



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

**2021 Interim Report**

**August 2021**

## **Part I Important Notes, Table of Contents and Definitions**

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the truthfulness, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Li Weiwei, the Company’s legal representative, and Ye Wei, the Company’s Chief Financial Officer, hereby guarantee that the financial statements carried in this Report are truthful, accurate and complete.

All the Company’s directors have attended the Board meeting for the review of this Report.

There is uncertainty with respect to the plans and other forward-looking statements in this Report, which shall not be deemed as promises to investors. Investors and other stakeholders shall be fully aware of the risk and understand the difference between plans, forecasts and promises.

Possible risks facing the Company and countermeasures have been detailed in “VII Risks Facing the Company and Countermeasures” under “Part III Management Discussion and Analysis” herein, which investors are kindly reminded to pay attention to.

The Board has approved an interim dividend plan as follows: based on 2,217,864,281 shares, a cash dividend of RMB 1.5 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders of the Company, with no bonus issue from either profit or capital reserves.

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## **Documents Available for Reference**

- I The financial statements signed and stamped by the Company's legal representative, and Chief Financial Officer ; and
- II The originals of the announcements and documents disclosed to the public by the Company on the newspaper designated by the CSRC for information disclosure during the Reporting Period.

The documents above are available at the Board Secretary's Office of the Company.

## Definitions

Term	Definition
CSRC	China Securities Regulatory Commission
SZSE/the Stock Exchange	Shenzhen Stock Exchange
Company/ the Company/ the Listed Company/ 37 Interactive Entertainment	Wuhu Shunrong Auto Parts Co., Ltd./Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./ Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.
37 Interactive Entertainment (Shanghai)	37 Interactive Entertainment (Shanghai) Technology Co., Ltd.
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Wuhu Shunrong Auto Parts Co., Ltd./Articles of Association of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd./Articles of Association of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd.
RMB, RMB'0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
Reporting Period/the Reporting Period	The period from 1 January 2021 to 30 June 2021
Period-end/end of the Reporting Period	30 June 2021
Browser games	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	Games that are downloaded via mobile network and run on mobile phones or other mobile terminals
RPG	Role playing game
ARPG	Action role playing game
SLG	Strategy game
STG	Shooting game
SRPG	Strategy role-playing game
MMO	Massive Multiplayer Online
MMORPG	Massive Multiplayer Online Role-Playing Game
MOBA	Multiplayer Online Battle Arena
SIM	Simulation game
Chengdu Pengwan Technology Co., Ltd.	Chengdu Pengwan Technology Co., Ltd. and its subsidiaries
Zengame Technology	Zengame Technology Holding Limited and its business entities
YOULIFE HOLDINGS	YOULIFE HOLDINGS and its business entities
X.D.Network	XD Inc. and its business entities
Jiangsu Aurora/Aurora Network/Jiangsu Aurora Network	Jiangsu Aurora Network Technology Co., Ltd.

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## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	37 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		
Abbr. (if any)	三七互娱		
Company name in English (if any)	WUHU 37 INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY GROUP CO.,LTD.		
Legal representative	Li Weiwei		

### II Contact Information

	Board Secretary	Securities Affairs Representative
Name	Ye Wei	Wang Sijie
Office 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 address	ir@37.com	ir@37.com

### III Other Information

#### 1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

Applicable  Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2020 Annual Report.

#### 2. Media for Information Disclosure and Place where this Report is Lodged

Indicate by tick mark whether any change occurred to the information disclosure media and the place for lodging the Company's periodic reports in the Reporting Period.

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the

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Company's periodic reports and the place for lodging such reports did not change in the Reporting Period. The said information can be found in the 2020 Annual Report.

### 3. Other Information

Indicate by tick mark whether any change occurred to other information in the Reporting Period.

Applicable  Not applicable

The Proposal on Increase in Registered Capital and Amendments to the Articles of Association was approved at the 17th Meeting of the Fifth Board of Directors on 10 March 2021 and later at the First Extraordinary General Meeting of Shareholders of 2021 on 29 March 2021. As approved by the CSRC Reply on Approval of the Private Placement of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (CSRC Permit [2021] No. 16), the Company carried out a private placement of 105,612,584 RMB-denominated common shares with 14 subjects. Therefore, the Company's registered capital has increased from RMB2,112,251,697 to RMB2,217,864,281, and the relevant amendments have been made to the Company's Articles of Association. For the relevant announcement, please visit <http://www.cninfo.com.cn>.

### IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	H1 2021	H1 2020	Change (%)
Operating revenue (RMB)	7,538,949,378.53	7,988,675,195.57	-5.63%
Net profit attributable to the Listed Company's shareholders (RMB)	853,717,855.65	1,699,736,123.46	-49.77%
Net profit attributable to the Listed Company's shareholders after deducting non-recurring profits and losses (RMB)	637,526,551.32	1,464,942,321.24	-56.48%
Net cash flows from operating activities (RMB)	1,253,919,152.46	2,450,226,546.90	-48.82%
Basic earnings per share (RMB/share)	0.39	0.80	-51.25%
Diluted earnings per share (RMB/share)	0.39	0.80	-51.25%
Weighted average return on equity (%)	10.15%	22.05%	-11.90%
	30 June 2021	31 December 2020	Change (%)
Total assets (RMB)	13,976,131,131.48	10,564,331,499.85	32.30%
Equity attributable to the Listed Company's shareholders (RMB)	9,377,434,662.37	6,037,383,625.95	55.32%

### V Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

#### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

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No difference for the Reporting Period.

## 2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable  Not applicable

No difference for the Reporting Period.

## VI Non-recurring profits and losses

Applicable  Not applicable

Unit: RMB

Items	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	180,785.65	
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	34,729,545.45	Mainly due to refund of value-added tax and government grants other than super-deduction in the calculation of taxable amount for VAT
Gain or loss on fair-value changes on trading and derivative financial assets and liabilities & income from disposal of trading and derivative financial assets and liabilities and other debt investments (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	185,547,167.31	Mainly due to gains and dividends received in the period of holding equity investments, gains on disposal of equity investments, and gains on investments in wealth management products
Non-operating income and expenses other than the above	1,563,764.86	
Less: Income tax effects	5,807,136.13	
Non-controlling interests effects (net of tax)	22,822.81	
Total	216,191,304.33	--

Explanation of why the Company reclassifies as recurrent a non-recurring profits and losses item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring profits and losses Items:

Applicable  Not applicable

No such cases for the Reporting Period.

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## Part III Management Discussion and Analysis

### I Principal Activity of the Company in the Reporting Period

As one of the top 20 global public game companies, key cultural export companies of China, and civilized institutions in Guangdong Province, 37 Interactive Entertainment is an outstanding listed Chinese A-share company engaged in comprehensive cultural and entertainment offerings. The Company focuses on cultural and creative businesses based on the development, publishing, and operation of mobile and browser games, as well as the development in segments such as film and television, music, talent agent, anime, VR/AR, cultural health, social entertainment, and new consumption. It has been steadily advancing its development strategy of “boutiqueization, diversification and globalization”. With “bringing joy to the world” as its mission, the Company is dedicated to becoming an excellent and sustainable entertainment enterprise.

The Company operated in a steady and healthy manner in the Reporting Period. It continued to pursue its strategic objectives, adhered to the strategy of “integration of R&D and operation”, as well as kept driving product diversification and global marketing. During the Reporting Period, the Company recorded operating revenue of RMB 7.539 billion, with a year-over-year (YoY) decrease of 5.63%; a profit before income tax expenses of RMB 1.006 billion, down by 49.51% YoY; and a net profit attributable to the Listed Company’s shareholders of RMB 0.854 billion, declining by 49.77% YoY. As some major new products were just launched and marketed in the Reporting Period, resulting in a higher ratio of selling expenses. So far, the expenditures on selling in Q1 have started to generate returns. As a result, Q2 saw a net profit attributable to the Listed Company’s shareholders of RMB 0.737 billion, a growth of over 500% compared to that of Q1. The previous expenditures are expected to bring in profit as the operations of these games grow mature over time.

#### (I) Development status of the industry where the Company operates in the Reporting Period

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

Under the support and guidance of national industrial policies, China's game market now presents healthy, prosperous, and diversified development trends. Domestic game companies have paid more attention to social benefits, protection of minors, and quality games, as well as cultural connotation and technology empowerment, and have been constantly creating quality contents and promoting industry innovation and integration.

According to the 2020 China's Game Industry Report and China's Game Industry Report from January to June 2021 jointly released by Game Publishing Committee of China Audio-video and Digital Publishing Association (CADPA) and China Game Industry Research Institute, there are more than 660 million game users in China in 2020; the actual sales revenue of China's game market is RMB278.687 billion, with a YoY increase of 20.71%, and the growth rate was 13.05% higher YoY. The scale of "Games Export" has been further expanded. The actual sales revenue of independently-developed games in the overseas market was USD15.450 billion with a YoY growth rate of 33.25%, which is 12.3% higher YoY. The internationalization level was further improved. From January to June 2021, the actual sales revenue of China's game market is RMB150.493 billion, with a YoY increase of 7.89%, continuing to maintain a steady growth rate. There are 667 million game users, with a YoY increase of 1.38%, indicating a slowdown in the growth of game users. As a result of demographic shifts, competition in the game market will be more intense in the future, posing higher requirements for enterprises and products. From January to June 2021, the actual sales revenue of China's independently-developed online games in the domestic market was RMB130.112 billion, with a YoY increase of 8.3%, continuing to occupy over 80% shares in the domestic market. Meanwhile, the Company has been actively expanding and developing the overseas market. In the first half of the year, the actual sales revenue of independently-developed games in the overseas market

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was USD8.468 billion, with a YoY increase of 11.58%, indicating continuous increases in the overseas revenue from independently-developed game products.

With the increasing improvements in the game production ecology, the average quality of products independently developed by Chinese game companies constantly rose and became increasingly competitive in domestic and overseas markets. The industry ushered in a new period of development. With the gradual disappearance of demographic dividend, the industry threshold has been raised and game players have grown more mature. The mobile games have gradually transitioned from enjoying demographic dividend period to enjoying content dividend, which led to the result that players were posing higher requirements for online games. Game companies need to improve the quality of games to expand user base and willingness to pay, and ultimately achieve an increase in the return on product investment.

The threshold of game development and barriers to competition have been substantially raised under this situation. Top game companies embracing strengths in the R&D and publishing of quality products and operation are more likely to benefit from the new situation. The Company has stepped into a high-quality development stage. It takes the main business as its core and deepens the strategy of "integration of R&D and operation" and "dual engines at home and abroad". During the Reporting Period, the Company kept its leading role in R&D capabilities by raising R&D investments and strengthening the output of quality games. Moreover, it advanced the "diversification" strategy from the aspects of R&D and publishing, and reserved varied quality games on different themes through independent development, investment in R&D-oriented companies, and enhanced cooperation with developers capable of producing quality games. In addition, the Company, through independently developed AI systems, consolidated refined operation, prolonged the life cycle of quality games, and improved operation efficiency.

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

(1) On 6 June 2021, the Guidelines on Enhancing the Protection of Minors of the Steering Group of the Protection of Minors of the State Council (hereinafter referred to as the "Guidelines") were officially issued. Revolving around the implementation of the Civil Code and the Law on the Protection of Minors, the Guidelines refined and specified the relevant articles of law, raising a total of 25 tasks. Specifically, in terms of cyber protection, the Guidelines raised requirements such as improving the system of regulations and policies, making more efforts to prevent minors from Internet addiction, and strengthening the online protection of minors' personal information. During the Reporting Period, in accordance with the relevant requirements, the Company completed the connection to the national real-name authentication system and strictly implemented the anti-addiction regulations for minors. Meanwhile, the Company actively proceeded with the online game age suitability reminders and now has completed the release of such reminders on the official channels of all its games. The Company also created an online game anti-addiction system for minors across the whole process of R&D, publication, and operation of games, strictly restricting the time periods, duration, and consumption for games by minors.

Additionally, the Company added contents applicable to children to its Privacy Policy in line with the user habits of juveniles under 14 years old and their guardians. It contributed to turning China's gaming industry more standardized by actively participating in the compilation of group standards for the gaming industry led by the China Audio-video and Digital Publishing Association ("CADPA"), such as the Specifications on Age Ratings of Online Games, the Specifications on Parent Monitoring Platforms, and Online Game Terminology.

(2) On 7 June 2021, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, and the National Development and Reform Commission jointly released the Work Arrangements for Deepening the Extensive Deployment and Application of IPv6 (hereinafter referred to as "the Work Arrangements"), which clarify the main goals and key tasks for the extensive deployment of IPv6 in 2021, and make careful and accurate arrangements mainly from the aspects of enhancing network carrying capacity, optimizing the service performance of apps, improving terminal support capacity, strengthening the R&D of key technologies, promoting the formulation of standard specifications, and reinforcing security assurance, and aim to promote the extensive deployment and application of IPv6 in a down-to-earth manner by taking multiple measures.

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As one of the first batch of Internet enterprises responding to the Action Plan for Advancing the Extensive Deployment of Internet Protocol Version 6 (IPv6), the Company has completed the phased goals for upgrading and transformation of TOP100 domestic Internet apps to IPv6 with its products rated as excellent products in the overall assessment. Next, the Company will add more products to the IPv6 upgrading plan to promote the integrated innovation of the Next Generation Internet and businesses.

(3) On 10 June 2021, the Data Security Law of the People's Republic of China (hereinafter referred to as the Data Security Law) was adopted at the 29th session of the Standing Committee of the 13th National People's Congress of the People's Republic of China. The Data Security Law is enacted for the purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, and protecting the legal rights and interests of individuals and organizations. Different from the Cybersecurity Law of the People's Republic of China that has come into force, the Data Security Law places more emphasis on the security of data itself.

The Company gives priority to information security and takes the protection of the personal information and privacy of users as the top priority in the information security management. To this end, the Company has made commitments to increasing resource input and implementing the security responsibility policy in terms of data security and protection of privacy of users, and has established information security policies and goals based on privacy protection; has formulated the principles of minimum adequate use, individual consent, and consistent rights and liabilities in terms of collecting and managing users' privacy information, so as to strictly protect the security of users' personal information and control information security risks. In terms of data transmission, HTTPS encryption is adopted in the transmission of users' privacy information data to ensure security in the transmission process; in terms of data storage, encrypted storage is adopted for user' privacy information data; in terms of data access, the data storage server is isolated from external networks and cannot be accessed by any external network, and strict authority control has been implemented for the access to all corresponding databases to realize multi-protection.

During the Reporting Period, 37 Interactive Entertainment increased the efforts in the research and development of high-quality games, and protected intellectual property with great efforts at the same time. The Company used multiple methods to protect its own legitimate rights and interests, and improved copyright awareness and copyright management to ensure its compliance operation.

## **(II) Overview of the Company's main businesses in the Reporting Period**

### **1. Main businesses and business models of the Company**

During the Reporting Period, the Company's main businesses included the development, publishing, and operation of online games. The operating modes of the Company's online games mainly include independent operation and third-party joint operation.

Under the independent operation mode, the Company obtains the licenses of games through independent R&D or being an operator of other games, 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 games; providing unified management services for online promotion, online customer service and top-up payment; and updating games 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 or game application platforms to jointly operate games. And the aforesaid parties are responsible for the management of their own channels, including operation, promotion, the recharge and charge system, while the Company provides technical support services along with game developers.

### **2. Overview of the Company's main businesses and products**

During the reporting period, the domestic game industry entered a content dividend period. Game players' requirements for the quality of online games have increased significantly, the effect of the boutique strategy has been obvious, and the development should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

of high-quality games has been certified. The Company precisely grasped the industry development trends, made continuous improvements in operation, and remained a top performer in the industry, while adhering to the "boutiqueization, diversification and globalization" strategy.

During the Reporting Period, the Company recorded operating revenue of RMB 7.539 billion, with a YoY decrease of 5.63%; a profit before income tax expenses of RMB 1.006 billion, down by 49.51% YoY; and a net profit attributable to the Listed Company's shareholders of RMB 0.854 billion, declining by 49.77% YoY. As some major new products were just launched and marketed in the Reporting Period, resulting in a higher growth in selling expenses than that in operating revenue and thus causing a temporary impact on the ratio of selling expenses in the period. Meanwhile, with the continual rollout of the Company's "globalization" strategy, the overseas business in the Reporting Period soared to a new high and the operating revenue from the overseas game business increased by 111.03% YoY.

### **(I) Mobile game business**

During the Reporting Period, the Company recorded operating revenue of RMB 7.067 billion from mobile games, a YoY decrease of 4.65%. The mobile game offering has become more diversified, game quality sees considerable improvement, and the mobile game business maintains the leading position in domestic and overseas markets.

#### **① Research and development of mobile games**

During the Reporting Period, the Company continuously exerted more efforts for R&D, and R&D investments grew YoY. The Company's R&D investments amounted to RMB 0.674 billion during the Reporting Period, up by 4.46% YoY. The total R&D investments have reached RMB3.14 billion since 2018.

The R&D investments were mainly concentrated on improvement of product quality and exploration of product categories. In 2021, high-quality games independently developed by the Company like Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Rong Yao Da Tian Shi (荣耀大天使), and Yun Duan Wen Xian (云端问仙) were released and have won public praise and market recognition.

The "boutiqueization" strategy runs through the entire life cycle of the Company's independently developed products. The Company is committed to making better the product engines, art design and sound quality of gaming products to meet the user demand in experiencing high-quality games at the technical level; it is dedicated to gameplay innovation and interface interaction to meet user demand in fun and smooth experience at the planning level. High-quality development and high-frequency iterations turned new products more attractive to users, and allowed most independently developed products to maintain high gross billing for a long time.

In July 2021, the mobile blockbuster battle strategy game Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决), which was independently developed by 37 Interactive Entertainment, was officially released. As a blockbuster product with the highest quality, best animation and art effects, and the perfect representation of the original plots among all Dou Luo IP-related products in the current market, the game deeply implements the Company's product strategy of "boutiqueization", represents the Company's in-depth understanding of the demands of users, perfectly represents famous animation scenes through technologies such as panoramic 3D special effects, real-time seamless day-night switch, and dynamic volume-based ray tracing, and creates the Dou Luo Da Lu that meets the fantasies of each fan of Dou Luo Da Lu with its multi-aspect gameplay design and construction of a friendly social system.

Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决) is the in-depth continuation of the Company's idea of "boutiqueization" and represents a practice of the current cutting-edge R&D technologies. The significance of the game for the Company is that it has unified the Company's R&D process and underlying logic in the field of next-gen games, developed a set of systems that can be inherited and constantly iterated, effectively improved the efficiency of game R&D and the ceiling for idea creation, and laid a solid

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foundation for the Company's boutiqueization strategy.

The Company improved the "diversification" of product R&D. R&D projects included game genres such as MMORPG, SLG, SRPG and SIM. Extensive numbers and categories of products were prepared for the year 2021. The Company will continue innovation in diversified aspects, including product types, themes, art performance, and gameplay. It will pay close attention to the in-depth exploration of MMORPG, SLG, SRPG, SIM and endeavor to become a first-class game company that can provide global players with various gaming products, based on quality content, operation experience in multiple types of products, and advantages in numerical value and gameplay.

Meanwhile, the Company turned the product supply side more diversified, by buying a stake in and joining hands with excellent developers. In order to further raise the product success rate, the Company established a rigorous evaluation process, utilized its own advantages in numerical experiences to work out products along with game developers, thus ensuring a better quality of games before their publishing.

During the Reporting Period, the R&D department developed the Zeus platform, a middle platform with AI big data computing power. Supported by one-stop service module, the Zeus platform can do deep learning calculations flexibly and freely and realize automated operation and maintenance. It can realize the automation and standardization across the whole process of R&D, deployment and operation, and clear a path for interconnectivity between systems of different departments, thus greatly automating systems and the original business process. The emergence of the platform marks the transfer of equipment resources from reserved mode to on-demand dynamic expansion mode. It sharply cuts costs and increases margins, utilizes idle equipment and provides a flexible computing power environment for data analysts.

## ② Publishing of mobile games

### 1) Domestic market

The Company's advantages in refined operations in the domestic mobile games publishing were highlighted during the Reporting Period. The highest monthly gross billing of its domestic mobile games exceeded RMB1.4 billion, with the total number of newly registered users surpassing 160 million and the highest number of MAUs of over 46 million.

During the Reporting Period, the Company adhered to the refined operation idea of "products + traffic + users", constantly expanded its product matrix and offered diversified gaming experience to players by successively releasing games in different types and on varied themes, including Rong Yao Da Tian Shi (荣耀大天使), Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒) and Jue Shi Xian Wang (绝世仙王), as well as Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决) launched in July, and achieved remarkable results. The Company was ranked among the top in terms of market share in China's mobile game publishing market.

As a quality game released by the Company, Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决) is released through "content-based publishing", in which the Company aims to construct a publishing system focusing on underlying gameplays, game content, user experience, and creation of community cultures with the game as the foundation. Highly loyal to the original novel and animation, the Company has consolidated the foundation of content-based publishing with excellent game quality, constantly expanded user boundaries and target audience through some innovative publicity and publishing methods such as customizing video programs according to product features and through private domain traffic operation, to constantly attract potential game players.

The Company has been constantly making its brands younger and more personalized through interesting and emotional marketing ideas and cross-sector collaboration between game IPs. In 2020, the adventure in another world theme MMORPG Yun Shang Cheng Zhi Ge (云上城之歌) published by the Company was released. Specializing in adventure gameplays in an open world with elegant 3D cartoon painting style, the game enjoyed wide popularity among younger users once it was released and became one of the most successful MMO games in 2020. In June 2021, to celebrate its anniversary, the theme song Yun Shang Zhi Lu (云上) Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

之旅)of the game that was produced by the Company in cooperation with Qigu Culture and sung by Shan Bao (a popular virtual idol) was officially released in the TME music league. As the anniversary activities inside and outside the game started successively, Yun Shang Cheng Zhi Ge (云上城之歌) gained more than 10 million people exposure within a short period and drove the market of younger users once again.

With respect to the successful release of Yun Shang Cheng Zhi Ge (云上城之歌), on the one hand, it broke through the Company's previous ARPG-based product distribution ideas, the Company's distribution and operation capabilities in different categories such as MMORPG have been greatly strengthened; on the other hand, Yun Shang Cheng Zhi Ge (云上城之歌) is a pan-two-dimensional product with younger public. This distribution is also a successful exploration of the Company in younger communities, laying a solid foundation for the following company's distribution and operation of diversified products.

The Company applied the "diversification" strategy to multiple aspects, including products, promotion, and services, based on its capabilities of operating multiple types of games. Thanks to the strategy, the Company reserved adequate products in terms of type, theme, and quantity. Its product matrix covered different types of games, such as MMORPGs, card games, SLGs, and SIM games, as well as varied themes, such as fantasy, mythology/martial arts, city life, campus and women-orientation.

During the Reporting Period, the Company insisted on operating with systematic flow management and adopted a diversified approach of "multi-channel marketing + targeted advertising + long-term service" to accurately grasp user needs, accurately deliver creative marketing plans to target groups and provide players with meticulous and comprehensive long-term service, with a purpose of improving player satisfaction, activity and retention rate to prolong the product life cycle and accumulate higher gross billing.

In terms of multi-channel marketing, the Company had formed a unique marketing approach featuring "branding + sales effects". On the one hand, by selecting spokespersons that are consistent with the product's connotation, the Company produced high-quality micro-film-style promotional materials for promotion. With more advanced technology, more advanced visual performance, more realistic force, more diverse production methods, and richer story content, it can quickly "break the circle" and reach a wider user group; on the other hand, combinations were made with the short video platform to provide rich material output and to meet the different cultural consumption needs of users in different angles, to further expand the scope of users, and then to enlarge brand value and influence. For example, Rong Yao Da Tian Shi (荣耀大天使), a massive multiplayer online fantasy 3D role-playing mobile game, relying on massive customized marketing activities, integrated itself with traffic resources, reached synergy between a quality game and extensive publicity and publication, realized the 2.0 upgrade of "branding + sales effects", and gained its own "differentiated" advantage in the fantasy-based market based on its excellent art effects and gameplay design.

During the Reporting Period, the Company put its independently developed intelligent ad platform, "Quantum" and intelligent operation analysis platform, "Destiny", into production. On the one hand, "Quantum" can connect with all mainstream channels to achieve rapid and automatic advertising. Meanwhile, the platform can be used together with multiple systems and connect procedures in series to greatly reduce the time to create plans, perform standardized processing of plans in batches, and maintain plans automatically and systematically. Moreover, the platform can improve promotion efficiency and effect through big data analysis and AI algorithms. On the other hand, "Destiny" is a comprehensive operational decision system for statistics, analysis and prediction of game data. The system can accurately predict the life cycle of games through data analysis models, so as to improve user stickiness and stabilize product life cycle.

## **2) Overseas market**

During the Reporting Period, the Company significantly accelerated the strategic expansion of global footprint. Its overseas operating revenue rose by 111.03% YoY. As of the end of the Reporting Period, its overseas brand, 37GAMES, covered many countries and regions, whose products included SLGs, MMORPG, SIM and card games. During the Reporting Period, the highest monthly gross billing of its overseas mobile games exceeded RMB500 million, with the total number of newly registered users Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

surpassing 30 million and the highest number of MAUs of over 8.5 million.

Benefiting from the adjustment of overseas operations, the Company's overseas business grew rapidly during the Reporting Period. After years of accumulation of experience in publishing games overseas, the Company adjusted its overseas strategy from the original "partition breakthrough" to publishing based on the organization structure of the tracks and categories. Under the guidance of the new strategy, publishing personnel have a deeper understanding of the products and can be more effective. More means of localized operations can be used by them.

In terms of "globalization", on the one hand, the Company continued to develop its global layout through the deployment of SLG games in various themes such as western and military. After years of accumulation, the Company has effectively entered the European and American markets with SLG products, and its impact has been improved globally. SLG games are products with long life cycles in the game field. After the initial growth, there will be a long-term payback period in the following period, thus ensuring the stable growth of the gross billing of the Company's overseas business in the future. On the other hand, in Southeast Asia, Japan and South Korea, the Company still stayed ahead.

The market's first "Match 3 + SLG" product Puzzles & Survival published by the Company is attractive and its gameplay is innovative. It perfectly integrated the most popular match-3 gameplay in the European and American markets with the traditional heavy SLG gameplay, integrated selling points with ideas based on the product itself, constantly made innovations, offered a unique audio-visual experience to users, and filled the gaps in the European and American markets. In 2021, it has secured its position in the top 30 grossing charts among American games, showing outstanding performance and faster growth than similar mobile games.

Besides the outstanding experience in the American market, Puzzles & Survival achieved remarkable results in global markets. As a classic case of SLG games that successfully gain new user groups, the product not only attracted core SLG players, but also charmed match-3 players with a large base in Europe and America, and player retention had also risen sharply. After it was officially released in the Japanese Market, Puzzles & Survival quickly topped free download charts in both iOS and Google Play platforms, made good results in the two platforms with rising ranks, and entered the head position of the top 20 grossing chart in Japan. After it was released in Germany in 2021, Puzzles & Survival has quickly secured its position in the top 50 grossing chart and has maintained a trend of steady growth. As at June 2021, the highest monthly gross billing of Puzzles & Survival exceeded RMB0.2 billion and the cumulative gross billing had exceeded RMB1 billion, and the game was listed top 10 in the iOS top grossing charts of 52 regions.

In addition, as an important carrier for Chinese cultural exchange, games should undertake the mission of cultural inheritance with imaginative and creative ways of artistic presentation. In 2021, the Company was once again listed in the 2021-2022 national key export enterprises of culture, as the Company, by promoting the deep integration of quality games and traditional Chinese culture, had constantly advanced foreign players to take interest in the Chinese Culture in their experience and exploration of games. For example, Call Me the Big Shopkeeper (叫我大掌柜), a mobile game simulating business operation in ancient China published overseas by the Company, integrated historical and cultural elements in innovative ways, presented the authentic simulation of business operation in ancient towns, constructed main scenarios starting with the style of "Chinese ink painting", deeply impressed overseas players with various commercial buildings, crowded streets, carriages shuttling through streets, shouts of street vendors, and charmingly naive figures, as well as featured operation styles of clinics, Chinese food, and taverns, and thus won a large number of praises. In 2021, the game achieved good responses after it was published in countries such as South Korea, Japan, and Vietnam, and has been ranking among the top in grossing charts in various regions.

During the Reporting Period, the Company had been constantly taking up top 10 places in the overseas revenue rank of Chinese manufacturers released every month by App Annie, a world-leading mobile data and analysis company, and entered the top 5 after rising steadily for months. Meanwhile, based on its extraordinary performance in the global game market, the Company

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was included in the lists of the "Top 52 Overall Publishers of 2021" of App Annie. The Company pursues the publishing model of publishing diversified, tailored games in big markets around the world, and continues offering more quality Chinese games to global players.

### 3) Game pipeline

Based on the Company's dual-core and diversified product strategy, besides products such as Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), Yun Duan Wen Xian (云端问仙), Rong Yao Da Tian Shi (荣耀大天使), Jue Shi Xian Wang (绝世仙王), Queen of Diamonds (一千克拉女王), and Call Me the Big Shopkeeper (叫我大掌柜) that have been released in 2021 in domestic market, and various popular games such as Puzzles & Survival, Call Me the Big Shopkeeper (叫我大掌柜), Survival at Gunpoint, and Idol Angel (アイドルエンジェル), that have been released in 2021 in overseas market, it is estimated that the subsequent products that are to be published by the Company in the domestic and overseas market will include:



### (2) Browser games

During the Reporting Period, the Company's browser game business achieved operating revenue of RMB 0.46 billion, which was lower than that of the same period of last year. It was mainly affected by both the shift of users to mobile phones and the decrease in the number of browser game products. During the Reporting Period, the Company strengthened partnership 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 maintained its operating revenue.

### 3. Cultural industry

With a strategic focus on quality content, the Company actively developed quality game R&D companies through strategic investments involving MMORPG, SLG, SIM, card games, and other games, to make a strategic layout for the future growth of the

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publication sector businesses of the Listed Company.

While maintaining the high-speed growth of its core business, the Company exploited opportunities in film and television, anime, music, VR/AR, cultural health, e-sports, and social entertainment with a strategic focus on quality content. As of the date of this report, cultural and creative enterprises funded or acquired by the Company included:

Film and television: Youying Culture, Zhonghui Television, Mowei Pictures, JinhaiShiyi, etc.

Music: FenghuaQishi

Talent agent: Original Plan, and T Entertainment

Anime: YHKT Entertainment, and IDRAGONS Creative Studio

VR/AR: Archiact

Cultural health: Wake

E-sports: AG E-Sports Club

Social Entertainment: Wuli Planet and Wonderful Party

Consumption: Nowwa Coffee

The Company's investment business has become more market-oriented and professional. The Company initiated and managed multiple industrial investment funds as the fund manager, mainly focusing on fields such as big cultural innovations, technology, mass consumption, and made investments in many excellent enterprises including DSMovie, Kapark, Yangji Mountain, Duokitty, Dong Eating, INMO Technology, and HomeRun Technology.

The Company adhered to the long-term investment concept. Based on the main business of games, it reached audiences in varied segments by investing in the upstream and downstream companies of the industry chain. With respect to investment strategies, the Company paid close attention to new people, new products and technologies in the industry and overseas and international distribution of products. In regard to the selection of investment targets, the Company valued the ability to constantly output quality products, excellent team or talent reserves, and future growth potential. The Company continuously consolidated its status in the cultural and creative industry by integrating quality resources in the industry.

In addition, companies in vertical fields where the Company invests have been more closely connected. For instance, Zhonghui Television and YHKT Entertainment cooperated to purchase the copyright of Incarnation, a sci-fi blockbuster on bilibili.com, and would make a series. "Original Plan", the talent agent, and "T Entertainment" are working with FenghuaQishi, Zhonghui Television, Mowei Pictures, and 37 Interactive Entertainment to maximize the outstanding talent resources. Besides, "DSMovie", a superb domestic Multi-Channel Network (MCN), is used as a promotional channel to exert an amplified and superimposed effect on the entertainment eco-system of 37 Interactive Entertainment.

In terms of film and television, the Company has invested a number of excellent film and television production enterprises, having a successful participation in the production of excellent works such as Peace Breaker, Suspect X, Forever Young, Till The End Of The World, Better Days, Crane New Arrival and Serenade of Peaceful Joy. The Company will gradually release more excellent film and television works in the future. In terms of animation, the Company has invested in several outstanding domestic animation producers. The Three-Body Problem, an animation adapted from Liu Cixin's science fiction novel, is expected to be released in 2022 by YHKT ENTERTAINMENT.

In the field of mass consumption, the Company has made investments in many excellent enterprises through industrial funds, perceived the demands of the new-generation consumers, and sought original brands with the abilities to generate quality. Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

products. Yangji Mountain, Duokitty, Dong Eating, and HomeRun Technology are top brands in their sub-industries.

The Company is further building a full industry chain in cultural and entertainment ecological layout. To promote the mutual empowerment between industrial and cultural value, the Company has already integrated emerging fields into the 5G era, including interactive games, virtual streamers, VR/AR industry chain and e-sports through M&A and equity investment. At the same time, the Company will 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.

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.

## II Core Competitiveness Analysis

During the Reporting Period, the Company steadily promoted the development strategy of "boutiqueization, diversification and globalization" and formed the following core competitiveness:

### 1. Industry-leading R&D strength

The Company carries on with its strategy of "integration of R&D and operation", as well as emphasizes R&D investments and talent cultivation. After years of efforts in R&D, the Company is ranked among the top in terms of R&D strengths. The Company's independently developed products are characterized by high output, a high success rate and a long period, and center on "boutiqueization and diversification". The Company keeps strengthening R&D. R&D investments amounted to RMB 0.674 billion during the Reporting Period, up by 4.46% YoY. With the support of cutting-edge technologies like Next-Gen 3D engine, AI, and big data analysis platforms, the Company has established a professional layout in multiple market segments like MMORPG, SRPG, SLG, and SIM, and successfully developed eye-catching quality games like Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), and Rong Yao Da Tian Shi (荣耀大天使), which are benchmarks for the R&D of quality games in the industry.

On the one hand, experienced users' awareness of game brands and demands for boutiqueization are on the rise. "Boutiqueization" means that focus should be laid on improving the quality of game contents. The "boutiqueization" strategy runs through the entire life cycle of the Company's independently developed products. Before the publication of games, the Company carefully worked out details regarding gameplay design, art quality, music effects, etc.; after the publication of games, the Company continued to invest in product iteration, user experience and other aspects to ensure high gross billing and a long life cycle of games. To improve the development quality, product technology innovation is also very important. The Company has integrated digital and intelligent technologies into its game publication business, created the intelligent ad system "Quantum" and the operation analysis system "Destiny", explored quality contents through the refined analysis of creative ideas, and made breakthroughs in output bottlenecks for creativity to improve the conversion rate. In terms of R&D, the Company has created the Zeus platform, realizing the standardization and automation in the process from R&D to deployments and operation. Meanwhile, based on the three data analysis systems, "Athena", "Poseidon" and "Ares", it helped the research team find and solve problems in a quick and accurate way, further reduced development costs, substantially improved the quality of products, and provided assistance for the refined operation of games.

On the other hand, in the face of both challenges and opportunities, the differentiated positioning of the "diversification" strategy allowed products to better cover users. During the Reporting Period, the Company's R&D team, based on its R&D strengths in ARPGs, expanded its game categories to MMORPG, SLG, SRPG, and SIM. It will continue to innovate in diversified aspects, including product types, themes, art performance, and gameplay.

Adhering to the long-term development idea, the Company expanded from product upgrading to talent cultivation, opened up

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development channels for professionals, and embraced employee diversity. Moreover, it encouraged innovation by employees and increased the proportion of senior R&D staff to build an excellent team. The Company vigorously reformed the mechanism for R&D project approval, shortened the evaluation cycle and established diversified indicators, so as to stimulate employees' innovative vitality. At the same time, the Company adjusted the incentive mechanism for the R&D department, established a tiered incentive system for different categories of products, promoted the incentive for new categories of products, and encouraged employees to be creative and step out of their comfort zone. The Company has also established a project lifecycle management process for game development, which run through many links, such as idea creation, project approval, process and review, to achieve the risk control of the entire R&D process, greatly improve the success rate of product R&D while effectively controlling the cost, and lay the foundation for creating diverse, high-quality games. Internal management continued to improve, with leaner and more scientific management in terms of game development.

## **2. Excellent publishing strength**

During the Reporting Period, the Company maintained its leading position in mobile game and browser game publishing business. 37 Interactive Entertainment enriched the product supply via independent R&D, investments, and cooperation with excellent developers, improved the ability in publishing diverse, high-quality games and promoted the publishing strength to a new height. In 2021, the Company expanded its product matrix and offered diversified gaming experience to players by launching quality games in different types and on varied themes, including Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决), Rong Yao Da Tian Shi (荣耀大天使), Yun Duan Wen Xian (云端问仙), Jue Shi Xian Wang (绝世仙王), Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), and Queen of Diamonds (一千克拉女王) in the domestic mobile game market. Meanwhile, the Company has accumulated rich experience in overseas game publishing thanks to years of practice. Breakthroughs have been made in the publishing areas and game categories. With its overseas business covering over 200 countries and regions, the Company has successfully opened the European and North American markets, led the Asian market and improved its global influence. The Company successfully launched multiple independently-developed and agent products such as Puzzles & Survival, Call Me the Big Shopkeeper (叫我大掌柜), Jing Ling Sheng Dian (精灵盛典), Swords of Archangels (大天使之剑), and Duo Luo Da Lu (斗罗大陆). Going forward, the Company will further play its existing advantages in overseas markets, constantly expand the scale of overseas business based on its strong game R&D capacity and localized marketing capabilities, and make new contributions to promoting the Chinese culture industry and boosting cultural confidence.

The Company constantly sought innovative publishing approaches, and thus created a barrier to entry for competitors in game publishing. First, the Company developed its own AI system to improve the ability of accurate ad placement. With this system, the Company has optimized placement methods, improved the quality of materials, took advantage of high-quality materials, and thereby effectively controlled the marketing cost. Second, the efficiency of publishing, including tool construction and data algorithm to help form a real-time monitoring system and reduce cost waste. The Company puts forward the publishing idea of "branding + sales effects", grasps the market changes to carry out high-quality publicity, and uses good publishing ability to attract target users to achieve good results.

In terms of operation optimization, the Company possesses 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, prolong the product life cycle, and accumulate higher gross billing.

In regard to promotion, through the two AI ad systems, i.e., "Quantum" and "Destiny", the Company conducted differentiated iteration and refined operation for specific types of users of specific games and servers in order to enhance user interaction and activity, activate the paid game ecology, and maximize the effect of life time value ("LTV").

## **3. Advantage of the model of "integration of R&D and operation"**

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As the Company's business mode of "integration of R&D and operation" becomes sophisticated, it is conducive to making full use of resources and creating quality products from a long-term perspective. On the one hand, the Company can ensure the stable supply of quality products to support the operation development through strong R&D strengths. At the same time, the R&D team can utilize the feedback of the operation department to optimize products and extend the product life cycle. On the other hand, at the early stage of product R&D, the operation team can provide advises and suggestions to the R&D team based on its years of experience and keen market insights.

#### 4. Team strengths

The Company has been deeply involved in the field of cultural and creative industries for many years. Its core management team has long been on the front lines of the industry, and has forward-looking capabilities for strategic layout. During the Reporting Period, thanks to its outstanding performance in terms of the development speed and personnel training and development, the Company won the title of "the Best Employer" of CNG. The Company has established a fully-fledged personnel training system. It has completed the personnel system reform, made new promotion mechanism, appraisal mechanism and incentive mechanism. The new system does not only make the employee's growth path clearer, more open and more transparent but also motivates their enthusiasm and creativity in a better way. The Company has always adhered to the entrepreneurial spirit like marathoners and been clear about its goals. It aims to promote sustainable development, progressively realize long-term goals rather than short-term ones, and stay at the forefront of the industry.

### III Core Business Analysis

See contents under the heading "I Principal Activity of the Company in the Reporting Period".

Year-over-year changes in key financial data:

Unit: RMB

	H1 2021	H1 2020	Change (%)	Main reason for change
Operating revenue	7,538,949,378.53	7,988,675,195.57	-5.63%	This was mainly attributable to the different stages of games in their life cycle. Games in the current period were mainly new ones at the introduction stage, while those in the same period of last year were largely games at the mature stage, which were able to generate stable gross billing.
Cost of sales	1,120,509,771.85	863,666,663.98	29.74%	Game revenue under the third-party joint operation model took up a larger share in the total revenue, resulting in an increase in royalties cost.
Distribution and selling expenses	4,785,388,947.28	4,549,628,282.98	5.18%	The Company increased Internet traffic expenditures for a variety of newly launched games such as Rong Yao Da Tian Shi (荣耀大天使), Dou Luo Da Lu: Wu Hun Jue Xing (斗罗大陆: 武魂觉醒), Jue Shi Xian Wang (绝世仙王), and Puzzles & Survival (launched globally), resulting in an increase in Internet traffic fee charges.
General and administrative expenses	222,001,708.95	166,919,490.05	33.00%	The increased number of management personnel compared with the same period last year and the adjusted remuneration policy resulted in an increase in expenditures on employee benefits. Meanwhile, office expenses also increased due to

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				higher depreciation and amortization expenses on the office building and land, as well as a headcount increase.
Financial expenses	-25,875,545.40	9,827,281.57	-363.30%	Combined effect of a decrease in interest expenses on loans and an increase in interest income from banks
Income tax expenses	162,728,946.02	110,659,828.94	47.05%	As the major games of certain subsidiaries were at an early stage of promotion in H1, these subsidiaries recorded paper losses in H1, while other profitable subsidiaries continued to pay their taxes, causing a YoY increase in income tax expenses. The Company expects that its overall income tax rate for the full year will decrease to a reasonable level as these deficit subsidiaries see their major games start to generate profit.
Research and development investments	673,649,742.25	644,896,512.00	4.46%	The Company increased R&D investments, upsized the R&D team compared with the same period last year and refined the remuneration and incentive mechanism, resulting in increased expenditures on the remunerations and benefits of the R&D personnel.
Net cash flows from operating activities	1,253,919,152.46	2,450,226,546.90	-48.82%	Revenue decreased, and receivables from third-party channel platforms increased compared with the beginning of the year which resulted in cash received from the sales of goods or rendering services decreased accordingly. Meanwhile, remuneration payments for employees also rose resulting from the number of the employee rose compared with the same period last year.
Net cash flows used in/from investing activities	-835,664,111.30	-952,419,788.81	12.26%	A payment for the acquisition of land use rights was made in the same period of last year, while there was no such cash outflow in the Reporting Period. Meanwhile, the net amount of wealth management instrument redemptions and purchases increased.
Net cash flows used in/from financing activities	1,737,499,012.55	-180,181,077.21	1,064.31%	Cash received from the private placement in the Reporting Period
Net increase in cash and cash equivalents	2,153,528,582.00	1,328,403,368.73	62.11%	Combined effect of a decrease in net cash flows from operating activities, a decrease in net cash flows used in investing activities, and an increase in net cash flows from financing activities

Significant changes to the profit structure or sources of the Company in the Reporting Period:

Applicable  Not applicable

No such changes in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB

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	H1 2021		H1 2020		Change (%)
	Amount	As % of operating revenue (%)	Amount	As % of operating revenue (%)	
Total operating revenue	7,538,949,378.53	100.00%	7,988,675,195.57	100.00%	-5.63%
By operating division					
Online games	7,538,949,378.53	100.00%	7,988,675,195.57	100.00%	-5.63%
By product category					
Mobile games	7,067,163,703.89	93.74%	7,412,153,082.93	92.78%	-4.65%
Browser games	460,286,420.34	6.11%	564,975,213.48	7.07%	-18.53%
Others	11,499,254.30	0.15%	11,546,899.16	0.14%	-0.41%
By operating segment					
Domestic	5,494,392,013.23	72.88%	7,019,815,819.74	87.87%	-21.73%
Overseas	2,044,557,365.30	27.12%	968,859,375.83	12.13%	111.03%

Operating division, product category or operating segment contributing over 10% of operating revenue or operating profit:

Applicable  Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Online games	7,538,949,378.53	1,120,509,771.85	85.14%	-5.63%	29.74%	-4.05%
By product category						
Mobile games	7,067,163,703.89	977,728,886.12	86.17%	-4.65%	34.06%	-3.99%
Browser games	460,286,420.34	135,756,614.09	70.51%	-18.53%	5.62%	-6.74%
By operating segment						
Domestic	5,494,392,013.23	859,046,703.67	84.37%	-21.73%	19.84%	-5.42%
Overseas	2,044,557,365.30	261,463,068.18	87.21%	111.03%	78.09%	2.36%

Core business data restated according to the changed methods of measurement that occurred in the Reporting Period:

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.

Operating division contributing over 10% of operating revenue or operating profit:

Applicable  Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)

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By operating division of customers						
Online games	7,538,949,378.53	1,120,509,771.85	85.14%	-5.63%	29.74%	-4.05%
By product category						
Mobile games	7,067,163,703.89	977,728,886.12	86.17%	-4.65%	34.06%	-3.99%
Browser games	460,286,420.34	135,756,614.09	70.51%	-18.53%	5.62%	-6.74%
By operating segment						
Domestic	5,494,392,013.23	859,046,703.67	84.37%	-21.73%	19.84%	-5.42%
Overseas	2,044,557,365.30	261,463,068.18	87.21%	111.03%	78.09%	2.36%

Ongoing sales contracts with a single contract amount that is over RMB50 million and accounts for over 30% of the Company's audited operating revenue in the most recent accounting year:

Applicable  Not applicable

Breakdown of the cost of sales for the core business:

Unit: RMB

Breakdown of cost	H1 2021		H1 2020		Change (%)
	Amount	As % of cost of sales	Amount	As % of cost of sales	
Royalties	1,014,617,869.61	90.55%	756,529,181.79	87.60%	34.11%
Cost of servers	83,168,344.41	7.42%	77,914,092.53	9.02%	6.74%
Amortization of copyright money	15,326,627.17	1.37%	22,029,060.95	2.55%	-30.43%
Other costs	7,396,930.65	0.66%	7,194,328.71	0.83%	2.82%

Any over 30% YoY movements in the data above and why:

Applicable  Not applicable

1. The overseas operating revenue increased by 111.03% YoY, primarily because the Company adjusted its overseas operating strategy in the Reporting Period, and the overseas mobile game development and launch business continued to grow, resulting in a significant increase in operating revenue.
2. Royalties in the cost of sales increased by 34.11% YoY, primarily because game revenue under the third-party joint operation model took up a larger share in the total revenue in the Reporting Period, resulting in an increase in royalties cost.
3. Amortization of copyright money in the cost of sales went down by 30.43% YoY, mainly because copyright money was less used as a way to obtain the operation rights for major games in the Reporting Period, resulting in a decrease in amortization cost of copyright money.

#### IV Analysis of Non-Core Businesses

Applicable  Not applicable

Unit: RMB

Amount	As % of profit before income	Reason/source	Recurrent or not

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		tax expenses		
Investment income	73,957,894.70	7.35%	Mainly due to gains on investments from disposal of equity investments, dividends during the period of holding equity investments, and wealth management products	Not
Gain/loss on changes in fair value	106,592,018.27	10.59%	Mainly due to changes in fair value of equity investments	Not
Impairment loss on assets	1,130,937.77	0.11%	Mainly due to losses on doubtful accounts	Losses on doubtful accounts are recurrent
Non-operating income	2,204,522.71	0.22%	Mainly due to compensation income	Not
Non-operating expenses	713,926.50	0.07%	Mainly due to donations and expenditures on retirement of fixed assets	Not
Other income	76,652,164.24	7.62%	Mainly due to refund of VAT and other government grants given in the Company's ordinary course of business	Refund VAT is recurrent while other government grants are not.

## V Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2021		31 December 2020		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary funds	3,927,610,090.55	28.10%	1,776,856,909.85	16.82%	11.28%	Funds raised in a private placement of shares in the Reporting Period
Accounts receivable	1,361,016,422.73	9.74%	1,164,657,998.35	11.02%	-1.28%	The overseas game business expanded in the Reporting Period, while the relevant amounts receivable from third-party channels/platforms were undue.
Long-term equity investments	428,731,774.82	3.07%	360,566,552.56	3.41%	-0.34%	No significant change
Fixed assets	906,707,500.39	6.49%	922,736,638.76	8.73%	-2.24%	No significant change
Construction in progress	10,232,260.08	0.07%	4,180,019.75	0.04%	0.03%	Construction of the Company's Headquarters Building in Guangzhou commenced in the Reporting Period
Right-of-use	89,700,305.83	0.64%	0	0.00%	0.64%	Right-of-use assets were recognized on

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assets						leases according to the new accounting standard governing leases, which the Company has adopted since 1 January 2021
Short-term loans	247,063,500.00	1.77%	889,324,326.07	8.42%	-6.65%	Repayment of financings obtained through notes which became due in the Reporting Period
Contract liabilities	246,023,708.35	1.76%	204,231,829.45	1.93%	-0.17%	No significant change
Lease liabilities	64,256,151.56	0.46%	0	0.00%	0.46%	The present value of future rental payments for office space occupied under operating leases was recognized as lease liabilities according to the new accounting standard governing leases in the Reporting Period
Trading financial assets	2,144,978,476.54	15.35%	1,321,234,029.61	12.51%	2.84%	Increases in the balances of low-risk bank's wealth management products and structured deposits purchased by the Company for higher capital returns
Prepayments	1,116,715,243.28	7.99%	999,890,031.00	9.46%	-1.47%	To enrich the product and IP pipeline, the Company increased the prepayments of royalties for licensed game operation, and increased the prepayments of license fees for IPs for self-developed games
Accounts payable	1,636,208,353.34	11.71%	1,078,096,658.12	10.21%	1.50%	Increase in Internet traffic fee charges payable
Other payables	1,187,472,426.30	8.50%	1,317,972,818.79	12.48%	-3.98%	The Company paid for the acquisition of minority interests in Guangzhou 37 Network Technology Co., Ltd. in the Reporting Period

## 2. Major Assets Overseas

√ Applicable □ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk or not
Monetary funds	Income from investments and operations	774,934,802.60	Hong Kong, the US, etc.		A sound business supervision mechanism and a		8.18%	Not

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					sound risk control mechanism have been put in place			
Other equity assets	Investments in overseas companies	364,758,895.15	Hong Kong, South Korea, etc.		A sound business supervision mechanism and a sound risk control mechanism have been put in place	30,823,475.19	3.85%	Not
Other information	None							

## VI Principal Subsidiaries and Joint Stock Companies

Applicable  Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Jiangsu Aurora	Subsidiary	Development of mobile and browser games	6,250,000.00	5,333,875,811.08	4,035,312,776.61	778,585,250.47	125,721,761.36	105,017,202.66
Guangzhou 37	Subsidiary	Launch and operation of mobile games	11,764,706.00	4,692,808,416.27	2,221,050,907.43	3,836,134,123.00	762,599,569.08	628,293,962.64

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable  Not applicable

Other information on principal subsidiaries and joint stock companies:

## VII Risks Facing the Company and Countermeasures

### 1. Risk of industry regulation

The online game industry is regulated by relevant national policies and government departments. During recent years, regulatory authorities have gradually attached importance to the healthy development of the online game industry, implementing more stringent regulatory measures such as qualification management and content review for games' development, publication and operation. For example, the Standing Committee of the 13th National People's Congress revised the Law of the People's Republic of China on the Protection of Minors for the second time at its 22nd session in October 2020, which came into effect on June 1, 2021. The Law of the People's Republic of China on the Protection of Minors strengthens network protection, stipulating that online games can be operated only after the approval of law. What's more, China establishes a unified electronic identity authentication system of online games for minors, specifies their online time, and stipulates penalties for network service providers who do not fulfill their obligations to prevent online addiction and stop cyberbullying. During the operation of the game products, if the Company violates or misunderstands the relevant regulations, there may be a risk that it will be punished by authorities or that relevant works may not be published as planned because they do not meet the regulatory requirements.

In the long term, the regulation of the online game industry is becoming more and more standardized, which is conducive to the healthy development of the industry. The enterprises with standardized operation will benefit from it. 37 Interactive Entertainment will strictly abide by the requirements related to the development of the industry and support its policies and regulations.

### 2. 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 demand for quality for game products Intense

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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 investments, 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 digital marketing and operation, deepen the business strategy of multi-channel marketing, targeted advertising and long-term services, and continuously enhance its core market competitiveness.

### **3. 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, and game enterprises fail to keep up with them, 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 to the user experience and brand image. Consequently, its operation performance will be impaired.

In response, increasing R&D investments are needed to maintain continuous product innovation. The Company also needs to dig deeper into operational data through independently developed AI systems, and timely adjust operational and R&D strategies, to meet the core demands of users.

In terms of information security management and user privacy protection, based on strict management policies and process system, the Company adopts industry-leading technologies and benchmark them with international standards, strictly controls information security risks, and guarantees data security to ensure the security of users' personal information to the maximum extent. In terms of information security, the Company defines and classifies security incidents to respond to possible data security problems. The Company's current information security management system covers the three game platforms of the Group including 37Online, 37Mobile, and 37GAMES (Overseas), and integrates all service suppliers of the platforms in the whole system for management, which ensures the completeness of the systems and reduces the potential risks outside the system.

In terms of the implementation of data security, it carries out systematic and rigorous operations to encrypt the storage and transmission of data assets in the whole process. 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. The Company adopts privacy enhancement technology to manage users' private data, including de-identification and anonymization of users' personal information, which can be used to store the personal information with recovered identification and the information after de-identification respectively, and enhances the management of access and using authorities to ensure the security of users' personal information. The Company ensures that it runs the business in compliance with applicable laws and regulations throughout the world, and protects the users' right to manage personal information. A response procedure has been stipulated to inform users of any possible cost and necessary actions needed to be taken.

### **4. 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  
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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 attract and retain outstanding management talents and business elites, the Company has vigorously reformed the project mechanism, encouraged “bottom-up” project creation, shortened the review cycle and established diversified indicators, so as to stimulate the innovative vitality of employees. In terms of employee performance appraisal, the Company has broken the traditional salary incentive system based on gross billing, and set up diversified KPIs based on employees' contribution and ability, and set up flexible team appraisal standards to encourage employees' creativity. Through the above mechanism changes, the Company increases the attractiveness to core staffs and R&D personnel.

The Company has established “37 Interactive Entertainment Learning and Development Center” to provide sufficient training and learning opportunities for employees and help them grow rapidly. At the same time, “37 Interactive Entertainment Learning and Development Center” has set up academies with different specializations in each business group, focusing on professional empowerment and talent cultivation around different needs for professional skill growth.

## VIII Operating Performance Forecast for January-September 2021

Performance forecast: year-on-year decrease

Type of data in the table below: Interval data

	January-September 2021			January-September 2020	Change			
		--					--	
Estimated net profit (RMB' 0,000)	160,000.00	--	170,000.00	226,022.61	Decrease	-29.21%	--	-24.79%
Basic earnings per share (RMB/share)	0.73	--	0.77	1.07	Decrease	-31.86%	--	-27.60%
Notes	<p>The Company estimates the net profit attributable to the Listed Company's shareholders to be between RMB 1.6 billion to RMB1.7 billion for January-September 2021, with the number estimated to be between RMB 0.746 billion to RMB 0.846 billion for Q3 2021. The game business is characteristic of large investment before payback. The Company has launched more new games in 2021, which are now at the preliminary stage of promotion, resulting in a higher growth in selling expenses than that in operating revenue and thus causing a temporary impact on the ratio of selling expenses. So far, the expenditures on selling in Q1 have started to generate returns. As a result, Q2 2021 recorded a net profit attributable to the Listed Company's shareholders of RMB 0.737 billion, representing a growth of over 500% compared to Q1 2021. The previous expenditures are expected to bring in profit as the operations of these games grow mature over time.</p> <p>As previous investments start to pay back and more new games are launched, the Company expects a quarter-on-quarter growth of over 15% in operating revenue, and a year-on-year growth of over 30% in net profit attributable to the Listed Company's shareholders, in Q3 2021. The Company's self-developed game Dou Luo Da Lu: Hun Shi Dui Jue (斗罗大陆: 魂师对决) has been launched globally and successively, expected to generate gross billing of over RMB 0.7 billion in August.</p>							

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## Part IV Corporate Governance

### I Annual and Extraordinary General Meetings of Shareholders Convened during the Reporting Period

#### 1. General Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Date of disclosure	Resolutions of the meeting
The First Extraordinary General Meeting of Shareholders of 2021	Extraordinary General Meeting of Shareholders	38.51%	29 March 2021	30 March 2021	<ol style="list-style-type: none"> <li>1. The Proposal on Increase in Registered Capital and Amendments to the Articles of Association was approved; and</li> <li>2. The Proposal on Application for the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters in Relation to the Private Placement of Shares was approved.</li> </ol>
The 2020 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	47.76%	22 June 2021	23 June 2021	<ol style="list-style-type: none"> <li>1. The 2020 Work Report of the Board of Directors was approved;</li> <li>2. The 2020 Work Report of the Supervisory Committee was approved;</li> <li>3. The Chinese versions of the full 2020 Annual Report and its Summary, along with the English version of the Summary, were approved;</li> <li>4. The 2020 Final Account Report was approved;</li> <li>5. The 2020 Final Dividend Plan was approved;</li> <li>6. The Proposal on Appointment of Independent Auditor for 2021 Annual Financial Statements was approved;</li> <li>7. The Proposal on the Expected Guarantee Line for Subsidiaries in 2021 was approved;</li> <li>8. The Proposal on Adjustments to the Remuneration Plan for Non-independent Directors of the Fifth Board of Directors was approved; ‘</li> <li>9. The Proposal on the Use of Self-owned Idle Funds for Securities Investment was approved; and</li> <li>10. The Proposal on the Use of Self-owned Idle Funds for Entrusted Wealth Management was approved.</li> </ol>

#### II Interim Dividend Plan

Applicable  Not applicable

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Bonus issue from profit (share/10 shares)	0
Cash dividend/10 shares (RMB) (tax inclusive)	1.5
Share base (share)	2,217,864,281
Cash dividends (RMB) (tax inclusive)	332,679,642.15
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	332,679,642.15
Distributable profit (RMB)	760,652,599.19
Total cash dividends (including those in other forms) as % of total profit to be distributed	100.00%
<b>Applicable cash dividend policy</b>	
If it is difficult to identify the development stage of the Company but it has a significant capital expenditure arrangement, when making profit distribution, cash dividends shall account for no less than 20% in the profit distribution.	
<b>Details of the cash and/or stock dividend plan</b>	
<p>Upon approval by the Board of Directors, the Company's 2021 interim dividend plan is as follows: Based on the total issued share capital (the total registered share capital less shares in the securities account for repurchases) on the date of record, a cash dividend of RMB1.5 (tax inclusive) per 10 shares is planned to be distributed to all the shareholders of the Company, with the remaining undistributed profit carried forward to the next year; and there will be no bonus issue from either profit or capital reserves.</p> <p>The above interim dividend plan is consistent with the Company's performance growth, and also in line with relevant provisions of the Company Law, the Securities Law, the Articles of Association and the Company's shareholder return plan. Therefore, it is legal, valid and reasonable.</p>	

### III Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable  Not applicable

The third employee stock ownership plan (ESOP) has been reviewed and approved by the Fourth Meeting of the Fifth Board of Directors, the Fourth Meeting of the Fifth Supervisory Committee and the Fourth Extraordinary General Meeting of Shareholders of 2019. The Company transferred the shares repurchased from 11 April 2019 to 7 May 2019 to the ESOP at zero price. The shares covered under the ESOP amount to 22,347,537 shares, accounting for 1.06% of the Company's total share capital. The ESOP unlocked the underlying shares, which were received through non-trade transfer and other legitimate means, phase by phase 12 months after the date of the Company's announcement on the transfer of the last shares to the ESOP. The maximum lock-up period is 36 months.

According to the third ESOP (draft), if the Company's performance target defined in the ESOP is achieved -- that is, the total net profit (which is measured based on the net profit attributable to the Listed Company's shareholders and does not include costs incurred by the shares under this ESOP) in 2019 and 2020 is not lower than RMB3.2 billion), then 30% of the total number of shares in this ESOP can be unlocked. According to the Audit Report issued by Huaxing Certified Public Accountants LLP (special general partnership), the net profit attributable to the Listed Company's shareholders in 2020 of RMB2.761 billion, and the net profit attributable to the Listed Company's shareholders minus the cost incurred by this ESOP in 2020 is RMB2.893 billion. Therefore, the total net profit attributable to the Listed Company's shareholders in 2019 and 2020 minus the cost incurred by this ESOP is

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RMB5.077 billion. That is, the Company's performance target defined in the ESOP has been achieved. Therefore, 30% of the total number of shares under this ESOP were unlocked 24 months after the date (27 July 2019) of the Company's announcement on the transfer of the last shares to this ESOP upon the confirmation that the performance target has been achieved. That is, the lock-up period of the second batch of shares (6,704,261 shares) under the Company's third ESOP will expire on 26 July 2021.

## IV Significant Events of Subsidiaries

Applicable  Not applicable

Particulars about the commitment in relation to the 2020 annual performance of Guangzhou 37 Network Technology Co., Ltd. (hereinafter, “Guangzhou 37 Network”):

Entities involved in the profit and shareholding increase commitment (namely, Xu Zhigao, He Hong, Liu Jun, and Liu Jiayu) have undertaken in their transaction with the Company regarding the Company’s acquisition of a 20% indirect interest in Guangzhou 37 Network that the 2020, 2021 and 2022 annual net profits of Guangzhou 37 Network should not be lower than RMB1.2 billion, RMB1.44 billion and RMB1.656 billion, respectively. Note: The said net profit refer to the consolidated (if applicable) net profit attributable to Guangzhou 37 Network’s shareholders after deducting non-recurring profits and losses (except for statutory government subsidies and tax preferences) in an accounting year of the commitment period. For further information, see the Announcement on the Plan to Acquire a 20% Indirect Interest in Guangzhou 37 Network Technology Co., Ltd. disclosed by the Company on the website <http://www.cninfo.com.cn> dated 8 December 2020.

As audited, the 2020 annual net profit attributable to Guangzhou 37 Network’s shareholders and the 2020 annual net profit attributable to Guangzhou 37 Network’s shareholders after deducting non-recurring profits and losses (except for statutory government subsidies and tax preferences) stood at RMB1,399.5432 million and RMB1,389.7833 million, respectively. As such, the 2020 annual net profit attributable to Guangzhou 37 Network’s shareholders after deducting non-recurring profits and losses (except for statutory government subsidies and tax preferences) exceeded the promised annual net profit of RMB1.2 billion for 2020.

## Part V Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	743,503,103	35.20%	105,612,584			-65,757,025	39,855,559	783,358,662	35.32%
1.1 Shares held by the government									
1.2 Shares held by state-owned corporations			5,041,411				5,041,411	5,041,411	0.23%
1.3 Shares held by other domestic investors	743,503,103	35.20%	100,571,173			-65,757,025	34,814,148	778,317,251	35.09%
Including: Shares held by domestic corporations			97,690,367				97,690,367	97,690,367	4.40%
Shares held by domestic natural persons	743,503,103	35.20%	2,880,806			-65,757,025	-62,876,219	680,626,884	30.69%
1.4 Shares held by overseas investors									
Including: Shares held by overseas corporations									
Shares held by overseas natural persons									
2. Un-restricted shares	1,368,748,594	64.80%				65,757,025	65,757,025	1,434,505,619	64.68%

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2.1 RMB-denominated common shares	1,368,748,594	64.80%				65,757,025	65,757,025	1,434,505,619	64.68%
2.2 Domestically listed foreign shares									
2.3 Overseas listed foreign shares									
2.4 Others									
3. Total shares	2,112,251,697	100.00%	105,612,584			0	105,612,584	2,217,864,281	100.00%

Reasons for share changes:

Applicable  Not applicable

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. In the event of a changed share capital resulted from any bonus issue from profit or capital reserves, the number of shares to be issued could be adjusted accordingly. Eventually, the Company issued 105,612,584 RMB-denominated common shares (A-stock) in a private placement to 14 specified entities, increasing its total share capital from 2,112,251,697 shares to 2,217,864,281 shares. These newly issued shares were allowed for public trading on 10 March 2021. For further information, see the Report on the Private Placement of Shares by Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. & the Listing Announcement of these Shares (Summary) disclosed by the Company dated 8 March 2021.

Approval of share changes:

Applicable  Not applicable

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. In the event of a changed share capital resulted from any bonus issue from profit or capital reserves, the number of shares to be issued could be adjusted accordingly. For further information, see the Announcement No. 2021-001 on the Receipt of the CSRC Approval Document for the Private Placement disclosed by the Company on 13 January 2021.

Effects of share changes on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's common shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

Based on the diluted share capital of 2,217,864,281.00 shares, for the 12 months ended 31 December 2020, the basic earnings per share, diluted earnings per share, and equity per share attributable to the Company's common shareholders were RMB1.24, RMB1.24 and RMB2.72, respectively; and for the six months ended 30 June 2021, the corresponding amounts were RMB0.39, RMB0.39 and RMB4.23, respectively.

## II Issuance and Listing of Securities

Applicable  Not applicable

Name of stock and its derivative	Issue date	Issue price (or interest)	Issued number	Listing date	Number approved for	Termination date of	Index to disclosed	Disclosure date
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securities		rate)			public trading	transaction	information	
Stocks								
Private Placement of 37 Interactive Entertainment	24 February 2021	27.77	105,612,584	10 March 2021	105,612,584		<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	8 March 2021
Convertible corporate bonds, convertible corporate bonds with warrants, and corporate bonds								
Other derivative securities								

Particulars about the securities (exclusive of preference shares) issued in the Reporting Period:

With the Reply on Approval of the Application of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. for Private Placement (CSRC Permit [2021] No. 16) issued by the CSRC, the Company was approved to issue no more than 105,612,584 shares in a private placement. Eventually, the Company issued 105,612,584 RMB-denominated common shares (A-stock) in a private placement to 14 specified entities, increasing its total share capital from 2,112,251,697 shares to 2,217,864,281 shares. These newly issued shares were allowed for public trading on 10 March 2021.

### III Shareholders and Their Holdings as at the Period-End

Unit: share

Number of common shareholders		161,103		Number of preferred shareholders with resumed voting rights (if any) (see note 8)			0	
5% or greater common shareholders or the top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Common shares held	Increase/decrease in the Reporting Period	Restricted common shares held	Un-restricted common shares held	Pledged, marked or frozen status	
							Status	Shares
Li Weiwei	Domestic natural person	14.52%	322,113,019	-39,300,000	271,059,764	51,053,255	Pledged	14,500,000
Zeng Kaitian	Domestic natural person	11.06%	245,344,374	0	184,008,280	61,336,094	Pledged	9,100,000
Hu Yuhang	Domestic natural person	8.53%	189,197,684	41,340,000	141,898,263	47,299,421	Pledged	7,800,000
Wu Weihong	Domestic natural person	4.36%	96,692,962	-4,840,000	76,149,721	20,543,241		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	3.26%	72,268,007	-10,504,079	0	72,268,007		
Wu Weidong	Domestic natural person	2.86%	63,323,257	-27,196,000	0	63,323,257		
Wu Xushun	Domestic natural person	2.26%	50,070,682	0	0	50,070,682		
China Merchants Bank	Other	1.14%	25,200,114	14,198,636	0	25,200,114		

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Co., Ltd.—Xingquan Herun Mixed Securities Investment Fund								
China Merchants Bank Co., Ltd.—Ruiyuan Balanced Value Three-Year Mixed Securities Investment Fund	Other	1.05%	23,236,844	14,054,846	5,401,532	17,835,312		
China Everbright Bank Company Limited Co., Ltd.—Xingquan Business Model Selected Mixed Securities Investment Fund (LOF)	Other	1.01%	22,359,486	10,274,385	0	22,359,486		
Strategic investor or general corporation becoming a top-10 common shareholder in a rights issue (if any) (see note 3)	Not applicable							
Related or acting-in-concert parties among the shareholders above	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>							
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A							
Special account for share repurchases (if any) among the top 10 shareholders (see note 11)	N/A							
Top 10 un-restricted common shareholders								
Name of shareholder	Un-restricted common shares held	Shares by class						
		Class	Shares					
Hong Kong Securities Clearing Company Ltd.	72,268,007	RMB-denominated common shares	72,268,007					
Wu Weidong	63,323,257	RMB-denominated common shares	63,323,257					
Zeng Kaitian	61,336,094	RMB-denominated common shares	61,336,094					

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		shares	
Li Weiwei	51,053,255	RMB-denominated common shares	51,053,255
Wu Xushun	50,070,682	RMB-denominated common shares	50,070,682
Hu Yuhang	47,299,421	RMB-denominated common shares	47,299,421
China Merchants Bank Co., Ltd.—Xingquan Herun Mixed Securities Investment Fund	25,200,114	RMB-denominated common shares	25,200,114
China Everbright Bank Company Limited Co., Ltd.—Xingquan Business Model Selected Mixed Securities Investment Fund (LOF)	22,359,486	RMB-denominated common shares	22,359,486
Wu Weihong	20,543,241	RMB-denominated common shares	20,543,241
Xu Zhigao	19,943,951	RMB-denominated common shares	19,943,951
Related or acting-in-concert parties among the top 10 un-restricted common shareholders, as well as between the top 10 un-restricted common shareholders and the top 10 common shareholders	<p>1. Among the top 10 shareholders of the Company, Wu Xushun is the father of Wu Weihong and Wu Weidong, which makes them shareholders acting in concert.</p> <p>2. The Company is not aware of whether there is, among the other top 10 shareholders, any related parties or acting-in-concert parties as defined in the Measures on the Administration of Acquisition of Listed Companies.</p>		
Top 10 common shareholders engaged in securities margin trading (if any) (see note 4)	None		

Indicate by tick mark whether any of the top 10 common shareholders or the top 10 un-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes  No

No such cases in the Reporting Period.

#### IV Changes in the Shareholdings of Directors, Supervisors and Senior Management

Applicable  Not applicable

Name	Office title	Incumbent /Former	Beginning shareholding	Increase in the period	Decrease in the period	Ending shareholding	Beginning restricted	Restricted shares	Ending restricted
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			(share)	(share)	(share)	(share)	shares granted (share)	granted in the period (share)	shares granted (share)
Li Weiwei	Chairman of the Board and General Manger	Incumbent	361,413,019	0	-39,300,000	322,113,019	0	0	0
Zeng Kaitian	Vice Chairman of the Board	Incumbent	245,344,374	0	0	245,344,374	0	0	0
Hu Yuhang	Director	Incumbent	147,857,684	41,340,000	0	189,197,684	0	0	0
Yang Jun	Director and Deputy General Manager	Incumbent	693,400	2,100,000	0	2,793,400	0	0	0
Li Yang	Independent Director	Incumbent	0	0	0	0	0	0	0
Chen Jianlin	Independent Director	Incumbent	0	0	0	0	0	0	0
Ye Xin	Independent Director	Incumbent	0	0	0	0	0	0	0
Liu Guangqiang	Independent Director	Incumbent	0	0	0	0	0	0	0
He Yang	Chairman of the Supervisory Committee	Incumbent	0	0	0	0	0	0	0
Cheng Lin	Supervisor	Incumbent	0	0	0	0	0	0	0
Liu Fengyong	Supervisor	Incumbent	0	0	0	0	0	0	0
Zhu Huaimin	Deputy General Manager	Incumbent	0	0	0	0	0	0	0
Ye Wei	Chief Financial Officer and Board Secretary	Incumbent	0	0	0	0	0	0	0
Total	--	--	755,308,477	43,440,000	-39,300,000	759,448,477	0	0	0

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



## Part VI Financial Statements

### I Independent Auditor's Report

Are these interim financial statements audited by an independent auditor?

Yes  No

They are unaudited by such an auditor.

### II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

#### 1. Consolidated Balance Sheet

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

30 June 2021

Unit: RMB

Item	30 June 2021	31 December 2020
Current assets:		
Monetary funds	3,927,610,090.55	1,776,856,909.85
Transaction settlement funds		
Loans to other banks		
Trading financial assets	2,144,978,476.54	1,321,234,029.61
Derivative financial assets		
Notes receivable		
Accounts receivable	1,361,016,422.73	1,164,657,998.35
Accounts receivable financing		
Prepayments	1,116,715,243.28	999,890,031.00
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	102,076,932.89	85,138,773.10
Including: Interest receivable		
Dividends receivable	10,100,000.00	10,100,000.00
Redemptory monetary capital for sale		
Inventories		

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Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	282,207,588.96	452,435,284.38
Total current assets	8,934,604,754.95	5,800,213,026.29
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	428,731,774.82	360,566,552.56
Other equity investments	364,998,286.10	294,824,927.02
Other non-current financial assets	423,216,689.35	372,195,483.93
Investment properties		
Fixed assets	906,707,500.39	922,736,638.76
Construction in progress	10,232,260.08	4,180,019.75
Productive living assets		
Oil and gas assets		
Right-of-use assets	89,700,305.83	
Intangible assets	1,100,776,339.37	1,108,434,647.51
Development expenditure		
Goodwill	1,589,065,048.53	1,589,065,048.53
Long-term deferred expenses	115,071,414.74	71,442,122.88
Deferred income tax assets	11,076,743.28	9,967,411.35
Other non-current assets	1,950,014.04	30,705,621.27
Total non-current assets	5,041,526,376.53	4,764,118,473.56
Total assets	13,976,131,131.48	10,564,331,499.85
Current liabilities:		
Short-term loans	247,063,500.00	889,324,326.07
Loans from the central bank		
Loans from other banks		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	563,500,000.00	393,351,017.72

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Accounts payable	1,636,208,353.34	1,078,096,658.12
Advances from customers		
Contract liabilities	246,023,708.35	204,231,829.45
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	300,377,802.41	410,000,161.52
Taxes payable	188,664,415.76	160,224,192.87
Other payables	1,187,472,426.30	1,317,972,818.79
Including: Interest payable		
Dividends payable	443,572,856.20	
Handling charges and commissions payable		
Reinsurance payables		
Liabilities held for sale		
Non-current liabilities due within one year	29,279,326.08	
Other current liabilities	41,162,474.93	45,287,027.61
Total current liabilities	4,439,752,007.17	4,498,488,032.15
Non-current liabilities:		
Insurance contract reserve		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	64,256,151.56	
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		
Deferred income tax liabilities	31,678.49	391,763.97
Other non-current liabilities		
Total non-current liabilities	64,287,830.05	391,763.97
Total liabilities	4,504,039,837.22	4,498,879,796.12

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

Shareholders' equity:		
Share capital	2,217,864,281.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	2,953,245,644.37	114,693,519.91
Less: Treasury shares		
Other comprehensive income	-160,292,383.05	-149,074,272.37
Special reserves		
Surplus reserves	4,868,573.36	
General risk reserves		
Retained earnings	4,361,748,546.69	3,959,512,681.41
Total equity attributable to shareholders of the Company	9,377,434,662.37	6,037,383,625.95
Non-controlling interests	94,656,631.89	28,068,077.78
Total shareholders' equity	9,472,091,294.26	6,065,451,703.73
Total liabilities and shareholders' equity	13,976,131,131.48	10,564,331,499.85

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

## 2. Balance Sheet of the Company

Unit: RMB

Item	30 June 2021	31 December 2020
Current assets:		
Monetary funds	1,002,072,262.06	274,246.17
Trading financial assets	751,752,876.71	
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts receivable financing		
Prepayments		
Other receivables	1,161,095,000.00	1,000,017,597.10
Including: Interest receivable		

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Dividends receivable		1,000,000,000.00
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	5,316,826.05	3,352,745.35
Total current assets	2,920,236,964.82	1,003,644,588.62
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	9,492,589,288.09	9,449,976,259.36
Other equity investments		
Other non-current financial assets	29,040,909.54	29,040,909.54
Investment properties		
Fixed assets		
Construction in progress		
Productive living assets		
Oil and gas assets		
Right-of-use assets	9,918,654.37	
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	9,531,548,852.00	9,479,017,168.90
Total assets	12,451,785,816.82	10,482,661,757.52
Current liabilities:		
Short-term loans	150,000,000.00	
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable		186,277.50

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Advances from customers		
Contract liabilities		
Employee benefits payable	382,546.97	492,264.00
Taxes payable	147,427.78	4,749,796.66
Other payables	2,328,050,805.51	3,062,581,644.17
Including: Interest payable		
Dividends payable	443,572,856.20	
Liabilities held for sale		
Non-current liabilities due within one year	2,152,365.88	
Other current liabilities		
Total current liabilities	2,480,733,146.14	3,068,009,982.33
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	7,123,309.63	
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	7,123,309.63	
Total liabilities	2,487,856,455.77	3,068,009,982.33
Shareholders' equity:		
Share capital	2,217,864,281.00	2,112,251,697.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	6,598,481,707.33	3,759,929,582.87
Less: Treasury shares		
Other comprehensive income	-60,000,000.00	-60,000,000.00
Special reserves		

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Surplus reserves	446,930,773.53	442,062,200.17
Retained earnings	760,652,599.19	1,160,408,295.15
Total shareholders' equity	9,963,929,361.05	7,414,651,775.19
Total liabilities and shareholders' equity	12,451,785,816.82	10,482,661,757.52

### 3. Consolidated Income Statement

Unit: RMB

Item	H1 2021	H1 2020
1. Total operating revenue	7,538,949,378.53	7,988,675,195.57
Including: Operating revenue	7,538,949,378.53	7,988,675,195.57
Interest income		
Premium income		
Handling charge and commission income		
2. Total operating costs and expenses	6,792,689,615.37	6,257,275,520.69
Including: Cost of sales	1,120,509,771.85	863,666,663.98
Interest expense		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expenses		
Taxes and surcharges	17,014,990.44	22,337,290.11
Distribution and selling expenses	4,785,388,947.28	4,549,628,282.98
General and administrative expenses	222,001,708.95	166,919,490.05
Research and development expenses	673,649,742.25	644,896,512.00
Financial expenses	-25,875,545.40	9,827,281.57
Including: Interest expense	11,764,539.22	34,655,637.60
Interest income	30,785,993.18	23,176,748.76
Add: Other income	76,652,164.24	95,213,596.55
Investment income ("-" for loss)	73,957,894.70	108,093,257.02
Including: Share of profits and losses of joint ventures and associates	-7,279,101.80	13,131,170.06

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Gain on derecognition of financial assets measured at amortised cost (“-” for loss)		
Gain on exchange (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	106,592,018.27	115,130,432.61
Impairment loss on credit (“-” for loss)	1,130,937.77	-7,237,074.09
Impairment loss on assets (“-” for loss)		-44,335,968.65
Gain on disposal of assets (“-” for loss)	254,206.01	75,379.94
3. Operating profit (“-” for loss)	1,004,846,984.15	1,998,339,298.26
Add: Non-operating income	2,204,522.71	2,297,869.41
Less: Non-operating expenses	713,926.50	7,429,745.23
4. Profit before income tax expenses (“-” for loss)	1,006,337,580.36	1,993,207,422.44
Less: Income tax expenses	162,728,946.02	110,659,828.94
5. Net profit (“-” for net loss)	843,608,634.34	1,882,547,593.50
5.1 Classified by continuity of operations		
5.1.1 Net profit from continuing operations (“-” for net loss)	843,608,634.34	1,882,547,593.50
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 Classified by ownership of the equity		
5.2.1 Net profit attributable to shareholders of the Company	853,717,855.65	1,699,736,123.46
5.2.2 Net profit attributable to non-controlling interests	-10,109,221.31	182,811,470.04
6. Other comprehensive income, net of tax	-11,218,110.68	10,361,892.43
Other comprehensive income attributable to shareholders of the Company, net of tax	-11,218,110.68	10,380,760.96
6.1 Other comprehensive income that will not be reclassified subsequently to profit or loss	-2,500,000.00	
6.1.1 Changes caused by remeasurement of defined benefit pension schemes		
6.1.2 Share of the other comprehensive income of the investee accounted for using equity method that will not be reclassified subsequently to profit or loss		
6.1.3 Changes in fair value of other equity investments	-2,500,000.00	
6.1.4 Changes in the fair value of the company's		

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own credit risk		
6.1.5 Others		
6.2 Other comprehensive income that will be reclassified subsequently to profit or loss	-8,718,110.68	10,380,760.96
6.2.1 Share of the other comprehensive income of the investee accounted for using equity method that will be reclassified subsequently to profit or loss		
6.2.2 Changes in fair value of other equity investments		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Allowance for credit impairments in other debt investments		
6.2.5 Cash flow hedge reserve		
6.2.6 Exchange differences on translation of foreign currency financial statements	-8,718,110.68	10,380,760.96
6.2.7 Others		
Other comprehensive income attributable to non-controlling interests, net of tax		-18,868.53
7. Total comprehensive income	832,390,523.66	1,892,909,485.93
Total comprehensive income attributable to shareholders of the Company	842,499,744.97	1,710,116,884.42
Total comprehensive income attributable to non-controlling interests	-10,109,221.31	182,792,601.51
8. Earnings per share:		
8.1 Basic earnings per share	0.39	0.80
8.2 Diluted earnings per share	0.39	0.80

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB0.00, with the amount for the same period of last year being RMB0.00.

Legal representative: Li Weiwei

Chief Financial Officer: Ye Wei

Board Secretary: Ye Wei

#### 4. Income Statement of the Company

Unit: RMB

Item	H1 2021	H1 2020
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Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

1. Operating revenue	0.00	0.00
Less: Cost of sales	0.00	0.00
Taxes and surcharges	30,644.49	21,933.20
Distribution and selling expenses		
General and administrative expenses	6,139,344.71	2,375,644.75
Research and development expenses		
Financial expenses	-4,741,019.01	389,882.06
Including: Interest expense	2,429,147.82	
Interest income	7,162,870.38	810.35
Add: Other income	4,634,292.84	439,106.01
Investments income ("-" for loss)	43,717,534.24	-714,419.97
Including: Share of profits and losses of joint ventures and associates		-714,419.97
Gain on derecognition of financial assets measured at amortised cost ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	1,752,876.71	
Impairment loss on credit ("-" for loss)	10,000.00	44,468.66
Impairment loss on assets ("-" for loss)		
Gain on disposal of assets ("-" for loss)		
2. Operating profit ("-" for loss)	48,685,733.60	-3,018,305.31
Add: Non-operating income		0.63
Less: Non-operating expenses		
3. Profit before income tax expenses ("-" for loss)	48,685,733.60	-3,018,304.68
Less: Income tax expenses		
4. Net profit ("-" for net loss)	48,685,733.60	-3,018,304.68
4.1 Net profit from continuing operations ("-" for net loss)	48,685,733.60	-3,018,304.68
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax		
5.1 Other comprehensive income that will not be reclassified subsequently to profit or loss		
5.1.1 Changes caused by remeasurement of defined benefit pension schemes		
5.1.2 Share of the other comprehensive income of the investee accounted for using equity method that will not be		

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reclassified subsequently to profit or loss		
5.1.3 Changes in fair value of other equity investments		
5.1.4 Changes in the fair value of the company's own credit risk		
5.1.5 Others		
5.2 Other comprehensive income that will be reclassified subsequently to profit or loss		
5.2.1 Share of the other comprehensive income of the investee accounted for using equity method that will be reclassified subsequently to profit or loss		
5.2.2 Changes in fair value of other equity investments		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Allowance for credit impairments in other debt investments		
5.2.5 Cash flow hedge reserve		
5.2.6 Exchange differences on translation of foreign currency financial statements		
5.2.7 Others		
6. Total comprehensive income	48,685,733.60	-3,018,304.68
7. Earnings per share:		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2021	H1 2020
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services	7,676,444,468.63	8,468,127,558.75
Net increase in customer deposits and interbank deposits		
Net increase in loans from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		

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Net increase in loans from other banks		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Refunds of taxes and levies	6,041,391.30	6,317,294.49
Cash received relating to other operating activities	96,901,049.99	106,875,881.05
Sub-total of cash inflows from operating activities	7,779,386,909.92	8,581,320,734.29
Cash paid for purchases of goods and services	1,263,433,673.37	1,036,250,684.73
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and other banks and financial institutions		
Payments for claims on original insurance contracts		
Net increase in loans to other banks		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and on behalf of employees	930,199,318.50	580,145,971.94
Payments of taxes and levies	176,556,465.72	196,576,891.94
Cash paid relating to other operating activities	4,155,278,299.87	4,318,120,638.78
Sub-total of cash outflows used in operating activities	6,525,467,757.46	6,131,094,187.39
Net cash flows from operating activities	1,253,919,152.46	2,450,226,546.90
2. Cash flows from investing activities:		
Cash received from disposal of investments	258,995,260.75	224,285,017.49
Cash received from investment income	53,461,764.70	53,388,661.32
Cash received from disposal of fixed assets, intangible assets and other long-term assets	691,899.95	614,635.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	2,157,163,728.00	4,678,500,000.00
Sub-total of cash inflows from investing activities	2,470,312,653.40	4,956,788,313.81
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	148,350,121.61	968,397,533.12
Cash paid to acquire investments	361,478,743.09	86,020,569.50
Net increase in pledged loans granted		
Net cash paid for the acquisition of subsidiaries and other business units	4,650,000.00	
Cash paid relating to other investing activities	2,791,497,900.00	4,854,790,000.00

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Sub-total of cash outflows used in investing activities	3,305,976,764.70	5,909,208,102.62
Net cash flows from/used in investing activities	-835,664,111.30	-952,419,788.81
3. Cash flows from financing activities:		
Cash received from capital contributions	2,980,232,843.10	
Including: Cash received from capital contributions by non-controlling interests of subsidiaries	76,700,000.00	
Cash received from borrowings	247,468,500.00	
Cash received relating to other financing activities		889,324,326.07
Sub-total of cash inflows from financing activities	3,227,701,343.10	889,324,326.07
Cash repayments of borrowings	889,324,326.07	281,176,106.33
Cash paid for interest and dividends	9,562,304.72	788,329,296.95
Including: Dividends paid by subsidiaries to non-controlling interests		120,000,000.00
Cash paid relating to other financing activities	591,315,699.76	
Sub-total of cash outflows used in financing activities	1,490,202,330.55	1,069,505,403.28
Net cash flows from/used in financing activities	1,737,499,012.55	-180,181,077.21
4. Effect of foreign exchange rate changes on cash and cash equivalents	-2,225,471.71	10,777,687.85
5. Net increase/decrease in cash and cash equivalents	2,153,528,582.00	1,328,403,368.73
Add: Cash and cash equivalents at beginning of the period	1,774,081,508.55	2,135,260,406.77
6. Cash and cash equivalents at end of the period	3,927,610,090.55	3,463,663,775.50

## 6. Cash Flow Statement of the Company

Unit: RMB

Item	H1 2021	H1 2020
1. Cash flows from operating activities:		
Cash received from the sales of goods or rendering services		
Refunds of taxes and levies		
Cash received relating to other operating activities	599,338,422.69	650,095,006.21
Sub-total of cash inflows from operating activities	599,338,422.69	650,095,006.21
Cash paid for purchases of goods and services		
Cash paid to and on behalf of employees	961,537.33	545,424.75
Payments of taxes and levies	2,178,758.00	21,933.20
Cash paid relating to other operating activities	2,370,904,582.14	1,016,292,709.85
Sub-total of cash outflows used in operating activities	2,374,044,877.47	1,016,860,067.80

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Net cash flows from/used in operating activities	-1,774,706,454.78	-366,765,061.59
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from investment income	1,043,717,534.24	1,000,000,000.00
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		
Cash received relating to other investing activities	550,000,000.00	
Sub-total of cash inflows from investing activities	1,593,717,534.24	1,000,000,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		
Cash paid to acquire investments	568,434,240.00	
Net cash paid for the acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	1,300,000,000.00	
Sub-total of cash outflows used in investing activities	1,868,434,240.00	
Net cash flows from/used in investing activities	-274,716,705.76	1,000,000,000.00
3. Cash flows from financing activities:		
Cash received from capital contributions	2,903,532,843.10	
Cash received from borrowings	150,000,000.00	
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	3,053,532,843.10	
Cash repayments of borrowings		
Cash paid for interest and dividends	2,311,666.67	633,675,509.10
Cash paid relating to other financing activities		
Sub-total of cash outflows used in financing activities	2,311,666.67	633,675,509.10
Net cash flows from/used in financing activities	3,051,221,176.43	-633,675,509.10
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase/decrease in cash and cash equivalents	1,001,798,015.89	-440,570.69
Add: Cash and cash equivalents at beginning of the period	274,246.17	765,545.81
6. Cash and cash equivalents at end of the period	1,002,072,262.06	324,975.12

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

## 7. Consolidated Statement of Changes in Shareholders' Equity

H1 2021

Unit: RMB

Item	H1 2021														Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company															
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total			
Preferred shares		Perpetual bonds	Others													
1. Balance as at the end of prior year	2,112,251,697.00				114,693,519.91		-149,074,272.37				3,959,512,681.41		6,037,383,625.95	28,068,077.78	6,065,451,703.73	
Add:																
Adjustments for changed accounting policies											-3,040,560.81		-3,040,560.81	-2,224.58	-3,042,785.39	
Adjustments for corrections of previous errors																
Adjustments for business																

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combinations under common control														
Others														
2. Balance as at beginning of year	2,112,251,697.00			114,693,519.91		-149,074,272.37				3,956,472,120.60		6,034,343,065.14	28,065,853.20	6,062,408,918.34
3. Increase/decrease in the period ("-" for decrease)	105,612,584.00			2,838,552,124.46		-11,218,110.68		4,868,573.36		405,276,426.09		3,343,091,597.23	66,590,778.69	3,409,682,375.92
3.1 Total comprehensive income						-11,218,110.68				853,717,855.65		842,499,744.97	-10,109,221.31	832,390,523.66
3.2 Capital contribution and withdrawal by shareholders	105,612,584.00			2,838,552,124.46								2,944,164,708.46	76,700,000.00	3,020,864,708.46
3.2.1 Common shares contribution and withdrawal by shareholders	105,612,584.00			2,795,939,095.73								2,901,551,679.73	76,700,000.00	2,978,251,679.73
3.2.2 Capital contribution and withdrawal by holders of other equity instruments														
3.2.3 Share-based payments included				42,613,028.73								42,613,028.73		42,613,028.73

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



in shareholders' equity															
3.2.4 Others															
3.3 Profit distribution								4,868,573.36		-448,441,429.56			-443,572,856.20		-443,572,856.20
3.3.1 Appropriation to surplus reserves								4,868,573.36					4,868,573.36		4,868,573.36
3.3.2 Appropriation to general risk reserves															
3.3.3 Distribution to shareholders										-448,441,429.56			-448,441,429.56		-448,441,429.56
3.3.4 Others															
3.4 Internal transfers within shareholders' equity															
3.4.1 Capital reserves transferred into capital (or share capital)															
3.4.2 Surplus reserves transferred into capital (or															

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share capital)															
3.4.3 Surplus reserves for making up losses															
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings															
3.4.5 Other comprehensive income transferred into retained earnings															
3.4.6 Others															
3.5 Special reserves															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Others															
4. Balance as at the end of the period	2,217,864,281.00				2,953,245,644.37		-160,292,383.05		4,868,573.36		4,361,748,546.69		9,377,434,662.37	94,656,631.89	9,472,091,294.26

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Item	H1 2020														Non-contr olling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company															
	Share capital	Other equity instruments			Capital reserve s	Less: Trea sury shar es	Other comprehen sive income	Spec ial reser ves	Surplus reserves	General risk reserves	Retained earnings	Others	Sub-total			
	Pre ferr ed sha res	Per pet ual bo nds	Ot her s													
1. Balance as at the end of prior year	2,112,251 ,697.00				73,153, 800.49		-94,582,500. 13		227,390,965.90		4,711,093,895.82		7,029,307,859.0 8	264,400,74 4.45	7,293,708,603.53	
Add: Adjustments for changed accounting policies																
Adjustments for corrections of previous errors																
Adjustments for business combinations under common control																

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Others														
2. Balance as at beginning of year	2,112,251,697.00			73,153,800.49		-94,582,500.13		227,390,965.90		4,711,093,895.82		7,029,307,859.08	264,400,744.45	7,293,708,603.53
3. Increase/ decrease in the period (“-” for decrease)				83,785,280.26		10,380,760.96				1,066,060,614.36		1,160,226,655.58	66,740,026.93	1,226,966,682.51
3.1 Total comprehensive income						10,380,760.96				1,699,736,123.46		1,710,116,884.42	182,792,601.51	1,892,909,485.93
3.2 Capital contribution and withdrawal by shareholders				83,785,280.26								83,785,280.26	3,947,425.42	87,732,705.68
3.2.1 Common shares contribution and withdrawal by shareholders														
3.2.2 Capital contribution and withdrawal by holders of other equity instruments														
3.2.3 Share-based payments included in shareholders’				83,785,280.26								83,785,280.26	3,947,425.42	87,732,705.68

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equity														
3.2.4 Others														
3.3 Profit distribution										-633,675,509.10		-633,675,509.10	-120,000,000.00	-753,675,509.10
3.3.1 Appropriation to surplus reserves														
3.3.2 Appropriation to general risk reserves														
3.3.3 Distribution to shareholders										-633,675,509.10		-633,675,509.10	-120,000,000.00	-753,675,509.10
3.3.4 Others														
3.4 Internal transfers within shareholders' equity														
3.4.1 Capital reserves transferred into capital (or share capital)														
3.4.2 Surplus reserves transferred into capital (or share														

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capital)														
3.4.3 Surplus reserves for making up losses														
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings														
3.4.5 Other comprehensive income transferred into retained earnings														
3.4.6 Others														
3.5 Special reserves														
3.5.1 Increase in the period														
3.5.2 Used in the period														
3.6 Others														
4. Balance as at the end of the period	2,112,251,697.00			156,939,080.75		-84,201,739.17		227,390,965.90		5,777,154,510.18		8,189,534,514.66	331,140,771.38	8,520,675,286.04

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## 8. Statement of Changes in Shareholders' Equity of the Company

H1 2021

Unit: RMB

Item	H1 2021											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others								
1. Balance as at the end of prior year	2,112,251,697.00				3,759,929,582.87		-60,000,000.00		442,062,200.17	1,160,408,295.15		7,414,651,775.19
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Balance as at beginning of year	2,112,251,697.00				3,759,929,582.87		-60,000,000.00		442,062,200.17	1,160,408,295.15		7,414,651,775.19
3. Increase/ decrease in the period ("-" for	105,612,584.00				2,838,552,124.46				4,868,573.36	-399,755,695.96		2,549,277,585.86

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decrease)												
3.1 Total comprehensive income										48,685,733.60		48,685,733.60
3.2 Capital contribution and withdrawal by shareholders	105,612,584.00				2,838,552,124.46							2,944,164,708.46
3.2.1 Common shares contribution and withdrawal by shareholders	105,612,584.00				2,795,939,095.73							2,901,551,679.73
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included in shareholders' equity					42,613,028.73							42,613,028.73
3.2.4 Others												
3.3 Profit distribution								4,868,573.36	-448,441,429.56			-443,572,856.20
3.3.1 Appropriation to surplus reserves								4,868,573.36	-4,868,573.36			
3.3.2 Distribution to									-443,572,856.20			-443,572,856.20

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shareholders												
3.3.3 Others												
3.4 Internal transfers within shareholders' equity												
3.4.1 Capital reserves transferred into capital (or share capital)												
3.4.2 Surplus reserves transferred into capital (or share capital)												
3.4.3 Surplus reserves for making up losses												
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings												
3.4.5 Other comprehensive income transferred into retained earnings												
3.4.6 Others												

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3.5 Special reserves												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Others												
4. Balance as at the end of the period	2,217,864,281.00				6,598,481,707.33		-60,000,000.00		446,930,773.53	760,652,599.19		9,963,929,361.05

H1 2020

Unit: RMB

Item	H1 2020											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Pref erred shares	Perpetua l bonds	Others								
1. Balance as at the end of prior year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
Add: Adjustments for changed accounting policies												
Adjustments for												

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corrections of previous errors												
Others												
2. Balance as at beginning of year	2,112,251,697.00				3,622,063,902.37		-52,759,111.69		340,080,723.42	1,509,926,022.61		7,531,563,233.71
3. Increase/ decrease in the period (“-” for decrease)					87,732,705.68					-636,693,813.78		-548,961,108.10
3.1 Total comprehensive income										-3,018,304.68		-3,018,304.68
3.2 Capital contribution and withdrawal by shareholders					87,732,705.68							87,732,705.68
3.2.1 Common shares contribution and withdrawal by shareholders												
3.2.2 Capital contribution and withdrawal by holders of other equity instruments												
3.2.3 Share-based payments included					87,732,705.68							87,732,705.68

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in shareholders' equity												
3.2.4 Others												
3.3 Profit distribution										-633,675,509.10		-633,675,509.10
3.3.1 Appropriation to surplus reserves												
3.3.2 Distribution to shareholders										-633,675,509.10		-633,675,509.10
3.3.3 Others												
3.4 Internal transfers within shareholders' equity												
3.4.1 Capital reserves transferred into capital (or share capital)												
3.4.2 Surplus reserves transferred into capital (or share capital)												
3.4.3 Surplus reserves for making												

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up losses												
3.4.4 Changes in defined benefit pension schemes transferred into retained earnings												
3.4.5 Other comprehensive income transferred into retained earnings												
3.4.6 Others												
3.5 Special reserves												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Others												
4. Balance as at the end of the period	2,112,251,697.00				3,709,796,608.05		-52,759,111.69		340,080,723.42	873,232,208.83		6,982,602,125.61

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