



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

2019 Semi-annual Report

August 2019

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Definitions

Term	means	Definition
CSRC	means	China Securities Regulatory Commission
SZSE	means	Shenzhen Stock Exchange
The Company/Company/ Listed Company/ Sanqi Interactive Entertainment	means	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.
Shanghai Sanqi Interactive Entertainment	means	Sanqi Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	means	Company Law of the People's Republic of China
Securities Law	means	Securities Law of the People's Republic of China
Articles of Association	means	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd./Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./Articles of Association of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.
RMB/RMB 10,000	means	Chinese yuan/10,000 Chinese yuan
Reporting Period	means	From January 1st, 2019 to June 30th, 2019
End of Reporting Period	means	June 30th, 2019
Browser games	means	Clientless or browser kernel-based micro-client games that are based on web development technologies and utilize standard protocols as basic transmission modes. Game users can play browser games directly through an Internet browser
Mobile games	means	Games that are downloaded via mobile network and run on mobile phones or other mobile terminals.
RPG	means	Role playing game
ARPG	means	Action role playing game
SIM	means	Simulation game
SLG	means	Strategy game
STG	means	Shooting game
MMO	means	Massive Multiplayer Online
MOBA	means	Multiplayer Online Battle Arena
Shanghai Mokun	means	Shanghai Mokun Digital Technology Co., Ltd.
Jiangsu Zhiming	means	Jiangsu Zhiming Network Technology Co., Ltd.
Tibet Xintai	means	Tibet Xintai Culture Media Co., Ltd.

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Anhui Vogue Entertainment	means	Anhui Vogue Entertainment Network Technology Co., Ltd.
Vogue Entertainment International	means	Vogue Entertainment International Limited
G-MEI Network	means	G-MEI Network Technology Co., Ltd.
Guangzhou Sanqi	means	Guangzhou Sanqi Network Technology Co., Ltd.
Guangzhou Xingzhong	means	Guangzhou Xingzhong Information Technology Co., Ltd.
Anhui Xuhong	means	Anhui Xuhong Information Technology Co., Ltd.
Anhui Sanqi	means	Anhui Sanqi Network Technology Co., Ltd.
Jiangsu Aurora/Aurora Network/Jiangsu Aurora Network	means	Jiangsu Aurora Network Technology Co., Ltd.
Shanghai Yingtong	means	Shanghai Yingtong Network Technology Co., Ltd.
Wisdom Entertainment International	means	Wisdom Entertainment Online International Limited
Wisdom Game International	means	Wisdom Game Online International Limited
Shanghai Guanhang	means	Shanghai Guanhang Network Technology Co., Ltd.
Anhui Jiashang	means	Anhui Jiashang Network Technology Co., Ltd.
Chengdu Shengge Times Network Technology Co., Ltd.	means	Chengdu Shengge Times Network Technology Co., Ltd.
Beijing Shangheng	means	Beijing ShanghengJiatian Network Technology Co., Ltd.
Jiangsu Jiaqu	means	Jiangsu Jiaqu Network Technology Co., Ltd.
Shanghai Zhiren	means	Shanghai Zhiren Culture Media Co., Ltd.
Tibet Taifu	means	Tibet Taifu Culture Media Co., Ltd.
37 Games Entertainment Co., Ltd.	means	37 Games Entertainment Limited
Shanghai Mobile Game	means	Shanghai ShouyouTianxia Digital Technology Co., Ltd.
Anhui Guanyu	means	Anhui Guanyu Culture Media Co., Ltd.
Tibet Yaotong	means	Tibet Yaotong Network Technology Co., Ltd.
Tibet Shengge	means	Tibet Shengge Network Technology Co., Ltd.
Guangzhou Sanqi Interactive Entertainment	means	Sanqi Interactive Entertainment (Guangzhou) Technology Co., Ltd.
Guangzhou Huoshanhu	means	Guangzhou Huoshanhu Information Technology Co., Ltd.
KhorgasQianyu	means	Khorgos Entertainment Network Technology Co., Ltd.
KhorgasXinghui	means	KhorgosXinghui Network Technology Co., Ltd.
KhorgosXinrui	means	KhorgosXinrui Network Technology Co., Ltd.
Top Increase	means	Top Increase Global Limited
KhorgasSanqi	means	KhorgosSanqi Entertainment Venture Capital Co., Ltd.
Anhui Aurora	means	Anhui Sanqi Aurora Network Technology Co., Ltd.
Guangzhou Jisheng	means	Guangzhou Jisheng Network Technology Co., Ltd.
Anhui Wanhu	means	Anhui Wanhu Information Technology Co., Ltd.

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Zhuhai Miaohu	means	Zhuhai Miaohu Network Technology Co., Ltd.
Zhuhai Shangjie	means	Zhuhai Shangjie Network Technology Co., Ltd.
Huai'anSanqi	means	Huai'anSanqi Yijian Pan-Entertainment Asset Management Center (Limited Partnership)
Anhui Zhusheng	means	Anhui Zhusheng Network Technology Co., Ltd.
Guangzhou Sanqi Culture & Entertainment	means	Sanqi Entertainment Network Technology (Guangzhou) Co., Ltd.
Chengdu Pengwan Technology Co., Ltd.	means	Chengdu Pengwan Technology Co., Ltd. and its subsidiaries
Wangzhong Investment	means	ZhangshuWangzhong Investment Management Center (Limited Partnership)
Chengdu Shouyin	means	Chengdu Shouyin Technology Co., Ltd.
Silk Road Culture Company	means	KhorgosSanqi Wisdom Entertainment Silk Road Cultural Technology Development Co., Ltd.
Anhui Jishuo	means	Anhui Jishuo Network Technology Co., Ltd.
Shanghai Jiqu	means	Shanghai Jiqu Network Technology Co., Ltd.
Feiyang Network	means	Feiyang Network Technology Co., Ltd.
Guangzhou Lehu	means	Guangzhou Lehu Network Technology Co., Ltd.
ChuangshiPoxiao	means	ChuangshiPoxiao Co., Ltd.
Japanese Lychee	means	Lychee Corporation
Guangzhou Jishang	means	Guangzhou Jishang Network Technology Co., Ltd.
Zen-game Technology	means	Zengame Technology Holding Limited and its operating entities
X.D. Network	means	XD Inc. and its operating entities

Section II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	Sanqi Interactive Entertainment	Stock code	002555
Place of Listing	Shenzhen Stock Exchange		
Company name in Chinese	芜湖三七互娱网络科技集团股份有限公司		
Company short name in Chinese (if any)	三七互娱		
Company name in English (if any)	WUHU SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY GROUP CO.,LTD.		
Legal representative	Li Weiwei		

II. Contact person and contact information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Ye Wei	Wang Sijie
Contact address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province
Tel.	0553-7653737	0553-7653737
Fax	0553-7653737	0553-7653737
Email	ir@37.com	ir@37.com

III. Other Relevant Information

1. Contact information

Any change to the registered address, office address and postal code, company website, e-mail during the reporting period

☒Applicable ☐Not Applicable

Registered Address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province
Post code of registered address	241000
Business Address	11/F, Creative Advertising Complex, Wuhu Advertising Industrial Park, Middle Beijing Road, Jiujiang District, Wuhu City, Anhui Province
Post code of business address	241000
Website	http://www.37wan.net/

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Company email address	ir@37.com
Query date (if any) of the designated website for temporary announcement	March 19th, 2019
Query index (if any) of the designated website for temporary announcement	For details of the Announcement of the Twenty-sixth Meeting of the Fourth Board of Directors (announcement No.: 2019-033), please refer to <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and www.cninfo.com.cn .

2. Information disclosure and designated place

Any change to the information disclosure and designated place during the reporting period

☐ Applicable ☒ Not Applicable

Any change to the name of newspaper as designated by the Company for information disclosure, the website designated by CSRC for publication of the semi-annual report, and the designated place of the semi-annual report during the reporting period (refer to the annual report in 2018).

3. Other relevant information

Any change to other relevant information during the reporting period

☒ Applicable ☐ Not Applicable

On April 8th, 2019, the Company held the 3rd Extraordinary General Meeting of 2019, at which the Proposal on Advancing the General Election of Non-independent Directors for the Fifth Board of Directors and the Proposal on Advancing the General Election of Independent Directors for the Fifth Board of Directors were reviewed and approved. Seven directors nominated by Li Weiwei were elected in the general election of Board of Directors and secured more than half of the seats on the Board of Directors. The voting rights held by Li Weiwei have had a material influence on the resolution of the Company's 3rd Extraordinary General Meeting of 2019, played a decisive role in electing more than half of the members of the Company's Board of Directors through this meeting, and effectively controlled the majority of the new Board of Directors. Therefore, the controlling shareholders and actual controllers of the Company were changed from Wu Xushun, Wu Weidong and Wu Weihong to Li Weiwei. For details, please refer to the Prompt Announcement on the Changes of Controlling Shareholders and Actual Controllers disclosed by the Company on April 9th, 2019 (announcement No.: 2019-045).

IV. Main accounting data and financial index

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

☐ Yes ☒ No

	Current Reporting Period	Same Reporting Period of the Prior Year	Increase or decrease of current year against previous year
Operating income (RMB)	6,070,957,503.06	3,302,496,146.77	83.83%
Net profits attributable to the listed company shareholders (RMB)	1,033,074,405.38	801,378,948.23	28.91%
Net profits attributable to listed company	949,369,446.08	761,182,531.85	24.72%

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shareholders after deducting non-recurring profits and losses (RMB)			
Net cash flows from operating activities (RMB)	616,354,936.37	977,236,017.96	-36.93%
Basic earning per share (yuan/share)	0.49	0.37	32.43%
Diluted earning per share (yuan/share)	0.49	0.37	32.43%
Weighted average rate of return on equity	16.31%	12.71%	3.60%
	End of the Current Reporting Period	End of the Same Reporting Period of the Prior Year	Increase or decrease compared with the end of previous year
Total assets (RMB)	8,767,575,383.14	8,395,761,716.98	4.43%
Net assets attributable to listed company shareholders (RMB)	6,166,617,209.02	5,972,675,405.86	3.25%

V. Data differences due to different accounting standards in Mainland China and other regions

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

☐Applicable ☒Not Applicable

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

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

☐Applicable ☒Not Applicable

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

VI. Non-recurring profits and losses and their amount

☒Applicable ☐Not Applicable

Unit: RMB

Item	Amount	Description
Profits or losses on disposal of non-marketable asset, including offset amount accrued for impairment provision	8,967,295.34	Mainly profit and loss from the disposal of long-term equity investment and fixed assets.
Government subsidy included in current profit or loss (except those closely related to enterprise operation and received based on	23,416,359.86	Mainly government subsidy other than the refund of value-added tax

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consolidated national standard quota or quantitative)		(hereinafter called the ‘VAT’) and additional deduction of VAT.
Profit or loss of asset whose investment or management is entrusted to others	11,172,479.46	Mainly the income from bank’s financial products.
Except effective hedging business relating to normal operating business of the Company, profit or loss caused by change in the fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment profit for disposal of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities and other creditors' investments.	44,790,828.46	
Other non-operating revenues and expenditures except the foregoing items	408,225.48	
Less: Affected amount of income taxes	4,387,332.89	
Affected amount of minority interest income (after-tax)	662,896.41	
Total	83,704,959.30	--

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

☐Applicable ☒Not Applicable

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

Section III Business Overview

I. Main business in the reporting period

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

Yes

Software and IT services

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

During the reporting period, the Company focused on cultural and creative businesses based on the development, distribution and operation of mobile games and browser games, and also development in segments such as film and television, music, animation, VR, cultural health, Internet children education, social entertainment, etc. The Company ranked 22nd in the 2018 global listed game companies list by Newzoo, a well-known third-party data organization, and was also the third Chinese game company in the list, due to its steady promotion of development strategy of “boutiqueization, diversification, platformization and globalization” around IPs.

During the reporting period, the Company gained an operating income of RMB 6.071 billion, with a year-on-year increase of 83.83%; a total profit of RMB 1.291 billion, with a year-on-year increase of 40.43%; a net profit attributable to the listed company shareholders of RMB 1.033 billion, with a year-on-year increase of 28.91%. The main reason for driving performance growth was the Company’s 152.90% increase in its income of mobile games.

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

1) In the first half of 2019, the overall income of the Chinese game market showed a rebound trend. The 2019 Semi-annual Report of Chinese Game Industry released by Gamma Data showed that the actual sales revenue of Chinese game market from January to June 2019 was RMB 116.31 billion, with a year-on-year increase of 10.8%; in the period from January to June 2019, the number of users in the Chinese game market was 554 million, with a year-on-year increase of 5.1%. Among them, from January to June 2019, the actual sales revenue of Chinese mobile game market was RMB 75.31 billion, with a year-on-year increase of 18.8%, accounting for 64.8% of the total actual sales revenue of the Chinese game market. The growth rate of revenue increased compared with the first half of 2018. The share of mobile games continues to increase year on year, and mobile games are still the main driving force for the overall growth of Chinese game market. During the reporting period, the Company’s domestic mobile game revenue grew rapidly. The Overall Analysis 2019H1 for Chinese Mobile Game Market released by Analysys showed that the market share of the Company’s domestic mobile game business was 10.02%.

2) In the first half of 2019, the game industry entered a new stage of development under the influence of various factors: On the one hand, the industry’s attention is increasingly concentrated on top works and head manufacturers, and the development trend of the industry as a whole will not change. On the other hand, the number of mobile game users has not changed much in the first half of 2019, and the dividends of users in the game industry have also basically reached the bottleneck, so the Chinese game industry started to enter into the mature stage and its growth drivers have shifted from “demographic dividends” to “content dividends”.

During the reporting period, the Company increased R&D investments, expanded its R&D teams, and enhanced its output capability of high-quality games on the one hand, and on the other hand, the Company deepened the “diversification” strategy in respect of research and development, domestic distribution, overseas distribution, etc., and reserved high-quality games of different themes and types through independent research and development, investment in competent R&D companies, and cooperation with R&D companies that produced quality games. The Company actively promoted the life cycle of quality games through systematic

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traffic operations and improved operational services, and further leveraged the advantages of “integration of R&D and operation” model to improve the operational efficiency.

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

In June 2019, the Ministry of Culture and Tourism publicly solicited opinions on the *Cultural Industry Promotion Law (Draft for Comment)*. The draft for comment pointed out that China would promote the integration of cultural industry development into national economic and social development plans, formulate special plans to promote the development of cultural industry, publish a guidance catalogue for cultural industry development, and promote structural adjustment and layout optimization of cultural industry. China encourages innovation in content, technology, and business type of cultural industry, and creates a social environment conducive to the emergence of quality cultural products and talents.

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

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

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

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

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

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

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

II. Material changes in major assets

1. Material changes in major assets

Major assets	Material changes
Equity assets	No major changes to equity assets occurred.

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Fixed assets	No major changes to fixed assets occurred.
Intangible assets	No major changes to intangible assets occurred.
Trading financial assets	The ending balance of trading financial assets increased by RMB 204 million compared with the opening balance, mainly due to the increase in the balance of unredeemed financial products at the end of the period.
Accounts receivable	The ending balance of accounts receivable increased by RMB 419 million compared with the opening balance, mainly due to the increase in operating income in the second quarter of this year compared with that in the fourth quarter of the previous year.
Prepayments	The ending balance of prepayments increased by RMB 309 million compared with the opening balance, mainly due to the increase in prepaid Internet traffic charges.
Other receivables	The ending balance of other receivables decreased by RMB 700 million compared with the opening balance, mainly due to: 1) the recovery of remaining amount during the reporting period for disposal of Wuhu Shunrong Auto Parts Co., Ltd. in the previous year; 2) the recovery of the cash compensation paid by the original shareholders of Shanghai Mokun to the Company arising from the failure of performance commitments by Shanghai Mokun in the previous year.
Other current assets	The ending balance of other current assets decreased by RMB 115 million compared with the opening balance, mainly because that Shanghai Mokun failed to fulfill its performance commitments in the previous year and its original shareholders' compensation shares to the Company were cancelled during the reporting period.
Construction in progress	The ending balance of construction in progress increased by RMB 751 million compared with the opening balance, mainly because that the office building purchased in 2017 was delivered during the reporting period and the prepayment for office building was recognized under the construction in progress.
Deferred income tax assets	The ending balance of deferred income tax assets decreased by RMB 20 million compared with the opening balance, mainly due to the decrease in the balance of bad debt reserves at the end of the period.
Other non-current assets	The ending balance of other non-current assets increased by RMB 743 million compared with the opening balance, mainly because that the office building purchased in 2017 was delivered during the reporting period and the prepayment for office building was recognized under the construction in progress.
	Note: The above-mentioned opening balance is the balance on January 1st, 2019 after adjustment according to accounting policies.

2. Main assets beyond Mainland China

☐Applicable ☒Not Applicable

III. Analysis of core competitiveness

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

Yes

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Software and IT services

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

1. Industry-leading R&D strength

During the reporting period, the Company has successively launched two self-developed products: Yi Dao Chuan Shi (一刀传世) and Dou Luo Da Lu H5 (斗罗大陆H5), both with a monthly gross billing of over RMB 100 million. Jing Ling Sheng Dian (精灵盛典) has achieved outstanding performance since its launch, the highest ranking of which was third in the best-selling list of AppStore games. A number of self-developed quality games, such as Yong Heng Ji Yuan (永恒纪元) and Swords of Archangels (大天使之剑), have achieved steady gross billing in the markets at which these games have been launched for more than one year. The Company's self-developed products are characterized by high output, high success rate and long period, and the Company's R&D strength is at the leading level in the industry.

The Company has always attached great importance to R&D investments. During the reporting period, the Company incurred an R&D expenditure of RMB 318 million, with a year-on-year increase of 22.74%. During the reporting period, the Company began to implement the “Aurora 2.0” strategy aimed at further strengthening its R&D capabilities by expanding its focus on products to talent development and diversity of personnel, internally encouraging talent innovation, maximizing personnel potential, establishing a corporate youth training system, building a diverse team, and striving to contribute top games to players around the world. Under the guidance of this strategy, the Company's self-developed products show the trend of “boutiqueization, diversification and globalization”.

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

The Company's product research and development have always been market-oriented. The Company adheres to the principle of sustainable development and constantly breaks through itself. Through continuous R&D investments, the Company has accumulated a large number of core technologies: A series of high-performance and stable game engines and frameworks are independently developed by the Company to support the development of highly playable large-scale online games of high performance and quality, which provide an important guarantee for the Company to continuously launch high-quality games. The engine 2.0 that the Company is developing will further enhance the refinement of items and characters and the reflection of scenes and landscapes, create more realistic light and shadow performance, and support overall 3D map scene management technologies, thus significantly improving the authenticity of games. At the same time, as an important tool to enhance the product experience, the Company analyzes its game data through self-developed big data analysis system, and uses the analysis results to provide accurate numerical reference for design of new products and iterative optimization of previous products, thus improving the Company's insights and capacity for process optimization in terms of product development.

During reporting period, the Company's continued to promote the “diversification” strategy at the R&D level, and its R&D team also maintained its advantages in the ARPG category while at the same time making initial attempts in new areas. The causal game Chao Neng Qiu Qiu (超能球球) and the simulation game Code DG (代号DG) are expected to be launched in the second half of 2019. During the reporting period, the Company continued to carry out pre-market researches and analysis on SLG-type games, and was expected to start projects in the second half of the year. In 2019, the Company will continue to make diversified innovation in product types, themes, art performance, gameplay settings, etc.

During the reporting period, the Company's self-developed products have also made excellent achievements in the overseas market, such as Yong Heng Ji Yuan (永恒纪元) and Dou Luo Da Lu H5 (斗罗大陆H5). In addition, the Company is also expected to launch two self-developed overseas products in the second half of 2019.

As of the issuance date of this report, the Company was developing mobile games such as Chao Neng Qiu Qiu (超能球球), Code NB (代号NB), Code YZD (代号YZD), Code S (代号S), Code DG (代号DG), An Hei Hou Yi (暗黑后裔), Dou Luo Da Lu 3D

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(斗罗大陆3D), Country and Beauty (working title) (江山与美人(暂定名)), etc. With its accumulated experiences and continuous innovation, the Company is expected to continue to produce long-period quality games that surpass the Yong Heng Ji Yuan (永恒纪元) and Swords of Archangels (大天使之剑).

2. Excellent distribution strength

During the reporting period, the market share of the Company's mobile game distribution business in Mainland China increased to 10.02%; the Company's browser game business in Mainland China also continued to maintain its leading position; while maintaining its market advantages in Southeast Asia, the Company also focused on high-potential markets in Japan, South Korea, Europe and the United States. The Company actively adheres to the "boutiqueization and diversification" business strategy and promotes its own business capacity to a new height through continuous innovation:

1) The promotion of "boutiqueization" strategy is reflected in product supply before the launch of games and operation optimization after the launch.

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

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

2) The "diversification" strategy has achieved good results in multiple business dimensions such as products, promotion and services.

In terms of game products, the Company on the one hand brought a diversified layout to the product supply side through independent research and development, investment in quality developers and cooperation with many large R&D manufacturers such as Tencent, NetEase, Perfect World, Century Huatong Group, etc.; on the other hand, the Company has also made diversified attempts in product categories and product themes to achieve better results. During the reporting period, the Company has successively launched a series of game products with different categories and themes and higher gross billing in the Chinese mobile game market, such as Dou Luo Da Lu H5 (斗罗大陆H5) and Sword and Rebirth (剑与轮回). Therefore, the Company's multi-theme and multi-category product matrix has begun to take shape and the Company also went further on the road of diversification.

In terms of promotion, the Company adopted a multi-dimensional approach of "multi-channel marketing + targeted advertising" to create a new idea for systemic traffic management. In terms of multi-channel marketing, the Company tried to meet the different cultural consumption needs of users from different perspectives by choosing spokespersons who match the product connotation, promoting games through high-quality micro-movie-style promotional materials, carrying out cross-border cooperation among games, finance, catering and FMCG industries, and implanting public welfare activities into game products, thereby forming a unique "product-effect combination" propaganda means to further expand its brand value and influence. In terms of targeted advertising the Company analyzes big data such as "user portrait" and "user model" with the user resources accumulated over the years to accurately deliver advertisements to targeted user groups and improve the advertising effect.

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

The Company implements the above business strategies based on the principle of "refinement, datamation and intelligentization" to provide users with a better experience in a more efficient manner.

3. Advantage of "integration of R&D and operation" mode

The "integration of R&D and operation" mode of the Company is conducive to making full use of resources and creating

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

4. Team strengths

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

Section IV Discussion and Analysis of Operation Performance

I. Overview

Key performance indicators	The first half of 2019	The first half of 2018	Year-On-Year Change
Operating income (RMB 100 million)	60.71	33.02	83.83%
Total profit (RMB 100 million)	12.91	9.19	40.43%
Net profits attributable to the listed company shareholders (RMB 100 million)	10.33	8.01	28.91%
Net cash flows from operating activities (RMB 100 million)	6.16	9.77	-36.93%
Basic earning per share (yuan/share)	0.49	0.37	32.43%
Weighted average rate of return on equity	16.31%	12.71%	3.60%

During the reporting period, the Company has steadily promoted the development strategy of “boutiqueization, diversification, platformization and globalization” around IPs, making its comprehensive strength in the forefront among Chinese competitors.

During the reporting period, the Company gained an operating income of RMB 6.071 billion, with a year-on-year increase of 83.83%; a total profit of RMB 1.291 billion, with a year-on-year increase of 40.43%; a net profit attributable to the listed company shareholders of RMB 1.033 billion, with a year-on-year increase of 28.91%. The growth of distribution and R&D for mobile games was the main driver for the increase in overall income and profit during the reporting period. Following new products launched in the third quarter, the company's gross billing of the third quarter is expected to surpass that of the second quarter.

(I) Mobile game business

During the reporting period, the Company achieved an operating income of RMB 5,427 million and a gross profit of RMB 4,751 million from mobile games, a year-on-year increase of 152.90% and 185.42% respectively. The Company's business revenue from and R&D investment into mobile games continued to increase, and the mobile game business maintained the leading position in domestic and overseas markets.

1. Release of mobile games

(1) Domestic market

The Company continued to play a vital role in domestic mobile game publishing market. During the reporting period, the market share of the Company's mobile game business in Mainland China increased to 10.02%. During the reporting period, the highest monthly gross billing of the Company's game products exceeded RMB 1.35 billion, with the total number of new registered users exceeding 133 million and the highest number of monthly active users exceeding 34 million.

During the reporting period, the Company applied diversification strategy at various levels such as products, promotion and services in a creative manner, based on its capability of operating different games.

During the reporting period, under the “diversification” strategy, the Company adequately reserved game products considering product type, theme and quantity. The Company's product matrix includes ARPG, MMO, CARD, SLG, SIM and other types, covering a wide range of themes such as magic, western fantasy, oriental fantasy, adventure, fantasy, etc. During the reporting period, the Company launched a series of quality game products of different types and themes such as Yi Dao Chuan Shi (一刀传世), Dou Luo Da Lu H5 (斗罗大陆H5) and Sword and Rebirth (剑与轮回), thus bringing diverse game experiences to players. As of the

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issuance date of this report, the Company's independently-developed games include Code NB (代号NB), Code YZD (代号YZD), Code S (代号S), Dou Luo Da Lu 3D (斗罗大陆3D), Country and Beauty (working title) (江山与美人(暂定名)), etc. In addition, the Company also reserved a large number of domestic agency games, including:

MMO games: Ming Ri Huan Xiang (working title) (明日幻想(暂定名)), Yun Shang Cheng Zhi Ge (working title) (云上城之歌(暂定名)), Code MK4 (代号MK4)

Card games: Light Adventure (working title) (光明冒险(暂定名)), Street Hero (working title) (街区英雄(暂定名)), Code DIG (代号DIG)

SIM games: Code-SF (代号-SF)

Magic ARPG: ARPG Code-TARO (代号-TARO)

In addition, the Company accurately understood users' needs, delivered advertisements to target groups accurately, and provided a full range of high-quality services from initial contact, access to games to start of games, thereby prolonging the product life cycle and accumulating higher gross billing, by adhering to the core idea of systemic traffic management and the diversified methods of "multi-channel marketing + targeted advertising + long-term service" and radiating "products + promotion + users" under the principles of "refinement, datamation and intelligentization".

(2) Overseas market

During the reporting period, the Company continued to promote its strategic layout of globalization and intensified efforts to expand its overseas markets. While it maintained its competitiveness in Southeast Asia and other advantageous regions, the Company continued to focus on high-potential markets in Japan, South Korea, Europe and the United States by utilizing localized product selection and marketing methods. As of the end of the reporting period, 37GAMES, the Company's overseas brand, launched over 100 mobile games in more than 200 countries and regions, including ARPG, MMOPRG, CARD RPG, SLG, STG, MOBA, etc., with 14 language versions such as Traditional Chinese, English, Japanese, Korean, Thai, etc.

As of the date of this report, the self-developed product Dou Luo Da Lu H5 (斗罗大陆H5) was launched on Singapore and Malaysia and other regions, with the first monthly gross billing exceeding RMB 10 million; the card game SNK All Star (SNK オールスター) was launched in Japan and quickly went top on the GooglePlay game download list; during the reporting period, the Company constantly updated and iterated its flagship product, Yong Heng Ji Yuan (永恒纪元), keeping a stable gross billing in regional markets of Southeast Asia, Europe, the United States, Japan, South Korea.

The Company maintained a good cooperative relationship with many R&D firms, ensured the relevance of product sources with agency distribution, self-development and investment customization, and also adhered to the quality route in product selection. As of the date of this report, the Company has reserved a number of game products in several regions around the world, such as the Western fantasy SLG Code MH (代号MH) and medieval SLG Ocean Wars, and has also strengthened the global SLG market layout through strategic investments in a number of successful R&D firms. In addition, many self-developed quality products such as the ARPG An Hei Hou Yi (暗黑后裔), international version of Dou Luo Da Lu H5 (斗罗大陆H5), and SIM Code DG (代号DG) are expected be launched overseas in the second half of 2019 to help the Company further develop its overseas markets.

2. Research and development of mobile games

During the reporting period, the Company achieved a significant increase in the gross billing of mobile game R&D business, thereby enhancing the Company's profitability. The continuous investment into mobile game R&D is an important part of the Company's "boutiqueization, diversification and globalization" business strategy. The increased R&D investment mainly focuses on improvement of product quality and exploration of new product categories.

To improve product quality, the Company is committed to make better the product engines, and the artistic and sound quality of products to meet the user demand in experiencing high-quality games at technical level; it is dedicated to game innovation and process optimization to meet user demand in fun and smooth experience at the planning level. High-quality development and high-frequency iterations made new products attractive to users, and allowed most self-developed products to maintain high gross billing for a long time. During the reporting period, several self-developed mobile games have been launched, among which Dou Luo

Da Lu H5 (斗罗大陆H5) and Yi Dao Chuan Shi (一刀传世) and other games achieved a monthly gross billing of over RMB 100 million, and Jing Ling Sheng Dian (精灵盛典) has achieved outstanding performance since its launch, the highest ranking of which was third in the best-selling list of AppStore games. The Company has innovated the game framework of Yi Dao Chuan Shi (一刀传世) and Jing Ling Sheng Dian (精灵盛典), focusing more on players' experiences and growth in games; through Dou Luo Da Lu H5 (斗罗大陆H5), the Company has opened a new operation model, enabling game activities to fully meet the needs of players at different stages. The Company also determined to build the latter a H5 benchmark product with the longest product cycle.

In the exploration of new product categories, the Company set foot on R&D of casual sports games and simulation games during the reporting period, and conducted preliminary research on the development of other categories such as SLG. Chao Neng Qiu Qiu (超能球球), a casual game developed by the Company, and Code DG (代号DG), a SIM game aimed at overseas market, will also be launched to markets in the second half of this year. In the future, the goal of the Company is to become a first-rate game developer capable of providing players with various game products, focusing on high-quality content and utilizing its own advantages in anticipating user needs. It will apply core technologies to further explore new themes, gameplay and categories, and to actively expand its product lines. At the end of the reporting period, the Company was developing eight mobile games including Chao Neng Qiu Qiu (超能球球), Code NB (代号NB), Code YZD (代号YZD), Code S (代号S), Code DG (代号DG), An Hei Hou Yi (暗黑后裔), Dou Luo Da Lu 3D (斗罗大陆3D), Country and Beauty (working title) (江山与美人(暂定名)).

In terms of new technology accumulation, the Company is currently committed to building a better cloud game system, including: building internal cloud, providing computing and network supports for cloud games; building cloud game agency services, actively researching efficient game video transcoding and decoding technologies; developing a universal framework with user interaction, video decoding, and cloud server communication, so as to support the universal light App for cloud gaming. In the upcoming 5G era, the Company's smooth transition among cloud gaming technologies is expected to bring new experiences to game players.

(II) Browser games

More than 18,590 new servers were opened in 2019 in the domestic market, topping the ranking list of operation platforms in term of server opening (source of data from 9k9k). During the reporting period, the operating income from browser games reached RMB 646 million, with a slight drop year on year, which was mainly due to users' shift to mobile clients and reduction in browser games. The Company also continued its efforts to develop browser games, and its self-developed product An Hei Da Tian Shi (暗黑大天使) was launched in July 2019. The Company strengthened cooperation with domestic top browser game developers through strategic investment and business cooperation on the one hand, on the other hand, the Company also refined the operation of its major quality games, improved user stickiness, stabilized the product life cycle, and further stabilized its revenue.

(III) Cultural industry layout

The Company invested into other fast-growing cultural and creative segments, while maintaining the high-speed growth of its core business, and deeply explored the opportunity to extend film and television, music, animation, VR, cultural health, Internet children education and social entertainment with a key focus centering a strategy on quality content. As of the end of the reporting period, the Company invested in cultural and creative segments of film and television (Chenming Media, Youying Culture, Zhonghui Television), animation (YHKT Entertainment, Junengwan), music (FenghuaQiushi), Internet sports (Wake Yoga), children's education (Miaocode, KaDa Story), cultural tourism (TuoluLingyin), talent agent (Original Plan) and IP incubation (JinhaiShiyi), to provide high-quality content for all ages and segments.

As of the date of this report, the Company's many subject companies have shown great potential of development, and the Company's investment strategies in the field of cultural and creative development has also begun to show its outcomes. In April 2019, Zen-game Technology, a domestic chess and card game company with part of its shares held by the Company, was officially listed on the Hong Kong Stock Exchange; in May, SNK, a game company with part of its shares held by the Company, was listed on the Korean KOSDAQ market and became the largest Chinese game company listed on the Korean KOSDAQ market; in June, He Luoluo, a member of the Yi'an Music Society under Original Plan (with the Company as one of its shareholders), successfully made his debut

as the second place in “Creation Camp 2019”; the animation project of *Three Body*, a science fiction novel, was announced to be produced by YHKT Entertainment (with the Company as one of its shareholders); in July 2019, X.D. Network, a well-known Chinese game operator (with the Company as one of its shareholders), publicized its IPO prospectus; Hong Kong-listed Inke announced that it has completed the acquisition of the Company’s shareholding of domestic youth social platform, and the Company achieved considerable returns in less than a year. When the Company selects investment targets, it focuses on their ability to continuously export high-quality contents or products, excellent teams or talent reserves, and explosive growth in the later stage, so as to accelerate the integration of high-quality resources in the industry and consolidate the position of the Company in the capital market.

Focusing on main game business and traffic operation advantages, combined with the previous layout of VR and AR, the Company will focus on and actively get involved in fields of 5G, cloud gaming and e-sports, empower and coordinate strategically with the invested companies, offer more high-quality content with new experience, create a one-stop cultural and entertainment ecosystem, and become the most trusted cultural brand of China’s younger generation.

(IV) IP strategy

It’s a long-term development goal of the Company to create quality content and establish a quality content brand. Based on this, the Company continues to explore, by the methods of internal incubation and external access, high-quality IPs for development of quality cultural products including games, relying on its own advantages. As of the end of the reporting period, the reserved IPs of the Company covered different segments, including games, animation, literature, media, etc. At the same time, the Company will gradually develop own IPs to create a higher value. Relying on its excellent IP strategy, the Company will continue to build its cultural and creative strategy system, satisfy the diversified demands of users for entertainment, and exploit the value extension space of IPs in film and television, music, animation, VR, cultural health industry, Internet children education and social entertainment in depth.

II. Analysis of main business

Overview

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

Year-on-year changes of the main financial data

Unit: RMB

	Current Reporting Period	Same Reporting Period of the Prior Year	Year-On-Year Change	Cause of changes
Operating income	6,070,957,503.06	3,302,496,146.77	83.83%	Mainly due to the development of mobile game release and R&D business during the reporting period.
Operating cost	838,986,561.51	886,273,600.84	-5.34%	Mainly due to the increase in the proportion of self-developed game revenue during the reporting period.
Selling expenses	3,632,067,521.84	1,143,478,494.94	217.63%	During the reporting period, sales expenses increased rapidly, mainly due to the launch of quality games such as Dou Luo Da Lu H5 (斗罗大陆 H5). During the reporting period, a number of new games were being promoted and required large Internet traffic. The total number of newly registered users of domestic mobile games in the first half of the year exceeded 133 million, higher than the annual level in 2018. Since a large number of games were launched in the first quarter, as these games gradually entered the payback period, the sales expenses in the second quarter decreased by RMB 650 million compared with the first quarter.
Administrative expense	88,053,838.68	127,934,924.44	-31.17%	Mainly due to the fact that Wuhu Shunrong Auto Parts Co., Ltd. and ENP Games Co., Ltd. were no longer included in the consolidation scope.
Financial expenses	4,333,541.72	13,958,433.93	-68.95%	Mainly due to the decrease in bank borrowings and interest expenses during the reporting period.
Income taxes	131,634,742.44	36,437,882.35	261.26%	Mainly due to: 1) Increase in profit before tax during the reporting period; 2) increase in the income tax rate applicable to certain subsidiaries .
Investment in R&D	318,493,874.16	259,493,136.84	22.74%	Mainly due to the increase in the number of game R&D personnel and the increase in investment of multi-category research and development.
Net cash flows from operating activities	616,354,936.37	977,236,017.96	-36.93%	During the reporting period, the net cash flow from operating activities decreased by RMB 360 million year on year mainly due to two reasons: 1) Operating income increased by 84% during the reporting period, and the balance of accounts receivable correspondingly increased; 2) in order to obtain better traffic resources and business conditions more in line with the Company's interests, the Company and major traffic service

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				providers renegotiated the transaction period during the reporting period, resulting in a decrease in the net cash flow from operating activities. As the income scale and transaction period tend to stabilize, the net cash flow from operating activities in the second half of the year is expected to improve.
Net cash flows from investing activities	476,138,307.69	-72,005,570.73	761.25%	Mainly due to: 1) the recovery of remaining amount during the reporting period for disposal of Wuhu Shunrong Auto Parts Co., Ltd. in the previous year; 2) the recovery of the cash compensation paid by the original shareholders of Shanghai Mokun to the Company arising from the failure of performance commitments by Shanghai Mokun in the previous year.
Net cash flows from financing activities	-823,976,503.10	-946,717,438.85	12.96%	1) In the report period, repayment of bank loans and payment of repurchased shares resulted in a cash outflow from financing activities of RMB 824 million; 2) in the same period of last year, bank loans generated a cash inflow from financing activities of RMB 669 million; and repayment of bank loans and payment for acquisition of minority shares caused a cash outflow from financing activities of RMB 1.616 billion.
Net increase of cash and cash equivalents	268,388,648.05	-42,251,340.41	745.40%	Mainly due to the large YoY increase in net cash flow from investing activities and financial activities during the reporting period.

Any major changes to the profit composition or profit source of the Company during the reporting period

☐Applicable ☒Not Applicable

No major change occurs to the profit composition or profit source of the Company during the reporting period

Composition of operating income

Unit: RMB

	Current Reporting Period		Same Period of the Prior Year		Year-on-year increase/decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total operating income	6,070,957,503.06	100%	3,302,496,146.77	100%	83.83%
By industry					
Online game industry	6,070,957,503.06	100.00%	3,071,123,194.02	92.99%	97.68%
Automobile parts industry	0.00	0.00%	231,372,952.75	7.01%	-100.00%
By products					
Mobile games	5,426,572,514.55	89.39%	2,145,744,221.56	64.97%	152.90%
Browser games	644,384,988.51	10.61%	910,103,611.46	27.56%	-29.20%
Others	0.00	0.00%	15,275,361.00	0.46%	-100.00%
Automobile parts	0.00	0.00%	231,372,952.75	7.01%	-100.00%
By regions					
Mainland China	5,573,514,047.04	91.81%	2,828,407,922.34	85.64%	97.05%
Overseas	497,443,456.02	8.19%	474,088,224.43	14.36%	4.93%

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

☒Applicable ☐Not Applicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	Year-on-year increase/decrease of the operating income	Year-on-year increase/decrease of the operating cost	Year-on-year increase/decrease of gross profit
By industry						
Online game industry	6,070,957,503.06	838,986,561.51	86.18%	97.68%	17.17%	9.50%
By products						
Mobile games	5,426,572,514.55	675,612,778.55	87.55%	152.90%	40.41%	9.97%
Browser games	644,384,988.51	163,373,782.96	74.65%	-29.20%	-30.44%	0.46%
By regions						
Mainland China	5,573,514,047.04	671,488,655.17	87.95%	97.05%	-14.29%	15.65%

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Overseas	497,443,456.02	167,497,906.34	66.33%	4.93%	62.85%	-11.98%
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For change of statistical caliber for main business data during the reporting period, the Company adjusted the main business data for the current period according to year-end statistical caliber

☐Applicable ☒Not Applicable

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

Industries that account for over 10% of the Company's operating income or operating profit

☒Applicable ☐Not Applicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	Year-on-year increase/decrease of the operating income	Year-on-year increase/decrease of the operating cost	Year-on-year increase/decrease of gross profit
Industry of customers						
Online game industry	6,070,957,503.06	838,986,561.51	86.18%	97.68%	17.17%	9.50%
By products						
Mobile games	5,426,572,514.55	675,612,778.55	87.55%	152.90%	40.41%	9.97%
Browser games	644,384,988.51	163,373,782.96	74.65%	-29.20%	-30.44%	0.46%
By regions						
Mainland China	5,573,514,047.04	671,488,655.17	87.95%	97.05%	-14.29%	15.65%
Overseas	497,443,456.02	167,497,906.34	66.33%	4.93%	62.85%	-11.98%

The single sales contract with its amount accounting for more than 30% of the audited operating income of the Company in the most recent fiscal year and the contract under execution with the amount more than RMB 50 million

☐Applicable ☒Not Applicable

Composition of operating cost

Unit: RMB

Cost composition	Current Reporting Period		Same Reporting Period of the Prior Year		Year-on-year increase/decrease
	Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Royalties	713,853,625.84	85.09%	633,845,493.29	71.52%	12.62%
Cost of servers	52,216,599.22	6.22%	43,827,578.58	4.95%	19.14%
Amortization of copyright money	72,014,090.09	8.58%	22,131,700.53	2.50%	225.39%
Other costs	331,105.07	0.04%	503,238.47	0.06%	-34.21%
Production cost	571,141.29	0.07%	15,732,575.61	1.78%	-96.37%
Direct materials cost	0.00	0.00%	134,734,499.98	15.20%	-100.00%

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Direct labor expenses	0.00	0.00%	8,281,182.96	0.93%	-100.00%
Manufacturing expenses	0.00	0.00%	27,217,331.03	3.07%	-100.00%
Total	838,986,561.51	100.00%	886,273,600.45	100.00%	-5.34%

Explanation for +30% deviation YOY of relevant data

√Applicable □Not Applicable

1. The operating income of online games increased by 97.68% year-on-year, and the operating income of mobile games increased by 152.90% year-on-year, mainly due to the significant increase in the Company's operating income after the launch of new games such as Dou Luo Da Lu H5 (斗罗大陆H5) and Yi Dao Chuan Shi (一刀传世) in this report period.
2. The operating income of auto parts decreased by 100% year-on-year, mainly due to the disposal of Wuhu Shunrong Auto Parts Co., Ltd. at the end of last year and its separation from the consolidation scope in the current period.

III. Analysis of non-main business

√Applicable □Not Applicable

Unit: RMB

	Amount	Proportion of total profit	Cause	Is it consistently applied?
Investment income	18,932,969.82	1.47%	Mainly due to the disposal of equity investment, dividend distribution during the period of equity investment, and the investment income from financial products.	No
Profits and losses from change of fair value	41,603,452.48	3.22%	Mainly due to changes in the fair value of equity investment	No
Asset impairment	18,305,311.43	1.42%	Mainly due to bad debt losses and impairment losses of long-term equity investment.	Bad debt losses are sustainable, and impairment losses of long-term equity investment are not sustainable.
Non-operating income	3,082,997.15	0.24%	Mainly due to compensation income.	No
Non-operating expense	2,674,771.67	0.21%	Mainly due to donation expenses.	No
Other profits	49,294,108.11	3.82%	Mainly refund of VAT upon collection and other government subsidies related to daily operations.	Refund of VAT upon collection can be consistently applied, but other government subsidies cannot be consistently applied.

IV. Analysis of Assets and Liabilities**1. Significant changes in the composition of assets**

Unit: RMB

	End of the Current Reporting Period		End of the Same Reporting Period of the Prior Year		Increase/decrease of proportion	Explanation
	Amount	Proportion of	Amount	Proportion of		

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		total assets		total assets		
Monetary fund	1,788,431,889.15	20.40%	1,538,659,591.57	17.52%	2.88%	Mainly due to the recovery of remaining amount during the reporting period for disposal of Wuhu Shunrong Auto Parts Co., Ltd. in the previous year; and the recovery of the cash compensation paid by the original shareholders of Shanghai Mokun to the Company.
Accounts receivable	1,717,575,938.59	19.59%	942,845,341.12	10.73%	8.86%	Mainly due to the increase in operating income in the second quarter of this year compared with that in the fourth quarter of the previous year.
Long-term equity investments	514,224,823.77	5.87%	397,333,972.65	4.52%	1.35%	
Fixed assets	36,385,942.05	0.42%	288,015,211.62	3.28%	-2.86%	Mainly due to the fact that Wuhu Shunrong Auto Parts Co., Ltd. was no longer included in the consolidation scope.
Construction in progress	751,293,007.77	8.57%	72,389,566.29	0.82%	7.75%	Mainly because that the office building purchased in 2017 was delivered during the reporting period and the prepayment for office building was recognized under the construction in progress.
Short-term loan		0.00%	649,000,000.00	7.39%	-7.39%	Mainly due to the repayment of bank loans from the second half of 2018 to the first half of 2019.
Long-term loans	265,883,241.55	3.03%	296,165,631.48	3.37%	-0.34%	

2. Assets and liabilities measured by fair value

√Applicable □Not Applicable

Unit: RMB

Item	Beginning balance	Profits and losses from change of fair value in this period	Change in fair value included in equity	Impairment accrued in current period	Purchase amount in current period	Sales amount in current period	Ending balance
Financial assets							
1. Trading financial assets (excluding derivative)	1,038,719,630.88	41,603,452.48			2,451,626,703.60	2,279,501,060.00	1,252,481,621.45

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financial assets)							
4. Other equity investment	196,571,394.67				50,029,719.00		246,635,981.28
Subtotal of financial assets	1,235,291,025.55	41,603,452.48	0.00	0.00	2,501,656,422.60	2,279,501,060.00	1,499,117,602.73
Total of the above	1,235,291,025.55	41,603,452.48	0.00	0.00	2,501,656,422.60	2,279,501,060.00	1,499,117,602.73
Financial liabilities	0.00						0.00

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

☐ Yes ☒ No

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

1. The total amount of construction in process corresponding to subsidiaries' mortgage loan for office building was RMB 751,293,007.77 in total.
2. In the bank account balance of the Company's subsidiaries, RMB 34,302,896.31 was the balance of restricted margin account.

V. Analysis of Investment Situations

1. Overview

☒ Applicable ☐ Not Applicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Change %
88,507,340.85	1,511,174,479.33	-94.14%

2. Major equity investment during the reporting period

☒ Applicable ☐ Not Applicable

Unit: RMB

Name of invested	Main businesses	Way of contribution	Investment amount	Shareholding ratio	Capital sources	Partner	Investment period	Product types	Progress as of the balance	Anticipated revenue	Current investment	Involved in lawsuit or	Date of disclosure	Index of disclosure
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company									sheet date		profit and loss	not?	(if any)	(if any)
Karma Game Beijing Limited	Internet cultural activities; Internet information services; technology promotion, technology transfer, technology consulting, technical services, technology development; computer system services; data processing; basic software services; application software services (excluding medical software); design, production, agency and release of advertisement; software development; import and export of technology, import and export of goods, and import and export agency.	Capital increase	17,000,000.00	10.00%	Self-owned	None	Long-term	R&D of games	Industrial and commercial changes have been registered			No		
Karma Game HK Limited	Internet cultural activities; Internet information services; technology promotion, technology transfer, technology consulting, technical services, technology development; computer system services; data processing; basic software services; application software services (excluding medical	Capital increase	12,918,608.00	10.00%	Self-owned	None	Long-term	R&D of games	Industrial and commercial changes have been registered			No		

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	software); design, production, agency and release of advertisement; and software development.													
Suzhou Youge Huaxin Venture Investment Center (Limited Partnership)	Venture capital and related consulting business; venture capital business agency for other venture capital institutions or individuals; and provision of entrepreneurial management services for start-up enterprises. (Operating activities to be approved in accordance with laws should be taken after being approved by related departments)	Capital increase	10,500,000.00	18.69%	Self-owned	None	Long-term	Funds	Industrial and commercial changes have been registered			No	Dec 4th, 2018	(Announcement No.: 2018-087、2018-089、2018-093)
合计	--	--	40,418,608.00	--	--	--	--	--	--	0.00	0.00	--	--	--

3. Major non-equity investment during the reporting period

√Applicable □Not Applicable

Unit: RMB

Project name	Way of contribution	Is it fixed assets investment	Industries relevant for investment projects	Investment amount during the reporting period	Accumulated input amount as of the end of reporting period	Capital sources	Project progress	Anticipated revenue	Accumulated gains as of the end of the reporting period	Reasons for failure to reach planned schedule or expected revenue	Date of disclosure (if any)	Index of disclosure (if any)
12F, 14F, 17F~23F office premises,	Others	Yes	Commercial real estate	7,950,918.25	844,755,711.27	Own + mortgag		0.00	0.00	Not applicable	April 26th, 2017	Announcement on the Subsidiary's Purchase

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underground 3F and 4F parking spaces of Zhongrong Plaza, No. 666, Huangpu Avenue, Tianhe District, Guangzhou						e loans							of Office Space and Supporting Parking Lot (Announcement No.: 2017-034)
Total	--	--	--	7,950,918.25	844,755,711.27	--	--	0.00	0.00	--	--	--	

4. Financial assets that are measured by fair value

√Applicable □Not Applicable

Unit: RMB

Assets category	Initial investment cost	Profits and losses from change of fair value in this period	Change in fair value included in equity	Purchase amount during the reporting period	Amount sold during the reporting period	Accumulated investment income	Ending amount	Capital sources
Share	247,477,664.36	41,603,452.48			4,999,610.00	-12,624.02	255,776,496.54	Self-owned
Others	1,046,204,601.78			2,501,656,422.60	2,274,501,450.00	16,073,479.46	1,243,341,106.19	Self-owned
Total	1,293,682,266.14	41,603,452.48	0.00	2,501,656,422.60	2,279,501,060.00	16,060,855.44	1,499,117,602.73	--

5. Security investment

√Applicable □Not Applicable

Securities type	Securities code	Securities short name	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Profits and losses from change of fair value in this period	Change in fair value included in equity	Purchase amount in the current period	Sales amount in the current period	Profit and loss in reporting period	Carrying value at the end of the period	Accounting subjects	Capital sources
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Domestic and foreign stocks	002445-S ZSE	Zhongnan Culture	68,896,440.90	Fair value measurements	3,986,218.11	-1,510,798.74					2,475,419.37	Other non-current financial assets	Others
Domestic and foreign stocks	300431-S ZSE	Mango Excellent Media	35,582,900.00	Fair value measurements	67,155,608.00	7,330,686.30					74,486,294.30	Other non-current financial assets	Others
Domestic and foreign stocks	02660-H KEX	Shenzhen Zen-game	18,000,000.00	Fair value measurements	18,000,000.00	-793,210.12					17,217,313.29	Other non-current financial assets	Self-owned
Domestic and foreign stocks	960180-K SE	SNK	1,036.35	Fair value measurements	1,036.35	36,576,775.04					36,600,182.47	Other non-current financial assets	Self-owned
Domestic and foreign stocks	833604-N EEQ	Southern Pictures	64,997,287.11	Fair value measurements	69,996,897.11				4,999,610.00	-12,624.02	64,997,287.11	Other non-current financial assets	Self-owned
Domestic and foreign stocks	835067-N EEQ	Mokylin	60,000,000.00	Fair value measurements	60,000,000.00						60,000,000.00	Other equity investment	Self-owned
Total			247,477,664.36	--	219,139,759.57	41,603,452.48	0.00	0.00	4,999,610.00	-12,624.02	255,776,496.54	--	--
Disclosure date of board meeting announcement concerning the approval of securities investment													
Disclosure date of shareholder meeting announcement concerning the approval of securities investment (if any)													

6. Investment in derivatives

☐Applicable ☒Not Applicable

There was no derivative investment during the reporting period.

7. Utilization of raised fund

☐Applicable ☒Not Applicable

No raised funds were used by the Company during the reporting period.

8. Description of key projects not invested by the raised fund

☐Applicable ☒Not Applicable

During the reporting period, the Company had no major projects invested by non-raised funds.

VI. Major Asset and Equity Sales**1. Sales of major assets**

☐Applicable ☒Not Applicable

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

2. Sales of major equity

☐Applicable ☒Not Applicable

VII. Analysis of Main Holding and Joint-Stock Company

☒Applicable ☐Not Applicable

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

Unit: RMB

Company name	Company type	Main businesses	Registered capital	Total assets	Net asset	Operating income	Operating profit	Net profit
Jiangsu Aurora	Subsidiary	Development of mobile and browser games	6,250,000.00	2,762,827,128.14	1,986,334,960.29	909,987,318.23	552,518,363.11	496,684,776.71
Guangzhou Sanqi	Subsidiary	Release and operation of mobile games	11,764,706.00	4,839,312,848.18	765,510,356.03	4,271,590,566.86	689,884,760.75	638,667,391.93

Acquisition and disposal of subsidiaries during this reporting period

☒Applicable ☐Not Applicable

Company name	Method for acquisition and disposal of	Influence on overall production, operation
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	subsidiaries during this reporting period	and performance
Shanghai Mokun	Sale	No major impact on the Company's overall operation and performance

Major holding and joint-stock companies

VIII. The Structured Entity Controlled by the Company

☐Applicable ☒Not Applicable

IX. Predication of business performance from January to September in 2019

☐Applicable ☒Not Applicable

X. Risks and Countermeasures

1. Market competition risks and countermeasures

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

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

2. Business risks and countermeasures

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

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

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

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necessary actions needed to be taken.

3. Risks of core personnel turnover and countermeasures

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

In response, much attention has been attached to cultivation and acquisition of professional talents. The Company creatively builds a platform-based talent management mechanism, according to which excellent game producers are rewarded with high project bonus, and given discretion of research and creation. In order to flexibly attract and retain quality management and business talents, taking into account the Company's long-term and recent interests and the Company's long-term, sustainable and sound development, the Company implemented the employee stock ownership plan during the reporting period to establish and improve the benefit sharing mechanism between workers and owners, further improve the corporate governance structure of the Company and effectively mobilize the enthusiasm of workers and employees. The Company maintains the stability of core technology and management personnel by signing agreements with core personnel, creating a favorable working environment and building a great corporate culture. Meanwhile, the Company helps employees to realize their potential through a well-trained employee training system, and rationally manages the team by using a clear rule of survival of the fittest to reinforce the team's dynamics.

Section V Important Events

I. Annual general meeting and extraordinary general meeting during the reporting period

1. General meeting of shareholders in this reporting period

Sessions of meetings	Types of meetings	Proportion of attended investors	Opening date	Date of disclosure	Index of disclosure
2019 first extraordinary general meeting	Extraordinary general meeting of shareholders	22.51%	January 21st, 2019	January 22nd, 2019	Announcement on Resolutions of the First Extraordinary General Meeting of Shareholders in 2019 (announcement No.: 2019-012)
2019 second extraordinary general meeting	Extraordinary general meeting of shareholders	22.59%	February 15th, 2019	February 16th, 2019	The Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2019 (announcement No.: 2019-026)
2019 third extraordinary general meeting	Extraordinary general meeting of shareholders	22.56%	April 8th, 2019	April 9th, 2019	Announcement on Resolutions of the Third Extraordinary General Meeting of Shareholders in 2019 (announcement No.: 2019-044)
Annual General Meeting of Shareholders 2018	Annual general meeting of shareholders	40.40%	May 23rd, 2019	May 24th, 2019	Announcement on Resolutions of the 2018 Annual General Meeting of Shareholders (announcement No.: 2019-073)

2. Request for extraordinary general meeting by preferred shareholders with recovered voting rights

☐ Applicable ☒ Not Applicable

II. Profit distribution and conversion of capital reserve to share capital during the reporting period

☒ Applicable ☐ Not Applicable

Number of bonus shares per 10 shares (share)	0
Number of dividends per 10 shares (RMB) (taxes included)	1
Number of shares converted by capital reserve per 10 shares (share)	0
Share capital base for the distribution proposal (shares)	2,112,251,697
Amount of cash dividend (RMB) (tax included)	211,225,169.70
Amount of cash dividends distributed by other means (such as repurchase of shares) (unit: RMB)	301,961,944.30

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Total cash dividend (including cash dividend distributed by other methods) (RMB)	513,187,114
Distributable profits (RMB)	978,058,151.86
The proportion of total cash dividend (including cash dividend distributed by other methods) to total profit distribution	100%
Current cash dividends:	
Where the Company's development stage is difficult to distinguish and major expenditure arrangements exist, cash dividend distribution shall account for not less than 20% of profit distribution of this time	
Explanation on the proposal of profit distribution or conversion of capital reserve to share capital	
<p>In view of the Company's sustained and stable profitability and good financial position, as well as the expectations and confidence for the Company's future development, fully considering the interests and reasonable demands of investors, the Company's Board of Directors proposed a 2019 semi-annual profit distribution plan, in accordance with the <i>No. 3 Listed Companies Regulatory Guidelines</i>, the <i>Company Law</i>, the <i>Articles of Association</i> and the Company's shareholder return plan, under the principle of profit distribution and the premise of ensuring the normal operation of the Company and its long-term development.</p> <p>After review by the Board of Directors, the Company's 2019 semi-annual profit distribution plan is as follows: Based on the total issued share capital (the total registered capital of the Company deducted from the shares of the listed company's stock repurchase special securities account) on the dividend registration date, the cash dividend of RMB 1 (tax-included) will be distributed to every 10 shares held by all shareholders. The remaining undistributed profits will be carried forward to the next year; no bonus shares will be distributed, and no capital reserve will be transferred to share capital.</p> <p>The above profit distribution plan is consistent with the Company's performance growth, and also in line with relevant provisions of the <i>Company Law</i>, the <i>Articles of Association</i> and the Company's shareholder return plan.</p> <p>Independent directors of the Company issued independent consents to the above profit distribution plan.</p>	

III. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentives

√Applicable □Not Applicable

Through the first employee stock ownership plan, the Company raised a total of RMB 100 million. Employees held 5,903,187 stocks of listed company by subscribing privately offered stocks of the Company (after the implementation of the Company's 2015 profit distribution plan, the number of held stocks increased to 11,806,374 stocks). These stocks were listed on January 12th, 2016, and were released from restriction on sales and circulated on January 14th, 2019. For details, please visit www.cninfo.com.cn to refer to the *2015 Employee Stock Ownership Plan (Draft) (subscription by private offering)* and the *Notice on Listing and Circulating of Restricted Stocks* (announcement No.: 2019-007).

The second employee stock ownership plan of the Company has been reviewed and approved at the 16th meeting of the 4th Board of Directors, the 12th meeting of the 4th Board of Supervisors and the 2nd Extraordinary General Meeting of the Company in 2018. In this phase, the employee stock ownership plan is expected to be carried out in a fully self-financing manner with a total fundraising amount of no more than RMB 250 million. Within six months after the Company's general meeting of shareholders approved the employee stock ownership plan, the purchase of underlying stocks will be completed through the secondary market (including but not limited to competitive price transaction, block trade, agreement transfer, etc.). On September 5th, 2018, the Company's second employee stock ownership plan enabled the purchase of a total of 26,310,527 stocks of the Company through block trades. The stocks purchased via this employee stock ownership plan are locked in accordance with regulations, and the lock-up period will be from September 6th, 2018 to September 5th, 2019. For details, please visit www.cninfo.com.cn to refer to the *Second Employee Stock Ownership Plan of Wuhu ShunrongSanqi Interactive Entertainment Network Technology Co., Ltd. (Draft)*

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and its summary, the *Announcement on Resolutions of the 16th Meeting of the 4th Board of Directors* (announcement No.: 2018-044), the *Announcement on Resolutions of the 12th Meeting of the 4th Board of Supervisors* (announcement No.: 2018-045), the *Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2018* (announcement No.: 2018-048), and the *Announcement on the Completion of Stocks Purchase for the Second Employee Stock Ownership Plan* (announcement No.: 2018-069).

The Company's third employee stock ownership plan has been reviewed and approved at the 4th meeting of the 5th Board of Directors, the 4th meeting of the 5th Board of Supervisors and the 4th extraordinary general meeting of shareholders in 2019. This employee stock ownership plan will transfer the Company's shares to its employees at a zero price through the Company's repurchased shares from April 11th, 2019 to May 7th, 2019. The total of 22,347,537 shares accounts for 1.06% of the Company's total share capital. After 12 months from the date on which the last batch of underlying stocks announced are transferred to account of the employee stock ownership plan, the underlying stocks acquired by means of non-trading transfer and other legally permitted methods will be unlocked in stages, and the lock-up period is up to 36 months. For details, please visit www.cninfo.com.cn to refer to the *Third Employee Stock Ownership Plan of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd. (Draft)* and its summary, the *Announcement on Resolutions of the 4th Meeting of the 5th Board of Directors* (announcement No.: 2019-078), the *Announcement on Resolutions of the 4th Meeting of the 5th Board of Supervisors* (announcement No.: 2019-079), the *Announcement on Resolutions of the Fourth Extraordinary General Meeting of Shareholders in 2019* (announcement No.: 2019-089).

IV. Social responsibility

1. Major environmental issues

Do the listed company and its subsidiaries become the key pollutant discharging units announced by the environmental protection department?

No

The listed company and its subsidiaries are not the key pollutant discharging units announced by the environmental protection department.

2. Performance of social responsibility for targeted poverty alleviation

(1) Targeted poverty alleviation planning

In 2014, the Company initiated and established the Guangdong Youxin Foundation. As of June 30th, 2019, the Company has donated more than RMB 16 million to Guangdong Youxin Foundation for social welfare undertakings such as poverty alleviation through high school education in poverty-stricken areas in central and western regions in China.

Specific projects include:

1) Youxin Education Program for Students in Hardship: As of June 30th, 2019, a total of 1,153 high school students in hardship were financially supported, of which 487 funded high school students completed their high school education. The enrollment rate of first-tier universities among these funded high school students was over 40%. Some of these funded students were enrolled by Peking University, Beijing University of Aeronautics and Astronautics, University of Science and Technology of China, Zhejiang University, Sun Yat-sen University, Jinan University, Xiamen University, Wuhan University and other well-known universities.

2) Free Reading Program for Remote Areas: As of June 30th, 2019, the program has brought free reading activities after class

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to over 500 classes of a total of 45 county-level high schools in 34 underdeveloped counties/districts, including 20 national-level poor counties/districts, thereby directly benefiting more than 40,000 students and teachers.

3) Occupational volunteer program: As of June 30th, 2019, more than 100 company employee volunteers have provided more than 300 high school students in remote areas with experiences for specialty choices and career planning to help students make good choices in the future.

(2) Overview of targeted poverty alleviation in the half year

In the first half of 2019, Sanqi Interactive Entertainment spent a total of RMB 1.212 million on public welfare through the Guangdong Youxin Foundation to financially support 906 high school students, of which 240 high school students participated in the college entrance examination in 2019; to add 125 free reading corners; to carry out 3 occupational volunteer activities.

In the aspect of poverty alleviation in agriculture and forestry industry, Sanqi Interactive Entertainment supported the development of local tea industry in Fengqing County (a national-level poor county) in Yunnan Province in the first half of 2019, with an investment of RMB 30,000.

(3) Achievements of targeted poverty alleviation

Index	Measurement unit	Quantity/implementation
I. Overview	-	-
Wherein: 1. Capital	RMB 10,000	124.2
II. Itemized investment	-	-
1. Poverty alleviation by industry development	-	-
Wherein: 1.1 Types of industrial poverty alleviation projects	-	Poverty alleviation by agriculture and forestry industry
1.2 Number of industrial poverty alleviation projects	Pcs	1
1.3 Investment amount of industrial poverty alleviation projects	RMB 10,000	3
2. Poverty alleviation by labor transfer and employment	-	-
3. Poverty alleviation by relocation and resettlement	-	-
4. Educational poverty alleviation	-	-
Wherein: 4.1 Investment amount of subsidies for poor students	RMB 10,000	52.9
4.2 Number of poor students subsidized	Person	906
4.3 Investment amount of improving educational resources in poor areas	RMB 10,000	48.5
5. Poverty alleviation by improving health	—	—
6. Poverty alleviation by ecological protection	—	—
7. Minimum guarantee	—	—

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8. Social poverty alleviation	—	—
9. Other projects	—	—
Wherein: 9.1 Number of projects	Pcs	1
9.2 Investment amount	RMB 10,000	19.8
III. Awards (contents and classes)	-	-
The <i>2019 Social Responsibility Research Report for Chinese Internet Companies (I)</i> released by the Internet Research Institute of Beijing Normal University in June 2019 showed that Sanqi Interactive Entertainment ranked first in the social responsibility list of network game industry.		
In June 2019, the Committee of Corporate Citizenship under the China Association of Social Workers awarded the honorary title of “One of Top 60 Responsible Brands” to Sanqi Interactive Entertainment.		

(4) Future targeted poverty alleviation plan

Sanqi Interactive Entertainment will continue to support the development of high school education in remote and impoverished areas of the central and western regions in China through various poverty alleviation projects of the Guangdong Youxin Foundation. It is estimated that the annual public welfare expenditure of Sanqi Interactive Entertainment will reach RMB 3.4 million in 2019, with an increase by 13% compared with 2018.

In respect of poverty alleviation in agriculture and forestry industry, Sanqi Interactive Entertainment is expected to invest RMB 130,000 in the whole year.

Section VI Equity Changes and Shareholders

I. Changes in equity

1. Statements of changes in equity

Unit: Share

	Prior to this change		Changes (+/-) in this time					After this change	
	Quantity	Proportion	Stock issue	Dividend stock	Shares converted from accumulated reserves	Others	Subtotal	Quantity	Proportion
I. Shares with trading limited conditions	904,822,736	42.58%				-384,792,453	-384,792,453	520,030,283	24.62%
2. Shares held by state-owned corporate	23,612,750	1.11%				-23,612,750	-23,612,750	0	0.00%
3. Other domestic-held shares	881,209,986	41.47%				-361,179,703	-361,179,703	520,030,283	24.62%
Wherein: Shares held by a corporate of Mainland China	306,965,752	14.45%				-306,965,752	-306,965,752	0	0.00%
Shares held by a natural person of Mainland China	574,244,234	27.02%				-54,213,951	-54,213,951	520,030,283	24.62%
II. Shares without trading limited conditions	1,220,047,517	57.42%				372,173,897	372,173,897	1,592,221,414	75.38%
1. Ordinary shares in RMB	1,220,047,517	57.42%				372,173,897	372,173,897	1,592,221,414	75.38%
III. Total shares	2,124,870,253	100.00%				-12,618,556	-12,618,556	2,112,251,697	100.00%

Causes for changes in shares

√Applicable □Not Applicable

During the reporting period, 8 shareholders applied for the release of restricted shares on January 14th, 2019, and the number of released shares was 306,965,752 shares, accounting for 14.4463% of the Company's total share capital (2,124,870,253 shares) at that time. For details, please refer to the Notice on Listing and Circulating of Restricted Stocks disclosed at www.cninfo.com.cn on January 11th, 2019 (announcement No.: 2019-007).

During the reporting period, 1 shareholder applied for the release of restricted shares on January 23rd, 2019, and the number of released shares was 23,612,750 shares, accounting for 1.1113% of the Company's total share capital (2,124,870,253 shares) at that time. For details, please refer to the Notice on Listing and Circulating of Restricted Stocks disclosed at www.cninfo.com.cn on January 22nd, 2019 (announcement No.: 2019-011).

The *Proposal on Compensatory Shares and Cash Rebate of Compensation Obligors for Repurchase and Cancellation* and the *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Repurchase Related Matters* were reviewed and approved by the 2nd meeting of the 5th Board of Directors held on April 25th, 2019. Due to the failure of

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Shanghai Mokun Digital Technology Co., Ltd. to fulfill its 2018 annual performance commitments, Yang Dongmai, Chen Wei and Wangzhong Investment must provide compensation for performance and impairment, with a total amount of RMB 478,790,500, of which the shares compensation is preferred and the remainder is supplemented in cash. Yang Dongmai and other compensation obligors are required to provide a total of 12,618,556 compensation shares (the consideration of shares is RMB 217,922,500) and the cash compensation of RMB 260,868,000. The Company will repurchase and cancel the corresponding compensation shares according to relevant agreement. For details, please refer to the Announcement on Compensatory Shares and Cash Rebate of Compensation Obligors for Repurchase and Cancellation disclosed on April 26th, 2019 (announcement No.: 2019-057). The shares repurchased were cancelled at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on June 26th, 2019. For details, please refer to the Announcement on Cancellation Completion of Compensatory Shares disclosed by the Company on June 28th, 2019 at www.cninfo.com.cn (announcement No.: 2019-086).

Approval for changes in shares

☐Applicable ☒Not Applicable

Status of transfer for share change

☐Applicable ☒Not Applicable

Implementation progress of shares repurchase

☒Applicable ☐Not Applicable

The Company held the 23rd meeting of the 4th Board of Directors on January 3rd, 2019 and the first Extraordinary General Meeting of 2019 on January 21st, 2019, at which the Plan for Repurchasing Shares of the Company by Centralized Competitive Bidding was reviewed and approved. The Company held the 24th meeting of the 4th Board of Directors on January 21st, 2019, at which the Proposal on Amending and Supplementing the “Plan for Repurchasing Shares of the Company by Centralized Competitive Bidding” was reviewed and approved. The Company intends to use its own funds or self-raised funds to concentrate buy back shares of the Company by centralized competitive bidding. The repurchase amount is not less than RMB 300 million (included) and not more than RMB 600 million (included), with the repurchase price not exceeding RMB 15.00/share (included). The specific repurchase quantity is based on the number of shares actually repurchased at the end of the repurchase period. The implementation period of shares repurchase shall be within 12 months from the date of consideration and approval of the shares repurchase plan by the Company’s general meeting of shareholders.

As of June 30th, 2019, the Company repurchased shares through a stock repurchase special securities account by centralized competitive bidding. A total of 22,347,537 shares were repurchased, accounting for 1.06% of the Company’s current total share capital, with the highest price of RMB 14.02/share and the lowest price of RMB 12.61/share. The total amount paid was RMB 301,961,944.30 (excluding transaction costs). For details, please visit www.cninfo.com.cn to refer to the *Announcement on the Progress of Shares Repurchase* (announcement No.: 2019-087).

Implementation progress of reducing held repurchased shares by means of centralized bidding

☐Applicable ☒Not Applicable

Impact of share change on such financial indexes as basic EPS and diluted EPS, net assets value per share of common stockholders, etc. in recent year or recent period

☒Applicable ☐Not Applicable

During the reporting period, the Company repurchased 22,347,537 shares through a stock repurchase special securities account by centralized competitive bidding, and also repurchased and cancelled the compensation shares of Yang Dongmai and other stakeholders to impose certain influences on financial indicators: Basic earnings per share increased by RMB 0.001/share, diluted earnings per share increased by RMB 0.001/share, and net asset value per share decreased by RMB 0.15/share.

Other information disclosed as necessary in the opinion of the Company or as required by securities regulatory institutions

☐Applicable ☒Not Applicable

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

2. Changes in restricted shares

√Applicable □Not Applicable

Unit: Share

Name of shareholder	Restricted shares at the beginning of the period	Restricted shares available for trade during the reporting period	Increase in restricted shares during the reporting period	The number of restricted shares at the end of the period	Reason for restriction	Lifting date
Li Weiwei	302,743,539	0	0	302,743,539	Restricted shares after IPO and locked shares of officers	On December 29th, 2015, not more than 10% of all shares; on December 29th, 2016, not more than 30% of all shares; on December 29, 2017, not more than 50% of all shares; on December 29th, 2018, not more than 70% of all shares; on December 29th, 2019, all shares can be released.
Wu Weihong	126,153,496	-14,775,000	0	111,378,496	Executives locked shares	-
Wu Weidong	125,016,063	-26,820,395	0	98,195,668	Executives locked shares	-
China Universal Asset Management (CUAM) - Bank of Ningbo - Zhuhai Rongxi Equity Investment Partnership (Limited Partnership)	59,031,876	-59,031,876	0	0	Restricted shares after IPO	January 14th, 2019
China Universal Asset Management (CUAM) - Bank of Ningbo - China Universal Asset Management (CUAM) - ShunrongSanqi No. 2 Asset Management Plan under Private Placement Plan	44,604,486	-44,604,486	0	0	Restricted shares after IPO	January 14th, 2019
Shanghai Panxin Investment Management Co., Ltd. - Pan Feng Private Placement Phase I Private Equity Investment Fund	33,057,850	-33,057,850	0	0	Restricted shares after IPO	January 14th, 2019

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Ningbo XindaFengsheng Investment Partnership (limited partnership)	32,467,532	-32,467,532	0	0	Restricted shares after IPO	January 14th, 2019
China Universal Asset Management (CUAM) - Bank of Ningbo - China Universal Asset Management (CUAM) - ShunrongSanqi No. 1 Asset Management Plan under Private Placement Plan	28,595,042	-28,595,042	0	0	Restricted shares after IPO	January 14th, 2019
Mango Media Co. Ltd.	23,612,750	-23,612,750	0	0	Restricted shares after IPO	January 14th, 2019
Guangzhou AoyuSante Culture Co., Ltd.	23,612,750	-23,612,750	0	0	Restricted shares after IPO	January 23rd, 2019
Others	105,927,352	-98,214,772	0	7,712,580	Restricted shares after IPO and locked shares of officers	-
Total	904,822,736	-384,792,453	0	520,030,283	--	--

3. Issuance and listing of securities

None.

II. Number of shareholders and shareholding status

Unit: Share

Total number of common shareholders at the end of the reporting period	53,291	Total number of preferred shareholders with recovered voting rights at the end of the reporting period (if any) (see Note 8)					0	
Shareholding of ordinary shareholders holding 5% of total shares or top 10 shareholders								
Name of shareholder	Nature of the shareholder	Shareholding ratio	Quantity of common shares held at the end of the reporting period	Increase/decrease during this reporting period	Quantity of restricted common shares	Quantity of unrestricted common shares	Pledged or frozen status	
							Shareholding status	Quantity

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Li Weiwei	Natural person of Mainland China	19.11%	403,658,052	0	302,743,539	100,914,513	Pledge	65,104,000
ZengKaitian	Natural person of Mainland China	17.48%	369,304,174	0	0	369,304,174	Pledge	48,880,000
Wu Weihong	Natural person of Mainland China	6.48%	136,927,562	-11,577,100	111,378,496	25,549,066		
Wu Weidong	Natural person of Mainland China	6.20%	130,927,557		98,195,668	32,731,889		
Wu Xushun	Natural person of Mainland China	5.15%	108,837,782	-58,900,000	0	108,837,782	Pledge	39,000,000
Hu Yuhang	Natural person of Mainland China	2.97%	62,830,436	-1,000,000	7,192,530	55,637,906	Pledge	12,010,000
China Universal Asset Management (CUAM) - Bank of Ningbo - Zhuhai Rongxi Equity Investment Partnership (Limited Partnership)	Others	2.62%	55,337,463	-3,694,413	0	55,337,463		
China Universal Asset Management (CUAM) - Bank of Ningbo - China Universal Asset Management (CUAM) - ShunrongSanqi No. 2 Asset Management Plan under Private Placement Plan	Others	1.79%	37,705,686	-6,898,800	0	37,705,686		
Hong Kong Securities Clearing Company Limited	Overseas corporation	1.71%	36,020,602	26,252,231	0	36,020,602		
Hua life Insurance Company Limited - Own Funds	Others	1.42%	30,000,000	30,000,000	0	30,000,000		

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Information of strategic investor or general legal person who becomes one of top 10 common shareholders due to rights issue (if any) (refer to note 3)	Not applicable		
Statement on relationship and concerted action among the above-mentioned shareholders	1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, and Wu Xushun, Wu Weihong and Wu Weidong are shareholders acting in concert. 2. The Company is not aware of any other relationship among other top 10 shareholders, and is also unknown whether there is any shareholder acting in concert as stipulated in the <i>Measures on the Administration of Acquisition of Listed Companies</i> .		
Shareholding status of top 10 un-restricted common shareholders			
Name of shareholder	Quantity of held un-restricted common shares at the end of the reporting period	Class of shares	
		Class of shares	Quantity
ZengKaitian	369,304,174	Common shares in RMB	369,304,174
Wu Xushun	108,837,782	Common shares in RMB	108,837,782
Li Weiwei	100,914,513	Common shares in RMB	100,914,513
Hu Yuhang	55,637,906	Common shares in RMB	55,637,906
China Universal Asset Management (CUAM) - Bank of Ningbo - Zhuhai Rongxi Equity Investment Partnership (Limited Partnership)	55,337,463	Common shares in RMB	55,337,463
China Universal Asset Management (CUAM) - Bank of Ningbo - China Universal Asset Management (CUAM) - ShunrongSanqi No. 2 Asset Management Plan under Private Placement Plan	37,705,686	Common shares in RMB	37,705,686
Hong Kong Securities Clearing Company Limited	36,020,602	Common shares in RMB	36,020,602
Wu Weidong	32,731,889	Common shares in RMB	32,731,889
Hua life Insurance Company Limited - Own Funds	30,000,000	Common shares in RMB	30,000,000
Wuhu ShunrongSanqi Interactive Entertainment Network Technology Co., Ltd. - Second Employee Stock Ownership Plan	26,310,527	Common shares in RMB	26,310,527
Information of relationship or concerted action among top 10	1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, and Wu Xushun,		

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un-restricted common shareholders, and between top 10 un-restricted common shareholders and top 10 common shareholders	Wu Weihong and Wu Weidong are shareholders acting in concert. 2. The Company is not aware of any other relationship among other top 10 shareholders, and is also unknown whether there is any shareholder acting in concert as stipulated in the <i>Measures on the Administration of Acquisition of Listed Companies</i> .
Description for top 10 common shareholders participating in securities margin trading (if any) (see Note 4)	None

Have top 10 common shareholders and top 10 un-restricted common shareholders conducted repurchasing trades within the report period

☐ Yes ☒ No

Top 10 common shareholders and top 10 un-restricted common shareholders do not conduct repurchasing trades within the report period.

III. Changes in the Controlling Shareholder or Actual Controllers

Change of controlling shareholder during the reporting period

☒ Applicable ☐ Not Applicable

Name of new controlling shareholders	Li Weiwei
Change date	April 8th, 2019
Query index of designated website	http://www.cninfo.com.cn
Disclosure date of designated website	April 9th, 2019

Change of actual controller during the reporting period

☒ Applicable ☐ Not Applicable

Name of new actual controller	Li Weiwei
Change date	April 8th, 2019
Query index of designated website	http://www.cninfo.com.cn
Disclosure date of designated website	April 9th, 2019

Section VII Financial Report

I. Financial Statements

Unit in statements in financial notes: RMB

1. Consolidated balance sheet

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

June 30th, 2019

Unit: RMB

Item	June 30th, 2019	December 31st, 2018
Current assets:		
Monetary fund	1,788,431,889.15	1,532,965,200.05
Transaction settlement funds		
Loans to other banks		
Trading financial assets	320,000,000.00	
Financial assets measured at fair value with changes included in current profits and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable	1,717,575,938.59	1,298,554,481.23
Receivables financing		
Prepayments	502,448,873.30	193,770,132.83
Premiums receivable		
Reinsurance premiums receivable		
Reinsurance contract reserves receivable		
Other receivables	92,363,339.09	792,425,628.90
Wherein: Interest receivable		64,445.20
Dividends receivable		
Redemptory monetary capital for sale		
Inventories		
Contract assets		
Assets held-for-sale	7,536,816.46	7,536,816.46
Non-current assets due within one year		

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Other current assets	125,703,458.23	356,865,377.91
Total current assets	4,554,060,314.82	4,182,117,637.38
Non-current assets:		
Disbursement of advances and loans		
Creditors' investment		
Available-for-sale financial assets		1,119,291,025.55
Other long-term investments on bonds		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	514,224,823.77	555,602,013.99
Other equity investment	246,635,981.28	
Other non-current financial assets	932,481,621.45	
Investment property		
Fixed assets	36,385,942.05	36,458,454.56
Construction in progress	751,293,007.77	
Productive biological assets		
Oil and gas assets		
Right-of-use asset		
Intangible assets	14,279,324.27	14,296,437.04
Development expenditure		6,205,796.16
Goodwill	1,578,065,048.53	1,578,567,397.76
Long-term deferred expenses	74,090,122.83	74,286,546.49
Deferred income tax assets	7,790,147.85	27,325,270.01
Other non-current assets	58,269,048.52	801,611,138.04
Total non-current assets	4,213,515,068.32	4,213,644,079.60
Total assets	8,767,575,383.14	8,395,761,716.98
Current liabilities:		
Short-term loan		369,000,000.00
Loan from central bank		
Loans from other banks		
Trading financial liabilities		
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		

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Notes payable	30,000,000.00	
Accounts payable	1,100,674,856.19	1,082,362,368.29
Account received in advance	180,159,647.52	94,628,742.59
Financial assets sold for repurchase		
Receipt of deposits and deposits from other banks		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Payroll payable	121,495,008.66	121,978,401.18
Tax payable	88,463,827.01	89,275,803.43
Other payables	552,307,169.79	108,142,599.83
Wherein: Interests payable		52,841.84
Dividends payable	417,980,832.00	
Service charges and commissions payable		
Reinsured accounts payable		
Contract liabilities		
Liabilities held for sale		
Non-current liabilities due within one year	30,282,389.93	29,599,165.73
Other current liabilities	76,707,849.63	97,256,568.16
Total current liabilities	2,180,090,748.73	1,992,243,649.21
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	265,883,241.55	281,176,106.33
Bonds payable		
Wherein: Preferred shares		
Perpetual bond		
LEASE LIABILITIES		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income	2,264,694.54	3,903,715.32
Deferred income tax liabilities		4,735,906.20
Other non-current liabilities		
Total non-current liabilities	268,147,936.09	289,815,727.85

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Total liabilities	2,448,238,684.82	2,282,059,377.06
Owners' equity:		
Share capital	2,112,251,697.00	2,124,870,253.00
Other equity instruments		
Where: Preferred shares		
Perpetual capital securities		
Capital reserve	192,239,353.57	298,739,967.21
Less: Treasury stock	302,007,311.87	
Other comprehensive incomes	19,514,256.07	46,376,346.58
Special reserves		
Surplus reserve	170,477,835.88	170,477,835.88
General risk provisions		
Undistributed profit	3,974,141,378.37	3,332,211,003.19
Total equity attributable to parent company owners	6,166,617,209.02	5,972,675,405.86
Minority shareholders' equity	152,719,489.30	141,026,934.06
Total owners' equities	6,319,336,698.32	6,113,702,339.92
Total liabilities and owners' equity	8,767,575,383.14	8,395,761,716.98

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

2. Consolidated balance sheet of parent company

Unit: RMB

Item	June 30th, 2019	December 31st, 2018
Current assets:		
Monetary fund	113,306,255.18	4,325,959.18
Trading financial assets		
Financial assets measured at fair value with changes included in current profits and losses		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		

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

Prepayments		63,300.00
Other receivables	528,604,929.21	1,391,766,571.39
Wherein: Interest receivable		
Dividends receivable		500,000,000.00
Inventories		
Contract assets		
Assets held-for-sale		
Non-current assets due within one year		
Other current assets	3,386,365.63	1,165,393.00
Total current assets	645,297,550.02	1,397,321,223.57
Non-current assets:		
Creditors' investment		
Available-for-sale financial assets		179,996,897.11
Other long-term investments on bonds		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	6,409,414,609.22	6,402,393,690.49
Other equity investment	60,000,000.00	
Other non-current financial assets	114,997,287.11	
Investment property		
Fixed assets		
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use asset		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	8,657.92	8,090.43
Other non-current assets		
Total non-current assets	6,584,420,554.25	6,582,398,678.03
Total assets	7,229,718,104.27	7,979,719,901.60
Current liabilities:		

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Short-term loan		369,000,000.00
Trading financial liabilities		
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		
Notes payable		
Accounts payable	116,619.20	36,357,038.26
Account received in advance		
Contract liabilities		
Payroll payable	93,813.27	484,767.87
Tax payable	18,326.30	1,745,935.68
Other payables	424,748,346.45	711,616,794.64
Wherein: Interests payable		52,841.84
Dividends payable	417,980,832.00	
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	424,977,105.22	1,119,204,536.45
Non-current liabilities:		
Long-term loans		
Bonds payable		
Wherein: Preferred shares		
Perpetual bond		
LEASE LIABILITIES		
Long-term payables		
Long-term remuneration payable		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	424,977,105.22	1,119,204,536.45
Owners' equity:		
Share capital	2,112,251,697.00	2,124,870,253.00

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

Other equity instruments		
Where: Preferred shares		
Perpetual capital securities		
Capital reserve	3,845,960,626.18	3,952,461,239.82
Less: Treasury stock	302,007,311.87	
Other comprehensive incomes		
Special reserves		
Surplus reserves	170,477,835.88	170,477,835.88
Undistributed profit	978,058,151.86	612,706,036.45
Total owner's equity	6,804,740,999.05	6,860,515,365.15
Total liabilities and owners' equity	7,229,718,104.27	7,979,719,901.60

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

3. Consolidated profit statement

Unit: RMB

Item	The first half of 2019	The first half of 2018
I. Total operating income	6,070,957,503.06	3,302,496,146.77
Wherein: Operating incomes	6,070,957,503.06	3,302,496,146.77
Interest incomes		
Earned insurance premium		
Incomes from service charges and commissions		
II. Total operating cost	4,908,533,506.03	2,445,334,024.33
Wherein: Operating cost	838,986,561.51	886,273,600.84
Interest payment		
Service charges and commission expenses		
Refunded premium		
Net amount of compensation payout		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsured expenses		
Taxes and additional charges	20,392,371.96	15,844,704.11

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Selling expenses	3,632,067,521.84	1,143,478,494.94
Administrative expense	88,053,838.68	127,934,924.44
R&D expense	324,699,670.32	257,843,866.07
Financial expenses	4,333,541.72	13,958,433.93
Wherein: Interest fee	18,926,518.37	21,337,173.26
Interest incomes	8,475,803.74	9,241,560.12
Add: Other profits	49,294,108.11	42,885,206.03
Investment profit ("-" indicates the loss)	18,932,969.82	23,747,705.64
Wherein: Investment income of joint-venture and partnership	-6,172,892.49	-4,090,378.50
Financial assets measured by amortized cost no longer recognized as income (loss is marked with "-")		
Exchange income ("-" indicates the loss)		
Net open hedge income (loss is marked with "-")		
Income from changes in fair value ("-" indicates the loss)	41,603,452.48	
Credit impairment loss (loss is marked with "-")	33,094,388.44	
Asset impairment loss (loss is marked with "-")	-14,789,077.01	-2,141,680.01
Assets disposal income ("-" indicates the loss)	-77,711.53	4,411.96
III. Operation profit ("-" indicates the loss)	1,290,482,127.34	921,657,766.06
Add: Non-operating income	3,082,997.15	1,076,547.10
Less: Non-operating expense	2,674,771.67	3,487,862.12
IV. Total profit ("-" indicates the total loss)	1,290,890,352.82	919,246,451.04
Less: Income taxes	131,634,742.44	36,437,882.35
V. Net profit ("-" indicates the loss)	1,159,255,610.38	882,808,568.69
(I) Classified by going concern		
1. Net profit of going concern ("-" indicates net loss)	1,159,255,610.38	880,922,320.29
2. Net profit of discontinuing operation ("-" indicates net loss)		1,886,248.40
(II) Classified by attribution of ownership		

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1. Net profits attributable to parent company owners	1,033,074,405.38	801,378,948.23
2. Gain and loss of minority shareholders	126,181,205.00	81,429,620.46
VI. After-tax net of other comprehensive incomes	-25,288.71	-12,085,783.31
After-tax net of other comprehensive incomes owned by the owner of the parent company	-25,288.71	-11,959,438.02
(I) Other comprehensive incomes that cannot be classified into profits and losses		
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive incomes that cannot be reclassified into profits and losses under the equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in the fair value of the company's own credit risk		
5. Others		
(II) Other comprehensive incomes that would be classified into profits and losses	-25,288.71	-11,959,438.02
1. Other comprehensive incomes that can be reclassified into profits and losses under the equity method		
2. Changes in fair value of other debt investment		
3. Loss and profit of change in fair value of available-for-sale financial assets		-16,780,009.82
4. The amount of financial assets reclassified into other comprehensive income		
5. Loss and profit of available-for-sale financial assets of held-to-maturity investments		
6. Credit depreciation provision for other credit investment		
7. Cash flow hedge reserve		
8. Translation difference in the foreign currency financial statement	-25,288.71	4,820,571.80
9. Others		
Other comprehensive incomes net of tax		-126,345.29

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attributed to minority stockholders		
VII. Total consolidated income	1,159,230,321.67	870,722,785.38
Total consolidated income attributable to parent company owners	1,033,049,116.67	789,419,510.21
Total consolidated income attributable to minority shareholders	126,181,205.00	81,303,275.17
VIII. Earnings per share:		
(I) Basic earning per share	0.49	0.37
(II) Diluted earning per share	0.49	0.37

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

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

4. Profit statement of parent company

Unit: RMB

Item	The first half of 2019	The first half of 2018
I. Operating income	0.00	0.00
Less: Operating cost	0.00	0.00
Taxes and additional charges	8,651.83	1,024,725.00
Selling expenses		
Administrative expense	664,215.31	6,601,859.21
R&D expense		
Financial expenses	5,026,558.14	5,213,002.36
Wherein: Interest fee	8,467,829.41	10,775,718.70
Interest incomes	3,444,301.05	5,565,824.46
Add: Other profits	25,780.49	50,943.38
Investment profit ("-" indicates the loss)	789,008,294.71	198,698,898.16
Wherein: Investment income of joint-venture and partnership	-979,081.27	-1,301,101.84
Financial assets measured by amortized cost no longer recognized as income (loss is marked with "-")		
Net open hedge income (loss is marked with "-")		
Income from changes in fair value ("-" indicates the loss)		

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indicates the loss)		
Credit impairment loss (loss is marked with "-")	-2,270.00	2,508,054.79
Asset impairment loss (loss is marked with "-")		
Assets disposal income ("- indicates the loss)		
II. Operating profit ("- indicates the loss)	783,332,379.92	188,418,309.76
Add: Non-operating income		
Less: Non-operating expense		5,483.09
III. Total profit ("- indicates the total loss)	783,332,379.92	188,412,826.67
Less: Income taxes	-567.49	515,819.10
IV. Net profit ("- indicates the loss)	783,332,947.41	187,897,007.57
(I) Net profit of going concern ("- indicates net loss)	783,332,947.41	187,897,007.57
(II) Net profit of discontinuing operation ("- indicates net loss)		
V. Net of tax of other comprehensive incomes		
(I) Other comprehensive incomes that cannot be classified into profit and loss		
1. Re-measurement of changes in defined benefit plan		
2. Other comprehensive incomes that cannot be reclassified into profits and losses under the equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in the fair value of the company's own credit risk		
5. Others		
(II) Other comprehensive incomes that would be classified into profits and losses		
1. Other comprehensive incomes that can be reclassified into profits and losses under the equity method		
2. Changes in fair value of other debt investment		
3. Loss and profit of change in fair		

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value of available-for-sale financial assets		
4. The amount of financial assets reclassified into other comprehensive income		
5. Loss and profit of available-for-sale financial assets of held-to-maturity investments		
6. Credit depreciation provision for other credit investment		
7. Cash flow hedge reserve		
8. Translation difference in the foreign currency financial statement		
9. Others		
VI. Total Comprehensive Income	783,332,947.41	187,897,007.57
VII. Earnings per share:		
(I) Basic earning per share		
(II) Diluted earning per share		

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

5. Consolidated cash flow statement

Unit: RMB

Item	The first half of 2019	The first half of 2018
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	5,978,803,476.57	3,438,837,552.44
Net increase of deposits from customers and other banks		
Net increase of loans from central bank		
Net increase of loans from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase of policy holder deposits and investment funds		
Cash received from interests, fees and commissions		
Net increase of loans from other banks		

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Net capital increase of repurchase business		
Net cash received from traded securities by agency		
Refunds of taxes and levies	18,148,222.30	26,890,901.13
Cash received from other operating activities	53,303,204.02	23,960,147.51
Sub-total of cash inflows from operating activities	6,050,254,902.89	3,489,688,601.08
Cash paid for purchasing goods and services	663,495,847.03	764,126,180.75
Net increase of customer's loans and advances		
Net increase of deposits in central bank and other banks		
Cash paid for indemnity of original insurance contract		
Net increase in trading financial assets		
Net increase in lending funds		
Cash paid for interests, service charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	384,362,339.55	389,536,519.50
Payments of taxes and levies	234,010,246.88	148,413,335.07
Other cash paid relating to operating activities	4,152,031,533.06	1,210,376,547.80
Sub-total of cash outflows from operating activities	5,433,899,966.52	2,512,452,583.12
Net cash flows from operating activities	616,354,936.37	977,236,017.96
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	105,816,280.71	118,636,674.46
Cash received from returns on investments	16,060,855.44	31,431,186.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	204,690.00	2,174,729.81
Net cash received from disposal of subsidiaries and other business units	433,449,673.50	
Other cash received relating to investing activities	2,488,320,540.52	1,126,557,800.00
Sub-total of cash inflows from investing activities	3,043,852,040.17	1,278,800,390.66
Cash paid to procure fixed assets, intangible assets and other long-term assets	59,645,209.49	131,912,260.35
Cash paid to acquire investments	78,068,522.99	92,335,901.04
Net increase of pledge loans		
Net cash received from payment of subsidiaries		

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and other business entities		
Cash payments relating to other investment activities	2,430,000,000.00	1,126,557,800.00
Sub-total of cash outflows from investing activities	2,567,713,732.48	1,350,805,961.39
Net cash flows from investing activities	476,138,307.69	-72,005,570.73
III. Cash flows from financing activities:		
Cash received from capital contribution		19,789,457.72
Wherein: Cash from the investment of minority shareholders of the subsidiaries		19,789,457.72
Cash received from borrowings		649,000,000.00
Cash received from issuance of debentures		
Other cash received relating to financing activities		
Sub-total of cash inflows from financing activities		668,789,457.72
Cash repayments of amounts borrowed	383,609,640.58	385,933,010.04
Cash payments for interest expenses and distribution of dividends or profits	138,359,549.65	109,256,651.46
Wherein: Dividends and profits paid by subsidiaries to minority shareholders	122,000,000.00	90,000,000.00
Other cash payments relating to financing activities	302,007,312.87	1,120,317,235.07
Sub-total of cash outflows from financing activities	823,976,503.10	1,615,506,896.57
Net cash flows from financing activities	-823,976,503.10	-946,717,438.85
IV. Influence of exchange rate change on cash and cash equivalents	-128,092.91	-764,348.79
V. Net increase of cash and cash equivalents	268,388,648.05	-42,251,340.41
Add: Beginning balance of cash and cash equivalents	1,515,740,344.79	1,580,910,931.98
VI. Balance of cash and cash equivalents at the end of period	1,784,128,992.84	1,538,659,591.57

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

6. Cash flow statement of parent company

Unit: RMB

Item	The first half of 2019	The first half of 2018
I. Cash flows from operating activities:		

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Cash received from sales of goods or rendering of services		
Refunds of taxes and levies		50,943.38
Cash received from other operating activities	1,355,608,209.24	1,717,002,285.35
Sub-total of cash inflows from operating activities	1,355,608,209.24	1,717,053,228.73
Cash paid for purchasing goods and services		
Cash paid to and on behalf of employees	360,009.16	1,238,172.66
Payments of taxes and levies	1,736,261.21	18,667,911.67
Other cash paid relating to operating activities	2,256,700,554.73	835,785,281.58
Sub-total of cash outflows from operating activities	2,258,796,825.10	855,691,365.91
Net cash flows from operating activities	-903,188,615.86	861,361,862.82
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	4,999,610.00	50,000,000.00
Cash received from returns on investments	1,289,987,375.98	6,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units	404,709,910.00	
Other cash received relating to investing activities		
Sub-total of cash inflows from investing activities	1,699,696,895.98	56,000,000.00
Cash paid to procure fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	8,000,000.00	1,120,000,000.00
Net cash received from payment of subsidiaries and other business entities		
Cash payments relating to other investment activities		
Sub-total of cash outflows from investing	8,000,000.00	1,120,000,000.00

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activities		
Net cash flows from investing activities	1,691,696,895.98	-1,064,000,000.00
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings		649,000,000.00
Cash received from issuance of debentures		
Other cash received relating to financing activities		91,195.70
Sub-total of cash inflows from financing activities		649,091,195.70
Cash repayments of amounts borrowed	369,000,000.00	369,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	8,520,671.25	10,627,267.52
Other cash payments relating to financing activities	302,007,312.87	491,089.23
Sub-total of cash outflows from financing activities	679,527,984.12	380,118,356.75
Net cash flows from financing activities	-679,527,984.12	268,972,838.95
IV. Influence of exchange rate change on cash and cash equivalents		
V. Net increase of cash and cash equivalents	108,980,296.00	66,334,701.77
Add: Beginning balance of cash and cash equivalents	4,325,959.18	5,437,518.91
VI. Balance of cash and cash equivalents at the end of period	113,306,255.18	71,772,220.68

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

7. Consolidated statement of changes in owners' equity

Amount of current period

Unit: RMB

Item	Half year of 2019														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Subtotal		
		Preferred shares	Perpetual capital securities	Others											
I. Balance at the end of previous year	2,124,870,253.00				298,739,967.21		46,376,346.58		170,477,835.88		3,332,211,003.19		5,972,675,405.86	141,026,934.06	6,113,702,339.92
Add: Changes to accounting policies							-26,836,801.80				26,836,801.80				
Fund for corrections of errors of previous period															
Business combination under the same control															
Others															

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

2019 Semi-annual Report of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.

II. Beginning balance at this year	2,124,870,253.00				298,739,967.21		19,539,544.78		170,477,835.88		3,359,047,804.99		5,972,675,405.86	141,026,934.06	6,113,702,339.92
III. Increased/decreased amount this year (“-” indicates decrease)	-12,618,556.00				-106,500,613.64	302,007,311.87	-25,288.71				615,093,573.38		193,941,803.16	11,692,555.24	205,634,358.40
(I) Total comprehensive income							-25,288.71				1,033,074,405.38		1,033,049,116.67	126,181,205.00	1,159,230,321.67
(II) Owner investment and decreased capital	-12,618,556.00				-106,500,613.64	302,007,311.87							-421,126,481.51	7,511,350.24	-413,615,131.27
1. Ordinary share invested by Owners	-12,618,556.00				-106,500,613.64	302,007,311.87							-421,126,481.51		-421,126,481.51
2. Capital invested by other equity instrument holders															
3. Amounts of share-based payments recognized in owners' equity															
4. Others														7,511,350.24	7,511,350.24
(III) Profit distribution											-417,980,832.00		-417,980,832.00	-122,000,000.00	-539,980,832.00

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

1. Appropriation to surplus reserves															
2. Appropriation of general risk reserves															
3. Distribution to owners (or shareholders)											-417,980,832.00		-417,980,832.00	-122,000,000.00	-539,980,832.00
4. Others															
(IV) Internal transfer of owners' equity															
1. Capital (or share capital) from capital reserves															
2. Capital (or share capital) from surplus reserves															
3. Surplus reserves for making up losses															
4. Set the income from the carrying forward and retaining of benefit plan change amount															

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

5. Income from the carrying forward and retaining of other comprehensive income															
6. Others															
(V) Special reserves															
1. Withdrawn amount of this period															
2. Using amount this period															
(VI) Others															
IV. Closing balance of this accounting period	2,112,251,697.00				192,239,353.57	302,007,311.87	19,514,256.07		170,477,835.88		3,974,141,378.37		6,166,617,209.02	152,719,489.30	6,319,336,698.32

Amount of previous period

Unit: RMB

Item	Half year of 2018														
	Total owners' equity attributable to the parent company													Minority shareholders' equity	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Subtotal		
		Preferred share	Perpetual capital securities	Others											

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

		s	s												
I. Balance at the end of previous year	2,148,110,844.00			1,947,846.62	1,972,639,580.66		-25,087,592.30		99,561,946.09		2,819,597,585.78		7,016,770,210.85	269,888,245.23	7,286,658,456.08
Add: Changes to accounting policies															
Fund for corrections of errors of previous period															
Business combination under the same control															
Others															
II. Beginning balance at this year	2,148,110,844.00			1,947,846.62	1,972,639,580.66		-25,087,592.30		99,561,946.09		2,819,597,585.78		7,016,770,210.85	269,888,245.23	7,286,658,456.08
III. Increased/decreased amount this year (“-” indicates	-23,240,591.00				-1,608,657,849.98		-11,959,438.02				588,891,922.93		-1,054,965,956.07	-165,803,442.46	-1,220,769,398.53

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

decrease)															
(I) Total comprehensive income							-11,959,438.02				801,378,948.23		789,419,510.21	81,303,275.17	870,722,785.38
(II) Owner investment and decreased capital	-23,240,591.00				-1,608,657,849.98								-1,631,898,440.98	-157,106,717.63	-1,789,005,158.61
1. Ordinary share invested by Owners	-23,240,591.00				-375,621,894.06								-398,862,485.06	7,286,957.72	-391,575,527.34
2. Capital invested by other equity instrument holders															
3. Amounts of share-based payments recognized in owners' equity															
4. Others					-1,233,035,955.92								-1,233,035,955.92	-164,393,675.35	-1,397,429,631.27
(III) Profit distribution											-212,487,025.30		-212,487,025.30	-90,000,000.00	-302,487,025.30
1. Appropriation to surplus															

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reserves															
2. Appropriation of general risk reserves															
3. Distribution to owners (or shareholders)											-212,487,025.30		-212,487,025.30	-90,000,000.00	-302,487,025.30
4. Others															
(IV) Internal transfer of owners' equity															
1. Capital (or share capital) from capital reserves															
2. Capital (or share capital) from surplus reserves															
3. Surplus reserves for making up losses															
4. Set the income from the carrying															

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forward and retaining of benefit plan change amount															
5. Income from the carrying forward and retaining of other comprehensive income															
6. Others															
(V) Special reserves															
1. Withdrawn amount of this period															
2. Using amount this period															
(VI) Others															
IV. Closing balance of this accounting period	2,124,870,253.00			1,947,846.62	363,981,730.68		-37,047,030.32		99,561,946.09		3,408,489,508.71		5,961,804,254.78	104,084,802.77	6,065,889,057.55

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

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

8. Statement of equity changes of parent company owner

Amount of current period

Unit: RMB

Item	Half year of 2019											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Others	Total owner's equity
		Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of previous year	2,124,870,253.00				3,952,461,239.82				170,477,835.88	612,706,036.45		6,860,515,365.15
Add: Changes to accounting policies												
Fund for corrections of errors of previous period												
Others												
II. Beginning balance at this year	2,124,870,253.00				3,952,461,239.82				170,477,835.88	612,706,036.45		6,860,515,365.15
III. Increased/decreased amount this year ("-" indicates decrease)	-12,618,556.00				-106,500,613.64	302,007,311.87				365,352,115.41		-55,774,366.10
(I) Total comprehensive income										783,332,947.41		783,332,947.41
(II) Owner investment and decreased capital	-12,618,556.00				-106,500,613.64	302,007,311.87						-421,126,481.51
1. Ordinary share invested	-12,618,556.00				-106,500,613.64	302,007,311.87						-421,126,481.51

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

by Owners												
2. Capital invested by other equity instrument holders												
3. Amounts of share-based payments recognized in owners' equity												
4. Others												
(III) Profit distribution										-417,980,832.00		-417,980,832.00
1. Appropriation to surplus reserves												
2. Distribution to owners (or shareholder)										-417,980,832.00		-417,980,832.00
3. Others												
(IV) Internal transfer of owners' equity												
1. Capital (or share capital) from capital reserves												
2. Capital (or share capital) from surplus reserves												
3. Surplus reserves for making up losses												
4. Set the income from the carrying forward and retaining of benefit plan change amount												
5. Income from the carrying												

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

forward and retaining of other comprehensive income												
6. Others												
(V) Special reserves												
1. Withdrawn amount of this period												
2. Using amount this period												
(VI) Others												
IV. Closing balance of this accounting period	2,112,251,697.00				3,845,960,626.18	302,007,311.87			170,477,835.88	978,058,151.86		6,804,740,999.05

Amount of previous period

Unit: RMB

Item	Half year of 2018											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profit	Others	Total owner's equity
		Preferred shares	Perpetual capital securities	Others								
I. Balance at the end of previous year	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96		7,049,044,117.30
Add: Changes to accounting policies												
Fund for corrections of errors of previous period												
Others												
II. Beginning balance at this	2,148,110,844.00				4,401,934,248.25				99,561,946.09	399,437,078.96		7,049,044,117.30

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

year												
III. Increased/decreased amount this year (“-” indicates decrease)	-23,240,591.00				-378,124,394.06					-24,590,017.73		-425,955,002.79
(I) Total comprehensive income										187,897,007.57		187,897,007.57
(II) Owner investment and decreased capital	-23,240,591.00				-378,124,394.06							-401,364,985.06
1. Ordinary share invested by Owners	-23,240,591.00				-378,124,394.06							-401,364,985.06
2. Capital invested by other equity instrument holders												
3. Amounts of share-based payments recognized in owners' equity												
4. Others												
(III) Profit distribution										-212,487,025.30		-212,487,025.30
1. Appropriation to surplus reserves												
2. Distribution to owners (or shareholder)										-212,487,025.30		-212,487,025.30
3. Others												
(IV) Internal transfer of owners' equity												
1. Capital (or share capital) from capital reserves												

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2. Capital (or share capital) from surplus reserves												
3. Surplus reserves for making up losses												
4. Set the income from the carrying forward and retaining of benefit plan change amount												
5. Income from the carrying forward and retaining of other comprehensive income												
6. Others												
(V) Special reserves												
1. Withdrawn amount of this period												
2. Using amount this period												
(VI) Others												
IV. Closing balance of this accounting period	2,124,870,253.00				4,023,809,854.19				99,561,946.09	374,847,061.23		6,623,089,114.51

Legal representative: Li Weiwei

Accounting supervisor: Ye Wei

Legal representative of the accounting firm: Ye Wei

9. First implementation of new financial instrument standards, new revenue standards, new lease standards, adjustment of relevant items in financial statements at the beginning of the year

√Applicable □Not Applicable

Consolidated balance sheet

Unit: RMB

Item	December 31st, 2018	Jan 1st, 2019	Adjustment
Current assets:			
Monetary fund	1,532,965,200.05	1,532,965,200.05	
Transaction settlement funds			
Loans to other banks			
Trading financial assets		116,000,000.00	116,000,000.00
Financial assets measured at fair value with changes included in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable	1,298,554,481.23	1,298,554,481.23	
Receivables financing			
Prepayments	193,770,132.83	193,770,132.83	
Premiums receivable			
Reinsurance premiums receivable			
Reinsurance contract reserves receivable			
Other receivables	792,425,628.90	792,425,628.90	
Wherein: Interest receivable	64,445.20	64,445.20	
Dividends receivable		0.00	
Redemptory monetary capital for sale			
Inventories			
Contract assets			
Assets held-for-sale	7,536,816.46	7,536,816.46	

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Non-current assets due within one year			
Other current assets	356,865,377.91	240,865,377.91	-116,000,000.00
Total current assets	4,182,117,637.38	4,182,117,637.38	
Non-current assets:			
Disbursement of advances and loans			
Creditors' investment			
Available-for-sale financial assets	1,119,291,025.55		-1,119,291,025.55
Other long-term investments on bonds			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	555,602,013.99	555,602,013.99	
Other equity investment		196,571,394.67	196,571,394.67
Other non-current financial assets		922,719,630.88	922,719,630.88
Investment property			
Fixed assets	36,458,454.56	36,458,454.56	
Construction in progress		0.00	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	14,296,437.04	14,296,437.04	
Development expenditure	6,205,796.16	6,205,796.16	
Goodwill	1,578,567,397.76	1,578,567,397.76	
Long-term deferred expenses	74,286,546.49	74,286,546.49	
Deferred income tax assets	27,325,270.01	27,325,270.01	
Other non-current assets	801,611,138.04	801,611,138.04	
Total non-current assets	4,213,644,079.60	4,213,644,079.60	

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

Total assets	8,395,761,716.98	8,395,761,716.98	
Current liabilities:			
Short-term loan	369,000,000.00	369,000,000.00	
Loan from central bank			
Loans from other banks			
Trading financial liabilities			
Financial liabilities measured at fair value with changes included in current profits and losses			
Derivative financial liabilities			
Notes payable		0.00	
Accounts payable	1,082,362,368.29	1,082,362,368.29	
Account received in advance	94,628,742.59	94,628,742.59	
Financial assets sold for repurchase			
Receipt of deposits and deposits from other banks			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Payroll payable	121,978,401.18	121,978,401.18	
Tax payable	89,275,803.43	89,275,803.43	
Other payables	108,142,599.83	108,142,599.83	
Wherein: Interests payable	52,841.84	52,841.84	
Dividends payable		0.00	
Service charges and commissions payable			
Reinsured accounts payable			
Contract liabilities			

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

Liabilities held for sale			
Non-current liabilities due within one year	29,599,165.73	29,599,165.73	
Other current liabilities	97,256,568.16	97,256,568.16	
Total current liabilities	1,992,243,649.21	1,992,243,649.21	
Non-current liabilities:			
Reserves for insurance contract			
Long-term loans	281,176,106.33	281,176,106.33	
Bonds payable			
Wherein: Preferred shares			
Perpetual bond			
LEASE LIABILITIES			
Long-term payables			
Long-term remuneration payable			
Estimated liabilities			
Deferred income	3,903,715.32	3,903,715.32	
Deferred income tax liabilities	4,735,906.20	4,735,906.20	
Other non-current liabilities			
Total non-current liabilities	289,815,727.85	289,815,727.85	
Total liabilities	2,282,059,377.06	2,282,059,377.06	
Owners' equity:			
Share capital	2,124,870,253.00	2,124,870,253.00	
Other equity instruments			
Where: Preferred shares			
Perpetual capital securities			
Capital reserve	298,739,967.21	298,739,967.21	
Less: Treasury stock			
Other comprehensive	46,376,346.58	19,539,544.78	-26,836,801.80

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

incomes			
Special reserves			
Surplus reserve	170,477,835.88	170,477,835.88	
General risk provisions			
Undistributed profit	3,332,211,003.19	3,359,047,804.99	26,836,801.80
Total equity attributable to parent company owners	5,972,675,405.86	5,972,675,405.86	
Minority shareholders' equity	141,026,934.06	141,026,934.06	
Total owners' equities	6,113,702,339.92	6,113,702,339.92	
Total liabilities and owners' equity	8,395,761,716.98	8,395,761,716.98	

Adjustment description

In accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the opening book value of items under the consolidated balance sheet is adjusted as follows:

1. The bank financial products of RMB 116,000,000.00 under other current assets are reclassified as trading financial assets;
2. The available-for-sale financial assets of RMB 1,119,291,025.55 are reclassified as other equity instrument and other non-current financial assets;
3. The profits and losses from change of fair value and income tax expenses recognized as other comprehensive income in the previous years of RMB 26,836,801.80 were transferred to undistributed profits.

Consolidated balance sheet of parent company

Unit: RMB

Item	December 31st, 2018	Jan 1st, 2019	Adjustment
Current assets:			
Monetary fund	4,325,959.18	4,325,959.18	
Trading financial assets			
Financial assets measured at fair value with changes included in current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments	63,300.00	63,300.00	
Other receivables	1,391,766,571.39	1,391,766,571.39	
Wherein: Interest receivable			
Dividends receivable	500,000,000.00	500,000,000.00	
Inventories			

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

Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	1,165,393.00	1,165,393.00	
Total current assets	1,397,321,223.57	1,397,321,223.57	
Non-current assets:			
Creditors' investment			
Available-for-sale financial assets	179,996,897.11		-179,996,897.11
Other long-term investments on bonds			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	6,402,393,690.49	6,402,393,690.49	
Other equity investment		60,000,000.00	60,000,000.00
Other non-current financial assets		119,996,897.11	119,996,897.11
Investment property			
Fixed assets			
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	8,090.43	8,090.43	
Other non-current assets			
Total non-current assets	6,582,398,678.03	6,582,398,678.03	
Total assets	7,979,719,901.60	7,979,719,901.60	
Current liabilities:			
Short-term loan	369,000,000.00	369,000,000.00	
Trading financial liabilities			
Financial liabilities measured at fair value with changes included in current profits and losses			
Derivative financial liabilities			

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Notes payable			
Accounts payable	36,357,038.26		
Account received in advance			
Contract liabilities			
Payroll payable	484,767.87	484,767.87	
Tax payable	1,745,935.68	1,745,935.68	
Other payables	711,616,794.64	711,616,794.64	
Wherein: Interests payable	52,841.84	52,841.84	
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	1,119,204,536.45	1,119,204,536.45	
Non-current liabilities:			
Long-term loans			
Bonds payable			
Wherein: Preferred shares			
Perpetual bond			
LEASE LIABILITIES			
Long-term payables			
Long-term remuneration payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities	1,119,204,536.45	1,119,204,536.45	
Owners' equity:			
Share capital	2,124,870,253.00	2,124,870,253.00	
Other equity instruments			
Where: Preferred shares			
Perpetual capital securities			
Capital reserve	3,952,461,239.82	3,952,461,239.82	
Less: Treasury stock			

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

Other comprehensive incomes			
Special reserves			
Surplus reserves	170,477,835.88	170,477,835.88	
Undistributed profit	612,706,036.45	612,706,036.45	
Total owner's equity	6,860,515,365.15	6,860,515,365.15	
Total liabilities and owners' equity	7,979,719,901.60	7,979,719,901.60	

Adjustment description

In accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the parent company's opening available-for-sale financial assets of RMB 1,119,291,025.55 was reclassified as other equity investment and other non-current financial assets.

II. Item Notes to Consolidated Financial Statement

1. Monetary funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand		29,585.32
Bank deposit	1,755,552,866.06	1,526,769,012.67
Other monetary funds	32,879,023.09	6,166,602.06
Total	1,788,431,889.15	1,532,965,200.05
Wherein: Total amount deposited in the other regions beyond Mainland China	472,745,413.06	382,759,855.68

Other notes

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets measured at fair value with changes included in current profits and losses	320,000,000.00	116,000,000.00
Wherein:		
Financial products	320,000,000.00	116,000,000.00
Wherein:		
Total	320,000,000.00	116,000,000.00

Other notes:

3. Accounts receivables**(1) Disclosure of accounts receivable types**

Unit: RMB

Type	Ending balance					Balance at the beginning of the period				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Account receivable individually accrued for provision of bad account	10,681,600.08	0.25%	10,681,600.08	100.00%			0.00%		0.00%	
Wherein:										
Accounts receivable with bad debt provision accrued by portfolio	1,736,488,867.38	99.75%	18,912,928.79	1.09%	1,717,575,938.59	1,367,120,440.35	100.00%	68,565,959.12	5.02%	1,298,554,481.23
Wherein:										
Credit term portfolio	1,363,538,028.79	78.04%	0.00	0.00%	1,363,538,028.79					
Aging portfolio	372,950,838.59	21.35%	18,912,928.79	1.09%	354,037,909.80	1,367,120,440.35	100.00%	68,565,959.12	5.02%	1,298,554,481.23
Total	1,747,170,467.46	100.00%	29,594,528.87	1.69%	1,717,575,938.59	1,367,120,440.35	100.00%	68,565,959.12	5.02%	1,298,554,481.23

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

Provision for bad debts by single account RMB 10,681,600.08

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad debts	Accrual proportion	Reason for accruing
Combined transport customers	10,681,600.08	10,681,600.08	100.00%	Estimated to be unrecoverable
Total	10,681,600.08	10,681,600.08	--	--

Provision for bad debts by single account

Unit: RMB

Name	Ending balance			
	Book balance	Provision for bad debts	Accrual proportion	Reason for accruing

Provision for bad debts by portfolio: RMB 0.00

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Accrual proportion
Credit term portfolio	1,363,538,028.79	0.00	0.00%
Total	1,363,538,028.79	0.00	--

Description of basis for this portfolio determination:

The debtor has no payment obligation for the receivables within the credit term, and historical experiences indicate that no debt default of customer occurs during the credit term.

Provision for bad debts by portfolio: RMB 18,912,928.79

Unit: RMB

Name	Ending balance		
	Book balance	Provision for bad debts	Accrual proportion
Within 1 year (inclusive)	368,256,294.35	18,412,814.71	5.00%
1-2 year(s)	4,596,348.05	459,634.81	10.00%
2 - 3 years	43,094.14	12,928.24	30.00%
3 - 4 years	55,102.05	27,551.03	50.00%
4 - 5 years	0.00	0.00	80.00%
Over 5 years	0.00	0.00	100.00%
Total	372,950,838.59	18,912,928.79	--

Description of basis for this portfolio determination:

Receivables of same aging share similar characteristics of credit risk

Provision for bad debts by portfolio:

Unit: RMB

Name	Ending balance
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	Book balance	Provision for bad debts	Accrual proportion
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Description of basis for this portfolio determination:

If the bad debt provision for accounts receivable is made according to the general model of expected credit losses, please disclose relevant information of bad debt provision according to the disclosure method of other receivables:

☐Applicable ☒Not Applicable

Disclosure by aging

Unit: RMB

Aging	Balance at the end of the period
Within 1 year (inclusive)	1,736,940,256.66
1-2 year(s)	9,410,985.41
2 - 3 years	764,123.34
Over 3 years	55,102.05
3 - 4 years	55,102.05
4 - 5 years	0.00
Over 5 years	0.00
Total	1,747,170,467.46

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

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

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

Accrued provision for bad debts in this period:

Unit: RMB

Type	Beginning balance	Change in this period			Ending balance
		Accrual	Recovery or reversal	Cancellation after verification	
Account receivable individually accrued for provision of bad account		10,681,600.08			10,681,600.08
Accounts receivable with bad debt provision accrued by portfolio	68,565,959.12		49,653,030.33		18,912,928.79
Total	68,565,959.12	10,681,600.08	49,653,030.33	0.00	29,594,528.87

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

Unit: RMB

Organization name	Amount returned back or taken back	Change the way of return
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(3) Top five arrears balance of accounts receivable by the end of the period

Unit: RMB

Organization name	Book balance	Proportion in account receivable of accounts receivable	Provision for bad debts
No. 1	648,795,581.09	37.13%	11,945,847.09
No. 2	270,608,142.11	15.49%	-
No. 3	128,011,890.04	7.33%	781.79
No. 4	96,887,602.15	5.55%	36,238.51
No. 5	92,441,041.73	5.29%	85,324.25
Total	1,236,744,257.12	70.79%	12,068,191.64

4. Prepayments**(1) Prepayments listed by aging**

Unit: RMB

Aging	Closing balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	455,618,358.29	90.68%	146,868,718.41	75.80%
1 - 2 year(s)	38,847,294.03	7.73%	39,028,966.61	20.14%
2 - 3 years	4,253,718.15	0.85%	4,642,733.10	2.40%
Over 3 years	3,729,502.83	0.74%	3,229,714.71	1.66%
Total	502,448,873.30	--	193,770,132.83	--

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

Unit: RMB

Organization name	Ending balance	Unsettlement reasons
Prepaid supplier I	6,163,981.68	The game has not been launched
Prepaid supplier II	5,846,083.03	Prepayments are being deducted
Subtotal	12,010,064.71	

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

Unit: RMB

Organization name	Ending balance	Proportion in remaining pre-paid amount
No. 1	126,089,301.17	25.09%

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No. 2	60,129,492.40	11.97%
No. 3	34,398,708.08	6.85%
No. 4	29,337,279.59	5.84%
No. 5	28,267,619.07	5.63%
Subtotal	278,222,400.31	55.38%

Other notes:

5. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interests receivable		64,445.20
Dividends receivable		0.00
Other receivables	92,363,339.09	792,361,183.70
Total	92,363,339.09	792,425,628.90

(1) Interest receivable

1) Classification of interests payable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed-term deposits	0.00	64,445.20
Total		64,445.20

(2) Other receivables

1) Classification of other receivables based on the fund nature

Unit: RMB

Fund nature	Ending book value	Opening book balance
Security, deposit and reserve	55,705,678.80	69,863,183.59
Receivable sharing and royalty	16,154,711.03	33,563,609.65
Equity-related receivables	47,176,888.88	448,486,888.88
Performance compensation receivables	0.00	260,868,040.88
Others	6,429,081.90	7,073,939.79
Total	125,466,360.61	819,855,662.79

2) Accrual of bad debt provision

Unit: RMB

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Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (without credit impairment)	Expected credit losses for the entire duration (with credit impairment)	
Balance on January 1st, 2019	27,294,479.09	200,000.00		27,494,479.09
Balance on January 1st, 2019 is in the period	-	-	-	-
- Transferred to Stage II	-1,859,300.93	1,859,300.93		0.00
Accrual of the period		18,738,152.85		18,738,152.85
Reversal of the period	13,129,610.42			13,129,610.42
Balance on June 30th, 2019	12,305,567.74	20,797,453.78		33,103,021.52

For the provision for loss, is there any major change in book balances of the period?

☐Applicable ☒Not Applicable

Disclosure by aging

Unit: RMB

Aging	Balance at the end of the period
Within 1 year (inclusive)	59,355,299.57
Within 1 year (inclusive)	59,355,299.57
1-2 year(s)	56,060,036.04
2 - 3 years	2,533,902.43
Over 3 years	7,517,122.57
3 - 4 years	5,217,110.07
4 - 5 years	12.50
Over 5 years	2,300,000.00
Total	125,466,360.61

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

Accrued provision for bad debts in this period:

Unit: RMB

Type	Beginning balance	Change in this period		Ending balance
		Accrual	Recovery or reversal	
Account receivable individually accrued for provision of bad account	200,000.00	20,597,453.78		20,797,453.78
Accounts receivable with bad debt provision accrued by portfolio	27,294,479.09		14,988,911.35	12,305,567.74
Total	27,494,479.09	20,597,453.78	14,988,911.35	33,103,021.52

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

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

Unit: RMB

Organization name	Amount carried forward or recovered	Change the way of return
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4) Other accounts receivable in top five based on year-end balance collected from arrears party

Unit: RMB

Organization name	Fund nature	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
No. 1	Equity disposal receivables	42,768,000.00	1 - 2 year(s)	34.47%	10,926,508.41
No. 2	Security, deposit and reserve	24,450,000.00	1 year	25.15%	1,222,500.00
No. 3	Security, deposit and reserve	20,000,000.00	1 year	20.57%	1,000,000.00
No. 4	Amount to be recovered	11,142,625.96	1 - 2 year(s)	2.09%	9,214,262.60
No. 5	Amount to be recovered	5,000,000.00	2 - 3 years	2.71%	2,500,000.00
Total	--	103,360,625.96	--	84.99%	24,863,271.01

6. Assets held-for-sale

Unit: RMB

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

Other notes:

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

7. Other current assets

Have the new revenue standards been implemented?

☐ Yes ☒ No

Unit:RMB

Item	Ending balance	Beginning balance
Retained VAT and VAT to be certified	119,783,320.81	115,335,389.59
Prepaid income tax	5,920,137.42	6,410,819.68
Performance compensation receivables	0.00	119,119,168.64
Total	125,703,458.23	240,865,377.91

Other notes:

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The opening balance of the receivable performance compensation was generated because that Shanghai Mokun failed to fulfill its 2018 annual performance commitment and its original shareholders' compensation shares of 23,240,591 shares in total were repurchased and cancelled according to relevant agreements during the reporting period.

8. Long-term equity investment

Unit: RMB

Invested company	Opening balance (book value)	Increase or decrease in this period								Ending balance (book value)	Ending balance of depreciation reserves
		Additional investments	Negative investment	Profit and loss on investments confirmed with equity method	Other comprehensiv e income adjustment	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment provision	Others		
I. Joint ventures											
II. Associates											
Yangzhou Fuhai Sanqi Internet Cultural Investment Center (Limited Partnership)	48,136,104.35			-1,986,511.87						46,149,592.48	
Shanghai Fenghua Qiushi Culture Media Co., Ltd.	132,678,347.40			1,925,411.11						134,603,758.51	
New Cues (Beijing) Television Investment Co., Ltd.	101,285,461.34			-1,039,585.34						100,245,876.00	
Chengdu Pengwan Technology Co., Ltd.	55,790,372.01			-263,915.66						55,526,456.35	
Sanqi Guangzheng (Guangzhou) Cultural Technology Investment Partnership (Limited Partnership)	45,000,000.00									45,000,000.00	
Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	39,163,509.62		29,315,220.72	27,828.40						9,876,117.30	
Shanghai Yuhouyi Network Technology Co., Ltd.	20,233,958.82			-272,274.96						19,961,683.86	
Shanghai Jueli Culture Media Co., Ltd.	27,593,699.69			-979,081.27						26,614,618.42	

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2019 Semi-annual Report of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.

Chengdu Mofei Technology Co., Ltd.	15,777,419.05			-1,137,760.98						14,639,658.07	
Jiangsu Yezi Network Technology Co., Ltd.	13,901,748.49			-328,184.42						13,573,564.07	
Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	11,611,786.40			-510,002.93						11,101,783.47	
Others	44,429,606.82	8,900,000.00		-1,608,814.57				14,789,077.01		36,931,715.24	26,949,181.42
Subtotal	555,602,013.99	8,900,000.00	29,315,220.72	-6,172,892.49				14,789,077.01		514,224,823.77	26,949,181.42
Total	555,602,013.99	8,900,000.00	29,315,220.72	-6,172,892.49				14,789,077.01		514,224,823.77	26,949,181.42

Other notes:

“Others” refer to a summary of equity investment with an ending balance of less than RMB 10 million.

9. Other equity investment

Unit: RMB

Item	Ending balance	Beginning balance
Shenzhen Mokylin Technology Co., Ltd.	60,000,000.00	60,000,000.00
Shenzhen QiFun Network Corp. Ltd.	50,000,000.00	50,000,000.00
Archiact Interactive Ltd.	21,650,889.40	21,624,422.86
Karma Game Beijing Limited	17,000,000.00	
Karma Game HK Limited	12,918,608.00	
Guangzhou Xuyang Network Technology Co., Ltd.	11,000,000.00	1,000,000.00
Tianshe (Shanghai) Culture & Media Co., Ltd.	10,000,000.00	10,000,000.00
Shanghai Original Plan Culture & Media Co. Ltd.	10,000,000.00	10,000,000.00
Others	54,066,483.88	43,946,971.81
Total	246,635,981.28	196,571,394.67

Unit: RMBProject name	Recognized dividend income	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained income	Reason for measurement by fair value and change being recognized in other comprehensive income	Reason for other comprehensive income transferred to retained income
Shenzhen Mokylin Technology Co., Ltd.					Non-trading equity investment	
Shenzhen QiFun Network Corp. Ltd.					Non-trading equity investment	
Archiact Interactive Ltd.					Non-trading equity investment	
Karma Game Beijing Limited					Non-trading equity investment	
Karma Game HK Limited					Non-trading equity investment	
Guangzhou Xuyang Network Technology Co., Ltd.					Non-trading equity investment	
Tianshe (Shanghai) Culture & Media Co., Ltd.					Non-trading equity investment	
Shanghai Original Plan Culture & Media Co. Ltd.					Non-trading equity investment	
Others					Non-trading equity investment	

Other notes:

“Others” refer to a summary of equity investment with an ending balance of less than RMB 10 million.

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

10. Other non-current financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Shanghai Mango Creative Equity Investment Fund (L.P.)	173,581,491.41	173,581,491.41
X.D. Network	100,055,903.60	100,050,000.00
Tianjin Digital Color Interactive Technology Co., Ltd.	80,000,000.00	80,000,000.00
Mango Excellent Media Co., Ltd.	74,486,294.30	67,155,608.00
Hangzhou Southern Pictures Co., Ltd.	64,997,287.11	69,996,897.11
Chengdu 91ACT Technology Company	52,731,000.00	52,731,000.00
Shenzhen Zhonghui Television Culture Communication Co., Ltd.	50,000,000.00	50,000,000.00
Jiangsu Mingtong Information Technology Co., Ltd.	50,000,000.00	50,000,000.00
Beijing Chinese Anci Equity Investment Fund Management Center (Limited Partnership)	42,748,550.00	50,000,000.00
SNK Corporation	36,600,182.47	1,036.35
Hebei Youying Culture Spreading Co., Ltd.	26,800,000.00	26,800,000.00
Beijing Chenming Media Co., Ltd.	25,000,000.00	25,000,000.00
Tianjin Purple Dragon Singular Point Interactive Entertainment Co., Ltd.	23,115,789.90	23,115,789.90
Zen-game Technology	17,217,313.29	18,000,000.00
Hangzhou Honghua Duoduo Network Technology Co., Ltd.	16,978,390.00	16,978,390.00
Shanghai Touch Culture Communication Co., Ltd.	15,000,000.00	15,000,000.00
YHKT Entertainment Co., Ltd.	14,400,000.00	14,400,000.00
Suzhou Youge Huaxin Venture Investment Center (Limited Partnership)	10,500,000.00	
Shanghai Zhangmeng Network Technology Co., Ltd.	10,000,000.00	10,000,000.00
Najia Technology (Shenzhen) Co., Ltd.		40,000,000.00
Others	48,269,419.37	39,909,418.11
Total	932,481,621.45	922,719,630.88

Other notes:

“Others” refer to a summary of equity investment with an ending balance of less than RMB 10 million.

11. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
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Fixed assets	36,385,942.05	36,458,454.56
Liquidation of fixed assets	0.00	0.00
Total	36,385,942.05	36,458,454.56

(1) Status of fixed assets

Unit: RMB

Item	Motor vehicles	Electric and office equipment	Total
I. Original carrying value:			
1. Balance at the beginning of this period	6,424,328.85	116,980,511.36	123,404,840.21
2. Increase of this period	683,185.84	10,673,356.07	11,356,541.91
(1) Purchasing	683,185.84	10,647,900.74	11,331,086.58
(2) Construction in progress transferred-in			
(3) Increase by business combination			
(4) Exchange conversion		25,455.33	25,455.33
3. Decrease of this period	3,918,238.46	8,509,193.94	12,427,432.40
(1) Disposal or discard as useless		1,296,997.73	1,296,997.73
(2) Disposal of subsidiaries	3,918,238.46	7,212,196.21	11,130,434.67
4. Closing balance	3,189,276.23	119,144,673.49	122,333,949.72
II. Accumulated depreciation			
1. Balance at the beginning of this period	3,134,095.70	83,812,289.95	86,946,385.65
2. Increase of this period	331,780.58	6,900,230.23	7,232,010.81
(1) Accruing	331,780.58	6,884,900.75	7,216,681.33
(2) Exchange conversion		15,329.48	15,329.48
3. Decrease of this period	1,605,267.63	6,625,121.16	8,230,388.79
(1) Disposal or discard as useless		1,059,850.53	1,059,850.53
(2) Disposal of subsidiaries	1,605,267.63	5,565,270.63	7,170,538.26
4. Closing balance	1,860,608.65	84,087,399.02	85,948,007.67
III. Provision for impairment of assets			
1. Balance at the beginning of this period			
2. Increase of this period			

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(1) Accruing			
3. Decrease of this period			
(1) Disposal or discard as useless			
4. Closing balance			
IV. Book value			
1. Ending book value	1,328,667.58	35,057,274.47	36,385,942.05
2. Book value at the beginning of period	3,290,233.15	33,168,221.41	36,458,454.56

12. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	751,293,007.77	0.00
Total	751,293,007.77	0.00

(1) Status of construction under progress

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Office building	751,293,007.77		751,293,007.77			
Total	751,293,007.77		751,293,007.77			0.00

(2) Change of significant construction during the period

Unit: RMB

Project name	Budget	Beginning balance	Increased amount of current period	Amount of transfer-in fixed assets at current period	Amount of other decreases of this period	Ending balance	Proportion of accumulative engineering investment in budget	Project progress	Accumulated amount of capitalized interest	Wherein: Amount of capitalized interest in current period	Capitalization rate of interest for this period	Capital sources
Office building		0.00	751,293,007.77	0.00	0.00	751,293,007.77			0.00	0.00	0.00%	Others
Total		0.00	751,293,007.77	0.00	0.00	751,293,007.77	--	--				--

13. Intangible assets**(1) Status of intangible assets**

Unit: RMB

Item	Cost of publication number	Domain name	Game copy right	Trademark	Office software	Total
I. Original carrying value						
1. Balance at the beginning of this period	354,930.00	12,778,182.04	93,439,716.94	865,764.31	12,360,394.64	119,798,987.93
2. Increase of this period				262.99	1,769,927.00	1,770,189.99
(1) Purchasing					1,769,911.60	1,769,911.60
(2) Internal R&D						
(3) Increase by business combination						

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2019 Semi-annual Report of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.

(4) Exchange conversion				262.99	15.40	278.39
3. Decrease of this period						
(1) Disposal						
4. Closing balance	354,930.00	12,778,182.04	93,439,716.94	866,027.30	14,130,321.64	121,569,177.92
II. Accumulated amortization						
1. Balance at the beginning of this period	354,930.00	3,034,818.47	62,856,266.86	373,698.10	8,035,094.35	74,654,807.78
2. Increase of this period		319,454.58	55,249.98	42,260.64	1,370,337.56	1,787,302.76
(1) Accruing		319,454.58	55,249.98	42,009.12	1,370,322.15	1,787,035.83
(2) Exchange conversion				251.52	15.41	266.93
3. Decrease of this period						
(1) Disposal						
4. Closing balance	354,930.00	3,354,273.05	62,911,516.84	415,958.74	9,405,431.91	76,442,110.54
III. Provision for impairment of assets						
1. Balance at the beginning of this period			30,440,779.99		406,963.12	30,847,743.11
2. Increase of this period						
(1) Accruing						
3. Decrease of this period						
(1) Disposal						

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4. Closing balance			30,440,779.99		406,963.12	30,847,743.11
IV. Book value						
1. Ending book value	0.00	9,423,908.99	87,420.11	450,068.56	4,317,926.61	14,279,324.27
2. Book value at the beginning of period	0.00	9,743,363.57	142,670.09	492,066.21	3,918,337.17	14,296,437.04

The ratio of intangible assets formed through the internal research and development of the Company at the end of the period to the balance of intangible assets is 16.24%.

14. Development expenditure

Unit: RMB

Item	Beginning balance	Increased amount of current period			Decreased amount of current period			Ending balance
		Internal development expenses	Others		Defined as intangible assets	Transferred to current profits and losses		
Item I	6,205,796.16					6,205,796.16		0.00
Total	6,205,796.16					6,205,796.16		0.00

Other notes

Other notes

15. Goodwill**(1) Carrying value of goodwill**

Unit: RMB

Name of the invested company and the matter which forms goodwill	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Formed through business combination		Others		Disposal
Shanghai Sanqi Interactive Entertainment	1,578,065,048.53					1,578,065,048.53
Chengdu Shengge Times Network Technology Co., Ltd.	263,737.88					263,737.88
Shanghai Mokun	1,259,793,586.00			1,259,793,585.93		0.00
Total	2,838,122,372.34			1,259,291,236.70		1,578,328,786.41

(2) Goodwill impairment

Unit: RMB

Name of the invested company and the matter which forms goodwill	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Withdrawing	Others	Disposal	Others	
Chengdu Shengge Times Network Technology Co., Ltd.	263,737.88					263,737.88

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Shanghai Mokun	1,259,291,236.70			1,259,291,236.70		0.00
Total	1,259,554,974.58			1,259,291,236.70		263,737.88

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

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

Impact of goodwill impairment test

Other notes

16. Long-term prepaid expenses

Unit: RMB

Item	Beginning balance	Increased amount of current period	Amortization amount of the current period	Other decreases	Ending balance
Cost of copyright agency	70,174,940.95	39,004,517.78	38,190,510.02	-69,639.51	71,058,588.22
Trade mark registration fee	2,943.26		2,943.26		0.00
Cost of building decoration	4,108,662.28		1,048,583.96	28,543.71	3,031,534.61
Total	74,286,546.49	39,004,517.78	39,242,037.24	-41,095.80	74,090,122.83

Other notes

17. Deferred tax assets and deferred tax liabilities

(1) Non-offset deferred income tax assets

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	49,161,428.01	7,790,147.85	130,272,445.92	22,476,347.10
Deductible losses			23,377,176.05	3,718,400.30
Accrued performance compensation receivables			7,536,817.40	1,130,522.61
Total	49,161,428.01	7,790,147.85	161,186,439.37	27,325,270.01

(2) Non-offset deferred income tax liabilities

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary	Deferred income tax	Taxable temporary	Deferred income tax

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	difference	liabilities	difference	liabilities
Changes in fair value of available-for-sale financial assets	0.00	0.00	31,572,708.00	4,735,906.20
Total	0.00	0.00	31,572,708.00	4,735,906.20

(3) The deferred tax assets or debt reported in the net amount after offset

Unit: RMB

Item	Amount of offsetting between the deferred tax assets and liabilities at the end of the period	Closing balance of the deferred tax assets or liabilities after offsetting between them	Amount of offsetting between the deferred income tax assets and liabilities at the beginning of the period	Opening balance of the deferred tax assets or liabilities after offsetting between them
Deferred income tax assets	0.00	7,790,147.85	0.00	27,325,270.01
Deferred income tax liabilities	0.00		0.00	4,735,906.20

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	98,551,675.35	80,408,693.08
Deductible losses	659,818,310.43	122,954,217.39
Total	758,369,985.78	203,362,910.47

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

Unit: RMB

Year	Amount at the end of the period	Initial amount	Remarks
2020	882,980.60	2,058,386.09	
2021	14,790.08	18,045,171.61	
2022	22,278,522.68	85,382,375.75	
2023	42,404,201.76	17,468,283.94	
After 2023	594,237,815.31		
Total	659,818,310.43	122,954,217.39	--

Other notes:

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18. Other non-current assets

Have the new revenue standards been implemented?

☐ Yes ☒ No

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for house purchase	58,269,048.52	801,611,138.04
Total	58,269,048.52	801,611,138.04

Other notes:

19. Short-term loans**(1) Classification of short-term loans**

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed loans		369,000,000.00
Total		369,000,000.00

Description of classification of other short-term borrowings:

20. Notes payable

Unit: RMB

Type	Ending balance	Beginning balance
Bank acceptance bills	30,000,000.00	
Total	30,000,000.00	0.00

The due and unpaid payable note at the end of the period is RMB 0.00.

21. Accounts payable**(1) List of accounts payable**

Unit: RMB

Item	Ending balance	Beginning balance
Payable shared profits of games	647,422,034.40	508,051,919.40
Payable internet promotion and traffic costs	436,126,375.84	560,422,006.00
Other payable costs	17,126,445.95	13,888,442.89
Total	1,100,674,856.19	1,082,362,368.29

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

Unit: RMB

Item	Ending balance	Reasons for outstanding or non-carry over
Payable supplier I	5,572,750.32	In the process of reconciliation
Payable supplier II	14,998,419.30	Means of settlement is under negotiation
Total	20,571,169.62	--

Other notes:

22. Account received in advance

Have the new revenue standards been implemented?

☐ Yes ☒ No**(1) List of account received in advance**

Unit: RMB

Item	Ending balance	Beginning balance
Recharge received in advance	180,060,823.75	94,547,117.27
Others	98,823.77	81,625.32
Total	180,159,647.52	94,628,742.59

23. Staff salaries payable**(1) List of staff salaries payable**

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Ending balance
I. Short-term remuneration	121,133,549.27	370,773,545.96	372,261,897.81	119,645,197.42
II. Post-employment benefit-defined contribution plans	674,799.08	17,721,260.80	18,082,248.64	313,811.24
III. Dismiss welfares	170,052.83	4,445,093.56	3,079,146.39	1,536,000.00
IV. Other welfare due within one year	0.00	0.00	0.00	0.00
Total	121,978,401.18	392,939,900.32	393,423,292.84	121,495,008.66

(2) List of short-term remuneration

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Closing balance
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1. Salaries, bonus, allowances and subsidies	120,493,925.04	326,788,365.29	328,008,823.28	119,273,467.05
2. Staff welfare expenses	0.00	22,857,652.29	22,857,652.29	0.00
3. Social insurance premiums	379,477.06	10,106,054.60	10,306,547.79	178,983.87
Wherein: Medical insurance premiums	332,631.49	8,471,033.80	8,653,618.93	150,046.36
Industrial injuries insurance premium	5,586.28	241,926.16	243,225.40	4,287.04
Maternity insurance premiums	33,864.00	1,028,646.36	1,044,290.45	18,219.91
Critical illness insurance	7,395.29	364,448.27	365,413.00	6,430.56
4. Housing provident fund	249,061.00	9,660,969.30	9,729,454.90	180,575.40
5. Union expenses and employee educational expenditure	11,086.17	1,360,504.48	1,359,419.55	12,171.10
Total	121,133,549.27	370,773,545.96	372,261,897.81	119,645,197.42

(3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Closing balance
1. Basic endowment insurance	654,126.16	16,946,755.18	17,300,788.62	300,092.72
2. Unemployment insurance premiums	20,672.92	774,505.62	781,460.02	13,718.52
Total	674,799.08	17,721,260.80	18,082,248.64	313,811.24

Other notes:

24. Tax payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	17,212,333.91	33,574,036.91
Enterprise income tax	67,656,481.38	51,032,839.33
Individual income tax	48,720.38	971,561.88
Urban maintenance and construction tax	905,870.42	1,366,222.30
Education surtax	388,417.51	590,668.51
Local education surcharge	258,945.00	392,703.75
Water conservancy funds	650,442.49	397,874.74
Stamp tax	874,846.00	591,306.68
Outbound income tax	467,769.92	358,410.10
Embankment protection fee		179.23
Total	88,463,827.01	89,275,803.43

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Other notes:

25. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Interests payable		52,841.84
Dividends payable	417,980,832.00	0.00
Other payables	134,326,337.79	108,089,757.99
Total	552,307,169.79	108,142,599.83

(1) Interest payable

Unit: RMB

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

Significant interest overdue but unpaid:

Unit: RMB

Borrower	Default penalty	Overdue reason
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Other notes:

(2) Dividend payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends on common stock	417,980,832.00	0.00
Total	417,980,832.00	0.00

Other instructions, including important dividends payable unpaid for more than 1 year, should disclose the reasons for the non-payment:

(3) Other payables

1) Other accounts payable listed by the nature of accounts

Unit: RMB

Item	Ending balance	Beginning balance
Deposit and guarantee deposit	9,240,000.00	8,360,000.00
Investment funds payable	11,000,000.00	8,500,000.00

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Temporary payment for equity payment	109,936,207.21	86,936,207.21
Others	4,150,130.58	4,293,550.78
Total	134,326,337.79	108,089,757.99

2) Other significant accounts payable with age of more than one year

Unit: RMB

Item	Ending balance	Reasons for outstanding or non-carry over
Ningbo Xishan Investment Partnership (limited partnership)	41,246,292.00	Transaction not completed yet
Total	41,246,292.00	--

Other notes

26. Non-current liability due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	30,282,389.93	29,599,165.73
Total	30,282,389.93	29,599,165.73

Other notes:

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

27. Other current liabilities

Have the new revenue standards been implemented?

☐ Yes ☒ No

Unit: RMB

Item	Ending balance	Beginning balance
Temporarily estimated output tax	69,171,032.23	89,719,750.76
Payable performance compensation	7,536,817.40	7,536,817.40
Total	76,707,849.63	97,256,568.16

Movements in short-term bonds payable:

Unit: RMB

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

28. Long-term loans

(1) Classification of long-term loans

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage, guaranteed loan	265,883,241.55	281,176,106.33
Total	265,883,241.55	281,176,106.33

Description of classification of other long-term borrowings:

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

Other instructions, including interest rate range:

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

29. Deferred income

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Ending balance	Cause
Deferred income from royalty income	3,903,715.32		1,639,020.78	2,264,694.54	Game copyright payment to be amortized
Total	3,903,715.32		1,639,020.78	2,264,694.54	--

Items revolving governmental subsidies:

Unit: RMB

Items of liabilities	Beginning balance	Amounts of new subsidies in current period	Amount of non-operating income in current period	Amount of other income in current period.	Amount of cost offset in the current period	Other movements	Ending balance	Related to assets/income

Other notes:

30. Share capital

Unit: RMB

	Beginning balance	Changes (+/-) in this time					Ending balance
		Stock issue	Dividend stock	Shares converted from accumulated reserves	Others	Subtotal	
Total number of shares	2,124,870,253.00				-12,618,556.00	-12,618,556.00	2,112,251,697.00

Other notes:

The total number of compensation shares for performance commitment repurchased and cancelled by the Company during the

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reporting period was 12,618,556 shares. The shares repurchased were cancelled at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on June 26th, 2019.

31. Capital reserves

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Ending balance
Capital Premium (share premium)	295,818,167.99		106,500,613.64	189,317,554.35
Other capital reserves	2,921,799.22			2,921,799.22
Total	298,739,967.21		106,500,613.64	192,239,353.57

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

The capital reserve premium decreased in the current period, because the compensation shares provided by the original shareholders of Shanghai Mohan due to the failure of performance commitments in 2018 were cancelled in the current period to offset the capital reserve of RMB 106,500,613.64.

32. Treasury stock

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Ending balance
Treasury stock		302,007,311.87		302,007,311.87
Total		302,007,311.87		302,007,311.87

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

During the reporting period, the Company repurchased 22,347,537 shares through a stock repurchase special securities account by centralized competitive bidding. The total amount paid for repurchase and transaction was RMB 302,007,311.87 in total.

33. Other comprehensive income

Unit: RMB

Item	Beginning balance	Amount incurred in the current period						Ending balance
		Accrual before income tax in this period	Less: The amount calculated in other comprehensive income in earlier period and carried over to profit and loss in current period.	Less: Other comprehensive income in earlier period carried over to retained income in current period	Less: Income taxes	Attributable to parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive incomes that would be classified into profit and loss	19,539,544.78	-25,288.71				-25,288.71		19,514,256.07
Translation difference in the foreign currency financial statement	19,539,544.78	-25,288.71				-25,288.71		19,514,256.07
Other total comprehensive income	19,539,544.78	-25,288.71				-25,288.71		19,514,256.07

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

34. Surplus reserves

Unit: RMB

Item	Balance at the beginning of the period	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserves	170,477,835.88			170,477,835.88
Total	170,477,835.88			170,477,835.88

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

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35. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Adjustment of undistributed profits of previous year	3,332,211,003.19	2,819,597,585.78
Adjustment of undistributed profits by beginning of the period (Add + /subtract -)	26,836,801.80	
Undistributed profits at the beginning of the period after adjustment	3,359,047,804.99	2,819,597,585.78
Add: Net profit owned by parent company owners in this year	1,033,074,405.38	801,378,948.23
Dividends payable on common stock	417,980,832.00	212,487,025.30
Undistributed profits at the end of the period	3,974,141,378.37	3,408,489,508.71

Details of undistributed profits at the beginning of adjustment period:

- 1) Due to retroactive adjustment of Enterprise Accounting Standard and its relevant new provisions, the affected undistributed profit at the beginning of the period is RMB 26,836,801.80.
- 2) Due to changes in accounting policies, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 3) Due to correction of significant accounting errors, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 4) Due to changes of consolidation scope caused by the same control, the affected undistributed profit at the beginning of the period is RMB 0.00.
- 5) Due to all the other adjustments, the affected undistributed profit at the beginning of the period is RMB 0.00.

36. Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	6,070,957,503.06	838,986,561.51	3,302,496,146.77	886,273,600.84
Total	6,070,957,503.06	838,986,561.51	3,302,496,146.77	886,273,600.84

Have the new revenue standards been implemented?

☐ Yes ☒ No

Other notes

37. Taxes and additional charges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	6,172,602.07	4,948,385.78
Education surtax	2,647,382.39	2,249,705.79

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Housing property tax		709,881.81
Land use tax		1,491,346.02
Vehicle and vessel use tax		5,786.00
Stamp tax	5,887,808.42	4,040,180.13
Local education surcharge	1,763,620.77	1,499,803.86
Water conservancy construction fund	3,906,174.99	899,614.72
Others	14,783.32	
Total	20,392,371.96	15,844,704.11

Other notes:

38. Sales expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	67,946,816.49	58,178,715.37
Depreciation cost	366,206.32	1,183,914.65
Office expense	1,177,474.71	841,929.24
Internet traffic fee	3,558,291,208.95	1,065,490,253.23
Traveling expense	616,366.75	1,250,701.25
Transportation and storage fees		11,259,054.71
Entertainment expenses	1,446,225.44	2,796,751.98
Others	2,223,223.18	2,477,174.51
Total	3,632,067,521.84	1,143,478,494.94

Other notes:

39. Management expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	62,419,050.34	73,347,048.30
Office expense	3,809,689.53	9,433,016.34
Traveling and conference fees	3,034,384.13	6,939,636.95
Fees of depreciation and amortization	1,683,992.38	7,703,961.58
Business entertainment expense	4,209,103.29	6,595,354.94
Rentals	7,866,253.84	10,477,606.15
Agency and consulting fees	4,778,608.36	9,806,211.13

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Share payment		
Others	252,756.81	3,632,089.05
Total	88,053,838.68	127,934,924.44

Other notes:

40. R&D expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salary and welfare	271,801,617.49	193,673,609.70
Operation and maintenance fees	17,842,148.02	20,486,409.91
Fees of depreciation and amortization	12,268,281.05	6,228,919.76
Design cost	9,427,709.39	21,767,674.58
Traveling and transportation expenses	2,678,081.45	3,295,910.41
Office expense	4,164,613.26	3,558,828.12
Rent and office utilities	3,575,323.68	2,058,966.19
Others	2,941,895.98	6,773,547.40
Total	324,699,670.32	257,843,866.07

Other notes:

41. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest payment	16,306,707.81	21,337,173.26
Service charges and others paid to financial authorities	590,754.01	234,059.11
Less: Interest incomes	12,445,472.86	9,241,560.12
Exchange gains and losses	-118,447.24	1,628,761.68
Total	4,333,541.72	13,958,433.93

Other notes:

42. Other profits

Unit: RMB

Sources of other incomes	Amount incurred in the current period	Amount incurred in the previous period
VAT immediate levy and refund	18,148,222.30	26,890,901.13

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VAT (for addition or deduction)	7,729,525.95	
Other government subsidies	23,416,359.86	15,994,304.90
Total	49,294,108.11	42,885,206.03

43. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by equity method	-6,172,892.49	-4,090,378.50
Investment profits by the disposal of long-term equity investment	9,045,006.87	3,511,999.12
Investment income of trading financial assets during the holding period	1,701,000.00	
Investment profit by the disposal of trading financial assets	3,187,375.98	
Investment income of available-for-sale financial assets during the holding period		1,194,183.75
Investment profit by the disposal of marketable financial assets		16,461,078.84
Bank yields from financial products	11,172,479.46	6,670,822.43
Total	18,932,969.82	23,747,705.64

Other notes:

44. Profits from change in fair value

Unit: RMB

Sources of profits from change of fair value	Amount incurred in the current period	Amount incurred in the previous period
Trading financial assets	41,603,452.48	
Total	41,603,452.48	

Other notes:

45. Credit impairment loss

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt loss of other receivables	-3,143,317.39	
Losses on bad debts of account receivables	36,237,705.83	
Total	33,094,388.44	

Other notes:

46. Asset impairment losses

Have the new revenue standards been implemented?

☐ Yes ☒ No

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Losses on bad debts		-2,355,927.32
II. Inventory devaluation losses		214,247.31
V. Long-term equity investment impairment losses	-14,789,077.01	
Total	-14,789,077.01	-2,141,680.01

Other notes:

47. Income from disposal of assets

Unit: RMB

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Gains (losses) from disposal of fixed assets	-77,711.53	4,411.96

48. Non-operating income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized into current non-recurring profits and losses
Tort compensation	3,074,941.61	725,408.11	3,074,941.61
Others	8,055.54	351,138.99	8,055.54
Total	3,082,997.15	1,076,547.10	

Government subsidy recognized in current losses and gains:

Unit: RMB

Subsidy items	Entity	Reason	Nature and type	Do subsidies affect the profit and loss of the year?	Whether it is a special subsidy or not?	Amount incurred in this period	Amount incurred in the previous period	Related to assets/income
VAT immediate levy and refund	Tax bureaus in Shanghai, Guangzhou, Huai'an, etc.	Subsidies	Subsidies received from the government to encourage and support specific industries and segments (according to national policies and regulations)	No	No	18,148,222.30	26,890,901.13	Related to income
Return of handling charges of individual income tax	Tax bureaus in Guangzhou, Huai'an, Shanghai, Nanling County (Anhui), etc.	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	53,440.62	583,643.95	Related to income
Subsidy for post stability	Social insurance fund management centers in Guangzhou, Huai'an, Wuhu, Shenzhen, etc.	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	11,517.43	81,019.95	Related to income
Entrepreneurship-driven employment subsidies	Guangzhou Municipal Human Resources and Social Security Bureau	Subsidies	Subsidies received from the government for the protection of certain utility services or socially necessary product supply or price control functions	No	No	4,000.00		Related to income
Rewards for quality development	Economic Development Bureau of Huai'an Economic and	Reward	Subsidies received for compliance with local support policies for investment promotion by local	No	No	15,000.00		Related to income

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	Technological Development Zone		governments					
Subsidies for Huai'an Software Park	Huai'an Software Park Management Development Co., Ltd.	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	991,394.84	3,282,551.15	Related to income
Government support tax rebates	Huai'anHongze District Internet Industry Base Management Co., Ltd., and Huai'anSanhe Internet Game Industry Park Construction Management Co., Ltd.	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	4,530,331.59	596,562.00	Related to income
Subsidies from Huai'an Overseas Students Pioneer Park Management Committee	Huai'an Economic and Technological Development Zone Overseas Students Pioneer Park Management Office	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	40,633.00	2,551,934.70	Related to income
Industrial subsidies	Management Committee of Anhui Xinwu Economic & Technological Development Zone	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	414,000.00		Related to income
Industrial subsidies	Wuhu Jiujiang District Finance Bureau	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	15,100,444.24		Related to income
Provincial Financial Research Funds for Research and Development of Enterprises in Guangdong Province	Department of Science and Technology of Guangdong Province	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		1,080,500.00	Related to income
Subsidies to Guangzhou enterprises' R&D investment	Guangzhou Science, Technology and Innovation Commission	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	575,700.00		Related to income
Special fund for construction of Guangzhou enterprise R&D	Guangzhou Municipal Science and Technology Bureau	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	400,000.00		Related to income

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institute								
Special subsidy for construction of enterprise R&D institute	Guangzhou Science, Technology and Innovation Commission	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	600,000.00		Related to income
Guangzhou enterprise R&D subsidy	Guangzhou Science, Technology and Innovation Commission	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No	278,200.00		Related to income
Incentive fund for cultivation of provincial new high-tech enterprises	Jiangsu Department of Finance	Reward	Subsidies for research and development, technology renewal and renovation	No	No		55,555.00	Related to income
Special fund of commercial development	Guangzhou Municipal Commerce Bureau	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	397,500.00		Related to income
Rebates of VAT levied by South Korea	Sam Sung Tax Office	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No	4,198.14	1,251.47	Related to income
VAT (for addition or deduction)	Tax bureaus in Shanghai, Guangzhou, Huai'an, etc.	Subsidies	Subsidies received from the government to encourage and support specific industries and segments (according to national policies and regulations)	No	No	7,729,525.95		Related to income
Return of land use tax	Jishan Town Government of Nanling County, Anhui Province	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No		1,857,265.43	Related to income
Supporting subsidy from the Finance Bureau of Jiading District, Shanghai	Finance Bureau of Jiading District, Shanghai	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No		3,632.80	Related to income
Fees for withholding taxes	Huai'an Municipal Office of SAT	Reward	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No		71,081.94	Related to income
Business stabilization and	People's Government of Tang	Subsidies	Subsidies received for compliance with local support	No	No		161,000.00	Related to

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development policies during the 13th Five-Year Plan Period in Pudong New Area	Town, Pudong New Area, Shanghai		policies for investment promotion by local governments					income
Provincial Financial Research Funds for Research and Development of Enterprises in Guangdong Province in 2017	Finance Bureau of Tianhe District, Guangzhou City	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		697,300.00	Related to income
Provincial financial reward for enterprise R&D expenses in 2017	Treasury Payment Center of Huai'an Economic and Technological Development Zone	Reward	Subsidies for research and development, technology renewal and renovation	No	No		2,000,000.00	Related to income
Special fund for innovation in 2017	Finance Bureau of Tianhe District, Guangzhou City	Reward	Subsidies for research and development, technology renewal and renovation	No	No		200,000.00	Related to income
Withheld VAT, income tax refund	Treasury Payment Center of Wuhu Jiujiang District Finance Bureau	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No		551,046.04	Related to income
Reward for technological innovation and invention patent	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		286,000.00	Related to income
Subsidy of Finance and Taxation Service Center in Wuhu Machinery Industry Development Zone	Finance and Taxation Service Center in Wuhu Machinery Industry Development Zone	Subsidies	Subsidies received for compliance with local support policies for investment promotion by local governments	No	No		1,412,900.00	Related to income
Project subsidies of Automotive Fuel System R&D Center	Anhui Department of Finance	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		65,000.00	Related to assets
Subsidy for the purchase of single equipment by SMEs	Wuhu Municipal Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		13,725.46	Related to assets

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Provincial “6+1” subsidies for building independent innovation capacity	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		49,400.00	Related to assets
Special funds for development of provincial enterprises of Nanling Country Commission of Economy and Information Technology	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		25,000.00	Related to assets
Provincial innovation enterprise R&D equipment subsidy	Wuhu Municipal Science and Technology Bureau	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		13,875.00	Related to assets
2015 provincial special fund to build an innovative province	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		13,875.00	Related to assets
Subsidies for R&D and purchase of instruments and equipment	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		39,200.00	Related to assets
2016 provincial special fund to build an innovative province	Wuhu Municipal Science and Technology Bureau	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		39,200.00	Related to assets
2017 Construction fund supports for building manufacturing strong provinces, and equipment subsidies for technological transformation projects to improve industrial foundation	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		171,000.00	Related to assets
Reward and subsidy for industrial technology reform of Country Commission of Economy and Information Technology	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		84,135.00	Related to assets

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2017 provincial special fund to build an innovative province of Nanling County Commission of Economy and Information Technology (technology division)	Nanling County Commission of Economy and Information Technology	Subsidies	Subsidies for research and development, technology renewal and renovation	No	No		6,650.01	Related to assets
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Other notes:

49. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized into current non-recurring profits and losses
External donation	2,520,249.00	2,154,575.54	2,520,249.00
Others	154,522.67	1,333,286.58	154,522.67
Total	2,674,771.67	3,487,862.12	

Other notes:

50. Income taxes**(1) Income tax sheet**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income taxes of current period	118,354,346.40	36,457,725.45
Deferred income tax	13,280,396.04	-19,843.10
Total	131,634,742.44	36,437,882.35

(2) Accounting profit and income tax expenses adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profit	1,290,890,352.82
Income tax expenses calculated at legal/applicable tax rate	322,722,588.21
Impact of various tax rates applicable to subsidiaries	-222,136,356.75
Adjustment of impact on the income tax in the previous period	-7,761.11
Impact of non-taxable income	-255,150.00
Impact of deductible losses of unrecognized deferred income tax assets in the previous period	-4,953,408.15
Impact of deductible temporary differences or deductible loss of unrecognized deferred income tax assets of this period	36,264,830.24
Income taxes	131,634,742.44

Other notes

51. Other comprehensive income

For details, please refer to Note 33 - Other comprehensive income.

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52. Items of cash flow statements**(1) Cash received from other operating activities**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income received	9,069,877.61	4,310,656.28
Government subsidies received	23,820,201.73	15,583,868.49
Non-operating income received	3,076,941.61	806,655.75
Current account received	17,336,183.07	3,258,966.99
Total	53,303,204.02	23,960,147.51

Description of other received cash relevant to operating activities:

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Out-of-pocket expenses	4,143,483,785.04	1,194,332,855.95
Service charge	571,965.99	263,721.64
Non-operating expense	2,674,749.00	2,899,331.81
Current account paid	5,301,033.03	12,880,638.40
Total	4,152,031,533.06	1,210,376,547.80

Description of other cash paid relating to operating activities:

(3) Other cash received relating to investment activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Financial products	2,226,000,000.00	1,126,557,800.00
Mokun performance compensation received	261,800,000.00	0.00
Others	520,540.52	
Total	2,488,320,540.52	1,126,557,800.00

Description of other cash received relating to investing activities:

(4) Other cash payments relating to investing activities

Unit: RMB

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Item	Amount incurred in the current period	Amount incurred in the previous period
Financial products	2,430,000,000.00	1,126,557,800.00
Total	2,430,000,000.00	1,126,557,800.00

Description of other cash payments relating to investing activities:

(5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Repurchase of treasury stocks	302,007,312.87	317,235.07
Acquisition of minority shareholders' equity of subsidiaries	0.00	1,120,000,000.00
Total	302,007,312.87	1,120,317,235.07

Description of cash payments relating to financing activities:

53. Supplementary data of cash flow statement

(1) Supplementary data of cash flow statement

Unit: RMB

Supplementary data	Amount of current period	Amount of previous period
1. Net profits transferred to cash flow of operation activities:	--	--
Net profit	1,159,255,610.38	882,808,568.69
Add: Provision for assets impairment	-18,305,311.43	2,141,680.01
Depreciations of fixed assets, oil and gas assets, and productive biological assets	7,216,681.33	25,040,716.87
Amortization of intangible assets	1,787,302.76	4,418,266.42
Amortization of long-term deferred expenses	39,242,037.24	29,337,234.51
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" indicates the profit)	77,711.53	559,118.35
Financial expense ("-" indicates the profit)	12,906,797.81	15,837,173.26
Losses on investments ("-" indicates the profit)	-60,536,422.30	-23,747,705.64
Decrease of deferred tax assets ("-" indicates increase)	18,060,904.24	-19,843.10
Increase of deferred tax liabilities ("-" indicates decrease)	-4,735,906.20	0.00
Decrease of inventories ("-" indicates increase)		30,356,816.91

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Decrease of operational receivable items (“-” indicates increase)	-656,621,611.14	-61,504,845.64
Increase of operational payable items (“-” indicates decrease)	118,069,996.97	80,267,426.81
Others	-62,854.82	-8,258,589.49
Net cash flows from operating activities	616,354,936.37	977,236,017.96
2. Major investments and financing activities not related to cash expenditure and income:	--	--
3. Changes of cash and cash equivalent:	--	--
Ending cash balance	1,784,128,992.84	1,538,659,591.57
Less: Cash balance at the beginning of the period	1,515,740,344.79	1,580,910,931.98
Net increase of cash and cash equivalents	268,388,648.05	-42,251,340.41

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

Unit: RMB

	Amount
Cash or cash equivalent received in current period for the disposal of subsidiaries in the current period	110,000,000.00
Wherein:	--
Shanghai Mokun	110,000,000.00
Less: Cash and cash equivalent held by subsidiary at the date of losing control	81,260,236.50
Wherein:	--
Shanghai Mokun	81,260,236.50
Add: Cash or cash equivalent received in the current year for the disposal of subsidiaries in the previous periods	404,709,910.00
Wherein:	--
Wuhu Shunrong Auto Parts Co., Ltd.	404,709,910.00
Net cash received for the disposal of subsidiaries	433,449,673.50

Other notes:

(3) Constitution of cash and cash equivalent

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,784,128,992.84	1,515,740,344.79
Wherein: Cash on hand		29,585.32
Bank deposit available for payment at any time	1,721,249,969.75	1,509,544,157.41

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Other monetary fund available for payment at any time	32,879,023.09	6,166,602.06
Note margin due within three months	30,000,000.00	
III. Balance of cash and cash equivalents at the end of period	1,784,128,992.84	1,515,740,344.79
Wherein: Restricted cash and cash equivalents used by parent company and subordinated company of Group	30,000,000.00	

Other notes:

The ending balance of cash and cash equivalents was RMB 1,784,128,992.84. The ending balance of monetary fund was RMB 1,788,431,889.15. The difference of RMB 4,302,896.31 was the guarantee and frozen fund not meeting the cash and cash equivalent standard.

54. Assets with limited ownership or right of use

Unit: RMB

Item	Carrying value at the end of the period	Reason for restriction
Monetary fund	34,302,896.31	Margin account
Construction in progress	751,293,007.77	Borrowing of the Company's subsidiaries with the office building as the mortgage
Total	785,595,904.08	--

Other notes:

55. Foreign currency monetary items

(1) Monetary items in foreign currency

Unit: RMB

Item	Balance of foreign currency at the end of period	Exchange rate	Balance in RMB at the end of period
Monetary fund	--	--	473,347,088.90
Including: USD	67,476,767.42	6.8716	463,673,354.99
EUR	92,005.30	7.8007	717,712.01
HKD	5,306,590.33	0.8803	4,671,349.95
KRW	390,933,993.00	0.0062	2,423,790.76
JPY	2,164,694.00	0.0632	136,702.64
THB	1,846,869.07	0.2240	413,691.47
NT	5,903,095.00	0.2220	1,310,487.09
Accounts receivable	--	--	159,495,588.48
Wherein: USD	8,622,815.50	6.8716	59,252,538.96
EUR	4,719.43	7.8007	36,817.63

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HKD	29,806,669.61	0.8803	26,237,378.58
AUD	761.53	4.8149	3,666.69
Lille, Brazil	219.93	1.7846	392.49
PLN	30.40	1.8382	55.88
RUB	2,930.55	0.1093	320.31
PHP	28,657,877.73	0.1338	3,834,424.04
KRW	366,059,899.00	0.0062	2,264,331.65
MYR	2,322,635.37	1.6636	3,863,936.20
NOK	0.77	0.8052	0.62
JPY	807,005,106.59	0.0632	50,995,326.83
SEK	18.20	0.7385	13.44
THB	17,291,267.20	0.2240	3,869,785.59
Turkey	201,000.58	1.1957	240,336.39
SGD	95,702.76	5.0760	485,787.21
NT	1,184,087.50	0.2220	262,852.28
INR	7,942.50	0.0996	791.07
IDR	10,529,516,567.00	0.0005	5,159,601.84
GBP	414.65	8.7200	3,615.75
VND	10,079,780,506.25	0.0003	2,983,615.03
Long-term loans	--	--	
Wherein: USD			
EUR			
HKD			
Other receivables		--	4,222,670.21
Wherein: USD	612,229.71	6.8716	4,206,997.70
KRW	810,004.84	0.0062	5,022.03
NT	47,975.14	0.2220	10,650.48
Accounts payable		--	213,643,110.09
Wherein: USD	27,726,222.00	6.8716	190,523,507.00
EUR	7,984.30	7.8007	62,287.92
THB	28,007.57	0.2240	6,273.70
NT	97,617,070.82	0.2220	21,670,743.61
VND	4,676,607,625.40	0.0003	1,380,297.86
Other payables		--	618,777.98

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Wherein: USD	90,000.00	6.8716	618,444.00
NT	1,500.00	0.2220	333.98

Other notes:

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

☐Applicable ☒Not Applicable

56. Government subsidies

(1) Basic information on government subsidies

Unit: RMB

Type	Amount	Presented item	Amount included in current profits and losses
Government Subsidy Related to Income	49,294,108.11	Other profits	49,294,108.11

III. Consolidation scope change

1. Business combinations not under the same control

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

Unit: RMB

Name of Acquiree	Time point of stock control	Equity control cost	Share ratio	Stock controlling mode	Purchasing date	Confirmation basis on purchase day	Revenue of Acquiree from purchase date to the end of term	Net profit of Acquiree from purchase date to the end of term
Chengdu Shouyin	January 7th, 2019	550,000.00	55.00%	Purchase	January 7th, 2019	Actual handover date	0.00	-850,182.00

Other notes:

(2) Merger cost and goodwill

Unit: RMB

Combination cost	
- Cash	550,000.00
Total merger cost	550,000.00
Less: Proportion of fair value of identifiable net assets acquired	550,000.00

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Amount of goodwill/ merger cost which is less than the definable net assets fair proportion	0.00
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Recognition method for fair value on the combined costs and description of contingent consideration and its change:

The main reasons for the large goodwill:

Other notes:

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

Unit: RMB

	Fair value on purchase day	Book value on purchase day
Monetary fund	520,540.52	520,540.52
Receivables	88,947.62	88,947.62
Accounts payable	59,488.14	59,488.14
Net asset	550,000.00	550,000.00
Net asset acquired	550,000.00	550,000.00

Recognition method for identifiable assets and fair value:

Determined by book value.

Contingent liabilities of the acquiree assumed in business combination:

None

Other notes:

None

(4) Shares previously held before the acquisition day will be recalculated in terms of the fair value for profits or losses produced

Whether there are transactions that realize business combination step by step through multiple transactions and gain control during the reporting period

☐ Yes ☒ No

2. Disposal of subsidiaries

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

☐ Yes ☒ No

Unit: RMB

Name of subsidiary	Disposal price of equity	Ratio of disposal equity (%)	Disposal method of equity	Time point of losing control	Determination basis of time point of losing control	Difference of enjoyed net asset share of the subsidiary between consolidated financial statements corresponding to disposal price and investment	Proportion of remaining equity on the date of losing control	Carrying value of remaining equity on the date of losing control	Fair value of remaining equity on the date of losing control	Profits or losses attributing to remaining equity re-measured by fair values	Recognition methods and main assumption for fair value of remaining equity on the date of losing control	Amount of other comprehensive income, related to equity investment of original subsidiary, carried forward to the profit and loss on investments
Shanghai Mokun	110,000.00	100.00%	Sale	February 28th, 2019	The equity transfer procedure was completed	9,045,006.87	0.00%	0.00	0.00	0.00	Not applicable	0.00

Other notes:

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

☐ Yes ☒ No

3. Merger scope change for other reasons

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

Company name	Cause of changes	Establishment/Change date
Silk Road Culture Company	Newly-established	January 2019
Anhui Jishuo	Newly-established	January 2019
Shanghai Jiqu	Newly-established	January 2019
Guangzhou Lehu	Newly-established	January 2019
Feiyang Network	Newly-established	February 2019
ChuangshiPoxiao	Newly-established	March 2019
Japanese Lychee	Newly-established	March 2019
37 FUN WORLD PTE.LTD	Newly-established	April 2019
Guangzhou Jishang	Newly-established	June 2019

IV. Rights and interests in other parties

1. Rights and interests in subsidiary

(1) Organization of enterprise group

Name of subsidiary	Principal place of business	Registered address	Business nature	Shareholding ratio		Acquisition method
				Directly	Indirectly	
Level 1 subsidiary						

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Guangzhou Sanqi Culture & Entertainment	Guangzhou	Guangzhou	Software and Information Technology Service	100.00%		Establishment
Tibet Xintai	Tibet	Tibet	Investment	100.00%		Establishment
Level 2 subsidiary						
Shanghai Sanqi Interactive Entertainment	Shanghai	Shanghai	Software and Information Technology Service		100.00%	Business combination not under common control
Khorgas Sanqi	Xinjiang	Xinjiang	Investment		100.00%	Establishment
Level 3 subsidiary						
Shanghai Yingtong	Shanghai	Shanghai	Software and Information Technology Service		100.00%	Business combination not under common control
Anhui Vogue Entertainment	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Business combination not under common control
Vogue Entertainment International	British Virgin Islands	British Virgin Islands	Software and Information Technology Service		100.00%	Business combination not under common control
Guangzhou Sanqi	Guangzhou	Guangzhou	Software and Information Technology Service		80.00%	Business combination not under common control
Jiangsu Aurora	Huai'an	Huai'an	Software and Information Technology Service	20.00%	80.00%	Business combination not under common control
Guangzhou Xingzhong	Guangzhou	Guangzhou	Software and Information Technology Service		100.00%	Business combination not under common control
Shanghai Guanhang	Shanghai	Shanghai	Software and Information Technology Service		100.00%	Business combination not under common control
Anhui Jiashang	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Business combination not under common control
Easy Gaming, Inc.	United States	United States	Software and Information Technology Service		100.00%	Business combination not under

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						common control
Level 4 subsidiary						
Shanghai Zhiren	Shanghai	Shanghai	Software and Information Technology Service		100.00%	Business combination not under common control
Zhuhai Shangjie	Zhuhai	Zhuhai	Software and Information Technology Service		100.00%	Establishment
Chuangshi Poxiao	Hong Kong	Hong Kong	Software and Information Technology Service		100.00%	Establishment
G-MEI Network	British Virgin Islands	British Virgin Islands	Software and Information Technology Service		100.00%	Business combination not under common control
Top Increase	British Virgin Islands	British Virgin Islands	Software and Information Technology Service		100.00%	Business combination not under common control
Feiyang Network	British Virgin Islands	British Virgin Islands	Software and Information Technology Service		100.00%	Establishment
Shanghai Mobile Game	Shanghai	Shanghai	Software and Information Technology Service		80.00%	Business combination not under common control
Chengdu Shengge Times Network Technology Co., Ltd.	Chengdu	Chengdu	Software and Information Technology Service		80.00%	Business combination not under common control
Beijing Shangheng	Beijing	Beijing	Software and Information Technology Service		80.00%	Business combination not under common control
Jiangsu Jiaqu	Huai'an	Huai'an	Software and Information Technology Service		80.00%	Business combination not under common control
Guangzhou Huoshanhu	Guangzhou	Guangzhou	Software and Information Technology Service		80.00%	Establishment
Anhui Sanqi	Wuhu	Wuhu	Software and Information Technology Service		80.00%	Establishment
Anhui Wanhu	Wuhu	Wuhu	Software and Information Technology Service		80.00%	Establishment
Zhuhai Miaohu	Zhuhai	Zhuhai	Software and Information Technology Service		80.00%	Establishment
Guangzhou Sanqi Interactive	Guangzhou	Guangzhou	Software and Information Technology Service		100.00%	Establishment

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Entertainment						
Anhui Aurora	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Establishment
Guangzhou Jisheng	Guangzhou	Guangzhou	Software and Information Technology Service		100.00%	Establishment
Anhui Jishuo	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Establishment
Shanghai Jiqu	Shanghai	Shanghai	Software and Information Technology Service		100.00%	Establishment
Guangzhou Jishang	Guangzhou	Guangzhou	Software and Information Technology Service		100.00%	Establishment
Anhui Xuhong	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Establishment
Anhui Guanyu	Wuhu	Wuhu	Advertising		100.00%	Business combination not under common control
Guangzhou Lehu	Guangzhou	Guangzhou	Software and Information Technology Service		100.00%	Establishment
Anhui Zhusheng	Wuhu	Wuhu	Software and Information Technology Service		100.00%	Establishment
Level 5 subsidiary						
Tibet Taifu	Tibet	Tibet	Investment		100.00%	Business combination not under common control
Khorgas Xinghui	Xinjiang	Xinjiang	Software and Information Technology Service		100.00%	Establishment
Jiangsu Zhiming	Huai'an	Huai'an	Software and Information Technology Service	49.00%	51.00%	Business combination not under common control
37 FUN WORLD PTE.LTD	Singapore	Singapore	Software and Information Technology Service		100.00%	Establishment
37 Games Entertainment Co., Ltd.	Hong Kong	Hong Kong	Software and Information Technology Service		100.00%	Business combination not under common control
Wisdom Game International	British Virgin Islands	British Virgin Islands	Software and Information Technology Service		100.00%	Business combination not under common control
Wisdom Entertainment International	Hong Kong	Hong Kong	Software and Information Technology Service		100.00%	Business combination not under common control

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37 Games Company	South Korea	South Korea	Software and Information Technology Service		100.00%	Business combination not under common control
Khorgos Xinrui	Xinjiang	Xinjiang	Software and Information Technology Service		80.00%	Establishment
Level 6 subsidiary						
Tibet Yaotong	Tibet	Tibet	Software and Information Technology Service		100.00%	Establishment
Tibet Shengge	Tibet	Tibet	Software and Information Technology Service		100.00%	Establishment
Huai'an Sanqi	Huai'an	Huai'an	Investment		100.00%	Business combination not under common control
Chengdu Shouyin	Chengdu	Chengdu	Software and Information Technology Service		55.00%	Business combination not under common control
Khorgas Qianyu	Xinjiang	Xinjiang	Software and Information Technology Service		100.00%	Establishment
37Games.Japan Co.,Ltd.	Japan	Japan	Software and Information Technology Service		100.00%	Establishment
Japanese Lychee	Japan	Japan	Software and Information Technology Service		100.00%	Establishment
Silk Road Culture Company	Xinjiang	Xinjiang	Software and Information Technology Service		80.00%	Establishment

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

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

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

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

Other notes:

(2) Key no-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding ratio of minority shareholders	Profit and loss belonging to minority shareholder of the current period	Dividend declared to be distributed to minority shareholder of the current period	Balance of minority equity at the end of period
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Guangzhou Sanqi	20.00%	127,733,478.39	122,000,000.00	153,102,071.21
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Notes to shareholding ratio of minority shareholders of subsidiaries which is different from the percentage of the voting rights:

Other notes:

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

Unit: RMB

Name of subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangzhou Sanqi	4,694,117,564.15	145,195,284.03	4,839,312,848.18	4,044,363,998.60	29,438,493.55	4,073,802,492.15	2,156,907,783.27	127,801,334.17	2,284,709,117.44	1,516,725,501.90	31,140,651.44	1,547,866,153.34

Unit: RMB

Name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating incomes	Net profit	Total consolidated income	Cash flows from operating activities	Operating income	Net profit	Total consolidated income	Cash flows from operating activities
Guangzhou Sanqi	4,271,590,566.86	638,667,391.93	638,667,391.93	147,492,216.92	1,450,102,463.44	321,256,372.49	321,256,372.49	499,741,276.33

Other notes:

2. Equity in jointly operated arrangements or joint ventures

(1) Key joint ventures or associates

Names of joint ventures or associated enterprises	Principal place of business	Registered address	Business nature	Shareholding ratio		Accounting treatment methods of joint ventures or associated enterprises
				Directly	Indirectly	
Yangzhou FuhaiSanqi Internet Cultural Investment Center (Limited)	Yangzhou	Yangzhou	Investment		25.46%	Equity method

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Partnership)						
Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Xiamen	Xiamen	Investment		31.75%	Equity method
Shanghai FenghuaQishi Culture Media Co., Ltd.	Shanghai	Shanghai	Investment		20.00%	Equity method
New Cues (Beijing) Television Investment Co., Ltd.	Beijing	Beijing	Investment		20.00%	Equity method

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

Not applicable

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

Not applicable

(2) Main financial information on key associated enterprises

Unit: RMB

	Ending balance/Amount incurred in the current period				Opening balance/Amount incurred in previous period			
	Yangzhou FuhaiSanqi Internet Cultural Investment Center (Limited Partnership)	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Shanghai FenghuaQishi Culture Media Co., Ltd.	New Cues (Beijing) Television Investment Co., Ltd.	Yangzhou FuhaiSanqi Internet Cultural Investment Center (Limited Partnership)	Mango (Xiamen) Creative Incubation Equity Investment Fund Partnership (Limited Partnership)	Shanghai FenghuaQishi Culture Media Co., Ltd.	New Cues (Beijing) Television Investment Co., Ltd.
Current assets	62,224,642.07	41,258,730.31	93,168,199.04	117,833,251.34	59,887,123.89	96,865,384.60	88,732,285.69	174,005,448.14
Non-current assets	169,000,000.00	26,500,000.00	22,310,091.84	6,626,167.36	139,000,000.00	26,500,000.00	41,926,172.74	17,240,844.95
Total assets	231,224,642.07	67,758,730.31	115,478,290.88	124,459,418.70	198,887,123.89	123,365,384.60	130,658,458.43	191,246,293.09
Current liabilities	4,305,315.07		10,675,675.78	87,376,207.86			35,247,574.35	142,418,605.58
Non-current liabilities				37,312.00				
Total liabilities	4,305,315.07		10,675,675.78	87,413,519.86			35,247,574.35	142,418,605.58

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2019 Semi-annual Report of Wuhu Sanqi Interactive Entertainment Network Technology Group Co., Ltd.

Total shareholders' equity attributed to parent company	226,919,327.00	67,758,730.31	104,802,615.10	37,045,898.84	198,887,123.89	123,365,384.60	95,410,884.08	48,827,687.51
Share of net assets calculated at shareholding ratio	46,149,592.48	9,876,117.30	21,007,587.93	8,725,952.16	48,136,104.35	39,163,509.62	19,082,176.82	9,765,537.50
- Goodwill			113,596,170.58	91,519,923.84			113,596,170.58	91,519,923.84
Book value of equity investment on associates	46,149,592.48	9,876,117.30	134,603,758.51	100,245,876.00	48,136,104.35	39,163,509.62	132,678,347.40	101,285,461.34
Operating income			23,072,637.19	1,392,282.21				
Net profit	-7,802,481.82	87,648.49	9,627,055.60	-5,197,926.67	-5,227.13	1,481,132.99		
Total consolidated income	-7,802,481.82	87,648.49	9,627,055.60	-5,197,926.67	-5,227.13	1,481,132.99		

Other notes

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

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

Unit: RMB

	Ending balance/Amount incurred in the current period	Opening balance/Amount incurred in previous period
Joint ventures:	--	--
Totals of the following items calculated as per respective shareholding proportion	--	--
Affiliated enterprises:	--	--
Total investment book value	223,349,479.48	229,338,591.28
Totals of the following items calculated as per respective shareholding proportion	--	--
- Net profit	-5,100,034.79	-771,667.10
- Total consolidated income	-5,100,034.79	-771,667.10

Other notes

(4) Excess deficit in joint ventures or associated enterprises

Unit: RMB

Names of joint ventures or associated enterprises	Accumulated unconfirmed losses recognized in the previous period	Unconfirmed loss of the current period (or shared net profits of the current period)	Accumulated unconfirmed loss at the end of the period
Longzhang Animation (Shanghai) Co., Ltd.	-7,906,627.53	5,834,060.02	-2,072,567.51

Other notes

V. Risk associated with financial instruments

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

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

(I) Risks of credit

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

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

1. Bank deposit

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

2. Receivables

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

As the Company's risk points of accounts receivable are distributed among multiple partners and customers, as of June 30st, 2019, 70.79% of the Company's accounts receivable (December 31st, 2018: 61.82%) was from the top five balance customers. The top five customers of the Company's accounts receivable balance are the main cooperation channels for distribution of mobile games such as Tencent and Apple. The highly concentrated accounts receivable balance at the end of the period is a normal phenomenon of business development, and the Company does not have significant credit concentration risks.

(II) Liquidity risk

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

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

(III) Market risk

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

1. Interest rate risk

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

2. Foreign currency risk

Exchange rate risk refers to the possibility of fluctuation of the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. The exchange rate risk of the company mainly related to monetary assets and debts of foreign currency. The main business place of the Company is in Mainland China and the main activities are calculated in RMB. Therefore, the market risk of foreign exchange changes tolerated by the Company is not significant.

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

VI. Disclosure of fair value

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

Unit: RMB

Item	Ending fair value			
	Level I measurement of fair value	Level II measurement of fair value	Level III measurement of fair value	Total
I. Continuous fair value measurements	--	--	--	--
(I) Trading financial assets	450,779,209.43		801,702,412.02	1,252,481,621.45
1. Financial assets measured at	450,779,209.43	0.00	801,702,412.02	1,252,481,621.45

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fair value with changes included in profits and losses				
(1) Debt instrument investment	320,000,000.00			320,000,000.00
(2) Equity instrument investment	130,779,209.43		801,702,412.02	932,481,621.45
(III) Other equity investment			246,635,981.28	246,635,981.28
Total assets continuously measured by fair value	450,779,209.43		1,048,338,393.30	1,499,117,602.73
II. Non-continuous measurement of fair value	--	--	--	--

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

The fair value of financial products and stock investment is determined based on the open market transaction price.

3. Qualitative and quantitative information of sustainable and non-sustainable third-level fair value measurement items, evaluation technology and important parameters.

Other equity investments without active market quotation are measured at cost unless the cost measurement is not reliable.

VII. Related parties and related transaction

1. Information of the Company's parent company

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

The ultimate controller of the Company is Li Weiwei.

Other notes:

2. Information of the Company's subsidiaries

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

3. Affiliates and joint ventures of the Company

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

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

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Names of joint ventures or associated enterprises	Relation with the Company
Shenzhen Yiwan Network Technology Co., Ltd.	An associated enterprise of the Company
Chengdu Pengwan Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Tingting Network Technology Co., Ltd.	An associated enterprise of the Company
Chengdu Mofei Technology Co., Ltd.	An associated enterprise of the Company
Longzhang Animation (Shanghai) Co., Ltd.	An associated enterprise of the Company
Chengdu Modu Technology Co., Ltd.	An associated enterprise of the Company
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	An associated enterprise of the Company
Longzhang Network Technology (Shanghai) Co., Ltd.	An associated enterprise of the Company
ShaoxingShangyuZhangyu Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Yuhouyi Network Technology Co., Ltd.	An associated enterprise of the Company
Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	An associated enterprise of the Company
Jiangsu Yezi Network Technology Co., Ltd.	An associated enterprise of the Company
Shanghai Aoting Network Technology Co., Ltd.	An associated enterprise of the Company
Beijing Xize Interactive Entertainment Technology Co., Ltd.	An associated enterprise of the Company
Longzhang Media (Shanghai) Co., Ltd.	An associated enterprise of the Company

Other notes

4. Other related parties

Names of other related parties	Relationship between other related parties and the Company
Shenzhen Mokylin Technology Co., Ltd.	A related person for the past 12 months ended January 31st, 2018, (Chairman and General Manager of the Company and a director of this company)
Beijing Colorful Game Technology Co., Ltd.	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party within the past 12 months)
Shenzhen QiFun Network Corp. Ltd.	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party within the past 12 months)
Chengdu 91ACT Technology Company	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party within the past 12 months)
Xiamen Huoyou Information Technology Co., Ltd.	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party)
Shanghai Zhangmeng Network Technology Co., Ltd.	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party within the past 12 months)
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	A related person (Director and Deputy General Manager of the Company served as Directors of the affiliated party)
Wuhu Ningzhong Auto Parts Technology Co., Ltd.	A company under of the controlling shareholders before November 13th, 2018

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Li Weiwei	Natural person who holds more than 5% of the shares of a listed company, Chairman and General Manager
ZengKaitian	Natural person who holds more than 5% of the shares of a listed company

Other notes

5. Status of associated transaction

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

Profile on purchasing products and obtaining labor services

Unit: RMB

Related party	Details of transaction between related parties	Amount incurred in the current period	Approved transaction amount	Whether it exceeds the transaction amount	Amount incurred in the previous period
Beijing Xize Interactive Entertainment Technology Co., Ltd.	Shared revenue from games	11,705.08		Yes	
Beijing Colorful Game Technology Co., Ltd.	Shared revenue from games	86,064.24	970,000.00	No	364,767.11
Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	Shared revenue from games	2,241,632.06	34,220,900.00	No	
Chengdu 91ACT Technology Company	Shared revenue from games, copyright money purchasing	1,625,141.17	13,363,200.00	No	
Chengdu Pengwan Technology Co., Ltd.	Commissioned R&D expense	1,044,855.78	10,447,800.00	No	4,816,344.35
Chengdu Modu Technology Co., Ltd.	Commissioned R&D expense	12,103.21		Yes	1,063,809.25
Chengdu Mofei Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	4,014,299.52	58,455,900.00	No	20,476,612.59
Jiangsu Yezi Network Technology Co., Ltd.	Shared revenue from games	22,736,516.29	17,515,100.00	Yes	
Longzhang Media (Shanghai) Co., Ltd.	Commissioned R&D expense	542,438.06		Yes	
Xiamen Huoyou Information Technology Co., Ltd.	Shared revenue from games	42,199.18	695,500.00	No	136,749.05
Shanghai Mango Interactive Entertainment Technology	Shared revenue from games	169,933.35	1,980,000.00	No	604,927.92

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Co., Ltd.					
Shanghai Zhangmeng Network Technology Co., Ltd.	Shared revenue from games, copyright money purchasing	290,573.30	3,691,800.00	No	
ShaoxingShangyuZhangyu Network Technology Co., Ltd.	Shared revenue from games	8,534.97	848,300.00	No	76,623.87
Shenzhen Yiwan Network Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees	293,759.25	3,397,300.00	No	
Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	Shared revenue from games	990,485.31	13,121,400.00	No	76,768.89
Shanghai Tingting Network Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees			No	299,979.17
Shenzhen Mokylin Technology Co., Ltd.	Shared revenue from games and commissioned R&D fees			No	155,553.92
Shenzhen QiFun Network Corp. Ltd.	Shared revenue from games, copyright money purchasing			No	45,803.04
Longzhang Animation (Shanghai) Co., Ltd.	Shared revenue from games, copyright money purchasing			No	4,840,151.19
Longzhang Network Technology (Shanghai) Co., Ltd.	Commissioned R&D expense			No	17,669.82

Profile on selling products/providing labor services

Unit: RMB

Related party	Details of transaction between related parties	Amount incurred in the current period	Amount incurred in the previous period
Shanghai Yuhouyi Network Technology Co., Ltd.	Software operating income	2,519,158.87	14,895,524.15
Shanghai Mango Interactive Entertainment Technology Co., Ltd.	Software operating income		20,037.16
Beijing Colorful Game Technology Co., Ltd.	Software operating income		3,461.47

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

(2) Affiliated-party guarantee

The company acts as the guarantor

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Unit: RMB

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

Unit: RMB

Guarantor	Amount of guarantee	Starting date of guarantee	Ending date of guarantee	Has the guarantee been fulfilled?
Li Weiwei, ZengKaitian	210,000,000.00	June 22nd, 2018	June 21st, 2019	Yes
Li Weiwei, ZengKaitian	159,000,000.00	June 25th, 2018	June 21st, 2019	Yes
Li Weiwei, ZengKaitian	126,040,193.75	June 10th, 2019	August 10th, 2019	No

Status of associated guarantee

(3) Remuneration for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration for key management personnel	9,507,086.96	8,095,170.17

6. Accounts receivable and payable by related parties**(1) Receivables**

Unit: RMB

Project name	Related party	Closing balance		Balance at the beginning of the period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shanghai Yuhouyi Network Technology Co., Ltd.	1,705,997.45	25,744.90	2,091,604.00	104,580.20
Accounts receivable	Beijing Colorful Game Technology Co., Ltd.			370.22	18.51
Prepayment	Chengdu 91ACT Technology Company	1,810,658.83			
Prepayment	Shenzhen Yiwan Network Technology Co., Ltd.	1,757,187.08		2,193,140.33	
Prepayment	Shenzhen Zhanlong Interactive Entertainment Technology Co., Ltd.	261,244.04		650,147.37	
Prepayment	Chengdu Pengwan Technology Co., Ltd.	1,167,805.05			

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Prepayment	Chengdu Mofei Technology Co., Ltd.			2,000,000.00	
Prepayment	Longzhang Network Technology (Shanghai) Co., Ltd.			2,061,081.07	
Prepayment	Shenzhen QiFun Network Corp. Ltd.			2,264,856.00	
Prepayment	Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.			1,000,000.00	
Prepayment	Jiangsu Yezi Network Technology Co., Ltd.			3,000,000.00	
Other receivables	Wuhu Ningzhong Auto Parts Technology Co., Ltd.			401,310,000.00	

(2) Payables

Unit: RMB

Project name	Related party	Ending book value	Opening book balance
Accounts payable	Beijing Xize Interactive Entertainment Technology Co., Ltd.	11,705.08	
Accounts payable	Beijing Colorful Game Technology Co., Ltd.	143,661.50	1,512,769.27
Accounts payable	Chengdu Popcorn Interactive Entertainment Technology Co., Ltd.	2,191,701.48	175,699.90
Accounts payable	Chengdu Modu Technology Co., Ltd.	1,807,142.05	1,794,731.88
Accounts payable	Chengdu Mofei Technology Co., Ltd.	1,149,554.23	11,483,657.92
Accounts payable	Jiangsu Yezi Network Technology Co., Ltd.	20,773,601.33	
Accounts payable	Longzhang Media (Shanghai) Co., Ltd.	81,204.88	
Accounts payable	Xiamen Huoyou Information Technology Co., Ltd.	134,667.83	
Accounts payable	Shanghai Aoting Network Technology Co., Ltd.	7,360.48	7,360.48
Accounts payable	Shanghai Mango Interactive Entertainment Technology Co., Ltd.	399,109.45	490,418.65
Accounts payable	Shanghai Tingting Network Technology Co., Ltd.	299,979.17	299,979.17
Accounts payable	Shanghai Zhangmeng Network Technology Co., Ltd.	2,247,205.95	1,941,996.00
Accounts payable	ShaoxingShangyuZhangyu Network Technology Co., Ltd.	42,417.40	33,370.33
Accounts payable	Shenzhen QiFun Network Corp. Ltd.	250,072.03	
Accounts payable	Chengdu Pengwan Technology Co., Ltd.	2,985,888.98	311,961.83
Accounts payable	Shenzhen Yiwan Network Technology Co., Ltd.		339,622.58
Other payables	Xiamen Huoyou Information Technology Co., Ltd.	5,000,000.00	5,000,000.00

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VIII. Share-based payment**1. Overview of share payment**

☐Applicable ☒Not Applicable

IX. Commitment and contingencies**1. Material commitments**

The existence of material commitments at the balance sheet date

The Company has no significant commitments needing to be disclosed.

2. Contingencies

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

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

X. Events after the Balance Sheet Date**1. Profit distribution**

Unit: RMB

Proposed distributed profits or dividends	211,225,169.70
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XI. Other Important Events**1. Segment information****(1) Basis for determining reportable divisions and accounting policies**

The Company determines the reporting segment based on internal organizational structure, management requirement and internal reporting system, and determines the reporting segment based on the product type segment. The performance of mobile and browser games were assessed separately.

(2) Financial information of reportable divisions

Unit: RMB

Item	Mobile games	Browser games	Offset among segments	Total
Operating income	5,426,572,514.55	644,384,988.51		6,070,957,503.06
Operating cost	675,612,778.55	163,373,782.96		838,986,561.51

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(3) If the Company has no reporting segments, or cannot disclose the total assets and total liabilities of each reporting segment, the reasons shall be explained.

Some of the Company's assets are used jointly by reporting segments, and corresponding assets and liabilities cannot be easily classified into the reporting segments.

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

1. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends receivable		500,000,000.00
Other receivables	528,604,929.21	891,766,571.39
Total	528,604,929.21	1,391,766,571.39

(1) Dividend receivable

1) Dividends receivable

Unit: RMB

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

(2) Other receivables

1) Classification of other receivables based on the fund nature

Unit: RMB

Fund nature	Ending book value	Opening book balance
Deposit and guarantee deposit	65,000.00	65,000.00
Current account of related parties within the Group	528,211,926.83	490,106,699.02
Equity disposal receivables	0.00	401,310,000.00
Others	362,634.08	317,234.07
Total	528,639,560.91	891,798,933.09

2) Accrual of bad debt provision

Unit: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit	Expected credit losses for	Expected credit losses for	

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	losses in the next 12 months	the entire duration (without credit impairment)	the entire duration (with credit impairment)	
Balance on January 1st, 2019	32,361.70			32,361.70
Balance on January 1st, 2019 is in the period	-	-	-	-
Accrual of the period	2,270.00			2,270.00
Balance on June 30th, 2019	34,631.70			34,631.70

For the provision for loss, is there any major change in book balances of the period?

☐Applicable ☒Not Applicable

Disclosure by aging

Unit: RMB

Aging	Balance at the end of the period
Within 1 year (inclusive)	362,634.08
Within 1 year (inclusive)	362,634.08
1 - 2 year(s)	40,000.00
Over 3 years	25,000.00
3 - 4 years	25,000.00
Total	427,634.08

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

Accrued provision for bad debts in this period:

Unit: RMB

Type	Beginning balance	Change in this period		Ending balance
		Accrual	Recovery or reversal	
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	32,361.70	2,270.00		34,631.70
Total	32,361.70	2,270.00		34,631.70

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

Unit: RMB

Organization name	Amount carried forward or recovered	Change the way of return
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4) Other accounts receivable in top five based on year-end balance collected from arrears party

Unit: RMB

Organization name	Fund nature	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of provision for bad debts
No. 1	Internal current account	528,211,926.83	Within 1 year	99.92%	0.00

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No. 2	Others	232,215.68	Within 1 year	0.04%	11,610.78
No. 3	Others	106,668.40	Within 1 year	0.02%	5,333.42
No. 4	Guarantee deposit / cash deposit	30,000.00	1 - 2 year(s)	0.01%	3,000.00
No. 5	Guarantee deposit / cash deposit	25,000.00	3 - 4 years	0.00%	12,500.00
Total	--	528,605,810.91	--	99.99%	32,444.20

2. Long-term equity investment

Unit: RMB

Item	Ending balance			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to subsidiaries	6,382,799,990.80		6,382,799,990.80	6,374,799,990.80		6,374,799,990.80
Investment into associated enterprises and joint ventures	26,614,618.42		26,614,618.42	27,593,699.69		27,593,699.69
Total	6,409,414,609.22		6,409,414,609.22	6,402,393,690.49	0.00	6,402,393,690.49

(1) Investment to subsidiaries

Unit: RMB

Invested company	Opening balance (book value)	Increase or decrease in this period				Ending balance (book value)	Ending balance of depreciation reserves
		Additional investments	Negative investment	Withdrawn impairment provision	Others		
Jiangsu Aurora Network Technology Co., Ltd.	1,400,000,000.00					1,400,000,000.00	
Jiangsu Zhiming Network Technology Co., Ltd.	254,799,990.80					254,799,990.80	
Sanqi Entertainment Network Technology (Guangzhou) Co., Ltd.	0.00	4,728,000,000.00				4,728,000,000.00	
Sanqi Interactive Entertainment (Shanghai) Technology Co., Ltd.	4,720,000,000.00		4,720,000,000.00			0.00	
Total	6,374,799,990.80	4,728,000,000.00	4,720,000,000.00	0.00		6,382,799,990.80	

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(2) Investment into associates and joint ventures

Unit: RMB

Investment company	Opening balance (book value)	Increase or decrease in this period								Ending balance (book value)	Ending balance of depreciation reserves
		Additional investments	Negative investment	Profit and loss on investments confirmed with equity method	Other comprehensive income adjustment	Other equity change	Profit or cash dividend declared to be distributed	Withdrawn impairment provision	Others		
I. Joint ventures											
II. Associates											
Shanghai Jueli Culture Media Co., Ltd.	27,593,699.69			-979,081.27						26,614,618.42	
Subtotal	27,593,699.69			-979,081.27						26,614,618.42	
Total	27,593,699.69			-979,081.27						26,614,618.42	

(3) Others notes

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3. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by cost method	790,000,000.00	200,000,000.00
Long-term equity investment income measured by equity method	-979,081.27	-1,301,101.84
Investment profit by the disposal of trading financial assets	-12,624.02	
Total	789,008,294.71	198,698,898.16

XIII. Supplementary data

1. Incidental profit or loss statement in current period

√Applicable □Not Applicable

Unit: RMB

Item	Amount	Description
Losses and profits on disposal of non-current assets	8,967,295.34	Mainly profit and loss from the disposal of long-term equity investment and fixed assets.
Government subsidy included in current profit or loss (except those closely related to enterprise operation and received based on consolidated national standard quota or quantitative)	23,416,359.86	Mainly government subsidy other than the refund of value-added tax and addition or deduction of VAT.
Profit or loss of asset whose investment or management is entrusted to others	11,172,479.46	Mainly the income from bank's financial products.
Except effective hedging business relating to normal operating business of the Company, profit or loss caused by change in the fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment profit for disposal of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities and other creditors' investments.	44,790,828.46	
Other non-operating revenues and expenditures except the foregoing items	408,225.48	
Less: Affected amount of income taxes	4,387,332.89	
Affected amount of minority interest income	662,896.41	
Total	83,704,959.30	--

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

□Applicable √Not Applicable

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2. Return on equity and earnings per share

Profits during reporting period	Weighted average rate of return on equity	Earnings per share	
		Basic earning per share (yuan/share)	Diluted earning per share (yuan/share)
Net profits attributable to the company common shareholders	16.31%	0.49	0.49
Net profits attributable to the company common shareholders after deducting non-recurring profits and losses	14.98%	0.47	0.47