Securities Code: 002174 Securities Abbreviation: YOOZOO Games Announcement Number: 2019-035

Summary of the 2018 Annual Report of YOOZOO Games Co., Ltd.

I. Important Tip

The summary of this annual report comes from the full text of the annual report. To fully understand the Company's operating results, financial situation and future development plan, investors should read the full text of the annual report carefully in the media designated by the China Securities Regulatory Commission (CSRC).

Statement of Dissension by Directors, Supervisors and Senior Management

Name	Title	Content and Reason

Statement

Other than the following directors, the other directors personally attended the Board of Directors meeting to review the annual report

Name of director not present in person	Title of director not present in person	Reasons for not attending the meeting in person	Name of authorized representative

Non-standard Audit Opinion Prompt

□ Applicable √ Not applicable

Preplan for the distribution of common stock profits during the reporting period considered by the Board of Directors or the preplan for the transfer of capital stock from the accumulation fund

√ Applicable □ Not applicable

Preplan for the transfer of capital stock from the accumulation fund

□ Applicable√ Not applicable

The profit distribution plan reviewed and approved by the Board of Directors of the Company is: With the base of 865,835,850, distribute cash dividend of RMB 0.00 (tax included) for every 10 shares and 0 shares (tax included) of bonus share to all stockholders, and not use the accumulation fund to transfer the increased share capital.

Preplan for profit distribution of preferred stock in this reporting period adopted by the resolution of the Board of Directors

□ Applicable √ Not applicable

II. Basic Information of the Company

1. Company profile

Stock abbreviation	YOOZOO Games	Stock code	002174
Stock exchange	Shenzhen Stock Exchange		
Contact person and contact information	Secretary of the Board	Securities affairs representative	
Name	Xu Bin	Zhu Mengjing	
Address	Building 2, Huaxin Business Center, 711 Yishan Rd., Xuhui District, Shanghai, China	Building 2, Huaxin Business Center, 711 Yishan Rd., Xuhui District, Shanghai, China	
Tel.	021-33671551	021-33671551	
E-mail	ir@yoozoo.com	ir@yoozoo.com	

2. Major business or product brief introduction during the reporting period

As the leading interactive entertainment provider in China, YOOZOO Games focuses on the development, distribution and operation of mobile games and web games. The Company adheres to the strategy of "Fit-For-Growth", based on the three major directions of "Transmedia IP", "Elite Products" and "Globalization", adheres to the corporate mission of "Share Simple Happiness", and continues to provide high-quality game products and services to global users, so as to enhance the player's game experience.

During the reporting period, the Company continued to launch several high-quality games such as *Era of Celestials(天使纪元)*, *The 36 Stratagems(三十六计)*, *League of Angels II(女神联盟2)*, and continued to develop the three major categories of the MMO, CARD, SLG, which maintained advantages. The Company made in-depth differentiation of products to improve product quality and IP vitality, and at the same time sought for breakthroughs to enter new markets such as Anime games, Casual games and H5. During the reporting period, the Company set up the R&D center in Singapore and branches in India, Turkey, South Korea and Thailand. And the Company continued to optimize its product matrix to accelerate the globalization and regionalization of the layout. Based on the long-term operation of mobile games such as *Legacy of Discord-Furious Wings(狂暴之翼)* and web games such as *League of Angels II(女神联盟2)*, The company launched new games such as *Era of Celestials(天使纪元)* and *League of Angels III(女神联盟3)*, and integrated regional traffic through strategic cooperation and large-scale exhibitions and other forms of campaigns to further expand the global game distribution network.

The year 2018 has witnessed the industrial environment stabilization and optimization reform. According to *China Game Industry Report in 2018* jointly released by GPC and CNG, the actual sales revenue of the Chinese game market reached RMB 214.44 billion in 2018 with a year-on-year increase of 5.3%, in which, the actual sales revenue of mobile games was RMB133.96 billion with a year-on-year increase of 15.4%. But as the approval of game licenses returns to normal, the industry growth rate is expected to pick up. At the same time, the state pays more and more attention to the game industry. The digital creative industries, including online games, has been included in the national nine major strategic emerging industries for key development, establishing the status of related industries and strengthening the supporting policies for industrial development, which is of milestone significance. This is also the new historical orientation of the development of the game industry.

In 2018, a major breakthrough in the game industry was the overseas export of game. In 2018, the actual sales revenue of China's independent research and development on online overseas games market reached US$ 9.59 billion, a year-on-year increase of 15.8%. As an important part of the cultural industry, the game industry is not only the digital link connecting tradition and future, but also the world language connecting China and the world in the Internet era. The game industry is committed to creating cultural self-consciousness and cultural self-confidence by game creation, better interpreting and expressing traditional Chinese culture through the form of games, allowing users to experience, understands and even makes spiritual interactions with the traditional cultural industry in the game, and truly achieves cultural output. The Company has been committed to the global layout of the games, helping to promote the global spread of Chinese culture by enhancing the culture value of the games., The Company was ranked 11th in the list of Chinese publishers' overseas revenue in 2018 released by App Annie, and was listed in the annual "Top 52 Publishers" list of global revenue for two consecutive years.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the past three years

Whether the Company needs to retroactively adjust or restate previous accounting data

□ Yes √ No

Unit: RMB

	2018	2017	Year-On-Year Increase/Decrease	2016
Operating income	3,581,253,925.15	3,235,675,454.52	10.68%	2,530,114,414.00
Net profits attributable to the listed company shareholders	1,009,116,882.41	655,890,460.38	53.85%	587,879,910.68
Net profits attributable to listed company shareholders after deducting non-recurring profits and losses	736,716,882.60	598,722,981.56	23.05%	554,853,560.42
Net cash flows from operating activities	273,338,494.93	741,508,830.90	-63.14%	561,385,099.68
Basic earning per share (yuan/share)	1.15	0.76	51.32%	0.68
Diluted earning per share (yuan/share)	1.15	0.76	51.32%	0.68
Weighted average rate of return on equity	23.62%	21.12%	2.50%	24.12%
	End of 2018	End of 2017	Year-On-Year Increase/Decrease	End of 2016
Total assets	7,332,575,255.04	6,635,947,807.91	10.50%	4,703,862,967.83

Net assets attributable to listed company shareholders	4,509,617,206.26	4,051,162,418.38	11.32%	2,711,477,777.67

(2) Quarterly major accounting data

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	867,815,132.91	918,972,177.79	836,170,910.12	958,295,704.33
Net profits attributable to the listed company shareholders	222,082,812.69	270,903,226.04	189,815,519.09	326,315,324.59
Net profit attributable to listed company shareholders after deducting non-recurring profits and losses	218,011,849.68	161,484,372.18	176,793,891.48	180,426,769.26
Net cash flows from operating activities	50,110,401.11	-36,389,561.17	106,120,038.01	153,497,616.98

Whether the above financial indicators or their added total amount are significantly different from the financial indicators related to the Company’s disclosed quarterly report and semi-annual report.

□ Yes √ No

4. Share capital and shareholders

(1) Table of the number of common shareholders and preferred shareholders with restored voting rights and the shareholding situation of the top 10 shareholders

Unit: share

The total number of common shareholders at the end of the report	32,015	The total number of common shareholders at the end of the previous month before the disclosure of the annual report	32,527	At the end of the report	0	The total number of preferred shareholders recovered from the voting rights at the end of the previous month before the disclosure of the annual report	0

Shareholding situation of the top 10 shareholders						
Name of shareholders	Nature of shareholders	Shareholding ratio	Quantity of shareholding	Number of shares holding restricted sales conditions	Condition of pledge or freezing	
					Stock status	Quantity
Lin Qi	Domestic natural person	34.84%	309,536,169	232,152,126	Pledge	302,805,807
Ningbo Bonded Area Yongxie International Trade Co., Ltd.	Domestic non-state-owned legal person	6.00%	53,308,072			
Wang Qingwei	Domestic natural person	3.98%	35,378,319		Pledge	4,650,000
Guosheng Securities Co., Ltd.	Domestic non-state-owned legal person	3.90%	34,619,708			
Wang Qingyong	Domestic natural person	3.65%	32,438,319		Pledge	3,850,000
Zhu Weisong	Domestic natural person	2.58%	22,893,191		Pledge	21,291,490
Ma Xinqi	Domestic natural person	1.99%	17,661,249			
Shanghai Yijidangxian Management Consulting Partnership (Limited	Domestic non-state-owned legal person	1.91%	17,000,000		Pledge	17,000,000

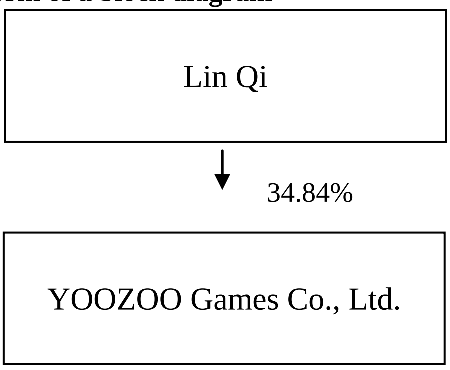
Partnership)						
YOOZOO Games Co., Ltd. - the first phase of the employee stock ownership plan	Domestic non-state-owned legal person	1.80%	15,994,290			
Zhang Yunlei	Domestic natural person	1.75%	15,515,903		Pledge	14,570,000
Explanation of the above-mentioned shareholder-related relationship or concerted action		Mr. Wang Qingyong and Mr. Wang Qingwei are brothers and they are persons acting in concert. It is not known whether there is a relationship among the other shareholders mentioned above, or whether they belong to the co-actors specified in the *Measures for the Administration of Information Disclosure of Changes in Shareholders Shareholding in Listed Companies.*				
Note on shareholders participating in securities margin trading business (if any)		At the end of the period, the shareholder of the Company, Ma Xinqi, held 17,661,249 shares, all of which were held through the Client Credit Trading Guarantee Securities Account of the securities company.				

(2) Table of the total number of preferred stock shareholders and the shareholding situation of the top 10 preferred stock shareholders of the Company

□ Applicable √ Not applicable

The Company does not have the the shareholding situation of preferred stock shareholder during the reporting period.

(3) Disclosure of the property rights and control relationship between the Company and the actual controller in the form of a block diagram



5. Corporation bonds

Whether there is a company publicly issued and listed on the stock exchange, and the corporation bonds that have not expired or expired in full on the date of approval of the annual report

No.

(1) Basic information on corporation bonds

Bond name	Bond abbreviation	Bond code	Due date	Bond balance (RMB 10,000)	Interest rate

(2) The latest corporation bond rating tracking and rating changes

(3) Major accounting data and financial indicators of the Company for nearly 2 years as of the end of the report

Unit: RMB 10,000

Item	In 2018	In 2017	Synchronous rate of change

III. Discussion and Analysis of Operation

1. Brief introduction to the operation during the reporting period

Whether the Company is required to comply with disclosure requirements for special industries

No

In recent years, China's online game industry continuously optimized the allocation of resources and improved the industry chain gradually. It has become one of the important driving forces for the vigorous development of China's information industry and an important part of China's cultural and creative industry. After years of rapid growth, the online game industry is maturing. With the continuous promotion of the supply side reform of the game industry, the threshold for entry into the industry has become higher, the concentration of the industry has been raised, the top products showed a trend of high quality.

During the reporting period, the Company continued to implement the "Fit-For-Growth" strategy, based on the three major directions of "Transmedia IP, Elite Products, and Globalization", consolidated its core business advantages through the development and upgrading of games and fine operation, deepened the global layout. During the reporting period, the Company realized gross revenue of RMB 3.581 billion, with a year-on-year increase of 10.68%; among them, mobile game revenue of RMB 2.568 billion, with a year-on-year increase of 11.59%, accounting for 71.7% of total revenue; revenue from overseas reached RMB 1.844 billion, accounting for 51.49% of total revenue. Net profits attributable to the listed company shareholders reached RMB 1.009 billion, an increase of 53.85% year-on-year. As of Dec. 31, 2018, the total assets of the Company was RMB 7.333 billion, with a year-on-year increase of 10.50%, the net assets attributable to listed company shareholders was RMB 4.51 billion, an increase of 11.32% year-on-year.

During the reporting period, the Company launched a number of high-quality games, relying on its own research and development for many years, and continued to develop the three major categories of MMO, CARD and SLG that have been formed accumulation, and actively expand new markets such as Anime game and io game to meet the needs of different users. According to *China Game Industry Report in 2018*, the total market share of ARPG, turn-based RPG, CARD and SLG in the top 100 mobile games of 2018 revenue is more than 60%, which is conducive to the further promotion of the Company's market share. In 2018, the number of female users in China's game market was 290 million, increased by 11.5% year-on-year, much higher than that of online game users. The actual sales revenue of Chinese Anime games mobile gaming market reached RMB 19.09 billion in 2018, up 19.5% year-on-year, accounting for 14.3% of China's mobile gaming market. As the new increment of the game market, the Anime game has become the main market of the Company's new development.

1. During the reporting period, the Company used creation capacity on diversified products and multiple products, continuously improve the quality of products, and continue to enrich the product matrix. With its excellent game quality and years of stable operation, the transaction amount of the Company's classic card mobile game *Junior Three Kingdom(少年三国志)* overtook 5 billion in four years and the game won "Top 10 Most Popular Mobile Games in 2018". Another game *Legacy of Discord-Furious Wings(狂暴之翼)* gained "Top 10 Most Popular Overseas Mobile Games in 2018" by virtue of its outstanding achievements in overseas markets.

During the reporting period, the 3D magical MMO *Era of Celestials* was in the forefront of the same product category in terms of battle theme, game screen performance, combat experience, compliant operation, and perfect sound effect. In the field of SLG, the Company launched *The 36 Stratagems (三十六计)* mobile game, confirmed the deep user base and distribution strength on research and development in the field of SLG. *League of Angels II(女神联盟2)*, as a continuation of "League of Angel" IP series, with excellent game quality and picture quality matched with that of the host game created by Lu Taiyou, lead artist in the GTA R & D team, won the praise of the industry and players. In addition, boutique mobile game aim to the diversified preferences for young users with wide-ranging themes and detailed division on users such as *Game of Thrones Winter is Coming(权力的游戏凛冬将至)* and *Shanhai Jinghua (山海镜花)*, which have been launched first beta test. *Junior Three Kingdom II(少年三国志2)* will launch the first test soon.

2. While maintaining the advantages of the domestic market, the Company adheres to the layout of "Globalized Market" with a "Localized Thinking". With years of overseas distribution experience, the Company has expanded its distribution to more than 200 countries and regions around the world and accumulated more than 1,000 partners, including Ubisoft, Microsoft and Apple. The Company's penetration rate and regional advantages in the overseas market have been further enhanced by the upgrade from introduction, original to output.

During the reporting period, the Company appeared in Gamescom with the famous web game named *Game of Thrones Winter is Coming(权力的游戏凛冬将至) adapted* from famous IP *Game of Thrones* and became the only Chinese gaming company to take part in the core exhibition area. The Company in Gamescom showcased the high revivification of the game to the IP scene, showed that the original creation of Chinese team to this world-renowned IP, and opened pre-registration, attracting the attention of the global players.

On Mar. 26, 2019, the English version of real-time war strategy web game named *Game of Thrones Winter is Coming(权力的游戏凛冬将至)* developed and distributed by the Company officially launched the abroad public beta testing after the official authorization from Warner Bros. Entertainment, Inc. through the approval of HBO. Through the creation of real details to restore the IP scene and micro-innovations on gameplay setting, the game has been recommended worldwide by Facebook. In 2019, the Company will continue to explore overseas markets with a variety of games such as *Rangers of Oblivion(猎魂觉醒)*, *Saint Seiya(圣斗士星矢)* and *Shendu Night(神都夜行录)*, and strive to become a Chinese game enterprise with a global awareness and strong international competitiveness.

3. The Company improves the efficiency of its internal R&D operations by building a reliable platform and a strong foreground. Through the establishment of the platform, the Company strengthens the professional degree of technology, data, tool and other resources in the vertical field, aligns with industry standards and enhances its own ability. Forming modular, component-based resource packages to quickly match the resources and capabilities needed for the foreground. At the same time, this will enhance the efficiency of R&D and strengthen the quality control.

2. Whether there is any significant change in the main business during the reporting period

□ Yes √ No

3. Products accounting for more than 10% of the Company's main business revenue or main business profit

√ Applicable □ Not applicable

Unit: RMB

Product name	Operating income	Operating profit	Gross profit margin	Year-On-Year Increase/Decrease of operating revenue	Year-On-Year Increase/Decrease of operating profit	Year-On-Year Increase/Decrease of gross profit margin
Web games	893,950,672.13	527,712,695.30	59.03%	-1.12%	0.24%	0.80%
Mobile games	2,567,697,322.91	1,428,557,177.57	55.64%	11.59%	24.87%	5.92%

4. Whether there are any seasonal or cyclical characteristics that require special attention

□ Yes √ No

5. Explanation of operating income, operating cost, total net profit attributable to common shareholders of listed companies during the reporting period or significant change compared with previous reporting period

□ Applicable √ Not applicable

6. Suspension and termination of listing

□ Applicable √ Not applicable

7. Matters relating to financial report

(1) A statement of changes in accounting policies, accounting estimates and accounting methods compared with the previous year's financial report

√Applicable □ Not applicable

1. In the light of the principle of prudent operation and effective prevention of the risk of asset loss, combining the customer characteristics of the Company and the structure, repayment and cancellation of receivables, as well as provision standard of the bad debts of receivables of other companies in the same industry, the Company has conducted an adequate assessment of the method of bad debt provision for receivables. In order to reflect the Company's financial situation and operating results more objectively, truthfully and fairly, according to

Accounting Standards for Enterprises and other relevant regulations, the Company makes changes to the accounting estimates for the provision of bad debts for receivables. The matter has been approved at the 10th meeting of the 5th Board of Directors and the 9th meeting of the 5th Supervisory Committee of the Company. Please refer to Announcement No.2018-115 disclosed by the Company in the CNINF Information Network for more details. The Company has conducted necessary and adequate communication with the audit institution appointed by the Company at that time, Ruihua Certified Public Accountants (Special General Partner), about the change of the accounting estimation. The change of the accounting estimation is in line with the Accounting Standards for Business Enterprises and relevant provisions, and will not impact the financial situation and operating results disclosed in previous periods.

2. The format of the general corporate financial statements was revised according to the *Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2018* released by the Ministry of Finance in June 2018 (CK [2018] No.15).The financial statements of the Company for 2018 and beyond shall be prepared in accordance with the regulations above. This change in accounting policy shall have an impact on the items listed in financial statements of the Company and shall have no material impact on the profits and losses, total assets and net assets of the Company.

(2) A description of the retrospective restatement of the correction of major accounting errors during the reporting period

□ Applicable √ Not applicable

No major accounting errors during the reporting period need to be restated retrospectively.

(3) A description of the changes in the scope of the consolidated statements compared with the previous year's financial report

√Applicable □ Not applicable

1. In March 2018, Yoozoo US Corp was set up by a subsidiary of the Company, Youzu Games Hong Kong Limited, holding a stake of 100%, which has been included in the consolidated statements of the Company since March 2018.

2. In March 2018, Shanghai Youjin Enterprise Management Co., Ltd. was set up by a subsidiary of the Company, Shanghai Youchuang Investment Management Co., Ltd., holding a stake of 100%, which has been included in the consolidated statements of the Company since March 2018.

3. In April 2018, YOOZOO GAMES KOREA CO. LTD was set up by a subsidiary of the Company, Youzu Games HongKong Limited, holding a stake of 100%, which has been included in the consolidated statements of the Company since April 2018.

4. In April 2018, E4U Live Pte. Ltd. was set up by a subsidiary of the Company, Youzu (SINGAPORE） PTE.LTD, holding a stake of 100%, which has been included in the consolidated statements of the Company since April 2018.

5. In May 2018, Shanghai Youfu Jiuzu Information Technology Co., Ltd. was set up by a subsidiary of the Company, Shanghai Youzhong Information Technology Co., Ltd., holding a stake of 60%, which has been included in the consolidated statements of the Company since May 2018.

6. In June 2018, the Company and a subsidiary of the Company, Ningbo Meishan Bonded Area Youxin Enterprise Consultation and Management Co., Ltd., transferred 76.92% and 0.01% of the shares held by Zexi Equity Investment Partnership in Bonded Area of Ningbo Meishan for RMB 84 million and RMB 10,920.00 respectively to Ningbo Zejin Venture Capital Partnership (Limited Partnership) and Ningbo Zeshi Investment

Management Co., Ltd., and agreed to transfer all the general partner shares held at the same time. From the same month on, our company and its subsidiary would no longer have a significant impact on Ningbo Zexi.

7. In July 2018, Youzu (SINGAPORE) PTE. LTD., a subsidiary of the Company, set up YOOZOO Co., Ltd. (Janpan), holding a stake of 100%, which has been included in the consolidated statements of the Company since July 2018.

8. In July 2018, Yoozoo Games Gmbh was set up by a subsidiary of the Company, Youzu (SINGAPORE) PTE. LTD, holding a stake of 100%, which has been included in the consolidated statements of the Company since July 2018.

9. In November 2018, YOUZU GAMES (THAILAND) CO., LTD. was set up by a subsidiary of the Company, Youzu (SINGAPORE) PTE. LTD, held the total share capital of 300,000.00 shares, of which 153,000.00 shares are preferred stock and 147,000.00 shares are common stock. Youzu (SINGAPORE) PTE. LTD. held 146,999.00 common shares of YOUZU GAMES (THAILAND) CO., LTD., accounting for 49% of shares. According to the Articles of Association, the preferred stock holder is entitled to one vote for every six shares held by him; common share holder is entitled to one vote for every one shares held by him. The voting proportion of the Company has is 85.22%, so the Company has control over YOUZU GAMES (THAILAND) CO., LTD., which has been included in the scope of consolidated statement of the Company since November 2018.

10. In December 2018, Chengdu YOOZOO Information Technology Co., Ltd. was set up by a subsidiary of the Company, Shanghai YOOZOO Information Technology Co., Ltd., holding a stake of 100%, which has been included in the consolidated statements of the Company since December 2018.

11. In December 2018, Horgos Chiyou Information Technology Co., Ltd., a subsidiary of the Company wrote off and withdrew from the scope of consolidated statements from December 2018.

(4) Estimates of operating performance for January to March 2019

□ Applicable √ Not applicable