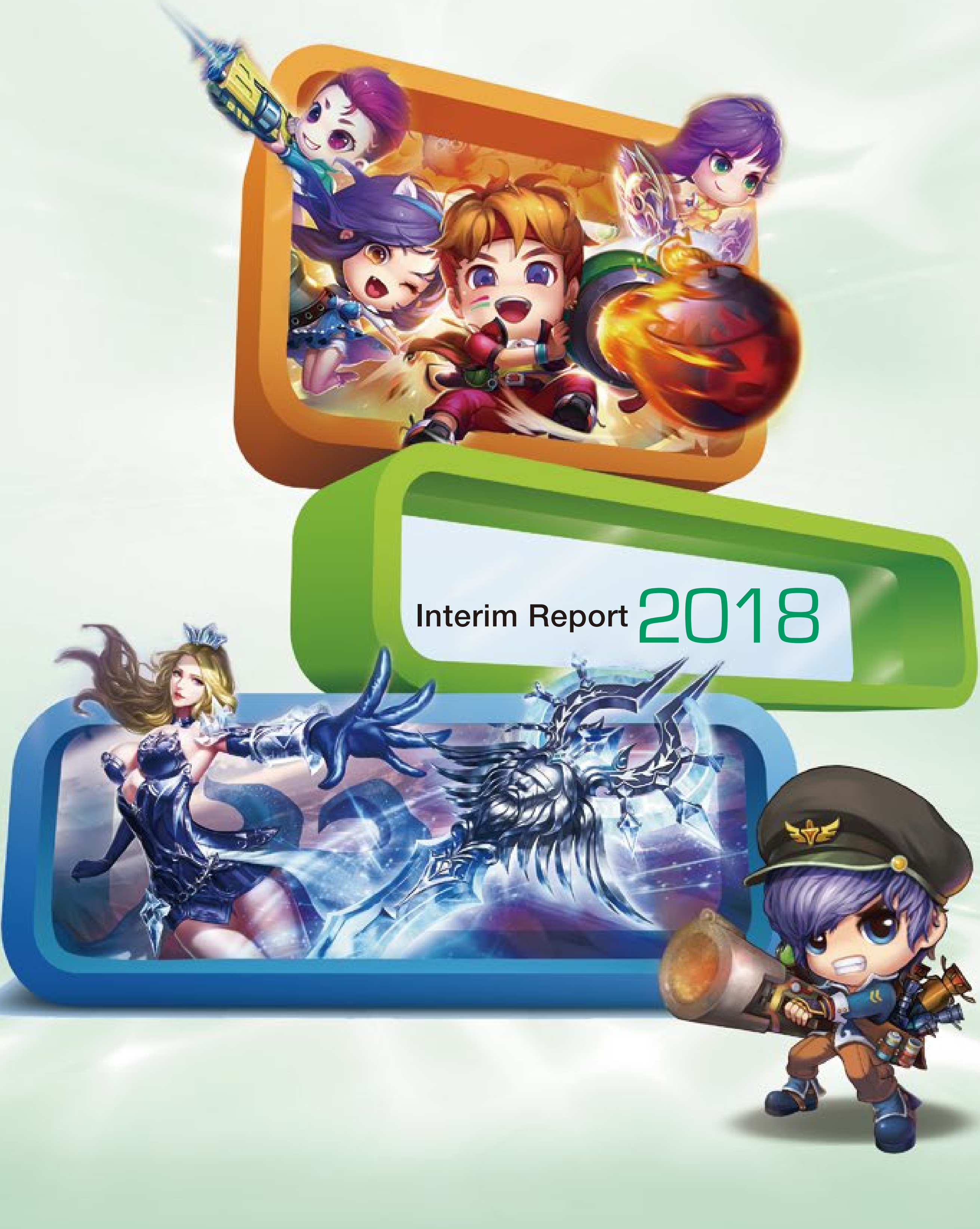
7Road Holdings Limited
第七大道控股有限公司

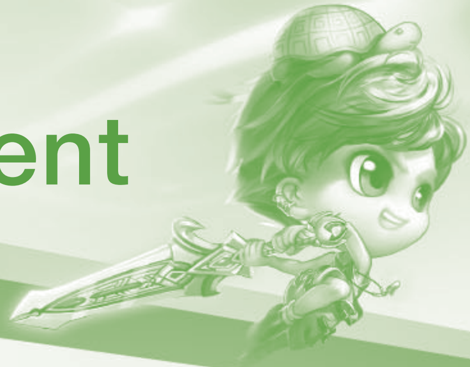
(Incorporated in the Cayman Islands with limited liability)

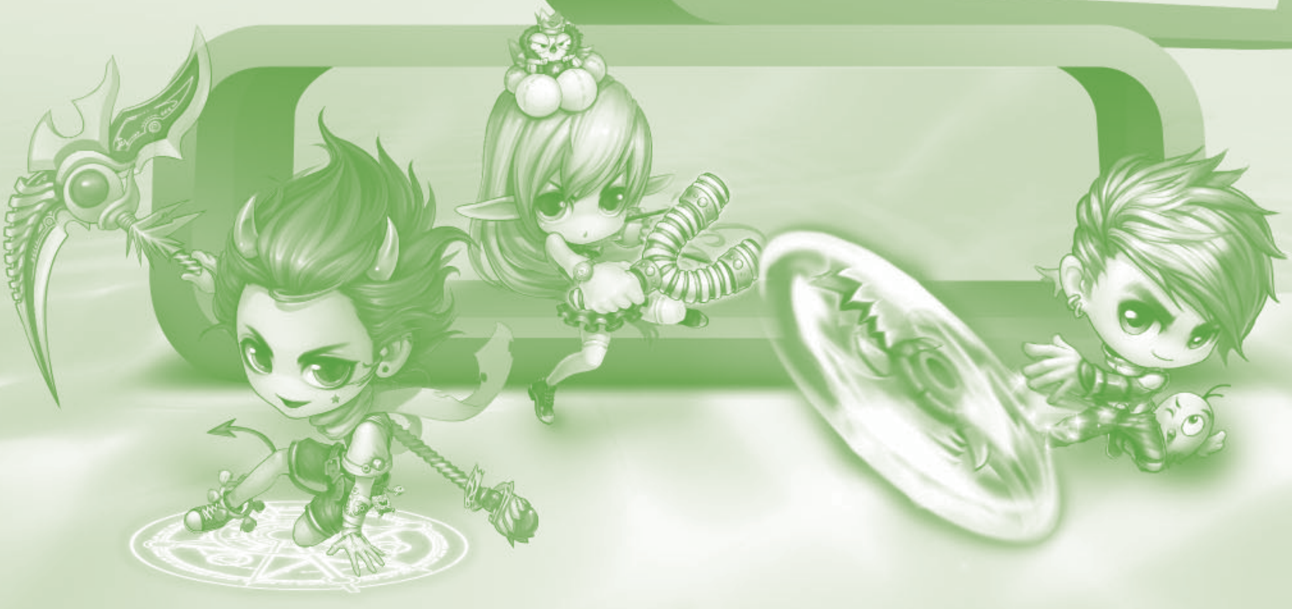
Stock Code: 797



Interim Report 2018

Content





Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Shuqi *(Chief Executive Officer and the Chairman of the Board)*

Mr. Hu Min

Mr. Wang Chendong

Non-executive Directors

Mr. Li Shimeng

Mr. Yan Kaidan

Independent Non-executive Directors

Mr. Ho Chit

Mr. Liu Yunli

Mr. Wu Xiaoguang

AUDIT COMMITTEE

Mr. Ho Chit *(Chairman)*

Mr. Liu Yunli

Mr. Wu Xiaoguang

REMUNERATION COMMITTEE

Mr. Liu Yunli *(Chairman)*

Mr. Ho Chit

Mr. Wu Xiaoguang

Mr. Meng Shuqi

NOMINATION COMMITTEE

Mr. Meng Shuqi *(Chairman)*

Mr. Ho Chit

Mr. Wu Xiaoguang

Mr. Liu Yunli

JOINT COMPANY SECRETARIES

Ms. Wang Xiaorui

Mr. Cheung Kai Cheong *(CPA, FCCA)*

AUTHORIZED REPRESENTATIVES

Mr. Meng Shuqi

Mr. Cheung Kai Cheong *(CPA, FCCA)*

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

COMPLIANCE ADVISOR

Red Solar Capital Limited

11/F, Kwong Fat Hong Building

1 Rumsey Street

Sheung Wan

Hong Kong

LEGAL ADVISERS

As to Hong Kong law

William Ji & Co.

(in Association with Tian Yuan Law Firm Hong Kong Office)

Suite 702, 7/F

Two Chinachem Central

26 Des Voeux Road Central

Central, Hong Kong

COMPANY WEBSITE

www.7road.com

STOCK CODE

797

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS

17–18/F, Unit A1–A2
Ke Xing Science Park
15 Ke Yuan Road, the Science and
Technology Park Nanshan District
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Sertus Incorporations (Cayman) Limited
Sertus Chambers, Governors Square,
Suite #5-204, 23 Lime Tree Bay Avenue,
P.O. Box 2547, Grand Cayman,
KY1-1104, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shenzhen Branch,
Ke Yuan sub-branch
Bank of China, Shenzhen Branch,
Yi Yuan Road sub-branch

Financial Performance Highlights

THE FIRST HALF OF 2018 COMPARED TO THE FIRST HALF OF 2017

	For the six months ended June 30, 2018 (RMB'000)	2017 (RMB'000)	Year-on-year change %
Revenue	**233,672**	265,058	-11.8%
Profit for the period	**104,543**	182,523	-42.7%
Profit for the period attributable to equity shareholders of the Company	**104,543**	182,523	-42.7%
Adjusted net profit[(1)]	**142,895**	182,523	-21.7%

Note (1) Adjusted net profit does not include share incentive expenses and listing-related expenses.

1. For the six months ended June 30, 2018, the total revenue amounted to approximately RMB233.7 million, representing a decrease of approximately 11.8% as compared with the corresponding period of 2017. This was mainly attributable to the launch of DDTank (mobile) (彈彈堂(手遊)) in April 2017, which recorded the highest billing at the initial rollout stage due to the domestic marketing strategies of our business partners, followed by the transition to stable development in the PRC. The revenue and adjusted net profit amounted to RMB265.1 million and RMB182.5 million for the first half of 2017, accounting for 59.5% and 69.3% of the revenue and adjusted net profit for the year of 2017 respectively. During the first half of 2018, our revenue from the overseas markets went up and our licensed games increased, which led to the higher revenue from game licensing. At the same time, most of the new game products are expected to be launched in the second half of 2018. The revenue and adjusted net profit for the first half of 2018 increased by 29.6% and 76.9% respectively as compared with the second half of 2017.

2. Profit attributable to equity Shareholders for the period was RMB104.5 million, representing a decrease of 42.7% as compared with RMB182.5 million for the corresponding period of 2017 and an increase of 40.0% as compared with RMB74.7 million for the six months ended December 31, 2017.

3. Adjusted net profit for the period was RMB142.9 million, representing a decrease of 21.7% as compared with RMB182.5 million for the corresponding period of 2017 and an increase of 76.9% as compared with RMB80.8 million for the six months ended December 31, 2017.

4. The Board declared an interim dividend of HK$3.1 cents per share for the six months ended June 30, 2018, totaling HK$83.0 million, which is expected to be paid on or before October 15, 2018.

Management Discussion and Analysis

OVERVIEW

The Company is a leading game developer and operator in China with a global reach. Since our inception in 2008, the Company has engaged in the R&D, operation and licensing of a number of popular web games such as DDTank (彈彈堂) and Wartune (神曲). Of which, our web games DDTank (彈彈堂) and Wartune (神曲), which were launched in 2009 and 2011 respectively, maintain a strong momentum and contribute a considerable portion of revenue to the Company. Our flagship web game Wartune (神曲) ranks first among all the web games developed by Chinese companies in terms of gross billings. The Company derives a sizable portion of revenue from the overseas markets and our games have been published in more than 100 countries and regions. We are committed to bringing quality gameplay experience in various game formats to our users. In recent years, we have strategically expanded our business focuses to develop mobile games and H5 games, which are increasingly popular among the users. Leveraging our strong game R&D capabilities and our hit game titles, we have assembled valuable intellectual property assets with great monetization potential.

The “2018 Global Games Market Report” published by Newzoo in 2018 projected that a base of more than 2.3 billion active game players worldwide will spend over US$137.9 billion in the global game market in 2018. With 46% or approximately 1.1 billion players willing to pay for games, gaming spending will increase at a compound annual growth rate of over 10.3% to US$180.1 billion in 2021.

Driven by the growth of smartphone games, the Asia Pacific region is taking up increasing share of the global game market year by year, and will continue to lead in terms of revenue growth. In 2018, revenue from the Asia Pacific game market will reach US$71.4 billion, accounting for 52% of the total game revenue worldwide, up 16.8% year-on-year. The North American market will remain the second largest game market and the revenue is expected to reach US$32.7 billion, accounting for 23% of the total game revenue worldwide, up 10% year-on-year. The European, Middle East and African markets will slightly lag behind the North American market and are expected to contribute US$28.7 billion or 21% of the total game revenue worldwide. The Latin American game market will grow to US$5.0 billion, accounting for 4% of the global market.

In 2018, the mobile game market will hold approximately 60% of the market share and develop into a huge market of over US$100 billion. Among which, the mobile game market will be the largest game market in 2018, while revenue from smartphone and tablet games is expected to increase to US$70.3 billion during this year, accounting for 51% of the total game revenue worldwide. Global mobile game players, which mostly comprise players on smartphones, will reach 2.2 billion, accounting for approximately one-third of the world’s population. For a single country, China is still the largest game market in the world, with the revenue expected to reach US$50.7 billion in 2021.

According to the “1H 2018 China Game Industry Report” jointly published by the China Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association and Gamma Data (CNG), the actual sales revenue of China’s game market was RMB105.0 billion for the first half of 2018, representing a year-on-year increase of 5.2%. From January to June 2018, the number of gamers in China reached approximately 530 million, representing an increase of 4.0% year-on-year.

Based on the report, in terms of industry segments, the actual sales revenue of mobile games in the PRC game market increased at a rate of 12.9% year-on-year to RMB63.41 billion for the first half of 2018, and accounted for 60.4% of the total actual sales revenue of the game market. The market share of client games and web games slightly decreased to 30.0% and 6.9% respectively.

As of June 30, 2018, our self-development game DDTank (mobile) (彈彈堂(手遊)) was launched in Taiwan of China and Vietnam, and achieved excellent results by maintaining among top 5 on the list of bestselling games in Taiwan of China and Vietnam. The game has a highest monthly active users of 450,000 and 1.6 million in Taiwan of China and Vietnam respectively. It is also planned to be launched in Singapore, Malaysia and Indonesia in the second half of 2018, as part of the further expansion to overseas markets. Following the launch in Taiwan of China, our licensed mobile game Demi-Gods and Semi-Devils (天龍八部) ranked first on the list of bestselling RPGs. Our licensed mobile game Island Story — Let's Boom! (全民島主) published and launched with Tencent had a highest monthly active users of 1.46 million. Our game Wartune H5 (神曲(H5)) has been tested online on platforms such as Qihoo 360, Myapp of Tencent, mobile apps platform of Huawei, mobile apps platform of Gionee and 4399 online games platforms.

As of the end of the Reporting Period, our total revenue amounted to approximately RMB233.7 million, representing a decrease of 11.8% as compared with the corresponding period of 2017. As of the end of the Reporting Period, the gross profit and gross profit margin of the Company amounted to RMB207.0 million and 88.6%. As of the end of the Reporting Period, the adjusted net profit of the Company was RMB142.9 million, representing a decrease of 21.7% as compared with the corresponding period of 2017. The year-on-year decline in our total revenue for the six months ended June 30, 2018 was mainly attributable to: (1) tightening regulatory policies on games in the PRC and Vietnam; (2) the difference in time of launch for new games planned for 2018 and 2017. For example, our DDTank (mobile) (彈彈堂(手遊)) recorded the highest billing at the initial rollout stage due to the domestic marketing strategies of our business partners, which was followed by the transition to stable development in the PRC, while most of the new game products are expected to be launched in the second half of 2018; in addition, our revenue from the overseas markets went up and our licensed games increased for the first half of 2018, which led to the higher revenue from game licensing. The revenue and adjusted net profit for the first half of 2018 increased by 29.6% and 76.9% respectively as compared with the second half of 2017.

The Company has been listed on the Main Board of the Stock Exchange since 18 July 2018. The listing marks an important milestone in the Company's history and is the initial progress for its efforts in business transformation and innovation over the past few years. It also represents investors' recognition of our strategy, performance and governance, which will be the drivers of our future growth.

OUTLOOK FOR 2018

In the second half of 2018, we will strategically focus on the overseas markets.

With respect to our principal activities, we will be committed to updating existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy. We plan to launch five mobile games and five H5 games in the second half of 2018. Set out below are some of the examples:

- Mobile game Wartune 3D (神曲3D) (self-development) is the official mobile game sequel of the IP of web game Wartune (神曲). It is a brand-new 3D SRPG in the Euro-American realistic style;

- Mobile game Demi-Gods and Semi-Devils (天龍八部) (licensed) is a 3D mobile game with Jin Yong's official authorization that was jointly developed by us and Changyou, a leading China-based game developer. The product has been successfully launched in Taiwan of China and will be launched in Singapore, Malaysia and Thailand in the second half of 2018;

- H5 game Demi-Gods and Semi-Devils H5 (天龍八部H5) (self-development) sets in the story of Demi-Gods and Semi-Devils, a novel by Jin Yong. The gameplay is simplified to focus on the away-from-keyboard experience;

- H5 game X Project (X項目) (self-development) is a vertical fantasy hero-themed RPG that offers a wide range of confrontational gameplays as its main features;

- H5 game DDTank Adventures H5 (Wechat) (彈彈堂大冒險H5微信版) (self-development) and DDTank Adventures H5 Overseas (彈彈堂大冒險H5海外版) (self-development) center on classical string shooting and users can develop strategies through card combinations;

- H5 game King of Fighters H5 (拳皇H5) (self-development) is a game with the official authorization of SNK that completely replicates the exhilarating combo fights in arcade games and appeals more to 2D players in terms of character voices and visual graphics.

The utilization of intellectual properties is an integral part of the Company's long-term strategy. In the second half of 2018, the Company will continue the R&D of its intellectual properties through licensing intellectual properties or cooperating with third parties. It will carry on recruiting more R&D talents and retaining existing talents with competitive compensation, while enhancing our R&D capabilities. In the meantime, the Company will actively seek possible external investment and cooperation in response to the possible effect of increasingly competitive industry and evolving industrial policy on our principal activities.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

For the six months ended June 30, 2018, we continued to focus on the R&D of high-quality online games in response to the intensifying competition in the game industry. For the six months ended June 30, 2018, we developed four new games. Our newly launched games received positive feedbacks.

Our Players

We assess the operating performance with a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in our operating data are primarily a result of changes in the number of players who play, download (in the case of mobile games) and pay for virtual items and premium features in our games. Using these operating data as our key performance indicators allows us to monitor our ability to offer highly engaging online games, the continued popularity of our games, the monetization of our player base and the degree of competition of the online game industry, so that we can implement better business strategies.

For the six months ended June 30, 2018, our web games had (i) an average MAUs of approximately 2.3 million; (ii) an average MPUs of approximately 98,000; (iii) an ARPPU of approximately RMB375. Our mobile games had (i) an average MAUs of approximately 2.1 million; (ii) an average MPUs of approximately 122,000; (iii) an ARPPU of approximately RMB142.

For the six months ended June 30, 2017, our web games had (i) an average MAUs of approximately 3.1 million; (ii) an average MPUs of approximately 130,000; (iii) an ARPPU of approximately RMB428. Our mobile games had (i) an average MAUs of approximately 5.7 million; (ii) an average MPUs of approximately 1.0 million; (iii) an ARPPU of approximately RMB122.

THE FIRST HALF OF 2018 COMPARED TO THE FIRST HALF OF 2017

The following table sets forth the comparative statements of profit or loss for the six months ended June 30, 2018 and the six months ended June 30, 2017.

	For the six months ended June 30, 2018 (RMB'000)	2017 (RMB'000)	Year-on-year change %
Revenue	233,672	265,058	(11.8%)
Cost of revenue	(26,718)	(20,163)	32.5%
Gross profit	206,954	244,895	(15.5%)
R&D expenses	(56,538)	(41,165)	37.3%
Selling and distribution expenses	(243)	(6,196)	(96.1%)
Administrative expenses	(45,463)	(11,792)	285.5%
Other income	9,779	10,037	(2.6%)
Other gains/(losses), net	7,097	(1,183)	N/A
Operating profit	121,586	194,596	(37.5%)
Finance income	2,945	3,151	(6.5%)
Finance costs	(3,614)	(3,757)	(3.8%)
Finance losses, net	(669)	(606)	10.4%
Share of results of associates	1,271	2,254	(43.6%)
Profit before income tax	122,188	196,244	(37.7%)
Income tax expense	(17,645)	(13,721)	28.6%
Profit for the period	104,543	182,523	(42.7%)
Add:	38,352	—	—
Listing-related expenses	19,500	—	—
Share-based compensation costs	18,852	—	—
Adjusted net profit[(1)]	142,895	182,523	(21.7%)

Note:

(1) See "Non-IFRS Measures" for details.

REVENUE

The following table sets forth the breakdown of our revenue for the six months ended June 30, 2018 and 2017:

	For the six months ended June 30, 2018 (RMB'000)	2018 (% of total revenue)	2017 (RMB'000)	2017 (% of total revenue)
Online game revenue	137,939	59.1%	246,370	93.0%
— Self-development games				
published by us	2,715	1.2%	3,447	1.3%
published by other publishers	123,095	52.7%	236,917	89.4%
— Licensed games				
published by us	—	—	12	0.0%
published by other publishers	12,129	5.2%	5,994	2.3%
Sales of online game technology and publishing solutions services	48,201	20.6%	14,384	5.4%
Intellectual property licensing	47,532	20.3%	4,304	1.6%
Total	233,672	100.0%	265,058	100.0%

By location	For the six months ended June 30, 2018 (RMB'000)	2018 (% of total revenue)	2017 (RMB'000)	2017 (% of total revenue)
The PRC	95,154	40.7%	172,720	65.2%
Overseas	138,518	59.3%	92,338	34.8%
Total revenue	233,672	100.0%	265,058	100%

For the six months ended June 30, 2018, total revenue was approximately RMB233.7 million, representing a decrease of approximately 11.8% as compared with the corresponding period of 2017. This was mainly attributable to the launch of DDTank (mobile) (彈彈堂(手遊)) in April 2017, which recorded the highest billing at the initial rollout stage due to the domestic marketing strategies of our business partners, followed by the transition to stable development in the PRC. The decrease in total revenue was also because of the fact that most of our new self-development game products are expected to be launched in the second half of 2018.

For the six months ended June 30, 2018, our revenue from online games amounted to approximately RMB137.9 million, representing a decrease of approximately 44.0% as compared with the corresponding period of 2017. This was mainly attributable to the launch of DDTank (mobile) (彈彈堂(手遊)) in April 2017, which recorded the highest billing at the initial rollout stage due to the domestic marketing strategies of our business partners, followed by the transition to stable development in the PRC. The decrease in revenue was also because of the fact that most of our new self-development game products are expected to be launched in the second half of 2018.

Among which, our revenue from self-development games amounted to approximately RMB125.8 million, representing a decrease of approximately 47.7% as compared with the corresponding period of 2017. This was mainly attributable to the fact that most of our new self-development game products are expected to be launched in the second half of 2018.

Our revenue from licensed games amounted to approximately RMB12.1 million, representing an increase of approximately 101.9% as compared with the corresponding period of 2017. This was mainly attributable to the launch of new licensed games in the first half of 2018, which led to the higher revenue from game licensing.

For the six months ended June 30, 2018, our revenue from the sales of web and mobile game technology and publishing solutions services amounted to approximately RMB48.2 million, representing an increase of 235.1% as compared with the corresponding period of 2017. This was mainly attributable to our exploration of diversified business models, and the significant growth in the revenue from the technology installation fee and the consulting service business in the first half of 2018.

For the six months ended June 30, 2018, our revenue from intellectual property licensing amounted to approximately RMB47.5 million, representing an increase of approximately 1,004.4% as compared with the corresponding period of 2017. This was mainly attributable to the drastic growth in revenue from the intellectual property licensing business as we accelerated the development of intellectual properties.

COST OF REVENUE

Our cost of revenue mainly comprises employee benefit expense and consulting services fee incurred by business units. The cost of revenue was RMB26.7 million for the first half of 2018, representing an increase of 32.5% as compared with the corresponding period of 2017. This was mainly attributable to the increase in compensation and benefits, which include the share incentive expenses, and the increase in the cost of game licensing.

Our employee benefit expense primarily represents the salary and compensation of our operation team. The employee benefit expense was RMB4.3 million for the first half of 2018, representing an increase of 334.3% as compared with the corresponding period of 2017. This was mainly attributable to the increase in compensation and benefits, which include the share incentive expenses.

Our cost of game licensing was RMB6.5 million for the first half of 2018, representing an increase of 417.7% as compared with the corresponding period of 2017. This was mainly attributable to the growth in revenue and cost resulting from additional game licensing.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit was RMB207.0 million for the first half of 2018, representing a year-on-year decrease of approximately 15.5%. Our gross profit margin was 88.6% for the first half of 2018, as compared with 92.4% for the first half of 2017.

EXPENSES

R&D Expenses

Our R&D expenses primarily consist of employee benefit expense incurred by our R&D department and outsourcing expenses. The R&D expenses were RMB56.5 million for the first half of 2018, representing an increase of 37.3% as compared with the corresponding period of 2017. This was mainly attributable to the increase in staff remuneration, which includes the share incentive expenses, and the growth in additional outsourced R&D expenses.

Administrative Expenses

Our administrative expenses primarily comprise benefit expenses and professional consulting fees for employees in business units. The administrative expenses were RMB45.5 million for the first half of 2018, representing an increase of 285.5% as compared with the corresponding period of 2017. This was mainly attributable to the increase in listing expenses and share incentive expenses.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of advertising expenses and employee benefit expense of marketing and sales staff incurred by our marketing department. The selling and marketing expenses were RMB243,000 for the first half of 2018, representing a decrease of 96.1% as compared with the corresponding period of 2017. This was mainly attributable to the decrease in selling and marketing expenses, which include the advertising fee.

Income Tax Expenses

Our income tax expenses were RMB17.6 million for the first half of 2018, representing an increase of 28.6% as compared with the corresponding period of 2017. This was mainly attributable to the adjustment of the applicable tax rate for domestic operating entities and the share incentive expenses for employees which were not tax deductible. For the six months ended June 30, 2018, the nominal income tax rate for our major domestic operating entities was approximately 15%.

NON-IFRS MEASURES

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted net profit/(loss) as an additional financial measure which is not presented in accordance with IFRS. We believe this is meaningful because potential impacts of certain items which our management does not consider indicative of our operating performance have been eliminated, and this would be useful for investors to compare our financial results directly with those of our peer companies.

Adjusted net profit eliminates the effect of certain non-cash or non-recurring items, namely listing-related expenses and share incentive expenses. The term "adjusted net profit" is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. The following table reconciles our adjusted net profit for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the six months ended June 30,	
	2018	2017
	(RMB'000)	(RMB'000)
Profit for the period	**104,543**	182,523
Add:	**38,352**	—
Listing-related expenses	**19,500**	—
Share-based compensation costs	**18,852**	—
Adjusted net profit	**142,895**	182,523

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit for the year, operating profit or any other operating performance measure that is calculated in accordance with IFRS. In addition, because such measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

FINANCIAL POSITIONS

As of June 30, 2018, our total equity was approximately RMB611.9 million, as compared with approximately RMB555.8 million as of December 31, 2017. The increase was mainly attributable to the increase in profit.

As of June 30, 2018, our net current assets were approximately RMB246.4 million, as compared with approximately RMB173.8 million as of December 31, 2017. The increase was mainly attributable to the increase in the trade receivable and the decrease in contract liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

	June 30, 2018 (RMB'000)	December 31, 2017 (RMB'000)	Change %
Cash at bank and on hand	83,316	130,186	(36.0%)
Restricted funds	164,504	165,058	(0.3%)
Banking facilities	30,000	—	—
Total	277,820	295,244	(5.9%)

As of June 30, 2018, our cash at bank and on hand and restricted funds totaled RMB247.8 million, as compared with RMB295.2 million as of December 31, 2017. The change was mainly attributable to the growth in bonus and other payments.

As at June 30, 2018, we had unutilised short-term working capital loans from banks amounted to RMB30 million. Currently, we have satisfied the debt covenant in relation to these banking facilities, which are readily available for our use. These facilities are valid until May 11, 2019.

GEARING RATIO

As of June 30, 2018, our gearing ratio, which is calculated as total debt divided by total assets, was 35.1%, as compared with 39.4% as of December 31, 2017.

CAPITAL EXPENDITURE

	June 30, 2018 (RMB'000)	June 30, 2017 (RMB'000)	Change %
Office computer	116	271	(57.2%)
Electronic appliance	29	—	—
Software	82	—	—
Total	227	271	(16.2%)

Our capital expenditure includes office computer, electronic appliance and software. For the six months ended June 30, 2018 and 2017, total capital expenditure amounted to approximately RMB227,000 and RMB271,000 respectively.

SIGNIFICANT INVESTMENTS HELD/FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS, AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended June 30, 2018, we did not engage in the above matters. We propose to establish two funds in the second half of 2018 to focus on investing the R&D business of quadratic-element games and H5 games respectively. Moreover, we will also continue to identify new opportunities for business development.

CHARGE ON ASSETS

As of June 30, 2018, a property for our own use was pledged to secure a bank loan granted to us in September 2016.

CONTINGENT LIABILITIES AND GUARANTEES

As of June 30, 2018, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2018, we had 291 full-time employees, mostly based in Shenzhen, China. The following table sets forth the number of our employees by function as of June 30, 2018:

Function	Number of employees	% of total
R&D	235	80.8%
— Game R&D	210	72.2%
— Game operation	25	8.6%
Marketing and sales	5	1.7%
General and administration	51	17.5%
Total	291	100.0%

As of June 30, 2018, our employee remuneration totaled approximately RMB63 million (including salary, bonus, share-based compensation, pension scheme contribution, other social security fund and other employee benefits).

The remuneration of our employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonus related to our performance, allowances and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customized training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of senior management is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to our business. They receive compensation in the form of salaries, bonuses, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension schemes on their behalf.

In addition, we have adopted the RSU scheme as a long-term incentive scheme.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Global Offering were approximately HK$900 million, after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. We have, and will continue to utilize the net proceeds from the Global Offering in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the timeline, estimated expenditures and funding sources by our use of net proceeds from the Global Offering:

	Use of Proceeds	Estimated Expenditures (RMB in millions)	Funding Sources
From July 1, 2018 to December 31, 2018	Proprietary online games and other IPs	19.3	100% from the net proceeds from the Global Offering
	Acquisition of popular IPs	20.0	100% from the net proceeds from the Global Offering
	Investment in game developers and publishers	20.0	100% from the net proceeds from the Global Offering
From January 1, 2019 to June 30, 2019	Proprietary online games and other IPs	15.5	100% from the net proceeds from the Global Offering
	Acquisition of popular IPs	100.0	100% from the net proceeds from the Global Offering
	Fund our game publishing business	20.0	100% from the net proceeds from the Global Offering
From July 1, 2019 to December 31, 2019	Proprietary online games and other IPs	35.5	100% from the net proceeds from the Global Offering
	Investment in game developers and publishers	100.0	100% from the net proceeds from the Global Offering

EVENTS AFTER REPORTING PERIOD

Except for the listing of the Company on the Main Board of the Stock Exchange since July 18, 2018, as of the date of this interim report, the Group did not have any significant events after the Reporting Period.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not yet listed on the Stock Exchange on 30 June 2018, the Model Code, the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "**SFO**") and Section 352 of the SFO did not apply to the Directors and chief executives of the Company as at 30 June 2018. As at the Listing Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO were as follows:

INTERESTS IN THE COMPANY

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares or underlying Shares held (2)	Approximate percentage of issued share capital (1)
Mr. Meng Shuqi	Interest in controlled corporations(3)	528,854,000	19.83%
Mr. Hu Min	Interest in controlled corporations(4)	411,146,000	15.42%
Mr. Wang Chendong	Beneficial owner(5)	12,000,000	0.45%

Notes:

(1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at the Listing Date.

(2) All interests stated are long positions.

(3) 429,922,000 Shares are registered under the name of Ben 7Road Holdings Limited, 98,932,000 Shares are registered under the name of 7Road Elite Holdings Limited, the issued share capital of which is owned as to 100% by Ben 7Road Holdings Limited. Ben 7Road Holdings Limited is wholly-owned by Mr. Meng Shuqi. Accordingly, Mr. Meng Shuqi is deemed to be interested in all the Shares held by 7Road Elite Holdings Limited and Ben 7Road Holdings Limited respectively for the purpose of Part XV of the SFO.

(4) 331,146,000 Shares are registered under the name of World 7Road Holdings Limited, 80,000,000 Shares are registered under the name of 7Road Talent Holdings Limited, the issued share capital of which is owned as to 100% by World 7Road Holdings Limited. World 7Road Holdings Limited is wholly-owned by Mr. Hu Min. Accordingly, Mr. Hu Min is deemed to be interested in all the Shares held by 7Road Talent Holdings Limited and World 7Road Holdings Limited respectively for the purpose of Part XV of the SFO.

(5) Mr. Wang Chendong is interested in 600,000 RSUs granted to him under the RSU Scheme entitling him to receive 12,000,000 Shares subject to vesting.

INTERESTS IN OTHER MEMBERS OF THE GROUP

Name of Director/ Chief Executive	Name of other members of the Group	Capacity/ Nature of interest	Approximate percentage of registered capital [(1)]
Mr. Meng Shuqi	Shenzhen 7Road [(2)]	Beneficial owner	21.50%
	Shenzhen Qianqi Network Technology Co., Ltd (深圳千奇網絡科技有限公司) ("Shenzhen Qianqi")[(2)]	Interest in a controlled corporation	21.50%
	Huoerguosi 7th Road Network Technology Co., Ltd (霍爾果斯第七大道網絡科技有限公司) ("Huoerguosi 7Road")[(2)]	Interest in a controlled corporation	21.50%
Mr. Hu Min	Shenzhen 7Road [(2)]	Beneficial owner	16.60%
	Shenzhen Qianqi[(2)]	Interest in a controlled corporation	16.60%
	Huoerguosi 7Road[(2)]	Interest in a controlled corporation	16.60%

Notes:

(1) All interests stated are long positions.

(2) Shenzhen 7Road, Shenzhen Qianqi and Huoerguosi 7Road, by virtue of the Contractual Arrangements, all of them are accounted for as subsidiaries of the Group.

Save as disclosed above, as at the Listing Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not yet listed on the Stock Exchange on 30 June 2018, the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO did not apply to any substantial shareholders of the Company as at 30 June 2018. So far as the Directors are aware, as at the Listing Date, the following persons (other than the Directors and the chief executive of the Company) or corporations who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV o the SFO, were as follows:

Name	Nature of interest	Number of Shares or underlying Shares held [2]	Approximate percentage of interest [1]
Baohu Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company[3]	262,486,000	9.84%
	Beneficial owner	352,714,000	13.23%
Shanghai Bao Hu Investment Management Center (Limited Partnership)(上海趵虎投資管理中心(有限合夥))	Interest of a concert party to an agreement regarding interest in the Company[3]	262,486,000	9.84%
	Interest in a controlled corporation[4]	352,714,000	13.23%
Baopu Hong Kong Limited (趵樸香港有限公司)	Interest of a concert party to an agreement regarding interest in the Company[3]	614,328,000	23.04%
	Beneficial owner	872,000	0.03%
Shanghai Bao Pu Investment Management Co., Ltd. (上海趵樸投資管理有限公司)	Interest of a concert party to an agreement regarding interest in the Company[3]	261,614,000	9.81%
	Interest in controlled corporations[4][5]	353,586,000	13.26%
Mr. Li Gang (李剛先生)	Interest of a concert party to an agreement regarding interest in the Company[3]	261,614,000	9.81%
	Interest in controlled corporations[4][5]	353,586,000	13.26%
Mr. Zhou Hao (周皓先生)	Interest of a concert party to an agreement regarding interest in the Company[3]	261,614,000	9.81%
	Interest in controlled corporations[4][5]	353,586,000	13.26%
Shangyulongcheng Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Beneficial owner	174,410,000	6.54%

Name	Nature of interest	Number of Shares or underlying Shares held [2]	Approximate percentage of interest [1]
Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) (紹興上虞龍誠股權投資合夥企業（有限合夥）)	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Interest in a controlled corporation[6]	174,410,000	6.54%
Zhejiang Long Xin Equity Investment Management Co., Ltd. (浙江龍信股權投資管理有限公司)	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Interest in a controlled corporation[6]	174,410,000	6.54%
Wolong Holding Group Co., Ltd. (臥龍控股集團有限公司)	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Interest in a controlled corporation[6]	174,410,000	6.54%
Mr. Chen Jiancheng (陳建成先生)	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Interest in a controlled corporation[6]	174,410,000	6.54%
Ms. Chen Yanni (陳焉妮女士)	Interest of a concert party to an agreement regarding interest in the Company[3]	440,790,000	16.53%
	Interest in a controlled corporation[6]	174,410,000	6.54%
Red Shanghai Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company[3]	527,996,000	19.8%
	Beneficial owner	87,204,000	3.27%
Ms. Wei Hong (韋紅女士)	Interest of a concert party to an agreement regarding interest in the Company[3]	527,996,000	19.8%
	Interest in a controlled corporation[7]	87,204,000	3.27%
Ben 7Road Holdings Limited	Beneficial owner	429,922,000	16.12%
	Interest in a controlled corporation[8]	98,932,000	3.71%
World 7Road Holdings Limited	Beneficial owner	331,146,000	12.42%
	Interest in a controlled corporation[9]	80,000,000	3.00%
Songshuxing Holdings Limited	Beneficial owner	189,936,000	7.12%
Mr. Song Shuxing (宋書星先生)	Interest in a controlled corporation[10]	189,936,000	7.12%

Notes:

(1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at the Listing Date.

(2) All interests stated are long positions.

(3) The partners of Ningbo Bao Pu Xing Sheng Investment Management Center (Limited partnership) (寧波趵樸鑫盛投資管理中心(有限合夥)), namely Shanghai Bao Pu Investment Management Co., Ltd, Shanghai Bao Hu Investment Management Center, Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) and Ms. Wei Hong, and their respective offshore holding companies had entered into a voting agreement, pursuant to which, among others, for the first year after the Listing Date, Shanghai Bao Hu Investment Management Center, Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) and Ms. Wei Hong, would unconditionally and irrevocably entrust and authorize Shanghai Bao Pu Investment Management Co., Ltd, to be their proxy in exercising their shareholders' voting rights in the Company.

(4) 352,714,000 Shares are registered under the name of Baohu Holdings Limited, the entire issued share capital of Baohu Holdings Limited is directly owned by Shanghai Bao Hu Investment Management Center. Accordingly, Shanghai Bao Hu Investment Management Center is deemed to be interest in such number of Shares held by Baohu Holdings Limited. In addition, Shanghai Bao Hu Investment Management Center is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Bao Hu Investment Management Center is Shanghai Bao Pu Investment Management Co., Ltd., which is owned directly as to 50% by Mr. Li Gang and 50% by Mr. Zhou Hao. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Mr. Li Gang and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baohu Holdings Limited.

(5) 872,000 Shares are registered under the name of Baopu Hong Kong Limited, the entire issued share capital of Baopu Hong Kong Limited is directly owned by Shanghai Bao Pu Investment Management Co., Ltd. Accordingly, Shanghai Bao Pu Investment Management Co., Ltd. is deemed to be interested in such number of Shares held by Baopu Hong Kong Limited.

(6) 174,410,000 Shares are registered under the name of Shangyulongcheng Holdings Limited, the entire issued share capital of Shangyulongcheng Holdings Limited is directly owned by Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership). Accordingly, Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited. In addition, Shaoxing Shang Yu Long Cheng Capital Investment is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is Zhejiang Long Xin Equity Investment Management Co., Ltd., which is directly owned by Wolong Holding Group Co., Ltd.. Wolong Holding Group Co., Ltd. is owned directly as to 48.93% by Mr. Chen Jiancheng, 38.73% by Ms. Chen Yanni, who is the daughter of Mr. Chen Jiancheng and 12.34% by certain shareholders. Accordingly, each of Zhejiang Long Xin Equity Investment Management Co., Ltd., Wolong Holding Group Co., Ltd., Mr. Chen Jiancheng and Ms. Chen Yanni is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited.

(7) 87,204,000 Shares are registered under the name of Red Shanghai Holdings Limited, the entire issued share capital of Red Shanghai Holdings Limited is directly owned by Ms. Wei Hong. Accordingly, Ms. Wei Hong is deemed to be interested in such number of Shares held by Red Shanghai Holdings Limited.

(8) The entire issued share capital of 7Road Elite Holdings Limited is directly owned by Ben 7Road Holdings Limited. Accordingly, Ben 7Road Holdings Limited is deemed to be interested in 98,932,000 Shares held by 7Road Elite Holdings Limited.

(9) The entire issued share capital of 7Road Talent Holdings Limited is directly owned by World 7Road Holdings Limited. Accordingly, World 7Road Holdings Limited is deemed to be interested in 80,000,000 Shares held by 7Road Talent Holdings Limited.

(10) The entire issued share capital of Songshuxing Holdings Limited is directly owned by Mr. Song Shuxing. Accordingly, Mr. Song Shuxing is deemed to be interested in 189,936,000 Shares held by Songshuxing Holdings Limited.

Save as disclosed above, as at the Listing Date, the Directors are not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO.

RESTRICTED SHARE UNIT SCHEME

On March 6, 2018, the RSU Scheme was approved and adopted by the then shareholders of our Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of our Group for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being March 6, 2017 (unless it is terminated earlier in accordance with its terms). As of June 30, 2018, the remaining life of the RSU Scheme was approximately nine years and nine months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

Our Company has appointed Mr. Meng Shuqi and Mr. Hu Min (the "**RSU Trustees**") as the trustee to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustees to be held by the RSU Trustees and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustees to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustees by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustees to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme will be transferred, allotted or issued to the RSU Trustees.

As of June 30, 2018, RSUs representing 100,800,000 underlying Shares has been granted to 66 participants in the RSU Scheme pursuant to the RSU Scheme. Among the RSU participants, 1 is a Director; 1 is the director of Huoerguosi 7Road, one of our PRC Operating Entities; and 4 are members of the senior management of our Company.

As of June 30, 2018, none of the RSUs so granted had been vested to the RSU Participants.

Details of the RSUs granted under the RSU Scheme immediately following the completion of the Global Offering are set out below:

Name of the Grantees of RSU	Position held with our Group	Address	Number of underlying Shares represented by RSUs	Date of grant	Approximate percentage of interest immediately following the completion of the Global Offering[(1)]
Director of our Company					
Wang Chendong	executive Director, chief human resource officer, director of Qianhai Huanjing and director of Shenzhen 7Road	Flat 1403, Block A Jiajia Hao Yuan 223-1, Hai De First Road, Nanshan District, Shenzhen, PRC	12,000,000	March 31, 2018	0.45%
Director of our subsidiary and/or PRC Operating Entities (excluding those who are also Directors of our Company)					
Xu Jing	director of Huoerguosi 7Road and head of business management department	Flat 610, Chang Sheng Garden, District 43, Bao'an District, Shenzhen, PRC	6,500,000	March 31, 2018	0.24%
Senior management members of our Company (excluding those are also Directors of our Company)					
Xu Jia	Chief operation officer	Room 201, Unit 2, Block 1, Chang Wa West Street, Haidian District, Beijing, PRC	20,400,000	March 31, 2018	0.76%
Lin Sen	Chief financial officer	Room 101, Block 305, Estate 28, Guangqu Road, Chaoyang District, Beijing, PRC	14,000,000	March 31, 2018	0.52%
Guo Hua	Head of the testing department	Flat 1907, Block 9A, Nuo De Holiday Garden, No. 0369 Qianhai Road, Nanshan District, Shenzhen, PRC	1,000,000	March 31, 2018	0.04%
Shi Shuanghua	Head of the arts department	Flat 24A, Block H1, Ao Cheng Garden Phase II, Nanshan District, Shenzhen, PRC	1,250,000	March 31, 2018	0.05%

Rank/position held with our Group	Number of underlying Shares represented by RSUs	Date of grant	Approximate percentage of interest immediately following the completion of the Global Offering[(1)]
45 game development employees	30,600,000	March 31, 2018	1.15%
10 game operation employees	6,450,000	March 31, 2018	0.24%
5 general and administration employees	8,600,000	March 31, 2018	0.32%

Note:

(1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at the Listing Date.

The Guarantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

For the RSUs granted on March 31, 2018 to the named individual guarantees of the RSU set out in the table above, they shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing and subject to the below conditions) vest as follows:

(i) as to 30% of the RSUs on March 31, 2019;

(ii) as to 30% of the RSUs on March 31, 2020; and

(iii) as to 40% of the RSUs on March 31, 2021.

As to several game development employees, the vesting of RSUs granted to them is also subject to the initial launch date of our games in pipeline.

The above RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares. Since the Listing Date, the Company did not have any share option schemes.

MOVEMENTS IN SHARE CAPITAL

There is no change to share capital of the Company from the Listing Date up to the date of this interim report.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2018, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Board declared an interim dividend of HK$3.1 cents per share for the six months ended June 30, 2018 to the Shareholders whose names appear on the register of members of the Company on September 14, 2018. The total amount is HK$83.0 million. The payment date of the interim dividend is expected to be on or before October 15, 2018.

For the purpose of determining the identity of Shareholders who are entitled to the payment of the interim dividend on or before October 15, 2018, the transfer books and register of members of the Company will be closed from September 12, 2018 to September 14, 2018 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be entitled to the payment of the interim dividend, all share transfers of the Company accompanied with the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Tuesday, September 11, 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Since the Listing Date, our Company has complied with all applicable code provisions as set out in the Corporate Governance Code save for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The positions of the chairman of the Board and CEO are both held by Mr. Meng Shuqi. Since Mr. Meng Shuqi is the key person for our Group's establishment and development, the Board considers that vesting the roles of chairman of the Board and CEO in the same person, Mr. Meng Shuqi, would not create any potential harm to the interest of the Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Meng Shuqi, as both the chairman of the Board and CEO.

Our Board will continue to review and monitor the corporate governance practices of our Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of our Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and our Company's own code of conduct regarding directors' securities transactions throughout the six months ended June 30, 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to our Company and the knowledge of the Directors, our Company maintained sufficient public float during the period from the Listing Date to the date of this interim report.

CHANGES IN DIRECTORS' INFORMATION

As the Company was not yet listed on the Stock Exchange on 30 June 2018, the Rule 13.51B(1) of the Listing Rules is not applicable to the Company. There are no any changes to the Directors' information from the Listing Date up to the date of this report.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Our Company was listed on the Stock Exchange on July 18, 2018. Our Company issued 666,680,000 Shares at the offer price of HK$1.50 per share. After deducting the underwriting commission and estimated expenses payable by our Company in relation to the global offering, the net proceeds were approximately HK$900 million. As at the date of this interim report, our Company did not expect any change in the plan for use of proceeds as set out in the prospectus of our Company dated June 29, 2018. See "Management Discussion and Analysis — Use of Net Proceeds from the Global Offering" for details.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended June 30, 2018, our Company was in compliance with relevant laws and regulations which had significant impact on our Company. For the year ended June 30, 2018, our Company did not involve any material legal proceedings.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this interim report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Ho Chit, Mr. Liu Yunli and Mr. Wu Xiaoguang. Mr. Ho Chit is the chairman of the Audit Committee.

REVIEW OF THE INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2018 was reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The Audit Committee has reviewed the interim financial information for the six months ended June 30, 2018.

PUBLICATION OF THE INTERIM REPORT

This interim report of the Group for the six months ended 30 June 2018, which contains all the information required by the Listing Rules is published on the websites of our Company (www.7road.com) and the Stock Exchange (www.hkexnews.hk) and will be dispatched to the shareholders of our Company in due course.

Report on Review of Interim Financial Information

羅兵咸永道

Report on review of Interim Financial Information

To the Board of Directors of 7Road Holdings Limited

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 31 to 71, which comprises the interim condensed consolidated balance sheet of 7Road Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2018 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2017. The comparative information for the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended June 30, 2017 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 28, 2018

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended June 30, 2018

		Unaudited Six months ended June 30,	
		2018	2017
	Note	**RMB'000**	RMB'000
Revenue	6	**233,672**	265,058
Cost of revenue	9	**(26,718)**	(20,163)
Gross profit		**206,954**	244,895
Research and development expenses	9	**(56,538)**	(41,165)
Selling and marketing expenses	9	**(243)**	(6,196)
Administrative expenses	9	**(45,463)**	(11,792)
Other income	7	**9,779**	10,037
Other gains/(losses), net	8	**7,097**	(1,183)
Operating profit		**121,586**	194,596
Finance income	10	**2,945**	3,151
Finance costs	10	**(3,614)**	(3,757)
Finance costs, net	10	**(669)**	(606)
Share of results of associates	17	**1,271**	2,254
Profit before income tax		**122,188**	196,244
Income tax expense	11	**(17,645)**	(13,721)
Profit for the period		**104,543**	182,523
Profit attributable to owners of the Company		**104,543**	182,523
Earnings per share for profit attributable to the ordinary equity holders of the company (expressed in RMB per share):	12		
Basic earnings per share		**0.057**	0.100
Diluted earnings per share		**0.057**	0.100

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2018

	Note	Unaudited Six months ended June 30, 2018 RMB'000	 2017 RMB'000
Profit for the period		**104,543**	182,523
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value changes on financial asset at fair value through other comprehensive income		**997**	—
Currency translation differences		**(199)**	(1,243)
Share of other comprehensive (loss)/income of associates	17	**(152)**	612
Other comprehensive income, net of tax		**646**	(631)
Total comprehensive income for the period		**105,189**	181,892
Total comprehensive income attributable to owners of the Company		**105,189**	181,892

The notes on pages 37 to 71 are integral parts of this Interim Condensed Consolidated Financial Information.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2018

	Note	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	18,568	19,895
Land use rights	15	72,414	73,056
Intangible assets	16	30,095	30,907
Investments in associates	17	177,743	175,268
Available-for-sale financial assets		—	41,979
Financial assets at fair value through other comprehensive income		5,172	—
Financial assets at fair value through profit or loss	20	93,111	80,000
Financial assets at amortised cost		4,052	—
Prepayment and other receivables	19	13,475	7,848
Restricted cash		2,174	2,728
Deferred income tax assets		6,505	6,326
		423,309	438,007
Current assets			
Trade receivables	18	158,758	101,367
Prepayment and other receivables	19	115,478	42,114
Income tax recoverable		—	458
Financial assets at fair value through profit or loss	20	—	43,000
Restricted cash		162,330	162,330
Cash and cash equivalents		83,316	130,186
		519,882	479,455
Total assets		943,191	917,462
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	60	10,042
Other reserves	22	50,918	29,774
Retained earnings		560,930	516,029
Total equity		611,908	555,845
Liabilities			
Non-current liabilities			
Borrowings	24	44,504	47,573
Contract liabilities	25	10,463	5,592
Deferred income tax liabilities		2,785	2,785
		57,752	55,950
Current liabilities			
Trade payables, other payables and receipt in advance	26	115,825	137,348
Borrowings	24	110,239	112,178
Current income tax liabilities		14,538	2,835
Contract liabilities	25	32,929	53,306
		273,531	305,667
Total liabilities		331,283	361,617
Total equity and liabilities		943,191	917,462

The notes on pages 37 to 71 are integral parts of this Interim Condensed Consolidated Financial Information.

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2018

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
		Unaudited			
		Attributable to equity holders of the Company			
Balance at January 1, 2018		42	39,774	516,028	555,844
Comprehensive income					
Profit for the period		—	—	104,543	104,543
Other comprehensive income					
Currency translation differences		—	(199)	—	(199)
Share of other comprehensive income of associates		—	(152)	—	(152)
Fair value changes on financial asset at fair value through other comprehensive income		—	997	—	997
Adjustment on adoption of IFRS 9, net of tax (note 3(a))		—	(8,359)	8,359	—
Total comprehensive income		—	(7,713)	112,902	105,189
Transactions with owners in their capacity as owners					
Issuance of ordinary shares for re-organization		18	3,058,055	—	3,058,073
Effect of the re-organization		—	(3,058,050)	—	(3,058,050)
Dividends		—	—	(68,000)	(68,000)
Share-based compensation	23	—	18,852	—	18,852
Total transactions with owners in their capacity as owners		18	18,857	(68,000)	(49,125)
Balance at June 30, 2018		60	50,918	560,930	611,908

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2018

		Unaudited			
		Attributable to equity holders of the Company			
	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at January 1, 2017		—	36,752	458,848	495,600
Comprehensive income					
Profit for the period		—	—	182,523	182,523
Other comprehensive income					
Currency translation differences		—	(1,243)	—	(1,243)
Share of other comprehensive income of associates		—	612	—	612
Total comprehensive income		—	(631)	182,523	181,892
Transactions with owners in their capacity as owners					
Dividends		—	—	(100,000)	(100,000)
Total transactions with owners in their capacity as owners		—	—	(100,000)	(100,000)
Balance at June 30, 2017		—	36,121	541,371	577,492

The notes on pages 37 to 71 are integral parts of this Interim Condensed Consolidated Financial Information.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended June 30, 2018

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	13,760	195,114
Interest received	125	214
Interest paid	(209)	(240)
Income tax paid	(9,593)	—
Net cash generated from operating activities	4,083	195,088
Cash flows from investing activities		
Purchases of available-for-sale financial assets	—	(20,200)
Dividend income	423	—
Payment for an investment fund designated as financial assets at fair value through other comprehensive income	(3,799)	—
Deposit and prepayment for wealth management investment	(6,617)	—
Payments for purchases of property, plant and equipment	(145)	(271)
Proceeds from disposal of property, plant and equipment	76	—
Payments for purchases of intangible assets	(82)	—
Proceeds from maturity of wealth management products designated as financial assets at fair value through profit or loss	43,238	37,783
Repayments of loans from third parties	—	482
Net cash generated from investing activities	33,094	17,794
Cash flows from financing activities		
Repayments of bank borrowings	(6,204)	(3,069)
Repayments of loan from an entity controlled by then holding company	—	(34,000)
Dividends paid to then holding company	(10,000)	—
Dividends paid to the owners	(68,000)	(100,000)
Interest paid	(3,389)	(3,521)
Net cash used in financing activities	(87,593)	(140,590)
Net (decrease)/increase in cash and cash equivalents	(50,416)	72,292
Cash and cash equivalents at beginning of the period	130,186	47,854
Exchange gains on cash and cash equivalents	3,546	2,145
Cash and cash equivalents at end of the period	83,316	122,291

The notes on pages 37 to 71 are integral parts of this Interim Condensed Consolidated Financial Information.

Notes to the Interim Condensed Consolidated Financial Information

1 General information, history and reorganization of the Group

1.1 General information

Our Company was incorporated in Cayman Islands on September 6, 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the development and distribution of web games and mobile games in the People's Republic of China (the "PRC") and other countries and regions.

The Company's shares have been listed on the Main Board of the Stock Exchange since July 18, 2018.

This Interim Condensed Consolidated Financial Information is presented in thousands of RMB, unless otherwise stated, and is approved for issue by the Board of Directors on August 28, 2018. This condensed interim consolidated financial information has not been audited.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and completion of the Group reorganization as described below ("Reorganization"), the Group's Business was carried out through Shenzhen 7Road.

Shenzhen 7Road was established in the PRC on January 22, 2008 and then became a wholly-owned subsidiary of Beijing Gamease Age Digital Technology Co.,Ltd. ("Beijing Changyou") on May 1, 2013. On August 4, 2015, Shanghai Yong Chong Investment Center (Limited liability partnership) ("Yong Chong") acquired the entire equity interest in Shenzhen 7Road from Beijing Changyou and transferred 23.50%, 16.56%, 10.95% and 17.5% equity interest in Shenzhen 7Road to Mr. Meng Shuqi, Mr. Hu Min, Mr. Liu Jing and Wuxi Yi Yao Investment Center (Limited liability partnership) ("Wuxi Yi Yao"), respectively in November, 2015.

In November 2016, Yong Chong transferred 0.74% and 30.76% equity interests in Shenzhen 7Road to Shanghai Ting Can Investment Center (Limited liability partnership) ("Shanghai Ting Can") and Ningbo Bao Pu Xin Sheng Asset Management (Limited liability partnership) ("Ningbo Bao Pu"), and Wuxi Yi Yao and Mr. Meng Shuqi transferred 17.50% and 2.00% equity interest in Shenzhen 7Road to Shanghai Ting Can.

1 General information, history and reorganization of the Group (continued)

1.2 History and reorganization of the Group (continued)

In preparing for listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganization as below:

(1) On August 31, 2017, Ben 7Road Holdings Limited ("Ben Holdings"), World 7Road Holdings Limited ("World Holdings") and Zing 7Road Holdings Limited ("Zing Holdings") was incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Meng Shuqi, Mr. Hu Min and Mr. Liu Jing, respectively.

(2) On September 6, 2017, the Company was incorporated in the Cayman Islands with limited liability and authorized share capital of US$50,000, divided into 500,000,000 shares of a par value of US$0.0001 each. One ordinary share was allotted and issued for cash at par to the initial subscriber and was subsequently transferred from the initial subscriber to Ben Holdings on the same day. The Company further allotted and issued 9,999 ordinary shares for cash at par to Ben Holdings on the same day.

(3) All of the other ultimate beneficial investors of Shenzhen 7Road had each incorporated a wholly-owned investment holding company in the BVI (the "Offshore Holding Companies"). Furthermore, ESOP 1 Holdings Limited and ESOP 2 Holdings Limited, limited liability companies incorporated in the BVI, were established by Ben Holdings and World Holdings, respectively to be nominees to hold the shares of the Company pursuant to the RSU Scheme adopted by the Company on March 6, 2018 (Note 23).

(4) On November 17, 2017, February 28, 2018, March 12, 2018 and May 4, 2018, the Company allotted and issued an aggregate of 99,990,000 ordinary shares for cash at par to the offshore investment holding companies pursuant to the Offshore Shareholding Agreement. Immediately after this shares issuance, the shareholding structure of the Company is as follows:

Name of Company	Number of Shares	Percentage of Shareholding
Ben Holdings	21,496,100	21.4961%
World Holdings	16,557,300	16.5573%
Zing Holdings(note)	2,000,000	2.0000%
Offshore Holding Companies	51,000,000	51.0000%
ESOP 1 Holdings(note)	4,946,600	4.9466%
ESOP 2 Holdings(note)	4,000,000	4.0000%

Note: Ordinary shares of the Company were allotted and issued to the Offshore Holding Companies in the same proportions as their percentage of equity interest in the Shenzhen 7Road immediately prior to the signing of the Offshore Shareholding Agreement except that an aggregate of 8,946,600 ordinary shares allotted and issued to ESOP 1 Holdings and ESOP 2 Holdings are ordinary shares originally planned to be allotted to Zing Holdings, the Offshore Holding Company wholly-owned by Mr. Liu Jing in accordance with Mr. Liu Jing's shareholding percentage in Shenzhen 7Road. Mr. Liu Jing resigned as the director of the subsidiaries of the Group with effect from November 7, 2017 and Mr. Liu Jing agreed to contribute these shares to ESOP 1 Holdings and ESOP 2 Holdings for the purpose of establishment of the RSU Plan.

1 General information, history and reorganization of the Group (continued)

1.2 History and reorganization of the Group (continued)

(5) On September 15, 2017, 7Road Fun Limited ("7Road BVI") was incorporated in the BVI as a wholly-owned subsidiary of the Company.

(6) On October 9, 2017, 7Road HK Digital Limited. ("7Road Hong Kong") was incorporated in Hong Kong as a wholly-owned subsidiary of 7Road BVI.

(7) On December 15, 2017, an equity transfer agreement was entered into by Shenzhen 7Road and Ms. Bao Wei, an independent third party, pursuant to which Shenzhen 7Road agreed to transfer and Ms. Bao Wei agreed to purchase 5% of the equity interest of Qianhai Huanjing, a wholly-owned subsidiary of Shenzhen 7Road, at a consideration of RMB250,000. On February 10, 2018, Shenzhen 7Road and Ms. Bao Wei agreed to transfer 95% and 5% of the equity interests in Qianhai Huanjing to 7Road Hong Kong at considerations of approximately RMB2,970,000 and RMB156,000, respectively pursuant to an equity transfer agreement dated February 10, 2018. Upon the completion of the transfers, Qianhai Huanjing became an indirectly wholly-owned subsidiary of the Company and was then converted into a wholly foreign-owned enterprise.

(8) On March 1, 2018, the Company entered into a share transfer agreement with Shenzhen 7Road, pursuant to which Shenzhen 7Road transferred the entire issued shares of 7Road International Group Limited ("7Road International Group") to the Company. Since then the Company held entire equity interest in 7Road International Group and its subsidiaries.

1 General information, history and reorganization of the Group (continued)

1.2 History and reorganization of the Group (continued)

(9) Pursuant to Contractual Arrangements, Qianhai Huanjing is able to exercise and maintain control over the operation and to obtain economic benefit of the business and operations of Shenzhen 7Road and its subsidiaries. Accordingly, Shenzhen 7Road and its subsidiaries are treated as controlled structured entities of Qianhai Huanjing and ultimately controlled and consolidated by the Company.

(10) Pursuant to the shareholder voting agreement dated April 13, 2018, the three limited partners of Ningbo Bao Pu, namely Shaoxing Shang Yu Long Cheng Equity Investment Partnership Enterprise (紹興上虞龍誠股權投資合夥企業(有限合夥)) ("Shaoxing Shang Yu"), Shanghai Bao Hu Investment Management Centre (上海趵虎投資管理中心(有限合夥)) ("Shanghai Bao Hu") and Ms. Wei Hong, would unconditionally and irrevocably entrust and authorize Shanghai Bao Pu Investment Management Co., Ltd. (上海趵樸投資管理有限公司) ("Shanghai Bao Pu"), the sole general partner of Ningbo Bao Pu, to be their proxy in exercise their shareholders' voting rights in the Company (the "Offshore Voting Arrangement"). Shanghai Bao Pu, Shaoxing Shang Yu, Shanghai Bao Hu and Ms. Wei Hong are collectively referred to as the controlling shareholders of the Company (the "Controlling Shareholders"), with respective interests in the Company in the same proportions as their interests in Ningbo Bao Pu.

(11) On June 23, 2018, the shareholders resolved, among other things subject to the Global Offering becoming unconditional, that all the issued and unissued ordinary share of US$0.0001 par value each of our Company will be subdivided into 20 Shares of US$0.000005 par value each such that the authorized share capital of our Company shall be US$50,000 divided into 10,000,000,000 Shares of par value US$0.000005 each and the issued share capital shall be US$10,000 divided into 2,000,000,000 Shares of US$0.000005 par value each.

1 General information, history and reorganization of the Group (continued)

1.2 History and reorganization of the Group (continued)

Upon completion of the Reorganization in March 2018, the Company become the holding company of all the companies now comprising the Group. As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Equity interest held as at December 31, 2017	June 30, 2018	Principal activities
Directly held by the Company					
7Road Fun Limited	BVI/ September 15, 2017	US$1	N/A	100%	Investment holdings
Indirectly held by the Company					
7Road HK Digital Limited (香港第七大道數位有限公司)	Hong Kong/ October 9, 2017	HK$1	N/A	100%	Investment holdings
Shenzhen Qianhai Huanjing Network Technology Co., Ltd* (深圳市前海幻境網絡科技有限公司)	PRC/July 12, 2015	RMB 5,000,000	100%	100%	Online game development, promotion and management
Shenzhen 7Road Technology Co., Ltd.* (深圳第七大道科技有限公司)	PRC/ January 22, 2008	RMB 10,000,000	100%	100%	Online game development, promotion and management
Shenzhen Qianqi Network Technology Co,. Ltd.* (深圳市千奇網路科技有限公司) (“**Shenzhen Qianqi**”)	PRC/ November 28, 2013	RMB 26,000,000	100%	100%	Online game development, promotion and management
Huoerguosi 7th Road Network Technology Co., Ltd (霍爾果斯第七大道網路科技有限公司)	PRC/ November 27, 2015	RMB 10,000,000	100%	100%	Online game development, promotion and management
7Road International Group Limited	BVI/May 12, 2015	US$1	100%	100%	Publication of online games
7Road (UK) Company Limited	UK/July 3, 2009	British Pound 100	100%	100%	Publication of online games
7Road International HK Limited (第七大道國際（香港）有限公司)	Hong Kong/ June 3, 2015	HK$1	100%	100%	Publication of online games
7Road International Pte.Ltd	Singapore/ September 28, 2015	Singaporean Dollar 1	100%	100%	Publication of online games

2 Basis of preparation

Immediately prior to and after the Reorganization, the Group's Business was carried out by Shenzhen 7Road and its subsidiaries. Pursuant to the Reorganization, the Group's Business are effectively controlled by Qianhai Huanjing, and ultimately controlled by the Company, through direct equity holding and the Contractual Arrangements. The Company and those companies newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Group's Business and does not result in any changes in business substance, nor in any management of the Group's Business. Accordingly, the Interim Condensed Consolidated Financial Information of the companies now comprising the Group is presented using the carrying value of the Group's Business for all periods presented.

This Interim Condensed Consolidated Financial Information has been prepared in accordance with IAS 34, "Interim Financial Reporting". The Interim Condensed Consolidated Financial Information should be read in conjunction with the accountant's report in the prospectus of the Group dated June 29, 2018, which have been prepared in accordance with IFRS.

3 Significant accounting policies

The accounting policies adopted are consistent with those of the accountant's report, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the group

IFRS 9

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities.

- It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling.

- There is now a new expected credit losses ("ECL") model that replaces the incurred loss impairment model used in IAS 39.

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the group (continued)

IFRS 9 (continued)

- For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

- IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

Effect of the adoption of IFRS 9

The Group has adopted IFRS 9 since January 1, 2018, which resulted in a change in accounting policies and adjustments to the amounts recognized in the consolidated financial information. In accordance with the transitional provision under IFRS 9, comparative figures are not required to be restated.

Management has assessed the classification and measurement of the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss). The main effects resulting from this reclassification are as follows:

As at January 1, 2018	Before the adoption of IFRS 9 RMB'000	Effect of the adoption of IFRS 9 RMB'000	After the adoption of IFRS 9 RMB'000
Available-for-sale financial assets	41,979	(41,979)	—
Financial assets at fair value through profit or loss (non-current)	80,000	11,829	91,829
Financial assets at fair value through profit or loss (current)	43,000	—	43,000
Financial assets at fair value through other comprehensive income	—	30,150	30,150
Equity — available-for-sale financial assets fair value reserve	8,359	(8,359)	—
Equity — retained earnings	516,029	8,359	524,388

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the group (continued)

Effect of the adoption of IFRS 9 (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken, the changes in the loss allowance for account receivables was immaterial.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities. Furthermore, the impact for hedging accounting is not applicable to the Group as the Group has not entered into any hedging instruments.

IFRS 15

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations.

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a five step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognize revenue when each performance obligation is satisfied

The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which that company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

3 Significant accounting policies (continued)

(a) New and amended standards adopted by the group (continued)

IFRS 15 (continued)

Under IFRS 15, the Group recognizes revenue when a performance obligation is satisfied and takes into consideration when multiple performance obligations are identified.

Effect of the adoption of IFRS 15

The Group has adopted IFRS 15 since January 1, 2018 and elected to apply the modified retrospective approach which means the cumulative impact of the adoption shall be recognized in retained earnings as of January 1, 2018 and that comparatives shall not be restated. The main impact of IFRS 15 on the Group is identified as related to the upfront revenue recognition of the Group's license arrangements while the impact assessed by the management is immaterial to the Group, therefore, the adoption of IFRS 15 did not have any material impact on the consolidated financial information of the Group.

(b) Impact of standards issued but not yet applied by the entity

IFRS 16

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted subject to the entity adopting IFRS 15 "Revenue from contracts with customers" at the same time. At this stage, the Group does not intend to adopt the standard before its effective date.

As at June 30, 2018 and December 31, 2017, the operating lease commitments of the Group amounted to RMB19,548,000 and RMB22,700,000, respectively (Note 27), the impact of adoption of IFRS 16 is therefore not expected to have a significant effect on the financial information of the Group.

There are no other IFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements of the Group for the year ended December 31, 2017.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risks (including foreign currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Condensed Consolidated Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the accountant's report in the prospectus of the Group dated June 29, 2018.

There have been no changes in the risk management policies since the latest year end.

5.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

5 Financial risk management (continued)

5.2 Liquidity risk (continued)

The table below analysis the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months RMB'000	Between 3 months and 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At June 30, 2018 (Unaudited)					
Borrowings	107,172	7,099	9,464	28,394	30,485
Trade and other payables (excluding advance, staff payroll and welfare payables, government grants and other taxes payables) (Note 26)	43,710	13,432	1,839	—	—
	150,882	20,531	11,303	28,394	30,485
At December 31, 2017 (Audited)					
Borrowings	1,535	110,643	6,138	18,415	23,020
Trade and other payables (excluding advance, staff payroll and welfare payables, government grants and other taxes payables) (Note 26)	8,732	38,780	342	28	—
	10,267	149,423	6,480	18,443	23,020

5 Financial risk management (continued)

5.3 Fair value estimation

The table below analyse the Group's financial instruments carried at fair value as at June 30, 2018 and December 31, 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at June 30, 2018 and December 31, 2017, none of the Group's financial liabilities are measured at fair value, and none of the Group's financial assets are measured at fair value using level 1 or level 2 inputs. The following table presents the Group's financial assets that are measured at fair value using level 3 inputs:

	As at June 30 2018 RMB'000 (Unaudited)	As at December 31 2017 RMB'000 (Audited)
Assets		
— Available-for-sale financial assets	**—**	41,979
— Financial assets at fair value through profit or loss (Note 20)	**93,111**	123,000
	93,111	164,979

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The changes in level 3 instruments of available-for-sale financial assets and financial assets at fair value through profit or loss for the six months ended June 30, 2018 and 2017 have been disclosed in Notes 20.

The components of the level 3 instruments include investments in bank wealth management products, private investment fund and unlisted investments. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

	Valuation technique	Significant Unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity securities	Recent transaction price (note i)	N/A	N/A	N/A
Unlisted investment fund	Recent transaction price of the investee (note ii)	N/A	N/A	N/A

Notes:

(i) The unlisted equity investments mainly comprise of equity investments in private game companies at start-up stage and management considered that the recent transaction price is the appropriate valuation method for this type of investment.

(ii) The fair value is determined based on net assets value of the fund, consisting the fair values of the underlying investments of the fund.

The finance department of the Group performs the valuations, with the input from external valuer, of non-property assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the chief financial officer, the financial department and external valuer at least once every six months, in line with the Group's half-yearly reporting periods.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet, mainly comprise of bank loans. The carrying amount of the bank loans is approximates to its fair value.

6 Segment information and revenue

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the directors of the Company consider that the Group's operations are operated and managed as a single segment and no segment information is presented, accordingly.

As at June 30, 2018 and 2017, substantially, the majority of the non-current assets of the Group other than certain long-term receivables were located in the PRC.

Revenue for the six months ended June 30, 2018 and 2017 are as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Online Game Revenue	**137,939**	246,370
— Self-development games		
published by the Group	**2,715**	3,447
published by other publishers	**123,095**	236,917
— Licensed games		
published by the Group	**—**	12
published by other publishers	**12,129**	5,994
Sales of online game technology solutions and publishing consulting services	**48,201**	14,384
Intellectual property licensing	**47,532**	4,304
	233,672	265,058

Revenues of approximately RMB104,450,000 and RMB133,973,000 for the six months ended June 30, 2018 and 2017, respective were derived from five largest single external customers.

During the six months ended June 30, 2018, revenue of approximately RMB28,302,000 and RMB22,523,000 were derived from a single external customer accounted for more than 10% of the total revenue.

During the six months ended June 30, 2017, revenue of approximately RMB90,298,000 was derived from a single external customer accounted for more than 10% of the total revenue.

7 Other income

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Government grants	**6,401**	6,701
VAT refunds	**3,378**	3,336
	9,779	10,037

There are no unfulfilled conditions or contingencies related to the above government grants or VAT refunds.

8 Other gains/(losses), net

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Gains on financial assets at fair value through profit or loss (Note 20)	**1,520**	1,508
Gains/(loss) on disposal of property, plant and equipment	**52**	(27)
Gains on disposal of an investment	**111**	—
Foreign exchange gains/(losses), net	**4,903**	(2,502)
Others	**511**	(162)
	7,097	(1,183)

9 Expenses by nature

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Payroll and employee benefit expense	**44,415**	36,401
Share-based compensation (Note 23)	**18,852**	—
Promotion and advertising expenses	**11,338**	16,996
Utilities and office expenses	**6,154**	5,744
Outsourced technical services	**11,528**	3,461
Depreciation of property, plant and equipment (Note 14)	**1,448**	3,230
Amortization of intangible assets (Note 16)	**895**	1,196
Amortization of land use rights (Note 15)	**642**	642
Listing expenses	**19,500**	—
Travelling and entertainment expenses	**2,116**	2,815
Tax and levies	**1,200**	1,585
(Reversal)/accrual of impairment on trade receivable	**(601)**	941
Revenue sharing cost	**6,495**	1,255
Others	**4,980**	5,050
	128,962	79,316

10 Finance costs, net

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Finance income		
Interest income on restricted bank deposits	2,937	2,937
Others	8	214
	2,945	3,151
Finance costs		
Interest expenses on bank borrowing	(3,227)	(3,280)
Others	(387)	(477)
	(3,614)	(3,757)
Finance costs, net	(669)	(606)

11 Income tax expense

The income tax expense of the Group for the six months ended June 30, 2018 and 2017 is analyzed as follows:

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current income tax	18,193	13,123
Deferred income tax	(548)	598
	17,645	13,721

11 Income tax expense (continued)

Corporate Income Tax

Taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/regions in which the Group operates.

Income tax expense is recognised based on management's best estimation of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding the entities that are currently tax exempted) for the year ending December 31, 2018 varies from 15% to 25% (2017: 10% to 25%).

PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares during the period.

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**104,543**	182,523
Weighted average number of ordinary shares in issue (in thousands)	**1,821,068**	1,821,068
Earnings per share for profit attributable to equity holders of the Company	**0.057**	0.100

Note:

The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended June 30, 2018 and 2017 has been retrospectively adjusted for (i) the effects of each of the ordinary shares of the Company subdivided into 20 ordinary shares which took place on July 18, 2018 ("Subdivision") and (ii) 8,946,600 ordinary shares, before Subdivision, (equivalent to 178,932,000 ordinary shares after Subdivision) of the Company contributed by a Shareholder to the RSU Scheme which took place upon completion of the Reorganization.

During the six months ended June 30, 2018 and 2017, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

13 Dividends

At a meeting held on August 28, 2018, the directors declared an interim dividend of HK$3.1 cents per share, totalling HK$83,027,000 (equivalent to approximately RMB71,978,000) for the six months ended June 30, 2018. This dividend is not reflected as a dividend payable in this interim condensed consolidated financial information, but will be reflected as an appropriation for the year ending December 31, 2018.

14 Property, plant and equipment

	Buildings RMB'000	Servers and other equipment RMB'000	Furniture & leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended June 30, 2018 (unaudited)						
At beginning of the period	12,654	2,698	1,340	1,674	1,529	19,895
Additions	—	145	—	—	—	145
Disposal	—	(24)	—	—	—	(24)
Depreciation charge (Note 9)	(209)	(547)	(394)	(298)	—	(1,448)
At end of the period	12,445	2,272	946	1,376	1,529	18,568
Six months ended June 30, 2017 (unaudited)						
At beginning of the period	13,071	6,058	2,140	1,323	—	22,592
Additions	—	271	—	—	—	271
Disposal	—	(27)	—	—	—	(27)
Depreciation charge (Note 9)	(209)	(2,320)	(418)	(283)	—	(3,230)
At end of the period	12,862	3,982	1,722	1,040	—	19,606

15 Land use rights

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
At beginning of the period	73,056	74,339
Amortization charge	(642)	(642)
At end of the period	72,414	73,697

Notes:

(a) The Group's land use rights are held under leases for the period of over 50 years located in the PRC.

(b) As at June 30, 2018 and December 31, 2017, the Group's land use rights of RMB72,414,000 and RMB73,056,000 together with the related buildings of RMB12,445,000 and RMB12,654,000 (Note 14) were pledged as security for the Group's bank borrowings of RMB50,643,000 and RMB53,711,000, respectively (Note 24).

16 Intangible assets

	Goodwill RMB'000	Game copyrights RMB'000	Computer software licenses RMB'000	Domain name RMB'000	Total RMB'000
Six months ended June 30, 2018 (Unaudited)					
At beginning of the period	26,031	—	2,396	2,480	30,907
Additions	—	—	83	—	83
Amortization charge (Note 9)	—	—	(732)	(163)	(895)
At end of the period	26,031	—	1,747	2,317	30,095
Six months ended June 30, 2017					
At beginning of the period	26,031	273	3,742	2,805	32,851
Additions	—	—	—	—	—
Amortization charge (Note 9)	—	(273)	(760)	(163)	(1,196)
At end of the period	26,031	—	2,982	2,642	31,655

16 Intangible assets (continued)

Impairment tests for goodwill

The goodwill of Group amounted to RMB26,031,000 was attributable to the acquisition of Shenzhen Qianqi, an online game developer, and the operation of Shenzhen Qianqi have been integrated into the Group after the acquisition, as a result the goodwill is regarded as attributable to the sole reportable segment of the Group, i.e. the Group as a whole.

The Group determines whether goodwill is impaired at least on an annual basis. The latest impairment test was performed for December 31, 2017. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, i.e. the Group as a whole. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews.

17 Investments in associates

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	**175,268**	201,090
Shares of results	**1,271**	2,254
Share of other comprehensive (loss)/income	**(152)**	612
Disposal of an associate	**(888)**	—
Currency translation differences	**2,244**	(4,689)
Net off payable	**—**	(3,000)
At end of the period	**177,743**	196,267

Set out below are the associates of the Group as at June 30, 2018 and December 2017. The associates as listed below have share capital consisting solely of ordinary shares.

17 Investments in associates (continued)

Name of associates	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at June 30, 2018	Equity interest held as at December 31, 2017	Note
Digital Hollywood Interactive Limited Co., Ltd. ("**Digital Hollywood**")	Cayman Islands	Development, operations and publishing of web-based games and mobile games	15.52%	15.52%	(a)
Shenzhen Xiaotudou Cultural and Communication Co., Ltd. ("**Shenzhen Xiaotudou**")	The PRC	Designation of advertisement and animation	–	30%	(b)

Notes:

(a) On August 26, 2015, the Group entered into an investment agreement with shareholders of Digital Hollywood and pursuant to which the Group purchased 23% equity interests in Digital Hollywood at a cash consideration of US$27,600,000. The Group has been entitled the right to appoint one director to Digital Hollywood thus the directors of the Company consider that the Group has significant influence on Digital Hollywood in its operational and financial decision-making processes; accordingly, the investment in Digital Hollywood was accounted for using equity accounting method.

In 2017, the Group's interest in Digital Hollywood diluted to 15.52% pursuant to its share issuance for share option scheme and initial public offering ("IPO"). Despite the dilution, the Group remains significant influence to the operational and financial matters of Digital Hollywood through the participation in its board of directors.

(b) On June 12, 2018, the Group entered into an agreement with Shenzhen Longyou Tianxia Network Technology Co., Ltd. regarding the disposal of its shares in Shenzhen Xiaotudou at a cash consideration of RMB999,000. The Group recognized a gain of RMB111,000 in relation to this disposal (Note 8).

18 Trade receivable

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade receivables	159,325	102,626
Less: allowance for impairment of trade receivables	(567)	(1,259)
Trade receivables — net	158,758	101,367

18 Trade receivable (continued)

The Group allows a credit period of 60–120 days to its customers. An ageing analysis of trade receivables based on invoice date is as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Up to 3 months	109,821	57,799
3 to 6 months	31,702	30,215
6 months to 1 year	12,797	10,790
1 to 2 years	4,232	2,390
Over 2 years	773	1,432
	159,325	102,626

19 Prepayments and other receivables

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Included in non-current assets		
Rented deposits	1,669	1,554
Prepayment for technology services	5,189	6,294
Prepayment for investment (Note a)	6,617	—
	13,475	7,848

19 Prepayments and other receivables (continued)

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Included in current assets		
Housing loans to employee	3,456	5,349
Recoverable value-added tax	5,004	6,376
Interest receivable	16,794	13,852
Prepayment for listing expenses	5,896	4,250
Prepayment to game developers	4,808	4,808
Prepayment for technology services (Note b)	20,333	—
Prepayment for copyright loyalty	2,725	—
Prepayment for advertisement and marketing	22,451	3,116
Income tax receivable	2,529	—
Receivable from disposal of investment (Note c)	27,149	—
Others	4,333	4,363
	115,478	42,114

Notes:

(a) On June 29, 2018, the Group entered into an asset management agreement with AMTD Global Market Limited committing to an asset management scheme of US$30,000,000. Pursuant to the agreement, a down payment of US$1,000,000 was paid on the signing date.

(b) On February 26, 2018, the Group entered into a game development agreement with Shenzhen Chuangyu Technology Co., Ltd. ("Shenzhen Chuangyu"). Pursuant to the agreement, Shenzhen Chuangyu is requested to develop a mobile game based on the Group's guidance. A down payment of RMB20,000,000 was paid pursuant to the agreement.

(c) On June 12, 2018, the Group entered into a series of agreements with Shenzhen Longyou Tianxia Network Technology Co., Ltd. regarding the disposals of certain investments of the Group with a aggregate cash consideration of RMB26,150,000.

20 Financial assets at fair value through profit or loss

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Current		
Investments in wealth management products (Note a)	–	43,000
	–	43,000
Non-current		
Unlisted investments (Note b)	93,111	80,000
	93,111	80,000
	93,111	123,000

20 Financial assets at fair value through profit or loss (continued)

Movements in financial assets at fair value through profit or loss during the six months ended June 30, 2018 and 2017 are as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	**123,000**	123,587
Reclassification from available-for-sale financial assets	**11,829**	—
Disposal	**(43,238)**	(37,783)
Realised and unrealised gain	**1,520**	1,508
At end of period	**93,111**	87,312
Unrealized gains recognized in statement of profit or loss included in the above balance	**1,282**	1,325

Notes:

(a) The Group purchased certain wealth management products issued by certain major commercial banks in the PRC and has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on expected return of each wealth management products held by the Group.

(b) On December 12, 2017, the Group invested RMB80,000,000 in Ningbo Jiu Jin Investment (Limited liability partnership) ("Jiu Jin") as a limited partner. The directors of the Company determined that the Group does not have significant influence on Jiu Jin and accordingly this investment was classified as financial assets at fair value through profit or loss.

Jiu Jin is not traded on an active market, its fair value is determined using valuation techniques as disclosed in Note 5.

21 Share capital

	Number of Shares	Share capital RMB'000
As at January 1, 2018 (note a and b)	63,729,400	42
Issuance of ordinary shares for Reorganization (note b)	36,270,600	18
As at June 30, 2018	100,000,000	60

Notes:

(a) On September 6, 2017, the Company was incorporated in the Cayman Islands with limited liability and authorized share capital of US$50,000, divided into 500,000,000 shares of a par value of US$0.0001 each. 1 ordinary share was allotted and issued for cash at par to the initial subscriber of the Company and was subsequently transferred to Ben Holdings. On the same day, the Company further allotted and issued 9,999 ordinary shares for cash at par to Ben Holdings and credited as fully paid. These shares rank pari passu in all respects with the share in issue.

(b) On November 17, 2017, February 28, 2018, March 12, 2018 and May 4, 2018, the Company allotted and issued 63,719,400, 8,946,600, 43,600 and 27,280,400 ordinary shares, respectively (an aggregate of 99,990,000 ordinary shares) for cash at par to the offshore investment holding companies pursuant to the Offshore Shareholding Agreement for the purpose of Reorganization. The ordinary shares for Reorganization were credited as fully paid at the amount of the fair value of the Group's Business upon the completion of Reorganization.

(c) On March 6, 2018, a RSU Scheme was approved and adopted by the Company. An aggregate of 8,946,600 ordinary shares allotted and issued to ESOP 1 Holdings and ESOP 2 Holdings are ordinary shares originally planned to be allotted to Mr. Liu Jing, for the purpose of Reorganization, in accordance with his shareholding percentage in Shenzhen 7Road. Mr. Liu Jing agreed to contribute these shares to ESOP 1 Holdings and ESOP 2 Holdings for the purpose of establishment of the RSU Scheme.

(d) On June 23, 2018, the shareholders resolved, among other things subject to the Global Offering becoming unconditional, that all the issued and unissued ordinary share of US$0.0001 par value each of our Company will be subdivided into 20 Shares of US$0.000005 par value each such that the authorized share capital of our Company shall be US$50,000 divided into 10,000,000,000 Shares of par value US$0.000005 each and the issued share capital shall be US$10,000 divided into 2,000,000,000 Shares of US$0.000005 par value each. The Global Offering was completed on July 18, 2018 at an offering price of HK$1.50 per ordinary share with gross fund raised amounted to approximately HK$1,000 million.

22 Other reserves

	Shares held for Restricted Share Units Scheme RMB'000	Statutory surplus reserve RMB'000	Share Premium RMB'000	Merger reserve RMB'000	Shareholder contribution RMB'000	Share-based compensations RMB'000	Currency translation differences RMB'000	Investment in associates RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Total RMB'000
At January 1, 2018	–	5,000	–	25,700	–	–	844	(129)	–	8,359	39,774
Adjustment of adoption of IFRS 9, net of tax (note 3(a))	–	–	–	–	–	–	–	–	–	(8,359)	(8,359)
Share-based compensations reserve (Note 9)	–	–	–	–	–	18,852	–	–	–	–	18,852
Share of other comprehensive income of associates (Note 17)	–	–	–	–	–	–	–	(152)	–	–	(152)
Issurance of shares	–	–	3,058,055	–	–	–	–	–	–	–	3,058,055
Effect of the re-organization	–	–	–	(3,058,050)	–	–	–	–	–	–	(3,058,050)
Shares held for Restricted Share Units Scheme (Note 23)	(273,597)	–	–	–	273,597	–	–	–	–	–	–
Fair value changes on financial asset at fair value through other comprehensive income	–	–	–	–	–	–	–	–	997	–	997
Currency translation differences	–	–	–	–	–	–	(199)	–	–	–	(199)
At June 30, 2018	(273,597)	5,000	3,058,055	(3,032,350)	273,597	18,852	645	(281)	997	–	50,918
At January 1, 2017	–	5,000	–	25,700	–	–	4,061	(995)	–	2,986	36,752
Share of other comprehensive income of associates (Note 17)	–	–	–	–	–	–	–	612	–	–	612
Currency translation differences	–	–	–	–	–	–	(1,243)	–	–	–	(1,243)
At June 30, 2017	–	5,000	–	25,700	–	–	2,818	(383)	–	2,986	36,121

23 Equity-settled share-based compensation

On March 6, 2018, to incentivize Directors, senior management and employees, a Restricted Share Units Scheme ("RSU Scheme") was approved and adopted by the Company. 7Road Elite Holdings Limited ("ESOP 1") and 7Road Talent Holdings Limited ("ESOP 2") were incorporated to hold 8,946,600 ordinary shares of the Company (in equivalent to 178,932,000 ordinary shares upon the completion of the Share Subdivision and Global Offering), which was contributed by a former shareholder. ESOP 1 and ESOP 2 were consolidated by the Company as to the Company is able to execute power over the control and management over ESOP 1 and ESOP 2. These shares is considered treasury shares held for the RSU Scheme indirectly by the Company.

On March 31, 2018, in exchange for employee services to the Group, RSUs in equivalent to 100,800,000 ordinary shares were granted to certain eligible persons selected by the Board of Directors. Under the terms of the grant letter, the RSUs shall be vested as to 30%, 30% and 40% on March 31, 2019, March 31, 2020 and March 31, 2021, respectively. For several game development employees, the vesting of RSUs granted to them is also subject to the initial launch date of games in pipeline. At current stage, the Company expects such performance condition to be met.

Details of each grant under the RSU Scheme and the equivalent number of shares in the Company after the Reorganization indirectly held by the eligible employees through ESOP 1 and ESOP 2 for the six months ended June 30, 2018 are as follows:

	As at June 30, 2018 (Unaudited)
At January 1	—
Granted during the period	5,040,000
Forfeited	(212,500)
At June 30	4,827,500

As the Group received the benefits associated with the services of the eligible persons, the fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by the fair value of the restricted shares granted less the subscription cost, if any, taking into consideration of forfeiture rate, and amortized over the different vesting periods of each grant with a credit recognized in equity as the equity-settled share based compensation reserve.

23 Equity-settled share-based compensation (continued)

For the six months ended June 30, 2018, expenses arising from the share-based compensation have been charged to the condensed consolidated statement of profit or loss as follows:

	As at June 30, 2018 RMB'000 (Unaudited)
Cost of revenue	1,132
General and administrative expenses	12,008
Research and development expenses	5,712
	18,852

24 Borrowings

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Secured bank borrowings		
— RMB loan (note a)	50,643	53,711
— USD loan (note b)	104,100	106,040
	154,743	159,751

Notes:

(a) In September, 2016, the Group received a loan from a bank of RMB61,600,000 at an interest rate of SHIBOR basic loan rate plus 1.09% per annum. The borrowing was secured by certain property, plant and equipment and land use rights of the Group.

(b) According to the facility agreement with a bank signed in August 2015, the Group was provided with a total facility amount of US$27,600,000 for a term of 3 years at an interest rate of LIBOR plus 1.55%. As at June 30, 2018 and December 31, 2017, the borrowing was secured by the restricted bank deposits of the Group to the extent of RMB162,330,000.

24 Borrowings (continued)

At June 30, 2018 and December 31, 2017, the Group's borrowings were repayable as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within 1 year	110,239	112,178
1~2 years	6,138	6,138
2~5 years	18,415	18,415
Over 5 years	19,951	23,020
	154,743	159,751

At June 30, 2018 and December 31, 2017, the carry amounts of the Group's borrowings approximately fair values.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see note 5.3) due to the use of unobservable inputs, including own credit risk.

25 Contract liabilities

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Current		
Game copyrights	18,681	4,371
Game revenue derived from game users	14,248	48,935
	32,929	53,306
Non-Current		
Game copyrights	10,463	5,592
	10,463	5,592
	43,392	58,898

25 Contract liabilities (continued)

Contract liabilities primarily represented the unamortized revenue derived from sale of virtual items in the Group's Game Product service, which the Group continued to have obligations as at the reporting date.

26 Trade payables, other payables and receipt in advance

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade payables	**15,003**	7,384
Payroll liabilities	**5,948**	6,505
Advance from customers	**41,790**	74,809
Other tax payables	**6,932**	5,424
Dividend payables to then holding company	**28,616**	38,616
Government grants	**2,174**	2,728
Listing expense	**12,658**	—
Others	**2,704**	1,882
	115,825	137,348

The aging analysis of trade payables based on invoice date is as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
0-30 days	**3,131**	3,109
31-60 days	**6,363**	4,117
61-90 days	**3,030**	61
91-180 days	**2,274**	97
181-365 days	**205**	—
	15,003	7,384

27 Commitments

(a) Operating lease commitment — as lessee

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 3 and 5 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
No later than 1 year	**7,971**	7,341
1~2 years	**5,786**	7,659
2~5 years	**5,791**	7,700
	19,548	22,700

(b) Capital commitments

As at June 30, 2018, significant capital expenditure in respect of purchase of property, plant and equipment contracted but not provided for amounted to RMB2,971,000 (2017: RMB2,971,000).

(c) Investment commitments

As at June 30, 2018, the Group has an investment commitment in relation to an asset management scheme amounting to US$29,000,000, approximately to RMB191,881,000 (2017, nil) (Note 19 (a)).

28 Related party transactions

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

28 Related party transactions (continued)

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the six months ended June 30, 2018.

Company	Relationship
Digital Hollywood	*Associate*

(b) Significant transactions with related parties

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually agreed between the Group and the respective parties.

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue:		
Digital Hollywood	**21,358**	13,813

(c) Year-end balances arising from revenue

	As at June 30,	As at December 31,
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Receivables from related parties (Note 19):		
Digital Hollywood	**18,125**	20,216

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and interest-free. No provisions have been made against receivables from related parties.

28 Related party transactions (continued)

(d) Key management compensation

Key management includes Chairman, Executive directors and Chief Executive Officers. The compensation paid or payable to key management for employee services is shown as below:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,944**	1,117
Other social security costs and housing benefits and other employee benefits	**204**	134
Pension costs — defined contribution plans	**52**	36
Share-based compensation	**11,108**	—
Total	**13,308**	1,287

29 Contingencies

As at June 30, 2018, the Group did not have any material contingent liability. (December 31, 2017: nil)

30 Subsequent Events

On July 18, 2018, the Group succeeded to list on the Main Board of the Stock Exchange with an offering price of HK$1.50. The gross fund raised amounted to HK$1,000,020,000 (in equivalent to RMB852,557,000).

Definitions

"ARPPU"	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of the game, the type of games or all of our games, as applicable, during such period
"Audit Committee"	the audit committee of the Board
"average MPUs"	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"Board"	the board of Directors of the Company
"CEO"	the chief executive officer of the Company
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
"client game(s)"	game(s) that can be played by first downloading the client base from game providers' websites and then connecting to the servers through Internet browsers
"Company" or "our Company"	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on September 6, 2017
"Contractual Arrangements"	certain contractual arrangements entered into on April 13, 2018 by Qianhai Huanjing, Shenzhen 7Road and its respective shareholders
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of the Company
"Global Offering"	the public offering of 66,668,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 600,012,000 Shares for subscription by the institutional, professional, corporate and other investors
"Group", "we" or "us"	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"H5"	a markup language used for structuring and presenting content on the World Wide Web, which is the fifth and current major version of the HTML standard
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IAS"	the International Accounting Standards
"IFRS"	the International Financial Reporting Standards
"Independent Third Party(ies)"	any person or entity who is not considered a connected person of our Company or an associate of any such person within the meaning under the Listing Rules
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. July 18, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"MAUs"	monthly active users, refers to the number of people logged in to specific game(s) in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
"mobile game(s)"	game(s) that is/are played on mobile devices
"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, refers to the number of paying users in the relevant calendar month
"online game(s)"	video game(s) that is/are played over some form of computer or mobile network, including primarily client games, web games and mobile games
"paying users"	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
"Prospectus"	the prospectus issued by the Company dated June 29, 2018
"Qianhai Huanjing"	Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司), a Company incorporated under the laws of the PRC with limited liability on July 12, 2015, and an indirect wholly-owned subsidiary of our Company
"R&D"	research and development

Definitions

"Reporting Period"	the six months ended June 30, 2018
"RMB"	Renminbi, the lawful currency of the PRC
"RPGs"	role-playing games, which refer to games that involve a large number of users who interact with each other in an evolving fictional world; each user adopts skill sets (such as melee combat or casting magic spells) and controls the avatars' actions; there are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the users, and the storyline continuously evolves even while the users are offline and away from the games
"RSU Scheme"	the restricted share unit scheme adopted by our Company on March 6, 2018
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme
"senior management"	the senior management of the Company
"Share(s)"	ordinary share(s) of US$0.000005 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Shenzhen 7Road"	Shenzhen 7th Road Technology Co., Ltd (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability on January 22, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"SNK"	SNK Playmore Corporation, a company incorporated under the laws of Japan with limited liability on August 1, 2001, and an Independent Third Party
"SRPG"	strategy role-playing games, which incorporate elements from strategy video games as an alternative to traditional role-playing game systems, emphasizing tactics
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States
"web game(s)"	game(s) that is/are played in a web browser on personal computer without downloading any client base or application
"%"	per cent