 37. After deducting the cash consideration based on the fair value of Guangzhou Sanqi on the reference date, the company recognizes the share-based payment cost of RMB 100,984,100.00 yuan.

### 43. Financial expenses

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Interest expenditure	32,858,899.90	10,629,855.46
Formality charges or other expenses of financial institution	606,729.28	1,088,513.84
Less: interest income	24,363,295.31	5,952,056.07
Exchange gains and losses	19,453,449.40	-11,226,708.84
Total	28,555,783.27	-5,460,395.61

Additional descriptions:

### 44. Impairment loss on assets

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
I. Loss on bad debts	19,082,968.12	37,088,335.72
II. Inventory falling price loss	66,962.78	2,095,172.29
III. Impairment loss on available-for-sale financial assets	3,000,000.00	1,700,000.00
V. Impairment loss on long-term equity investment	11,593,317.05	7,150,283.00
VII. Impairment loss on fixed assets	17,288,222.20	
IX. Impairment loss on construction in progress	429,504.26	
XII. Impairment loss on intangible assets	377,358.34	1,423,582.71
XIII. Impairment loss on goodwill	299,457,551.04	
Total	351,295,883.79	49,457,373.72

Additional descriptions:

#### 45. Investment income

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Income from long-term equity investment calculated by equity method	-11,139,329.07	33,654,987.57
Investment income from disposal of long-term equity investment	218,512,763.55	6,351,134.34
Investment income from available-for-sale financial assets during holding	10,503,501.81	3,722,924.58
Investment income from disposal of available-for-sale financial assets	20,264,211.00	3,608,355.70
Interest income arising from bank financial products	13,370,838.07	6,931,102.57
Investment income arising from changes in fair value of original equity	1,411,495.72	
Others	3,106,764.84	400,000.00
Total	256,030,245.92	54,668,504.76

Additional descriptions:

**46. Incomes from assets disposal**

Unit: yuan

Source of incomes from assets disposal	Accruals in the current period	Accruals in the prior period
Profit or loss arising from fixed asset disposal	1,055,284.09	1,316,063.68

**47. Other incomes**

Unit: yuan

Sources of other incomes	Accruals in current period	Accruals of last period
VAT refund immediately after collection	81,575,068.42	
Support subsidy of Huai'an Software Park	10,516,637.23	
Other government subsidy relating to operation (see Note 48 for details)	19,167,371.53	
Total	111,259,077.18	

**48. Non-operating income**

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period	Amount included in current non-recurring profits and losses
Government subsidy	11,200.00	161,032,068.55	11,200.00
Infringement compensation	1,528,930.43		1,528,930.43
Performance compensation receivable	401,364,984.06		401,364,984.06
Others	152,808.37	986,803.06	152,808.37
Total	403,057,922.86	162,018,871.61	403,057,922.86

Government subsidies recorded in current profits and losses:

Unit: yuan

Subsidy item	Granted by	Granted for	Nature of the subsidy	Will the subsidy affect the current profits and losses	Special subsidy or not?	Accruals in the current period	Accruals in the prior period	Related to assets/related to incomes
Refund of VAT tax immediately	The state taxation bureaus of	Subsidy	The subsidy received for engaging in	No	No	81,575,068.42	92,618,857.31	Related to income

after collection	Shanghai, Guangzhou and Huai'an etc.		the trade or industry encouraged or supported by the state (according to the state-level policy provisions)					
Support subsidy of Huai'an Software Park	Huai'an Software Park Management Development Co., Ltd.	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	10,516,637.23	26,076,899.96	Related to income
Refund of formality charges of individual tax	The local taxation bureaus	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	1,135,760.56		Related to income
Support subsidy of The Finance Bureau of Jiading, Shanghai	The Finance Bureau of Jiading, Shanghai	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local	No	No	1,339,770.00	8,072,920.00	Related to income

			governments					
Subsidy of Wuhu Machinery Industrial Development Zone Finance and Taxation Service Center	Wuhu Machinery Industrial Development Zone Finance and Taxation Service Center	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	4,935,700.00	19,252,000.00	Related to income
Copyright subsidy of Shanghai Copyright Association	Shanghai Copyright Association	Subsidy	The subsidy received for engaging in the trade or industry encouraged or supported by the state (according to the state-level policy provisions)	No	No	3,500.00		Related to income
Excellent Copyright of Huai'an City 2016, the Legendary Dominance	Huai'an City Bureau of Culture, Radio, and TV News Publishing (Copyright)	Award	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	3,000.00		Related to income
Special subsidy fund of Guangzhou Enterprise R&D Investment	Guangzhou Science and Technology Innovation Commission	Award	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	100,000.00		Related to income
Special	Technology	Award	Subsidy	No	No	100,000.00		Related to

subsidy fund of Guangzhou Enterprise R&D Investment	Industry and Information Bureau of Tianhe District		received for research and development, technology renewal and transformation, etc.					income
Project supporting subsidy of Huai'an Overseas Students Pioneering Park Management Committee	Huai'an Overseas Students Pioneering Park Management Committee	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	3,540,171.40	6,105,251.40	Related to income
Refund of land use tax	Jishan Township Government, Nanling County, Anhui Province	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	1,411,521.00	668,615.54	Related to income
"Four Standards" enterprise reward of Nanling Economic Development Zone	Nanling Economic Development Zone Construction Investment Co., Ltd.	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	120,000.00	90,000.00	Related to income
Special subsidy for	Science and Technology	Subsidy	Subsidy received in	No	No	90,100.00	90,100.00	Related to

rent of key industry enterprises of Tianhe Finance Bureau	Industry and Information Bureau of Tianhe District, Guangzhou		accordance with local government support policies such as investment promotion by local governments					income
Employment stabilization subsidy of Guangzhou Social Insurance Fund Management Center	Guangzhou Social Insurance Fund Management Center	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	580,232.70	1,184,923.56	Related to income
Supporting fund of the Finance Bureau of Horgos Economic Development Zone Management Committee, Xinjiang Uygur Autonomous Region	Human Resources and Social Security Bureau of Horgos Economic Development Zone Management Committee, Xinjiang Uygur Autonomous Region	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	118,857.00		Related to income
Special subsidy of Tianyinghui Brand Building Services for	Tianhe Finance Bureau of Guangzhou	Subsidy	Subsidy received in accordance with local government support	No	No	500,000.00		Related to income

2017			policies such as investment promotion by local governments					
Tax refund of Wuhu Advertising Industrial Park	Wuhu Advertising Industrial Park Asset Management Co., Ltd.	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	268,618.87		Related to income
Anime support funds of Shanghai Culture Radio TV Management Bureau for 2017	Shanghai Culture Radio TV Management Bureau	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	235,849.06		Related to income
Tax refund of the government of Jiading District	The government of Jiading District, Shanghai	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	518,800.00		Related to income
Municipal Cultural Industry Development	Huai'an Software Park Management	Award	Subsidy received in accordance with local	No	No	400,000.00		Related to income

Guidance Fund 2016	Committee of Jiangsu Province		government support policies such as investment promotion by local governments					
Overseas outsourcing reward	Huai'an Economic and Technological Development Zone Economic Development Bureau	Award	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	400,000.00	410,000.00	Related to income
Huai's Talent Plan Subsidy	Talent Work Leading Group Office of Huai'an City	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	150,000.00		Related to income
Special reward for introducing key enterprises provided by the Business and Finance Bureau of Tianhe District	Tianhe Finance Bureau	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	122,100.00		Related to income
Fashion creative animation	Guangzhou Finance	Subsidy	Subsidy received in accordance	No	No	400,000.00		Related to income

support of Guangzhou Culture Radio and Television Press	Bureau		with local government support policies such as investment promotion by local governments					
“Four Standards” enterprise reward of the Bureau of Statistics of Wuhu County	Wuhu Bureau of Statistics	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	2,000.00	5,000.00	Related to income
Technology Innovation Award of Wuhu Bureau of Science and Technology 2016	Wuhu Bureau of Science and Technology	Award	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	50,000.00		Related to income
Subsidy fund of strong manufacturing province	Wuhu Economic and Information Committee	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	500,000.00		Related to income
Refund of formality fees for withholding	Huai'an State Tax Bureau	Award	Subsidy received in accordance with local	No	No	25,238.00		Related to income

taxes and refund of taxes by Huai'an State Administration of Taxation of Jiangsu Province			government support policies such as investment promotion by local governments					
Employment stabilization subsidy of Human Resources and Social Security Bureau of Horgos Economic Development Zone Management Committee, Xinjiang Uygur Autonomous Region	Human Resources and Social Security Bureau of Horgos Economic Development Zone Management Committee, Xinjiang Uygur Autonomous Region	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	940.75		Related to income
Employment stabilization subsidy of Nanling County Social Insurance Fund Management Center	Nanling County Social Insurance Fund Management Center	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	81,015.00		Related to income
Supporting fund of Guro District, Seoul, South	The taxation bureau and the government	Subsidy	Subsidy received in accordance with local	No	No	1,348,511.17		Related to income

Korea	of Guro District, Seoul, South Korea		government support policies such as investment promotion by local governments					
Employment stabilization subsidy of Shenzhen Municipal Social Insurance Fund Management Bureau	Shenzhen Municipal Social Insurance Fund Management Bureau	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	2,856.24	24,042.83	Related to income
Provincial Foreign Trade Promotion Policy Fund of Nanling County Bureau of Commerce	Nanling County Bureau of Commerce	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	64,500.00		Related to income
Blue Collar Apartment Rental Subsidy of Nanling Economic Development Zone Construction Investment Co., Ltd.	Nanling Economic Development Zone Construction Investment Co., Ltd.	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No	27,648.00		Related to income

Refund of individual income tax of Jiading Branch of Shanghai Local Taxation Bureau	Jiading Branch of Shanghai Local Taxation Bureau	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No		1,568,532.21	Related to income
Reward fund of Anhui Xinwu Economic Development Zone Management Committee	Anhui Xinwu Economic Development Zone Management Committee	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		1,554,900.00	Related to income
Employee training subsidy of the Finance Office of Nanxiang Town, Jiading District, Shanghai	The Finance Office of Nanxiang Town, Jiading District, Shanghai	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No		1,123,603.08	Related to income
Supporting fund of China Culture Industry Association	China Culture Industry Association	Subsidy	The subsidy received for engaging in the trade or industry encouraged or supported	No	No		80,000.00	Related to income

			by the state (according to the state-level policy provisions)					
Employment stabilization subsidy of Wuhu Social Insurance Treatment and Payment Center	Wuhu Social Insurance Treatment and Payment Center	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No		49,423.00	Related to income
Construction subsidy of non-public building of parties "Big Four Centers"	Nanling County Party Committee Organization Department	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		40,000.00	Related to income
Provincial Technologica l Innovation Demonstratio n Enterprise	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformatio n, etc.	No	No		300,000.00	Related to income
Anhui Industrial Boutique	Nanling County Economic and Information	Subsidy	Subsidy received in accordance with local government support	No	No		50,000.00	Related to income

	Commission		policies such as investment promotion by local governments					
Special subsidy fund for talents of Wuhu Bureau of Human and Social Affairs	Wuhu Bureau of Human and Social Affairs	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		20,000.00	Related to income
The country government's quality reward of Nanling County Market Supervision Bureau	Nanling County Market Supervision Bureau	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		300,000.00	Related to income
High-tech product subsidies (2) for 2015	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No		100,000.00	Related to income
Subsidy of Nanling County Environmental Protection Bureau	Nanling County Environmental Protection Bureau	Subsidy	Subsidy received in accordance with local government support policies such	No	No		22,400.00	Related to income

			as investment promotion by local governments					
Advanced grassroots Party organization reward of Nanling Economic Development Zone and Nanling County	Nanling County Party Committee Organization Department	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		3,000.00	Related to income
Advanced grassroots Party organization reward of Nanling Economic Development Zone and Nanling County	Nanling County Party Committee Organization Department	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		10,000.00	Related to income
Special publication fund of Shanghai Press and Publication Bureau	Shanghai Press and Publication Bureau	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		300,000.00	Related to income
Provincial subsidy for entrepreneurship promoting	Tianhe District Human Resources and Social	Subsidy	Subsidy received in accordance with local government	No	No		300,000.00	Related to income

employment of Tianhe District Human Resources and Social Security Bureau of Guangzhou	Security Bureau of Guangzhou		support policies such as investment promotion by local governments					
Subsidy for entrepreneurship promoting employment of Guangzhou Labor Employment Service Management Center	Guangzhou Labor Employment Service Management Center	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		120,000.00	Related to income
Special fund for service trade	Shanghai Municipal Bureau of Finance	Subsidy	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		21,200.00	Related to income
Employment stabilization subsidy of Jiangsu Huai'an Economic and Technological Development Zone Social Insurance Fund	Jiangsu Huai'an Economic and Technological Development Zone Social Insurance Fund	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or	No	No		12,392.10	Related to income

Zone Social Insurance Fund Management Center	Management Center		price control function					
Work-related injury reward of Guangzhou Social Insurance Fund Management Center	Guangzhou Social Insurance Fund Management Center	Award	Subsidy received in accordance with local government support policies such as investment promotion by local governments	No	No		7,856.62	Related to income
Bigger and stronger innovation development reward of and Technological Development Zone Management Committee	Huai'an Economic and Technological Development Zone Management Committee	Award	Subsidy received for research and development, technology renewal and transformation, etc.	No	No		10,000.00	Related to income
Automotive Fuel System R&D Center Project	Anhui Science and Technology Department	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	130,000.00	130,000.00	Related to assets
Subsidy for purchase of single equipment in SMEs	Wuhu City Economic and Information Committee	Subsidy	Subsidy received for research and development, technology renewal and transformation	No	No	27,450.92	27,450.94	Related to assets

			n, etc.					
Provincial "6+1" Independent Innovation Capacity Building Subsidy Fund	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	98,800.00	98,800.00	Related to assets
Special provincial fund for enterprise development of Nanling County Economic and Information Commission	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	50,000.00	50,000.00	Related to assets
Provincial Innovative Enterprise R&D Equipment Subsidy	Wuhu Science and Technology Bureau	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	27,750.00	27,750.00	Related to assets
2015 Provincial Special Funds for the Construction of Innovative Provinces	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	27,750.00	27,750.00	Related to assets
Subsidy for purchase of R&D equipment and appliance	Nanling County Economic and Information	Subsidy	Subsidy received for research and development, technology	No	No	78,400.00	39,200.00	Related to assets

	Commission		renewal and transformation, etc.					
2016 Provincial Special Funds for the Construction of Innovative Provinces	Wuhu Science and Technology Bureau	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	78,400.00	39,200.00	Related to assets
Equipment subsidy for industrial technology reform project provided by the strong province construction fund of Nanling County Economic and Information Commission in 2017	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	57,000.00		Related to assets
Industrial Technology Award Subsidy of Nanling County Economic and Information Commission	Nanling County Economic and Information Commission	Subsidy	Subsidy received for research and development, technology renewal and transformation, etc.	No	No	14,022.50		Related to assets
2017 Provincial Special	Nanling County Economic	Subsidy	Subsidy received for research and	No	No	1,108.36		Related to assets

Funds for the Construction of Innovative Provinces of Nanling County Economic and Information Commission (Bureau of Science and Technology)	and Information Commission		development, technology renewal and transformation, etc.					
Subsidy for the elimination of yellow car provided by Wuhu Air Pollution Control Joint Conference Office	Wuhu City Environmental Protection Bureau	Subsidy	The subsidy received for assuming the state's role in guaranteeing a utility or socially necessary product supply or price control function	No	No	11,200.00		Related to income
Total	--	--	--	--	--	111,270,277.18	161,032,068.55	--

Additional descriptions:

The amount of government subsidies included in current profits and losses includes government subsidies included in other income and non-operating income.

#### 49. Non-operating expenditures

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period	Amount included in current non-recurring profits and losses
Donations	134,259.40	8,830,161.71	134,259.40
Fines and late fees	219,253.60	391,027.78	219,253.60
Compensations payable	3,756,740.62		3,756,740.62
Others	76,785.28	227,252.65	76,785.28

Total	4,187,038.90	9,448,442.14	4,187,038.90
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Additional descriptions:

## 50. Income tax expense

### (1) Details of income tax expense

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Income tax expense in the current period	83,470,564.82	105,142,968.87
Deferred income tax expense	-3,350,691.84	-3,039,968.88
Total	80,119,872.98	102,102,999.99

### (2) Adjustment process of accounting profit and income tax expense

Unit: yuan

Item	Accruals in the current period
Total profit	1,916,619,595.01
Income tax expense calculate at statutory / applicable tax rate	479,154,898.75
Effect of application of a different tax rate to the subsidiaries	-380,387,821.90
Effect of income tax before adjustment	3,630,801.13
Effect of non-taxable revenue	-101,659,205.72
Effect of non-deductible costs, expenses, and losses	115,616,753.32
Effect of use of deductible losses on unrecognized deferred income tax assets in the prior period	-32,822,639.08
Effect of deductible temporary difference or deductible losses on unrecognized deferred income tax assets in the current period	26,863,431.99
R&D plus deductions	-31,796,610.81
Change in the balance of deferred income tax resulting from tax rate adjustment	1,520,265.30
Income tax expense	80,119,872.98

Additional descriptions

## 51. Other comprehensive incomes

Refer to the Note 39 "Other comprehensive incomes"

## 52. Items of cash flow statement

### (1) Other cash receipts relating to operating activities

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Received operating exchange amount	3,000,000.00	6,042,338.29
Received government subsidy	29,104,526.97	67,973,060.30
Received interest	8,756,161.69	8,036,639.40
Received deposit and earnest money	6,814,202.79	4,000,001.00
Housing rent		423,739.74
Received others	8,111,632.38	986,803.06
<b>Total</b>	<b>55,786,523.83</b>	<b>87,462,581.79</b>

Description of other cash receipts relating to operating activities:

### (2) Other cash payments relating to operating activities

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Out-of-pocket general and administrative expenses	247,180,669.80	155,615,103.85
Out-of-pocket operating expenses	1,782,270,017.79	1,548,433,319.17
Deposit and reserve fund paid	19,562,859.61	
Formality charges	606,729.28	1,088,513.84
Non-operating expenditures	430,298.28	9,448,442.14
Other payments	3,316,702.65	
<b>Total</b>	<b>2,053,367,277.41</b>	<b>1,714,585,379.00</b>

Description of other cash payments relating to operating activities:

### (3) Other cash receipts relating to investing activities

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Government subsidies received relating to assets	5,235,700.00	1,568,000.00
Bank financial products	2,212,369,000.00	807,800,000.00
Recovered movie investment		5,000,000.00

Refunded royalty	4,417,865.14	
Earnest money for equity repurchase	6,000,000.00	
<b>Total</b>	<b>2,228,022,565.14</b>	<b>814,368,000.00</b>

Description of other cash receipts relating to investing activities:

#### (4) Other cash payments relating to investing activities

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Bank financial products	2,122,369,000.00	889,300,000.00
Lending to Zhonghui Film and TV		1,500,000.00
Investment deposit		65,000,000.00
<b>Total</b>	<b>2,122,369,000.00</b>	<b>955,800,000.00</b>

Description of other cash payments relating to investing activities:

#### (5) Other cash receipts relating to financing activities

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Issuance cost for raising capital	4,313,316.06	
Cash paid for purchasing the minority equity of the subsidiaries	89,180,000.00	
<b>Total</b>	<b>93,493,316.06</b>	

Description of other cash receipts relating to financing activities:

### 53. Supplements to cash flow statement

#### (1) Supplements to cash flow statement

Unit: yuan

Supplementary information	Current amount	Amount of prior period
1. Reconciliation of net profit to cash flows of operating activities:	--	--
Net income	1,836,499,722.03	1,216,668,610.03
Add: Provisions for asset impairment	351,295,883.79	49,457,373.72
Depreciation of fixed assets , depletion of oil & gas assets, and depreciation of productive	54,913,911.20	60,373,166.14

living assets		
Amortization of intangible assets	19,083,068.70	10,449,990.71
Amortization of long-term advance payments	86,013,536.69	102,681,716.87
Losses on disposal of fixed assets, intangible assets, and other long-term assets (represented with "-" for gains)	-1,055,284.09	-1,316,220.96
Losses on scrapping of fixed assets (represented with "-" for gains)		157.28
Financial expenses (represented with "-" for gains)	45,364,584.84	-596,853.38
Investment loss (represented with "-" for gains)	-256,030,245.92	-54,668,504.76
Decrease in deferred income tax assets (represented with "-" for increase)	-3,350,691.84	-3,039,968.88
Decrease in inventory (represented with "-" for increase)	-30,413,122.55	-6,022,126.05
Decrease in operating receivables (represented with "-" for increase)	-244,342,642.44	-474,333,644.72
Decrease in operating payables (represented with "-" for decrease)	270,541,351.33	148,829,490.37
Others	-296,624,143.44	3,456,391.46
Net cash flows from operating activities	1,831,895,928.30	1,051,939,577.83
2. Investing and financing activities not concerning cash income and expenses	--	--
3. Net change in cash and cash equivalents:	--	--
Closing balance of cash	1,580,910,931.98	819,213,006.12
Less: Opening balance of cash	819,213,006.12	1,105,789,001.15
Net increase in cash and cash equivalents	761,697,925.86	-286,575,995.03

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

Unit: yuan

	Amount
Cash or cash equivalent payments in the current period for business combination occurred in the current period	483,462,500.00
Including:	--

Shanghai Mokun	483,462,500.00
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	33,452,562.16
Including:	--
Shanghai Mokun	33,452,562.16
Including:	--
Net cash payment for acquisition of the subsidiary	450,009,937.84

Additional descriptions:

### (3) Components of cash and cash equivalents

Unit: yuan

Item	Closing balance	Opening balance
I. Cash	1,580,910,931.98	819,213,006.12
Including: cash on hand	59,238.53	31,328.92
deposit payable on demand	1,573,326,143.60	809,039,113.18
Other monetary funds payable on demand	7,525,549.85	10,142,564.02
III. Closing balance of cash and cash equivalents	1,580,910,931.98	819,213,006.12

Additional descriptions:

### 54. Notes to items of statement of changes in owner's equity

The company shall specify items of "Others", under which the closing balance of the prior period is adjusted, and the adjustment amount:

None

### 55. Assets with restricted ownership or limited right of use

Unit: yuan

Item	Book value at the end of the period	Reason for limitation
Other non-current assets	795,864,793.02	Loans borrowed by the company's subsidiary with mortgage on the office building for which pre-paid housing payment is made
Total	795,864,793.02	--

Additional descriptions:

## 56. Foreign-currency monetary items

### (1) Foreign-currency monetary items

Unit: yuan

Item	Balance of foreign currency at the end of the period	Exchange rate for translation	Closing balance translated into Renminbi
Monetary capital	--	--	334,644,180.37
Including: US dollar	16,185,840.93	6.5342	105,761,521.80
Euro	2.94	8.1374	23.92
Hong Kong dollar	235,790,101.01	0.8359	197,096,945.43
KRW	3,854,375,104.36	0.0061	23,511,688.14
NTD	26,038,334.73	0.2199	5,725,829.81
JPY	37,709,336.00	0.05789	2,182,993.46
THB	1,836,910.50	0.1988	365,177.81
Accounts receivable	--	--	123,507,712.82
Including: US dollar	2,457,373.75	6.5342	16,056,971.56
Euro	38,021.31	8.1374	309,394.61
Hong Kong dollar	37,760,965.30	0.8359	31,564,390.89
NTD	104,687,702.67	0.2199	23,020,825.82
PHP	8,977,590.17	0.1309	1,175,166.55
MYR	7,188,832.80	1.6071	11,553,173.19
THB	52,087,462.01	0.1988	10,354,987.45
Turkish lira	56,150.34	1.7291	97,089.55
SGD	178,838.80	4.8831	873,287.74
Indonesian Rupiah (Indonesian Rupees)	5,051,975,939.23	0.000482	2,435,052.40
Vietnamese Dong	6,820,135,176.34	0.0003	2,046,040.55
KRW	3,263,549,732.00	0.0061	19,907,653.37
AUD	6,266.48	5.0928	31,913.93
JPY	70,190,217.98	0.05789	4,063,311.72
GBP	414.65	8.7792	3,640.30
AED	182.45	1.7790	324.58
Polish Zloty	979.53	1.8509	1,813.01
DKK	676.50	1.0479	708.90

HUF	2,548.00	0.0255	64.97
Brazil Real	5,976.02	1.9725	11,787.70
CAD	21.89	5.2090	114.03
Other receivables			1,577,191.56
Including: US dollar	3,000.00	6.5342	19,602.60
KRW	223,946,568.00	0.0061	1,366,074.06
JPY	3,188,599.95	0.05789	184,588.05
SGD	31,500.00	0.2199	6,926.85
Accounts receivable			153,823,142.89
Including: NTD	112,113,636.17	0.2199	24,653,788.59
USD	14,513,527.35	6.5342	94,834,290.41
EURO	7,984.30	8.1374	64,971.44
THB	28,007.57	0.1988	5,567.90
Vietnamese Dong	4,676,607,625.40	0.0003	1,402,982.29
KRW	4,901,100,543.09	0.0061	29,896,713.31
JPY	51,214,872.14	0.05789	2,964,828.95
Other payables			859,006.92
Including: USD	90,000.00	6.5342	588,078.00
GBP	44,414,577.00	0.0061	270,928.92
Short-term borrowing			3,054,500.00
Including: KRW	500,000,000.00	0.0061	3,054,500.00

Additional descriptions:

**(2) Description of overseas business entities, including disclosure of the principal places of business overseas, recording currencies, and basis for selection of recording currencies for important overseas business entities, as well as reasons for any change in the recording currency.**

Applicable  Not applicable

### III. Change in the Scope of Consolidation

#### 1. Business combination not under common control

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

Unit: yuan

Name of the acquired party	Time of equity acquisition	Cost of equity acquisition	Proportion of the equity acquired	Method of equity acquisition	Acquisition date	Basis for determination of the acquisition date	Revenue of the acquired party from the acquisition date to the end of the period	Net profit of the acquired party from the acquisition date to the end of the period
Shanghai Mokun	May 31, 2017	952,749,968.69	68.43%	Acquisition by share issuance and cash payment	May 31, 2017	Date of exercising control	9,541,311.27	-36,280,070.84
	March 3, 2016	430,000,000.00	31.57%	Acquisition with cash				

Additional descriptions:

According to the Agreement on Assets Acquisition by Share Issuance and Cash Payment by and between Rest Shareholders of Shanghai Mokun Digital Technology Co., Ltd. and Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. signed by the company and Yang Dongmai, Chen Wei, and Wangzhong Investment on July 31, 2016, the company acquires 68.42% share in Shanghai Mokun by means of share issuance and cash paying. Of the transaction consideration, 65% (RMB 619,287,500.00 yuan) is paid by share issuance, and a total of 35,809,147 shares are issued; the remaining 35% (RMB 333,462,500.00 yuan) is paid with cash. The transaction price of the assets to be purchased is determined with reference to the results of the Evaluation Report (Zhong Qi Hua Ping Bao Zi (2017) No. 3021) issued by China Enterprise Appraisals (CEA).

The company originally held 31.57% share in Shanghai Mokun. After the purchase of the remaining 68.43% share by share issuance and cash payment, Shanghai Mokun became a subsidiary wholly owned by the Company.

## (2) Consolidated costs and goodwill

Unit: yuan

Consolidated costs	Shanghai Mokun
-- Cash	333,462,500.00
-- Fair value of equity securities issued	619,287,468.69
-- Fair value of the share held prior to the acquisition date on the acquisition date	439,548,684.96
Total combination cost	1,392,298,653.65
Less: fair value of identifiable net assets acquired	132,505,067.72
Balance between the goodwill/consolidated costs and the fair value of the identifiable net assets acquired	1,259,793,585.93

Description of the method to determine the fair value of consolidated costs and contingent considerations and their variations:

Method to determine the consolidated costs:

The transaction price of the assets to be purchased is determined by reference to the evaluation results of the evaluation report of CEA (Zhong Qi Hua Ping Bao Zi (2017) No. 3021) , and is determined by the parties to the reorganization as RMB 952,750,000.00 yuan.

Method to determine the fair value of equity instruments:

According to applicable provisions of the *Accounting Standards for Business Enterprises No. 20 – Business Combination*, the company needs to determine the fair value of the equity instruments issued. In the process of determining the fair value of equity instruments issued, the management of the company gives consideration to the following factors:

As provided in Article 45 of the Administrative Measures for Material Assets Reorganization of Listed Companies, the price of the share issued by the listed company shall not be 90% lower than the market reference price, which shall be any of the average stock trading prices of 20, 60, or 120 trading days before the date when the resolution of the Board on this asset acquisition by stock issuance is announced. In determining the price of the stocks issued for asset acquisition, on the basis of full consideration to the price-to-earning ratio of the stock of the listed company and valuation of comparable listed companies, the listed company, through full negotiation with its counterparties and taking the interests of all parties into account, determines to use the average stock trading price of 20 trading days prior to the date when the resolution of the Board on this asset acquisition by share issuance is announced as the market reference price and determines that the issuing price is 90% of such market reference price. The average stock trading price of 20 trading days prior to the date when the resolution of the Board on this asset acquisition by stock issuance (total amount of traded stock of 20 trading days prior to the resolution announcement date / total volume of traded stock of 20 trading days prior to the resolution announcement date) is RMB 19.30 yuan / stock. The price of the share issued for asset acquisition is determined to be 90% of the market reference price, that is, RMB 17.37 yuan / stock. After distribution of stock dividend of RMB 0.10 yuan / stock, the issuing price of the stock is RMB 17.27 yuan / stock.

Taking the above into consideration, the management of the company deems it inappropriate to use the stock price of the company to determine the fair value of the equity instrument issued. The company shall use the stock issuing price as the fair value of the equity instrument issued for acquisition of Shanghai Mokun.

Major reasons for formation of huge goodwill:

On the acquisition date, the net book value of Shanghai company is RMB 126,125,057.72 yuan. According to the “Evaluation Report on the Value of All Equities in Shanghai Mokun Involved in the Assets to be Acquired by Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. through Share Issuance and Cash Payment” [Zhong Qi Hua Ping Bao Zi (2017) No. 3021] issued by Beijing China Enterprise Appraisals Co., Ltd., the appreciation of intangible assets upon evaluation is recognized to be RMB 6,380,010.00 yuan, and the fair value of the identifiable net assets on the acquisition date is RMB 132,505,067.72 yuan. The balance between the consolidated cost and the fair value of the identifiable net assets is recognized as goodwill.

Additional descriptions:

### (3) Identifiable assets and liabilities of the acquired party on the acquisition date

Unit: yuan

	Shanghai Mokun	
	Fair value on the acquisition date	Book value on the acquisition date
Assets:	151,999,008.48	145,618,998.48
Monetary funds	33,452,562.16	33,452,562.16
Accounts receivable	7,987,268.45	7,987,268.45

Inventory	0.00	0.00
Fixed assets	6,041,849.47	6,041,849.47
Intangible assets	6,382,486.06	2,476.06
Advance payments	7,600.00	7,600.00
Interest receivable	364,624.11	364,624.11
Other receivables	5,063,444.43	5,063,444.43
Non-current assets due within one year	12,000,000.00	12,000,000.00
Other current assets	80,086,426.81	80,086,426.81
Long-term deferred expenses	612,746.99	612,746.99
Liabilities:	19,493,940.76	19,493,940.76
Loans	0.00	0.00
Accounts payable	173,180.00	173,180.00
Deferred income tax liabilities	0.00	0.00
Payments received in advance	1,716,467.56	1,716,467.56
Payroll payable	6,103,707.09	6,103,707.09
Taxes payable	634,016.72	634,016.72
Other payables	78,245.86	78,245.86
Deferred income	10,788,323.53	10,788,323.53
Net Asset	132,505,067.72	126,125,057.72
Less: Minority interest	0.00	0.00
Net assets acquired	132,505,067.72	126,125,057.72

Determination method of the fair value of identifiable assets and liabilities:

Contingent liabilities of the acquired party assumed in business combination:

Additional descriptions:

#### (4) Gains or losses on remeasurement of the share held prior to the acquisition date at the fair value

Is there more than one transaction for realization of business combination in steps and acquisition of the control in the reporting period?

Yes  No

Unit: yuan

Name of the acquiree	Book value of the share originally held prior to the acquisition date on	Fair value of the share originally held prior to the acquisition date on	Gains or losses on remeasurement of the share held prior to the acquisition	Determination method of the fair value of the share originally held prior	Amount of other comprehensive incomes relating to the share originally

	the acquisition date	the acquisition date	date at the fair value	to the acquisition date on the acquisition date and main assumptions	held prior to the acquisition date converted to investment income
Shanghai Mokun	458,141,013.24	439,548,684.96	-18,592,328.28	Equity trading price	0.00

Additional descriptions:

## 2. Change in the combination scope arising from other reasons

Describe any change in the combination scope arising from other reasons (such as establishment of a new subsidiary, liquidation of a subsidiary) and relevant details:

In February 2017, Tibet Xintai, the first-tier subsidiary of the company, established Lihui Venture. The company holds 100% of the share in this newly-established subsidiary and has included it in the scope of consolidation since February 2017.

In March 2017, Jiangsu Aurora, the second-tier subsidiary of the company, Anhui Aurora. The company holds 80% of the share in this newly-established subsidiary and has included it in the scope of consolidation since March 2017.

In April 2017, Top Increase, the third-tier subsidiary of the company, establishes 37 Games company. The company holds 100% of the share in this newly-established subsidiary and has included it in the scope of consolidation since April 2017.

In August 2017, Jiangsu Aurora, the second-tier subsidiary of the company, established Guangzhou Jisheng. The company holds 80% of the share in this newly-established subsidiary and has included it in the scope of consolidation since August 2017.

See Note IX “Equity in Other Entities” for details.

## IV. Equity in Other Entities

### 1. Equity in subsidiaries

#### (1) Composition of enterprise group

Name of the subsidiary	Principal place of business	Place of registration	Nature of business	Shareholding ratio		Way of acquisition
				Direct	Indirect	
First-tier subsidiary						
Shanghai Sanqi Interactive Entertainment	Guangzhou	Shanghai	Software	100.00%		Business combination not under common control
Shunrong Auto Parts	Wuhu	Wuhu	Manufacturing	100.00%		Establishment
Tibet Xintai	Tibet	Tibet	Investment	100.00%		Establishment
Second-tier subsidiary						

Shunrong Investment	Wuhu	Wuhu	Investment, Manufacturing		100.00%	Business combination under common control
Shunrong Yonghong	Shanghai	Shanghai	Manufacturing		100.00%	Establishment
Guangzhou Senyun	Guangzhou	Guangzhou	Manufacturing		100.00%	Establishment
Yanling Investment	Shanghai	Shanghai	Investment		100.00%	Establishment
Anhui Vogue Entertainment	Guangzhou	Wuhu	Software		100.00%	Business combination not under common control
Shanghai Yingtong	Guangzhou	Shanghai	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	BVI	BVI	Software		100.00%	Business combination not under common control
Guangzhou Xingzhong	Guangzhou	Guangzhou	Software		100.00%	Business combination not under common control
Anhui Sanqi	Guangzhou	Wuhu	Software		100.00%	Business combination not under common control
Jiangsu Aurora	Guangzhou	Huai'an	Software		80.00%	Business combination not under common control
Shanghai	Guangzhou	Shanghai	Software		100.00%	Business

Guanhang						combination not under common control
Anhui Jiashang	Guangzhou	Wuhu	Software		100.00%	Business combination not under common control
ENP Games	South Korea	South Korea	Software		54.90%	Business combination not under common control
Easy Gaming, Inc.	USA	USA	Software		100.00%	Business combination not under common control
Lihui Venture	Xinjiang	Xinjiang	Investment		100.00%	Establishment
Third-tier subsidiary						
AZA Games Co. Ltd	South Korea	South Korea	Software		54.90%	Business combination not under common control
BRAEVE Co., Ltd	Japan	Japan	Software		53.33%	Establishment
G-MEI Network	Taiwan	BVI	Software		100.00%	Business combination not under common control
Chengdu Shengge	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
Shanghai Zhiren	Guangzhou	Shanghai	Software		100.00%	Business combination not under common control
Shanghai Mobile Game	Guangzhou	Shanghai	Software		80.00%	Business combination not under common control
Anhui Xuhong	Guangzhou	Wuhu	IT		100.00%	Establishment
Anhui Guanyu	Guangzhou	Wuhu	Advertising		100.00%	Business combination not under common control
Guangzhou Sanqi Interactive Entertainment	Guangzhou	Guangzhou	Software		80.00%	Establishment
Top Increase	BVI	BVI	Software		100.00%	Business combination not under common control
Anhui Aurora	Guangzhou	Wuhu	Software		80.00%	Establishment
Guangzhou Jisheng	Guangzhou	Guangzhou	Software		80.00%	Establishment
Fourth-tier subsidiary						
Jiangsu Zhiming	Guangzhou	Huai'an	Software		100.00%	Business combination not under common control
37 Games Entertainment	HK	HK	Software		100.00%	Business combination not under common control
Wisdom Game International	BVI	BVI	Software		100.00%	Business combination not under common control
Wisdom	HK	HK	Software		100.00%	Business

Entertainment International						combination not under common control
Tibet Taifu	Tibet	Tibet	Software		100.00%	Business combination not under common control
Guangzhou Jisheng Network	Guangzhou	Guangzhou	Software		80.00%	Establishment
Guangzhou Huoshanhu	Guangzhou	Guangzhou	Software		85.00%	Establishment
Guangzhou Jishi	Guangzhou	Guangzhou	Software		80.00%	Establishment
Huoerguosi Xinghui	Xinjiang	Xinjiang	Software and IT		100.00%	Establishment
Huoerguosi Xinrui	Xinjiang	Xinjiang	Software and IT		80.00%	Establishment
37 Games Company	South Korea	South Korea	Software		100.00%	Establishment
Fifth-tier subsidiary						
Tibet Yaotong	Guangzhou	Tibet	Software		100.00%	Establishment
Tibet Shengge	Guangzhou	Tibet	Software		100.00%	Establishment
Huoerguosi Qianyu	Xinjiang	Xinjiang	Software and IT		100.00%	Establishment
Shanghai Mokun	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Sixth-tier subsidiary						
Shanghai Langkun	Shanghai	Shanghai	Software		76.50%	Business combination not under common control
Shanghai Kunkun	Shanghai	Shanghai	Software		100.00%	Business combination not under common control

Shanghai Miji	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Shanghai Aojue	Shanghai	Shanghai	Software		100.00%	Business combination not under common control
Seventh-tier subsidiary						
Huoerguosi Jiayi	Xinjiang	Xinjiang	Software		76.50%	Business combination not under common control

Description of shareholding ratio in the subsidiary inconsistent with the percentage of voting rights:

Basis for control on the investee with a half or less of the voting rights and no control on the investee with more than a half of the voting rights:

Basis of control over significant structure entity included in the scope of consolidation:

Basis for identifying the company as an agent or a trustor:

## (2) Significant non-wholly-owned subsidiaries

Unit: yuan

Name of the subsidiary	Shareholding ratio of minority shareholders	Current profits and losses attributable to minority shareholders	Current dividends announced to be distributed to minority shareholders	Closing balance of minority interest
Jiangsu Aurora	20.00%	136,927,678.24	98,000,000.00	140,264,144.76
Guangzhou Sanqi	20.00%	88,541,223.83	30,000,000.00	118,675,816.34

Description of shareholding ratio of minority shareholders in the subsidiary inconsistent with the percentage of voting rights:

Additional descriptions:

## (3) Major financial information of significant non-wholly-owned subsidiaries

Unit: yuan

Name of the subsidiary	Closing balance						Opening 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

Jiangsu Aurora	695,370,986.38	290,177,856.65	985,548,843.03	161,313,849.14	122,914,270.08	284,228,119.22	588,863,073.64	12,653,207.39	601,516,281.03	83,911,376.34	10,922,572.09	94,833,948.43
Guangzhou Sanqi	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: yuan

Name of the subsidiary	Accruals in the current period				Accruals in the prior period			
	Business revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Business revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Jiangsu Aurora	1,014,730,242.51	684,638,391.21	684,638,391.21	797,291,694.37	713,291,613.54	482,429,940.94	482,429,940.94	317,079,561.41
Guangzhou Sanqi	2,098,517,906.50	470,530,214.76	470,530,214.76	863,880,248.47				

Additional descriptions:

In the prior year, Guangzhou Sanqi was not disclosed as a significant non-wholly-owned subsidiary of the company. Thus the data of the prior year in the statements are absent.

## 2. Transactions resulting in change in share of owner's equity in a subsidiary with the company still controlling the subsidiary

### (1) Details of change in the share of owner's equity in the subsidiary

Name of subsidiary	Change date	Shareholding ratio before change	Shareholding ratio after change
ENP Games	March 2017	55.41%	54.99%
	August 2017	54.99%	54.90%
Guangzhou Sanqi	May 2017	85.00%	80.00%
Jiangsu Zhiming	May 2017	51.00%	100.00%

### (2) Effect of the transaction on minority interest and owner's equity attributable to the parent company

Unit: yuan

	ENP Games	Guangzhou Sanqi	Jiangsu Zhiming
-- Cash		10,000,000.00	89,180,000.00
-- Fair value of non-cash assets			165,619,990.80
Total of acquisition cost / disposal consideration		10,000,000.00	254,799,990.80

Less: net assets of the subsidiary calculate at the ratio of the share acquired/disposed	148,249.30	11,690,370.90	38,133,835.05
Difference	-148,249.30	-1,690,370.90	216,666,155.75
Included: adjusted capital reserve	-148,249.30	-1,690,370.90	216,666,155.75

Additional descriptions:

(1) The company paid RMB 254,799,999.80 yuan to Hu Yuhang by issuing shares and paying cash to purchase 49% share he held in Jiangsu Zhiming. The formalities for industrial and commercial registration of changes was completed on May 10, 2017. Tianjian Accounting Firm issued the Audit Report (Tian Jian Shen (2017) No. 3-460) for the transitional period (from September 1, 2016 to May 31, 2017).

(2) The company transferred 5% share it held in Guangzhou Sanqi Network Technology Co., Ltd. to Huai'an Shunjing Enterprise Management Partnership (Limited Partnership) for RMB 10 million yuan, whose partners are key managers of Guangzhou Sanqi.

### 3. Equity in joint ventures or associated enterprises

#### (1) Significant joint ventures or associated enterprises

Name of the joint venture or associated enterprise	Principal place of business	Place of registration	Nature of business	Shareholding ratio		Accounting method of investment in the joint venture or associated enterprise
				Direct	Indirect	
Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership)	Yangzhou	Yangzhou	Investment		64.52%	Equity method
Huai'an Sanqi Yijian Entertainment Assets Management Center (Limited Partnership)	Huai'an	Huai'an	Investment		39.70%	Equity method
Mango (Xiamen) Creative Incubation Equity Investment Fund	Xiamen	Xiamen	Investment		31.75%	Equity method

Partnership (Limited Partnership)						
---	--	--	--	--	--	--

Description of the shareholding ratio in the joint venture or associated enterprise inconsistent with the percentage of voting rights:

(1) The company held 64.52% share in Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership), which is not included in the scope of consolidation because: A. according to the joint venture agreement, the joint venture will set up an Investment Decision-making Committee to take charge of making decisions regarding investment and other businesses of the joint venture. The Committee consists of five members, who are appointed upon the internal resolution of Shanghai Fuhai Sanqi Enterprise Management Co., Ltd. Decisions on investment are adopted upon the consent of four-fifths or more of the members of the Committee; B. Partners' meeting, the supreme authority of the joint venture, is set up. Resolutions of the partners' meetings are adopted upon the consent of the partners jointly holding more than two-thirds of the paid-up contribution. Based on the foregoing agreements, Tibet Taifu, a wholly-owned subsidiary of the company, does not control Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership).

(2) In December 2016, Tibet Taifu, a subsidiary of the company, as the junior limited partner, entered into the Partnership Agreement with Guangdong Yijian Investment Co., Ltd., the general partner, and China Resources SDIC Trust Co., Ltd., the senior partner, to establish Huai'an Sanqi Yijian Entertainment Assets Management Center (limited partnership) ("Huai'an Sanqi"). The term of the partnership is 3 years. Tibet Taifu invested RMB 101,280,000.00 yuan and held 39.70% of share in the partnership. The profit distribution of Huai'an on the project during the investment period shall be decided by the Investment Decision-making Committee (composed of 3 members, with each partner appointing one member). The specific profit distribution plan shall be passed only after the above members approve it unanimously. The profit distribution order agreed in the agreement is as follows: ① the profit obtained during the investment period shall be distributed to the senior limited partner in the first place on a quarterly basis, Huai'an Sanqi shall distribute the profit on the 21st day in the end of each quarter; ② If there is any balance in the distributable profit of the project, the paid-up contribution shall be returned to the senior limited partner as profit and shall be paid when the term of operation expires; ③ The remaining distributable profit after the above distributions as set out in the foregoing two points shall be distributed according to the negotiation and decision of the junior limited partner and the general partner; ④ 5% of the distributable profit remaining after distributions as set out in the foregoing two points shall be distributed to the general partner, and 95% to the junior limited partner.

Basis for holding less than 20% of the voting rights with significant influence or holding 20% or more of the voting rights without significant influence:

## (2) Principal financial information of important associated enterprises

Unit: yuan

	Closing balance / accruals in the current period			Opening balance / accruals in the prior period			
	Yangzhou Fuhai Sanqi Internet Culture Investment Center (limited partnership)	Huai'an Sanqi Yijian Entertainment Assets Management Center (limited partnership)	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership	Shanghai Aurora Network Technology Co., Ltd.	Shanghai Mokun Digital Technology Co., Ltd.	Shanghai Jueli Culture Media Co., Ltd.	Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.

			(limited partnership)				
Current assets	72,887,128.32	2,530,160.27	116,887,443.92	107,556,399.76	137,637,440.10	33,366,022.25	8,538,795.74
Non-current assets	37,750,000.00	233,574,085.99	9,300,000.00	4,117,539.68	19,276,139.27	2,415,000.56	249,820.75
Total assets	110,637,128.32	236,104,246.26	126,187,443.92	111,673,939.44	156,913,579.37	35,781,022.81	8,788,616.49
Current liabilities			4,465,358.22	4,615,752.89	7,795,268.18	5,948,397.93	361,793.08
Non-current liabilities					14,240,430.36		
Total liabilities			4,465,358.22	4,615,752.89	22,035,698.54	5,948,397.93	361,793.08
Owner's equity attributable to shareholders of parent company	110,637,128.32	236,104,246.26	121,722,085.70	107,058,186.55	134,877,880.83	29,832,624.88	8,426,823.41
Share in net assets calculated by shareholding ratio	50,000,000.00	101,677,840.80	38,646,762.21	19,270,473.58	42,580,946.98	8,949,787.46	2,528,047.02
-- Goodwill				7,750,000.00	418,323,332.51	22,878,457.62	6,955,000.00
Book value of equity investment in associated enterprises	50,000,000.00	101,677,840.80	38,646,762.21	24,850,473.57	460,904,279.49	31,828,207.79	9,483,047.02
Operating revenue				75,183,236.39	162,330,711.71	35,901,885.79	
Net profit	137,128.32	11,067,234.25	-4,262,166.26	69,220,185.99	109,611,612.86	-3,110,158.15	-1,723,176.59
Total comprehensive incomes	137,128.32	11,067,234.25	-4,262,166.26	69,220,185.99	109,611,612.86	-3,110,158.15	-1,723,176.59
Dividend obtained from associated enterprises in the current year			8,769,681.68				

Additional descriptions

### (3) Summary of financial information of insignificant joint ventures and associated enterprises

Unit: yuan

	Closing balance / accruals in the current period	Opening balance / accruals in the prior period
Joint ventures:	--	--
Total of the following calculated by shareholding ratio	--	--
Associated enterprises:	--	--
Total book value of investments	186,648,229.07	259,501,831.93
Total of the following calculated by shareholding ratio	--	--
- Net profit	-10,183,932.08	26,091,438.40
- Total comprehensive incomes	-10,183,932.08	26,091,438.40

#### Additional description

Insignificant associated enterprises include: Shenzhen EONE Network Technology Co., Ltd., Penta Game Co., Ltd., Shanghai Tingting Network Technology Co., Ltd., Shanghai Menggongfang Network Technology Co., Ltd., Beijing Zhuayou Interactive Network Technology Co., Ltd., Wuhai Yihua Kaitian Culture and Communication Co., Ltd., Longzhang Network Technology (Shanghai) Co., Ltd., Longzhang Animation (Shanghai) Co., Ltd., Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd., Xiamen Yiqi Investment Management Co., Ltd., Chengdu 91ACT Technology Co., Ltd., Chengdu Mofei Technology Co., Ltd., Chengdu Modu Technology Co., Ltd., Shanghai Fuhai Sanqi Investment Management Co., Ltd., Shanghai 11wan Network Technology Co., Ltd., Chengdu Pengwan Technology Co., Ltd., and Shanghai Jueli Culture & Media Co., Ltd. Total net profits and comprehensive incomes calculated by shareholding ratio include the returns on investment in Shanghai Aurora Network Technology Co., Ltd., Shanghai Zheyuan Culture & Media Co., Ltd., and Shanghai Mokun.

### (4) Excess loss occurred to joint ventures or associated enterprises

Unit: yuan

Name of the joint venture or associated enterprise	Accumulated derecognized losses in the prior period	Derecognized loss in the current period (or net profit shared in the current period)	Accumulated derecognized losses at the end of the current period
Longzhang Animation (Shanghai) Co., Ltd.	-1,554,329.50	-3,647,586.58	-5,201,916.08

#### Additional description

## V. Risks in Relation to Financial Instruments

The company's goal in risk management is to strike a balance between risk and return, minimize the adverse impact of the risk on the company's operating performance, and maximize the benefits of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the company's risk management is to identify and analyze various risks faced by the

company, establish a proper risk tolerance floor and conduct risk management, and supervise various risks in a timely and reliable manner, and control risks within a limited range.

The company faces various risks relating to financial instruments in its day-to-day activities, which mainly include credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing these risks, as summarized below.

(I) Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot perform its obligations and causes financial losses to the other.

The company's credit risk mainly comes from bank deposits and receivables. In order to control the above related risks, the company has taken the following measures respectively.

1. Bank deposit

The company deposits bank deposits in financial institutions with high credit ratings, so that its credit risk is low.

2. Receivables

The company conducts regular credit evaluations on customers who use credit transactions. According to the results of the credit assessment, the company elects to conduct transactions with approved and well-credited customers and monitors the balance of its receivables to ensure that the Company will not face significant bad debt risks.

As the Company's accounts receivable risk points are distributed among multiple partners and multiple customers, as of December 31, 2017, 51.36% (December 31, 2016: 52.79%) of the Company's accounts receivable comes from the top five customers in respect of balance, and the Company does not have significant credit concentration risk.

(1) The Company's receivables that are not past due and not yet impaired, as well as the amounts that are past due but not impaired, and the overdue ageing analysis are as follows:

Item	Closing balance				Total
	Not overdue and not impaired	Overdue but not impaired			
		Less than 1 year	1-2 years	Over 2 years	
Notes receivable	55,340,000.00	-	-	-	55,340,000.00
Other current assets - Bank financial products	110,000,000.00	-	-	-	110,000,000.00
Subtotal	165,340,000.00	-	-	-	165,340,000.00

(continued)

Item	Opening balance				Total
	Not overdue and not impaired	Overdue but not impaired			
		Less than 1 year	1-2 years	Over 2 years	
Notes receivable	94,638,841.21	-	-	-	94,638,841.21
Other current assets - Bank financial products	170,000,000.00	-	-	-	170,000,000.00
Subtotal	264,638,841.21	-	-	-	264,638,841.21

(2) Please refer to the notes to this financial statement (explanation of receivables in the note to items of the consolidated financial

statements) for the details of the individually accrued receivables.

(II) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the company fulfills its obligations to settle cash or other financial assets. Liquidity risk may arise from the inability to sell financial assets at fair value as soon as possible; or from the other party's inability to repay its contractual obligations; or from early maturity debt; or from the inability to generate expected cash flows.

The company's current financial assets can meet working capital requirements and capital expenditures, and the liquidity risks it bears are not significant.

Financial liabilities classified by remaining due dates

Item	Closing balance				
	Book value	Undiscounted contract amount	Less than 1 year	1-3 years	Over 3 years
Short-term loan	372,054,500.00	372,054,500.00	372,054,500.00	-	-
Notes payable	-	-	-	-	-
Accounts payable	741,792,973.33	741,792,973.33	704,225,674.10	37,567,299.23	-
Other payables	61,572,020.26	61,572,020.26	35,957,715.81	25,614,304.45	-
Subtotal	1,175,419,493.59	1,175,419,493.59	1,112,237,889.91	63,181,603.68	-

(continued)

Item	Opening balance				
	Book value	Undiscounted contract amount	Less than 1 year	1-3 years	Over 3 years
Short-term loan	372,878,500.00	372,878,500.00	372,878,500.00	-	-
Notes payable	17,414,395.42	17,414,395.42	17,414,395.42	-	-
Accounts payable	700,713,118.00	700,713,118.00	700,713,118.00	-	-
Other payables	293,166,635.18	293,166,635.18	293,166,635.18	-	-
Subtotal	1,384,172,648.60	1,384,172,648.60	1,384,172,648.60	-	-

(III) Market risks

Market risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The company does not have the risk of changes in market interest rates.

2. Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The risk of exchange rate changes faced by the company is mainly related to the company's foreign currency monetary assets and liabilities. The company is mainly operating in the Mainland of China and its major activities are denominated in RMB. Therefore, the foreign exchange market risk assumed by the company is not significant.

In respect of the foreign-currency monetary assets and liabilities of the company at the end of the period, please refer to the notes to the financial statements (explanation of foreign-currency monetary items in the notes to items of consolidated financial statement).

## VI. Disclosure of Fair Value

### 1. Closing fair value of assets and liabilities measured at fair value

Unit: yuan

Item	Fair value at the end of the period			
	Measurement of Level 1 fair value	Measurement of Level 2 fair value	Measurement of Level 3 fair value	Total
I. Recurring fair value measurement	--	--	--	--
(II) Available-for-sale financial assets	57,541,101.92			57,541,101.92
(2) Investment in equity instruments	57,541,101.92			57,541,101.92
II. Non-recurring fair value measurement	--	--	--	--

### 2. Determination basis for market price of items measured at recurring and non-recurring Level 1 fair value

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

## VII. Related Parties and Related-party Transactions

### 1. Parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of the parent company	Percentage of vote rights held by the parent company

Details of the parent company of the company

The final controllers of the company are Wu Xushun, Wu Weihong, and Wu Weidong.

Additional descriptions:

#### 1. De facto controllers of the company

Name of de facto controllers	Shareholding ratio in the company (%)	Percentage of voting rights in the company (%)
Wu Xushun	9.50	9.50

Wu Weihong	7.83	7.83
Wu Weidong	7.76	7.76

Wu Xushun and Wu Weihong are father and daughter; and Wu Xushun and Wu Weidong are father and son. These three shareholders together hold 25.09% of the share in the company.

## 2. Subsidiaries of the company

See Note IX “Equity in Other Entities” for the details of the company’s subsidiaries.

## 3. Joint ventures and associated enterprises of the company

See Note IX “Equity in Other Entities” for the details of the significant joint ventures and associated enterprises of the company.

The information is as follow of other joint ventures or associated enterprises that made related-party transactions with the company during the current period or that made related-party transactions with the company in prior periods and the balance of such transactions remains:

Name of joint venture or associated enterprise	Relationship with the Company
Shenzhen EONE Network Technology Co., Ltd.	Associated enterprise of the company
Shanghai Aurora Network Technology Co., Ltd.	Associated enterprise of the company before March 31, 2017
Shanghai Aoting Network Technology Co., Ltd.	Associated enterprise of the company
Shanghai Tingting Network Technology Co., Ltd.	Associated enterprise of the company
Shanghai Mokun	Associated enterprise of the company May 31, 2017, and subsidiary of the Company after May 31, 2017
Chengdu Modu Technology Co., Ltd.	Associated enterprise of the company
Chengdu Mofei Technology Co., Ltd.	Associated enterprise of the company
Shanghai Hwan Network Technology Co., Ltd.	Associated enterprise of the company
Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Associated enterprise of the company
Huai'an Sanqi Yijian Entertainment Assets Management Center (Limited Partnership)	Associated enterprise of the company
Longzhang Animation (Shanghai) Co., Ltd.	Associated enterprise of the company
Longzhang Network Technology (Shanghai) Co., Ltd.	Associated enterprise of the company
Yangzhou Fuhai Sanqi Internet Culture Investment Center (Limited Partnership)	Associated enterprise of the company
Chengdu 91ACT Technology Co., Ltd.	a related party before May 31, 2017 (the director and vice general manager of the company act as directors of the company) , and an associated enterprise of the company as of May 31, 2017
Chengdu Pengwan Technology Co., Ltd.	a related party before May 31, 2017 (the director and vice

	general manager of the company act as directors of the company) , and an associated enterprise of the company
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**Additional description**

1. The company disposed of Shanghai Aurora Network Technology Co., Ltd. on March 31, 2017, and the related-part transactions disclosed in this reporting period is the accruals between January and March of 2017.
2. The company completed its acquisition of Shanghai Mokun on May 31, 2017, and the related-part transactions disclosed in this reporting period is the accruals between January and May of 2017.

**4. Information of other related parties**

Name of other related parties	Relationship with the Company
Shenzhen Moklyin Technology Co., Ltd.	Related party for the past 12 months (vice chairman and general manager of the Company act as directors of this company)
Guangzhou Joyegame Software Co., Ltd.	Related party (director and vice general manager of the Company act as directors of this company)
Shanghai Mango Interactive Technology Co., Ltd.	Related party (The director and vice general manager of the Company act as directors of this company)
Shenzhen Qifan Network Co., Ltd.	Related party (The director and vice general manager of the Company act as directors of this company)
Wuhan Yihua Kaitian Culture and Communication Co., Ltd.	Related party (The director and vice general manager of the Company act as directors of this company)
Beijing Colorful Game Technology Co., Ltd.	Related party (The vice general manager of the Company acts as a director of this company)
Li Weiwei	A natural person who holds no less than 5% shares in the listed company, vice chairman, general manager
Zeng Kaitian	A natural person who holds no less than 5% shares in the listed company

**Additional description**
**5. Information of related-party transactions**
**(1) Related-party transactions on sale and purchase of goods, and rendering and acceptance of services**
**List of purchased goods/accepted services**

Unit: yuan

Related party	Transaction content	Accruals in current period	Approved transaction amount	Exceeding the approved transaction amount?	Accruals in last period
Chengdu Pengwan	Game commission	26,751,740.93	32,158,950.00	No	28,173,467.03

Technology Co., Ltd.	fee and royalty acquisition				
Shanghai Aurora Network Technology Co., Ltd.	Game commission fee and royalty acquisition	11,932,597.82	155,185,950.00	No	76,699,082.85
Shanghai Tingting Network Technology Co., Ltd.	Game commission fee and entrusted R&D expense	7,495,417.36	14,640,750.00	No	985,902.83
Shenzhen Moklyin Technology Co., Ltd.	Game commission fee, royalty acquisition and entrusted R&D expense	5,490,077.96	28,512,450.00	No	41,851,736.17
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	Game commission fee and new product design cost	4,228,519.65	7,304,400.00	No	13,496,263.50
Shanghai Mokun	Game commission fee, royalty acquisition and entrusted R&D expense	1,051,125.60	8,560,500.00	No	5,779,419.80
Beijing Colorful Game Technology Co., Ltd.	Game commission fee	952,493.00		Yes	
Longzhang Animation (Shanghai) Co., Ltd.	Game commission fee	514,216.26		Yes	
Chengdu 91ACT Technology Co., Ltd.	Game commission fee	255,657.80		Yes	1,744,822.46
Shenzhen EONE Network Technology Co., Ltd.	Game commission fee and royalty acquisition	212,164.40	10,545,000.00	No	1,417,026.79
Chengdu Mofei	Game commission	157,157.40		Yes	

Technology Co., Ltd.	fee and entrusted R&D expense				
Shenzhen Qifan Network Co., Ltd.	Game commission fee and royalty acquisition	121,757.67		Yes	5,165,805.91
Shanghai Aoting Network Technology Co., Ltd.	Game commission fee and entrusted R&D expense	38,453.71		Yes	287,608.96
Guangzhou Joyegame Software Co., Ltd.	Game commission fee and entrusted R&D expense	8,279.46		Yes	235,273.11

## List of sold goods/ rendered services

Unit: yuan

Related party	Transaction content	Accruals in current period	Accruals in last period
Shanghai 11wan Network Technology Co., Ltd.	Software operation revenue	5,545,397.18	0.00
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	Software operation revenue	840,274.48	970,760.13
Shenzhen Moklyin Technology Co., Ltd.	Evaluation service revenue, technical service fee	473,057.78	482,984.47
Beijing Colorful Game Technology Co., Ltd.	Software operation revenue	12,466.87	

Description of the related-party transactions of purchasing or selling goods and rendering and accepting services

**(2) Information of related-party security**

The Company provides security for others

Unit: yuan

The secured party	Security amount	Security start date	Security expiration date	Whether the security is performed fully

The Company is secured by others

Unit: yuan

Securing party	Security amount	Security start date	Security expiration date	Whether the security is performed fully
Li Weiwei and Zeng	300,000,000.00	May 19, 2016	May 19, 2017	Yes

Kaitian				
Li Weiwei and Zeng Kaitian	70,000,000.00	October 28, 2016	October 27, 2017	Yes
Li Weiwei and Zeng Kaitian	100,000,000.00	January 23, 2017	July 24, 2017	Yes
Li Weiwei and Zeng Kaitian	91,000,000.00	April 14, 2017	October 28, 2017	Yes
Li Weiwei and Zeng Kaitian	210,000,000.00	May 23, 2017	May 22, 2018	No
Li Weiwei and Zeng Kaitian	90,000,000.00	May 24, 2017	May 22, 2018	No
Li Weiwei, Zeng Kaitian	69,000,000.00	June 9, 2017	June 8, 2018	No

Description of related-party security

### (3) Details of related-party asset transfer and debt restructuring

Unit: yuan

Related party	Transaction content	Accruals in current period	Accruals in last period
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### (4) Compensation of key executives

Unit: yuan

Item	Accruals in current period	Accruals in last period
Compensation of key executives	14,575,100.00	13,058,900.00

## 6. Receivables and payables of related party

### (1) Receivables

Unit: yuan

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Shenzhen Moklyin Technology Co., Ltd.	0.00		689.45	34.47
Accounts receivable	Shanghai Mango Interactive Entertainment Technology Co., Ltd.	141,403.60	7,070.18	391,386.80	19,569.34

Accounts receivable	Shanghai 11wan Network Technology Co., Ltd.	5,473,326.88	273,666.34		
Accounts receivable	Beijing Colorful Game Technology Co., Ltd.	13,214.88	660.74		
	Total	5,627,945.36	281,397.27	392,076.25	19,603.81
Advance payment	Shenzhen EONE Network Technology Co., Ltd.	1,757,963.61			
Advance payment	Chengdu 91ACT Technology Co., Ltd.	1,450,617.07		1,706,274.87	
Advance payment	Longzhang Animation (Shanghai) Co., Ltd.	14,485,783.74		15,000,000.00	
Advance payment	Longzhang Network Technology (Shanghai) Co., Ltd.	1,982,010.00			
Advance payment	Shenzhen Qifan Network Co., Ltd.	1,978,994.10		2,228,123.37	
Advance payment	Chengdu Modu Technology Co., Ltd.	1,000,000.00			
Advance payment	Chengdu Mofei Technology Co., Ltd.	842,842.60			
	Total	23,498,211.12		18,934,398.24	

## (2) Payables

Unit: yuan

Item	Related party	Closing book balance	Opening book balance
Account payable	Chengdu Pengwan Technology Co., Ltd.	11,622,401.24	1,327,086.55
Account payable	Guangzhou Joyegame Software Co., Ltd.	3,951.38	55,465.52
Account payable	Shanghai Aoting Network Technology Co., Ltd.	7,360.48	96,522.00
Account payable	Shanghai Tingting Network Technology Co., Ltd.	727,664.83	480,918.00

Account payable	Shenzhen Moklyin Technology Co., Ltd.	14,717,281.13	20,795,442.37
Account payable	Shenzhen EONE Network Technology Co., Ltd.		82,480.17
Account payable	Shanghai Mango Interactive Entertainment Technology Co., Ltd.	346,198.97	1,163,676.82
Account payable	Beijing Colorful Game Technology Co., Ltd.	1,138,598.90	
	Total	28,563,456.93	24,001,591.43
Other payables	Shenzhen Moklyin Technology Co., Ltd.	0.00	200,000,000.00
Other payables	Huai'an Sanqi Yijian Entertainment Assets Management Center (limited partnership)	19,032,685.81	31,789,000.00
Other payables	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (limited partnership)	0.00	40,000,000.00
Other payables	Chengdu Modu Technology Co., Ltd.	6,000,000.00	
Other payables	Chengdu Mofei Technology Co., Ltd.	6,000,000.00	
Other payables	Wuhan Yihua Kaitian Culture Transmission Co., Ltd.	2,000,000.00	
	Total	33,032,685.81	271,789,000.00

## VIII. Share-based Payments

### 1. General of share-based payments

Applicable  Not applicable

Unit: yuan

Total equity instruments granted by the company in the current period	110,984,100.00
Total equity instruments granted by the company in the current period	110,984,100.00
Total equity instruments granted by the company in the current period	0.00

Additional description

## 2. Details of share-based payments settled by equity

Applicable  Not applicable

Unit: yuan

Determination basis for the quantity of exercisable equity instruments	Equity transfer contract
Reason for significant discrepancy between current estimate and prior estimate	Not applicable
Accumulated share-based payments settled by equity recorded in capital surplus	100,984,100.00
Total expense for recognition of share-based payments settled by equity in the current period	100,984,100.00

### Additional description

During the reporting period, Shanghai Sanqi Interactive Entertainment, a first-tier subsidiary of the company, transferred 5% share held by it in Guangzhou Sanqi, a second-tier subsidiary of the company, to Huai'an Shunjing Enterprise Management Partnership (Limited Partnership) for the consideration of RMB 10,000,000.00 yuan in cash. Partners of Huai'an Shunjing Enterprise Management Partnership (Limited Partnership) are key executives of Guangzhou Sanqi. The company recognized the share-based payment cost of RMB 100,984,100.00 yuan based on the fair value of Guangzhou Sanqi on the pricing reference date deducting the cash consideration.

## 3. Details of share-based payments settled with cash

Applicable  Not applicable

## 4. Details of alteration and termination of share-based payments

None

## 5 Others

None

## IV. Commitments and Contingencies

### 1. Significant commitments

Significant commitments as of the balance sheet date

Item	December 31, 2017
Capital commitments for which contracts are signed but no	138,617,129.96

provision is made	
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Note: it mainly includes the final payment for purchase of office building and equipment.

## 2. Contingencies

### (1) Significant contingencies as of the balance sheet date

There is no significant commitment that may affect the normal production or operation of the company and need to be disclosed as of December 31, 2017.

### (2) The company shall clarify if there is no significant contingency to be disclosed.

The company does not have significant contingencies that need to be disclosed.

## 3. Others

None

## X. Matters after the Balance Sheet Date

### 1. Significant non-adjustment matter

Unit: yuan

Item	Content	Effect on the financial status and operating result	Reason why the effect is unable to be estimated

### 2. Profit distribution

Unit: yuan

Profit or dividend to be distributed	214,811,084.40
Profit or dividend declared upon approval	214,811,084.40

### 3. Sales return

None

### 4. Description of other matters after the balance sheet date

None

## XI. Other Significant Matters

### 1. Correction of previous accounting errors

#### (1) Retrospective restatement method

Unit: yuan

Contents of the accounting error correction	Procedure	Report item names affected in each comparison period	Cumulative effect
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#### (2) Future application method

Contents of the accounting error correction	Approval procedure	Reason for adopting the future application method
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### 2. Debt restructuring

None

### 3. Asset replacement

#### (1) Non-monetary asset exchange

None

#### (2) Other asset replacement

None

### 4. Annuity plan

None

### 5. Discontinued operations

Unit: yuan

Item	Income	Expense	Pre-tax profit	Income tax cost	Net profit	Profit attributable to the owner of the parent company for discontinued
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						operations
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Additional description

None

## 6. Segment information

### (1) The determination basis and accounting policy of the report segment

The company determines the reporting segment based on its internal organizational structure, management requirements, internal reporting system, etc., and determines the reporting segment on the basis of the industry segment. The performance of auto parts business and online game business will be assessed separately. Each segment uses assets and liabilities separately.

### (2) Financial information of the report segment

Unit: yuan

Item	Automotive parts business division	Online game business division	Offset between divisions	Total
Operating income	560,211,672.99	5,628,616,443.76		6,188,828,116.75
Operating cost	414,353,738.66	1,533,843,501.10		1,948,197,239.76
Total assets	9,255,079.58	9,251,421,700.56	100,539,094.76	9,160,137,685.38
Total liabilities	120,816,292.16	1,853,202,031.90	100,539,094.76	1,873,479,229.30

## 7. Other important transactions and events that affect the decision-making of the investors

On February 7, 2018, the company and Hu Yuhang signed the *Asset Acquisition Agreement and Profit Compensation Agreement between Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. and Jiangsu Aurora's shareholder Hu Yuhang*, providing that the company will purchase 20% share held by Hu Yuhang in Jiangsu Aurora by paying RMB 1.4 billion yuan in cash. After completion of this transaction, Jiangsu Aurora will become a subsidiary wholly owned by the company. As of the issuance date of this report, the formalities for industrial and commercial registration of changes in relation to Jiangsu Aurora have been completed.

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

### 1. Other receivables

#### (1) Disclosure of other receivables by categories

Unit: yuan

Category	Closing balance	Opening balance
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	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Ratio	Amount	Provision ratio		Amount	Ratio	Amount	Provision ratio	
Other receivables which are grouped according to credit risk features and for which provision for bad debt is made	1,668,884,090.50	100.00%	13,336,745.46	0.80%	1,655,547,345.04	51,832,015.98	100.00%	2,583,129.03	4.98%	49,248,886.95
Total	1,668,884,090.50		13,336,745.46		1,655,547,345.04	51,832,015.98		2,583,129.03		49,248,886.95

Other receivables whose single amounts are significant and for which provision for bad debt is separately made at the end of the period:

Applicable  Not applicable

In the portfolio, other receivables for which provision for bad debt is made by aging-of-other-receivables method:

Applicable  Not applicable

Unit: yuan

Age	Closing balance		
	Other receivables	Provision for bad debt	Provision ratio
Accounts receivable due within one year			
	266,584,909.29	13,329,245.46	5.00%
Subtotal of accounts receivable due within one year	266,584,909.29	13,329,245.46	5.00%
2-3 years	25,000.00	7,500.00	30.00%
Total	266,609,909.29	13,336,745.46	

Description of the basis of grouping:

Other accounts receivable of the same age have similar credit risk characteristics.

In the portfolio, other receivables for which provision for bad debt is made by the percentage-of-balance method:

Applicable  Not applicable

In the portfolios, other receivables for which provision for bad debt is made by other methods:

Applicable  Not applicable

## (2) Provisions for bad debt made, recovered, or reversed in the current period

The provision for bad debt in the amount of RMB 10,753,616.43 yuan is made in the current period; and RMB 0.00 yuan of the provision for bad debt is recovered or reversed in the current period.

Among them, provisions for bad debt whose recovered or reversed amounts are of significance in the current period are:

Unit: yuan

Entity	Recovered or reversed amount	Means of recovery
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**(3) Other receivables actually written off in the current period**

Unit: yuan

Item	Amount written off
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Of them, significant other receivables written off include:

Unit: yuan

Entity	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Amount arising from related-party transaction or not
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Description of write-off of other receivables:

No

**(4) Classification of other receivables by nature**

Unit: yuan

Nature	Closing book balance	Opening book balance
Deposit and earnest money	65,000.00	50,116,233.00
Receivables and payables of related parties	1,402,274,181.21	194,435.33
Intercompany lending	266,543,561.64	1,500,000.00
Others	1,347.65	21,347.65
Total	1,668,884,090.50	51,832,015.98

**(5) Top 5 other receivables in term of closing balance collected as per debtors**

Unit: yuan

Entity	Nature	Closing balance	Age	Proportion in total closing balance of other receivables	Closing balance of provision for bad debt
Tibet Taifu Culture & Media Co., Ltd.	Accounts receivable from and payable by related parties	1,102,274,181.21	Within 1 year	66.05%	
Shenzhen Zhonghui Television Culture Communication Co., Ltd.	Intercompany lending	266,543,561.64	Within 1 year	15.97%	13,327,178.08

Jiangsu Zhiming Network Technology Co., Ltd.	Accounts receivable from and payable by related parties	178,000,000.00	Within 1 year	10.66%	
Anhui Xuhong Information Technology Co., Ltd.	Accounts receivable from and payable by related parties	102,000,000.00	Within 1 year	6.11%	
Jiangsu Jiaqu Network Technology Co., Ltd.	Accounts receivable from and payable by related parties	20,000,000.00	Within 1 year	1.20%	
Total	--	1,668,817,742.85	--	99.99%	13,327,178.08

## 2. Long-term equity investment

Unit: yuan

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,724,695,055.23		5,724,695,055.23	5,469,895,064.43		5,469,895,064.43
Investment in joint ventures and associated enterprises	29,729,869.92		29,729,869.92	116,284,895.72		116,284,895.72
Total	5,754,424,925.15		5,754,424,925.15	5,586,179,960.15		5,586,179,960.15

### (1) Investment in subsidiaries

Unit: yuan

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Sanqi Interactive Entertainment (Shanghai) Technology Co., Ltd.	4,720,000,000.00			4,720,000,000.00		
Wuhu Shunrong Auto Parts Co., Ltd.	749,895,064.43			749,895,064.43		

Jiangsu Zhiming Network Technology Co., Ltd.		254,799,990.80		254,799,990.80		
Total	5,469,895,064.43	254,799,990.80		5,724,695,055.23		

## (2) Investment in joint ventures and associated enterprises

Unit: yuan

Investor	Opening balance	Increase/decrease in the current period								Closing balance	Closing balance of provision for impairment
		Additional investment	Negative investment	Gains or losses on investment recognized under the equity law	Adjustment to other comprehensive incomes	Variation in other incomes	Issuing cash dividends or profits	Provision for impairment	Others		
I. Joint ventures											
II. Associated enterprises											
Shanghai Jueli Culture & Media Co., Ltd.	31,828,207.79			-2,098,337.87						29,729,869.92	
Shanghai Zheyuan Culture & Media Co., Ltd.	84,456,687.93		85,000,000.00	543,312.07							
Subtotal	116,284,895.72		85,000,000.00	-1,555,025.80						29,729,869.92	
Total	116,284,895.72		85,000,000.00	-1,555,025.80						29,729,869.92	

## (3) Additional descriptions

The company is not subject to significant restrictions on investment realization and repatriation of investment income.

### 3. Operating revenues and costs

Unit: yuan

Item	Accruals in the current period		Accruals in the prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	751,646.53	31,646.53	124,584,039.53	123,392,974.65
Other businesses			272,890.04	272,890.04
Total	751,646.53	31,646.53	124,856,929.57	123,665,864.69

Additional descriptions:

### 4. Investment income

Unit: yuan

Item	Accruals in the current period	Accruals in the prior period
Income from long-term equity investment calculated by cost method		605,000,000.00
Income from long-term equity investment calculated by equity method	-1,555,025.80	-940,529.89
Investment income from disposal of long-term equity investment	-295,279,968.69	
Investment income from available-for-sale financial assets during holding	1,582,261.90	3,722,924.58
Investment income from disposal of available-for-sale financial assets	1,000,000.00	
Total	-294,252,732.59	607,782,394.69

### 5. Others

## XIII. Supplementary Information

### 1. Statement of non-recurring profits and losses in the current period

 √ Applicable  Not applicable

Unit: yuan

Item	Amount	Remarks
Profits and losses on disposal of non-current assets	200,975,719.36	It mainly includes profits and losses on disposal of long-term equity investment and on disposal of fixed assets

Government subsidies recorded in current profits and losses (except those closely related to the business and received as per the national unified standard quota or quanta)	29,695,208.76	It mainly includes other government subsidies except refund of value-added tax upon collection.
Payment for the use of state funds collected from non-financial enterprises recorded in current profits and losses	15,607,133.62	It mainly includes income from interest of intercompany borrowings.
Profits and losses on assets entrusted to others for investment or management	13,370,838.07	It mainly includes profits and losses on finance products of banks.
Profit and loss on variation in fair value of held-for-trade financial assets or held-for-trade financial liabilities, and investment income from disposal of held-for-trade financial assets, held-for-trade financial liabilities, or salable financial assets, in addition to the effective hedging related to normal operations of the Company	40,268,035.00	It mainly includes investment income from disposal of available-for-sale financial assets.
Other non-operating revenues or expenditures except the above items	1,251,440.52	
Other profits and losses items conforming to the definition of non-recurring profits and losses	296,624,143.44	Mainly performance compensation income (The amount of impairment loss of RMB 299,457,551.04 provided by the Company on the goodwill of Shanghai Mokun was included in current profit or loss), the share payment expenses, and performance compensation expenses
Less: impact on income tax	36,707,567.83	
Impact on minority interest	-11,246,235.69	
Total	572,331,186.63	--

The Company shall specify the reasons for definition of non-recurring profits and losses items according to *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring profits and losses* and defining non-recurring profits and losses items listed in *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring profits and losses* as recurring profits and losses items.

Applicable  Not applicable

## 2. Return on equity (ROE) and earnings per share

Profits in the reporting period	ROE	Earnings per share	
		Basic earnings per share	Diluted earnings per

		(yuan/share)	share (yuan/share)
Net profit attributable to ordinary shareholder(s) of the parent company	28.12%	0.76	0.76
Net profit attributable to common shareholder(s) of the Company net of recurring profits and losses	18.19%	0.49	0.49

The Company's ROE calculated by net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses is 18.19% in the reporting period, which was mainly due to the recognition as non-recurring gains and losses by the Company of the compensation of RMB 401,364,984.06 arising from Shanghai Mokun's failure to meet the performance commitment, and due to the inclusion of the goodwill impairment of RMB 299,457,551.04 corresponding to the asset in recurring gains and losses.

The Company considers and uses one non-GAAP measure, Adjusted Net Income/ (Loss), as supplemental measure to review and assess our operating performance. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with China Accounting Standards. The Company's Adjusted Net Income is RMB 1,408,706,561.26 for the year 2017, which is defined as net income attributable to shareholders of the listed company of RMB1, 620,582,427.47 excluding performance compensation income/expenses of RMB 397,608,243.44 and related goodwill impairment of RMB 299,457,551.04 generated by business acquisitions, after tax income/loss from disposal of equity investments of RMB 199,561,658.81 and share-based compensation of RMB 85,836,485.00. ROE for the year 2017 adjusted on this basis is 24.44% (Adjusted ROE for the year 2016 is 26.33%). Adjusted basic earnings per share and diluted earnings per share for the year 2017 both are 0.66 yuan (Adjusted basic EPS diluted EPS for the year 2016 both are 0.51 yuan).

### 3. Others

No