



第七大道  
7ROAD.COM

# 7Road Holdings Limited 第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 797



# 2019

Interim Report

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# Corporate Profile

## BOARD OF DIRECTORS

### Executive Directors

Mr. Meng Shuqi (*Chairman*)  
Mr. Li Zhengquan  
Mr. Yang Cheng

### Non-executive Directors

Mr. Li Shimeng  
Mr. Yan Kaidan

### Independent Non-executive Directors

Mr. Xue Jun  
Mr. Liu Yunli  
Ms. Wang Ying

## AUDIT COMMITTEE

Mr. Xue Jun (*Chairman*)  
Mr. Liu Yunli  
Ms. Wang Ying

## REMUNERATION COMMITTEE

Mr. Liu Yunli (*Chairman*)  
Mr. Xue Jun  
Ms. Wang Ying  
Mr. Meng Shuqi

## NOMINATION COMMITTEE

Mr. Meng Shuqi (*Chairman*)  
Mr. Xue Jun  
Ms. Wang Ying  
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 ADVISOR

*As to Hong Kong law*  
William Ji & Co. LLP  
(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](http://www.7road.com)

## STOCK CODE

797

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## HEADQUARTERS

17/F, Unit A1  
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

## SIX MONTHS ENDED JUNE 30, 2019 COMPARED TO SIX MONTHS ENDED JUNE 30, 2018

	For the six months ended June 30,		Year-on-year change %
	2019 RMB'000	2018 RMB'000	
Revenue	103,484	233,672	-55.7%
(Loss)/profit for the period	(25,590)	104,543	-124.5%
(Loss)/profit for the period attributable to owners of the Company	(25,590)	104,543	-124.5%
Adjusted (net loss)/net profit <sup>(1)</sup>	(1,223)	142,895	-100.9%

Note (1) Adjusted (net loss)/net profit does not include share incentive expenses and listing-related expenses. See "Non-IFRS Measures" for details.

- For the six months ended June 30, 2019, the total revenue amounted to approximately RMB103.5 million, representing a decrease of approximately 55.7% as compared with the corresponding period of 2018.
- For the six months ended June 30, 2019, the loss attributable to owners of the Company amounted to approximately RMB25.6 million.
- For the six months ended June 30, 2019, the adjusted net loss amounted to approximately RMB1.2 million.

# 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. 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. 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, which are increasingly popular among the players.

According to the “2019 Global Games Market Report” published by Newzoo in 2019, the global game market in 2019 is expected to record a revenue of US\$152.1 billion. The mobile-end game market remains the largest segmented market with an expected market revenue of US\$68.5 billion, representing 45% of the global game market. Approximately 80% of the revenue in global mobile-end game market will arise from smartphone games.

In 2019, revenue from the Asia Pacific game market is expected to increase by 7.6% as compared with 2018, amounting to over US\$72.0 billion and accounting for 47% of the global game market. The authorities in Mainland China have slowed down the approval process for publishing new online games, which affected the revenue growth of the region. The North American market remains the second largest game market, and the revenue from this region in 2019 is expected to be over US\$39 billion, which accounts for 26% of the global game market. The European, Middle East and African markets are expected to slightly fall behind the North American market in terms of game revenue growth, and the game revenue from these regions is expected to be over US\$34 billion in total in 2019, which accounts for 23% of the global game market. The Latin American game market is expected to generate a revenue of US\$5.6 billion, which accounts for 4% of the global game market.

According to the “1H 2019 China Gaming Industry Report” jointly published by the China Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association and International Data Corporation (IDC), in the first half of 2019, the revenue generated from China’s game market increased by RMB9.02 billion to approximately RMB114.02 billion as compared to that from the first half of 2018, representing a year-on-year increase of 8.6%. As at June 30, 2019, the number of game players in China exceeded 640 million, with a sequential increase of 1.3% and a year-on-year increase of 5.9%.

In the first half of 2019, the actual revenue generated from China’s mobile-end game market was approximately RMB77.07 billion, representing a year-on-year increase of 21.5%, accounting for 67.6% of the revenue from China’s game market in general. The number of mobile-end game players had reached 620 million, representing a year-on-year increase of 6.0%.

In the first half of 2019, the actual revenue of China’s user-end game market was RMB31.33 billion, representing a decrease of 0.7% as compared with the first half of 2018, with the market share decreased to 27.5%. As compared with the second half of 2018, the number of game players decreased by 3.7% to 146 million, which constituted 22.6% of the total game players in China. The web game market continued in shrinking: the revenue was RMB5.09 billion, representing a decrease of 29.8% as compared with the second half of 2018; the market share dropped to 4.5%, and the number of users was 210 million, representing a decrease of 33% year-on-year. The Company will continue to adopt the R&D of mobile-end games as its core business direction.

For the six months ended June 30, 2019, our total revenue amounted to approximately RMB103.5 million, representing a decrease of 55.7% as compared with the corresponding period of 2018. For the six months ended June 30, 2019, the Company’s gross profit and gross profit margin amounted to RMB85.2 million and 82.3% respectively. For the six months ended June 30, 2019, the Company recorded loss attributable to the Shareholders of approximately RMB25.59 million. The loss attributable to the Shareholders recorded is mainly due to:

1. the revenue from our existing games decreased as compared with the corresponding period of 2018. In addition, due to the uncertainty of market conditions, our schedule for launching new games has been delayed, and the revenue generated from our new games did not reach our expected level; and
2. our investments in certain financial assets has recorded loss.

# Management Discussion and Analysis

## OUTLOOK FOR SECOND HALF OF 2019

In the second half of 2019, the Company will continue to strive to produce exquisite and high-quality game products. The Company will fully utilize its existing intellectual property value and the experience accumulated over years of game R&D, to enrich the game product portfolio of the Company's games and optimize the functions and rules of the games by thoroughly considering players' experience in newly developed games.

The Company will, on the basis of realizing the in-game virtual commodity consumption as its profit model, actively explore other diversified profit models in order to increase the revenue and improve the sales performance of the Company.

Moreover, the Company will also pay further attention to the development of 5G with due implementation of advanced research and analysis on the corresponding responses in relation to the possible impacts the era of 5G will bring to the cultural and entertainment industry.

As disclosed in the announcement on August 23, 2019, the Company proposes to conduct an acquisition. If such acquisition is completed in the second half of 2019, the Company will strive to integrate, coordinate and optimize its existing business resources with the resources of the Target Business, such as its R&D capabilities, game products, marketing channels, operation and management and game players. The Company will take this opportunity to further improve its layout in the game industry, as well as enhance its integrated competitiveness, resource control ability, ability to maintain sustainable business growth and risk resistance capability, and thereby solidifying, developing and enhancing its position in the industry.

With respect to our principal business 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.

The utilization of intellectual properties is an integral part of the Company's long-term strategy. In the second half of 2019, the Company will continue the R&D of its intellectual properties through cooperating with third parties and updating our R&D environment. The Company will carry on recruiting more R&D talents and retaining existing talents with competitive compensation to enhance our R&D capabilities. In the meantime, the Company will continue to seek possible external investment and cooperation in response to the possible effect of increasingly competitive industry and ever-changing policies on our principal business activities.

## FINANCIAL REVIEW

### OPERATIONAL INFORMATION

#### Our Games

For the six months ended June 30, 2019, 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, 2019, we developed two new games.

#### Our Players

We assess the operating performance of the Company 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, 2019, our web games (i) had an average MAUs of approximately 1.3 million; (ii) an average MPUs of approximately 67,000; (iii) an ARPPU of approximately RMB380. Our mobile games had (i) an average MAUs of approximately 0.85 million; (ii) an average MPUs of approximately 40,000; (iii) an ARPPU of approximately RMB252.

## Management Discussion and Analysis

### THE FIRST HALF OF 2019 COMPARED TO THE FIRST HALF OF 2018

The following table sets forth the comparative statements of profit or loss for the six months ended June 30, 2019 and the six months ended June 30, 2018.

	For the six months ended		Year-on-year change %
	June 30, 2019 RMB'000	2018 RMB'000	
<b>Revenue</b>	<b>103,484</b>	233,672	-55.7%
Cost of revenue	(18,296)	(26,718)	-31.5%
<b>Gross profit</b>	<b>85,188</b>	206,954	-58.8%
R&D expenses	(44,960)	(56,538)	-20.5%
Selling and distribution expenses	(85)	(243)	-65.0%
Administrative expenses	(41,058)	(45,463)	-9.7%
Impairment loss of financial assets	(1,641)	—	
Other income	4,388	9,779	-55.1%
Other (losses)/gains, net	(33,001)	7,097	-565.0%
<b>Operating profit</b>	<b>(31,169)</b>	121,586	-125.6%
Finance income	309	2,945	-89.5%
Finance costs	(1,450)	(3,614)	-59.9%
Finance losses, net	(1,141)	(669)	70.6%
Share of results of associates	—	1,271	-100.0%
<b>(Loss)/profit before income tax</b>	<b>(32,310)</b>	122,188	-126.4%
Income tax expense	6,720	-17,645	-138.1%
<b>(Loss)/profit for the period</b>	<b>(25,590)</b>	104,543	-124.5%
Add:	<b>24,367</b>	38,352	-36.5%
Listing-related expenses	—	19,500	-100.0%
Share-based compensation costs	<b>24,367</b>	18,852	29.3%
<b>Adjusted (net loss)/net profit<sup>(1)</sup></b>	<b>(1,223)</b>	142,895	-100.9%

Note (1) Adjusted (net loss)/net profit does not include share incentive expenses and listing-related expenses. See "Non-IFRS Measures" for details.



# Management Discussion and Analysis

## REVENUE

The following table sets forth the breakdown of our revenue for the six months ended June 30, 2019 and 2018:

	For the six months ended June 30,			
	2019		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Online game revenue	102,346	98.9%	137,939	59.1%
— Self-development games				
Published by us	3,448	3.3%	2,715	1.2%
Published by other publishers	86,561	83.7%	123,095	52.7%
— Licensed games				
Published by us	3,367	3.2%	—	—
Published by other publishers	8,970	8.7%	12,129	5.2%
Sales of online game technology and publishing solutions services	—	—	48,201	20.6%
Intellectual property licensing	1,138	1.1%	47,532	20.3%
<b>Total</b>	<b>103,484</b>	<b>100.0%</b>	<b>233,672</b>	<b>100.0%</b>

By location	For the six months ended June 30,			
	2019		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue
The PRC	32,223	31.1%	95,154	40.7%
Overseas	71,261	68.9%	138,518	59.3%
<b>Total revenue</b>	<b>103,484</b>	<b>100.0%</b>	<b>233,672</b>	<b>100.0%</b>

For the six months ended June 30, 2019, the Group's total revenue was approximately RMB103.5 million, representing a decrease of approximately 55.7% as compared with the corresponding period of 2018; the Group's revenue from online games was approximately RMB102.3 million, representing a decrease of approximately 25.8% as compared with the corresponding period of 2018. These were mainly attributable to the decrease in revenue from our existing games, the delay in launching of new games and the revenue generated from our existing games did not reach our expected level as well as the decrease in revenue from sales of online game technology, publishing solutions services and intellectual property licensing.

For the six months ended June 30, 2019, our revenue generated from self-developed games amounted to approximately RMB90.0 million, representing a decrease of approximately 28.5% as compared with the corresponding period of 2018; our revenue from licensed games amounted to approximately RMB12.3 million, representing an increase of approximately 1.7% as compared with the corresponding period of 2018.

For the six months ended June 30, 2019, our revenue generated from intellectual property licensing amounted to approximately RMB1.1 million, representing a decrease of approximately 97.6% as compared with the corresponding period of 2018. This was mainly attributable to the absence of new intellectual property licensing business during the Reporting Period.

# Management Discussion and Analysis

## COST OF REVENUE

Our cost of revenue mainly comprises employee benefit expense and consulting services fee incurred by our business units. The cost of revenue was RMB18.3 million for the first half of 2019, representing a decrease of 31.5% as compared with the corresponding period of 2018. This was mainly attributable to the decrease in consulting services costs in relation to the game licensing and operation.

Our employee benefit expense primarily represents the salary and compensation of our operation team. The employee benefit expense was RMB7.6 million for the first half of 2019, representing an increase of 76.7% as compared with the corresponding period of 2018. This was mainly attributable to the increase in compensation and benefits (including share incentive expenses) as a result of the recruitment of additional game publishing personnel in the first half of 2019.

## GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit was RMB85.2 million for the first half of 2019, representing a year-on-year decrease of approximately 58.8%. Our gross profit margin was 82.3% for the first half of 2019, as compared with 88.6% for the first half of 2018.

## 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 RMB45.0 million for the first half of 2019, representing a decrease of 20.5% as compared with the corresponding period of 2018. This was mainly attributable to the decrease in the expenses in technology development and arts outsourcing.

### Administrative Expenses

Our administrative expenses primarily comprise benefit expenses for employees in business units and professional consulting fees. The administrative expenses were RMB41.1 million for the first half of 2019, representing a decrease of 9.7% as compared with the corresponding period of 2018. This was mainly attributable to the decrease in professional consulting service fees.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of advertising expenses and employee benefit expense of marketing and sales staff. The selling and marketing expenses were RMB0.1 million for the first half of 2019, representing a decrease of 65% as compared with the corresponding period of 2018. This was mainly attributable to the decrease in the Group's marketing activities in the first half of 2019.

### Income Tax Expenses

No income tax expenses were incurred during the Reporting Period. This was mainly attributable to the adjustment of the income tax rate for our major domestic operating entities and decrease in taxable profit. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the year ending December 31, 2019 varies from 15% to 25% (2018: 15% to 25%).

# Management Discussion and Analysis

## 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 loss)/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 loss)/net profit” is not defined under IFRS. The use of adjusted (net loss)/net profit has material limitations as an analytical tool, as adjusted (net loss)/net profit does not include all items that impact our (net loss)/net profit for the year. The following table reconciles our adjusted (net loss)/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,	
	2019	2018
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>(25,590)</b>	104,543
Add:	<b>24,367</b>	38,352
Listing-related expenses	—	19,500
Share-based compensation costs	<b>24,367</b>	18,852
<b>Adjusted (net loss)/net profit</b>	<b>(1,223)</b>	142,895

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted (net loss)/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, 2019, our total equity was approximately RMB1,147.8 million, as compared with approximately RMB1,177.1 million as of December 31, 2018.

As of June 30, 2019, our net current assets were approximately RMB553.9 million, as compared with approximately RMB572.8 million as of December 31, 2018.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

	June 30, 2019	June 30, 2018	Change
	RMB'000	RMB'000	%
Cash at bank and on hand	246,824	83,316	196.3%
Restricted funds	2,224	164,504	-98.6%
Bank facilities	—	30,000	-100.0%
Total	249,048	277,820	-10.4%

As of June 30, 2019, our cash at bank and on hand and restricted funds totaled RMB249.0 million, as compared with RMB247.8 million as of December 31, 2018.

### GEARING RATIO

As of June 30, 2019, our gearing ratio, which is calculated as total debt divided by total assets, was 14.0%, as compared with 11.9% as of December 31, 2018.

### CAPITAL EXPENDITURE

	June 30, 2019	June 30, 2018	Change
	RMB'000	RMB'000	%
Office computer	28	116	-75.9%
Electronic appliance	4	29	-86.2%
Houses and buildings	509	0	—
Software	0	82	-100.0%
Total	541	227	138.3%

Our capital expenditure includes office computer, electronic appliance, houses and buildings and software. For the six months ended June 30, 2019 and 2018, total capital expenditure amounted to approximately RMB0.5 million and RMB0.2 million respectively.

## Management Discussion and Analysis

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

On August 23, 2019, the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Target Business at the consideration of RMB1.0 billion.

As the online game industry has maintained a stable growth in recent years, the market scale of the online game industry and the number of players has continuously increased. In addition, over the past few years, the Chinese government had issued a series of policies to support the long-term development of the online game and cultural and entertainment industries. The Directors believe that, in the foreseeable future, companies with strong research and development capacities in the online game industry is more competent in seizing business opportunities and secure further market shares.

The Target Business is owned by and operated through the Target Company and its subsidiaries. Its principal business activities include the development and operation of online games. The Target Business has a track record in producing a number of premium online games. The Directors believe that the Transaction is in line with the principal business activities of the Group and the Company's strategy to selectively acquire and invest in game developers and studios with strong research and development capabilities so as to expand the Company's game portfolio and strengthen the Company's game research and development capacities. After the Completion, the Target Company will be wholly-owned by the Company and the Target Business' financial results will be consolidated into the financial statements of the Group. As the consideration of the Transaction was determined after arm's length negotiations on normal commercial terms after taking into account of a number of factors, the Directors believe that the terms (including the consideration) of the Transaction have been made on normal commercial terms and are fair, reasonable and in the interests of the Company and the Shareholders as a whole. Such transaction is subject to the approval of the shareholders of the Company at an extraordinary general meeting of the Company and the satisfaction of other conditions.

Save as disclosed in this interim report, there were currently no material investments held by the Group, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2019. Save as disclosed in this interim report, for the first half of 2019, the Board did not approve any specific plans for other significant investments or acquisitions of material capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

### CHARGE ON ASSETS

As of June 30, 2019, 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, 2019, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

### EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2019, we had 248 full-time employees, mostly based in Shenzhen, China. The following table sets forth the number of our employees by function as of June 30, 2019:

Function	Number of employees	% of total
R&D	174	70.2%
– Game R&D	148	59.7%
– Game operation	26	10.5%
Marketing and sales	10	4.0%
General and administration	64	25.8%
Total	248	100.0%

As of June 30, 2019, our employee remuneration totaled approximately RMB61.2 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.

# Management Discussion and Analysis

## SUBSEQUENT EVENTS

On July 2, 2019, it was announced that the Group intended to exercise its power to repurchase up to 80,000,400 Shares, representing up to approximately 3.00% of the existing total number of issued Shares from the open market (the “**Share Repurchase Plan**”). Such Share Repurchase Plan shall remain effective until the earlier of the conclusion of next annual general meeting or the date on which the aggregate number Shares repurchased by the Group reached 80,000,400. As at the date of this interim report, the Group has repurchased an aggregate of 47,180,000 Shares, which were cancelled on August 5, 2019.

On July 18, 2019, the Group established a new subsidiary, namely Wuxi 7Road Technology Co., Ltd. (無錫第七大道科技有限公司), in Jiangsu Province with a registered capital of RMB34.85 million.

On July 25, 2019, the Group established a new subsidiary, namely Wuxi 7Road Culture and Media Co., Ltd. (無錫七道文化傳媒有限公司), in Jiangsu province with the registered capital of RMB1.0 million.

On July 31, 2019, the Group established a new subsidiary, namely Wuxi 7Road Intellectual Property Services Co., Ltd. (無錫市七道知識產權服務有限公司), in Jiangsu province with the registered capital of RMB1.0 million.

On August 23, 2019, the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell the Target Business, at the consideration of RMB1.0 billion. The transaction is subject to the fulfilment of the approval of the Shareholders at an extraordinary general meeting of the Company, and other conditions.

# Other Information

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

As at June 30, 2019, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### INTERESTS IN THE COMPANY

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of issued share capital
Mr. Meng Shuqi	Interest in a controlled corporation	528,854,000 <sup>(3)</sup>	19.83% <sup>(1)</sup>

Notes:

- (1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at June 30, 2019.
- (2) All interest stated are long positions.
- (3) 429,922,000 Shares are registered under the name of Ben 7Road Holdings Limited, the issued share capital of which is owned as to 100% by Mr. Meng Shuqi. Accordingly, Mr. Meng Shuqi is deemed to be interested in all the Shares held by Ben 7Road Holdings Limited for the purpose of Part XV of the SFO. In addition, 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 such number of Shares held by 7Road Elite Holdings Limited.

### 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 <sup>(1)</sup>
Mr. Meng Shuqi	Shenzhen 7Road <sup>(2)</sup>	Beneficial owner	21.50%
	Shenzhen Qianqi <sup>(2)</sup>	Interest in a controlled corporation	21.50%
	Huoguoosi 7Road <sup>(2)</sup>	Interest in a controlled corporation	21.50%

Notes:

- (1) All interests stated are long positions.
- (2) Shenzhen 7Road, Shenzhen Qianqi and Huoguoosi 7Road, by virtue of the Contractual Arrangements, all of them are accounted for as subsidiaries of the Company.



## Other Information

Save as disclosed herein, as at June 30, 2019, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interest or short position in any Share, underlying share or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors were aware, as at June 30, 2019, 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 under section 336 of the SFO; or which were required to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of part XV of the SFO, were as follows:

Name	Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of interest <sup>(1)</sup>
Baohu Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	262,486,000	9.84%
	Beneficial owner	352,714,000	13.23%
Shanghai Bao Hu Investment Management Center (Limited Partnership)	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	262,486,000	9.84%
	Interest in a controlled corporation <sup>(4)</sup>	352,714,000	13.23%
Baopu Hong Kong Limited	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	614,328,000	23.04%
	Beneficial owner	872,000	0.03%
Shanghai Bao Pu Investment Management Co., Ltd.	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	261,614,000	9.81%
	Interest in controlled corporations <sup>(4)(5)</sup>	353,586,000	13.26%
Ningbo Hao Chu Investment Management Co., Ltd.	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	261,614,000	9.81%
	Interest in controlled corporations <sup>(4)(5)</sup>	353,586,000	13.26%
Mr. Zhou Hao	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	261,614,000	9.81%
	Interest in controlled corporations <sup>(4)(5)</sup>	353,586,000	13.26%
Shangyulongcheng Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Beneficial owner	174,410,000	6.54%

## Other Information

Name	Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of interest <sup>(1)</sup>
Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership)	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Interest in a controlled corporation <sup>(6)</sup>	174,410,000	6.54%
Zhejiang Long Xin Equity Investment Management Co., Ltd.	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Interest in a controlled corporation <sup>(6)</sup>	174,410,000	6.54%
Wolong Holding Group Co., Ltd.	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Interest in a controlled corporation <sup>(6)</sup>	174,410,000	6.54%
Mr. Chen Jiancheng	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Interest in a controlled corporation <sup>(6)</sup>	174,410,000	6.54%
Ms. Chen Yanni	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	440,790,000	16.53%
	Interest in a controlled corporation <sup>(6)</sup>	174,410,000	6.54%
Red Shanghai Holdings Limited	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	527,996,000	19.8%
	Beneficial owner	87,204,000	3.27%
Ms. Wei Hong	Interest of a concert party to an agreement regarding interest in the Company <sup>(3)</sup>	527,996,000	19.8%
	Interest in a controlled corporation <sup>(7)</sup>	87,204,000	3.27%
Ben 7Road Holdings Limited	Beneficial owner	429,922,000	16.12%
	Interest in a controlled corporation <sup>(8)</sup>	98,932,000	3.71%
World 7Road Holdings Limited	Beneficial owner	331,146,000	12.42%
	Interest in a controlled corporation <sup>(9)</sup>	80,000,000	3.00%
Mr. Hu Min	Interest in controlled corporation <sup>(9)</sup>	441,146,000	15.42%
Songshuxing Holdings Limited	Beneficial owner	189,936,000	7.12%
Mr. Song Shuxing	Interest in a controlled corporation <sup>(10)</sup>	189,936,000	7.12%

## Other Information

### Notes:

- (1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at June 30, 2019.
- (2) All interests stated are long positions.
- (3) The partners of Ningbo Bao Pu Xing Sheng Investment Management Center (Limited partnership), 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., Shanghai Bao Pu Investment Management Co., Ltd. is owned by Ningbo Hao Chu Investment Co., Ltd. as to 40%; and Ningbo Hao Chu Investment Co., Ltd. is owned by Mr. Zhou Hao as to 70%. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Ningbo Hao Chu Investment Management Co., Ltd. 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. In addition, the entire issued share capital of World 7Road Holdings Limited is owned by Mr. Hu Min is deemed to be interested in such number of shares held by World 7Road Holdings Limited and 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, the Directors are not aware of any other persons (other than a director or chief executive of the Company) who, as at June 30, 2019, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### RSU SCHEME

On March 6, 2018, the RSU Scheme was approved and adopted by the then Directors 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 March 6, 2018 (unless it is terminated earlier in accordance with its terms). As of June 30, 2019, the remaining life of the RSU Scheme was approximately eight 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 as the trustees (the “**RSU Trustees**”) 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.

On March 31, 2018, RSUs representing 100,800,000 underlying Shares has been granted to 66 participants in the RSU Scheme pursuant to the RSU Scheme. On March 31, 2019, RSUs represented 21,637,500 underlying Shares were vested. Please refer to note 23 to the consolidated financial statements on page 52 of interim report for details.

## Other Information

Details of the outstanding RSUs granted under the RSU Scheme as at June 30, 2019 are set out below:

Name of the Grantees of RSU	Position held with our Group	Address	Number of underlying Shares represented by the outstanding RSUs	Date of grant	Approximate percentage of interest as at June 30, 2019 <sup>(1)</sup>
<b>Director of our subsidiary and/or PRC Operating Entities</b>					
Xu Jing	director of Huoerguosi 7Road and head of business management department	Flat 610, Chang Sheng Garden, District 43, Bao'an District, Shenzhen, PRC	4,550,000	March 31, 2018	0.17%
<b>Senior management members of our Company</b>					
Wang Chendong	chief human resource officer	Flat 1403, Block A Jijia Hao Yuan 223-1, Hai De First Road, Nanshan District, Shenzhen, PRC	8,400,000	March 31, 2018	0.31%
Xu Jia	chief operation officer	Room 201, Unit 2, Block 1, Chang Wa West Street, Haidian District, Beijing, PRC	14,280,000	March 31, 2018	0.54%
Guo Hua	head of the testing department	Flat 1907, Block 9A, Nuo De Holiday Garden, No. 0369 Qianhai Road, Nanshan District, Shenzhen, PRC	700,000	March 31, 2018	0.03%
Shi Shuanghua	head of the arts department	Flat 24A, Block H1, Ao Cheng Garden Phase II, Nanshan District, Shenzhen, PRC	875,000	March 31, 2018	0.03%

## Other Information

Rank/position held with our Group	Number of underlying Shares represented by the outstanding RSUs	Date of grant	Approximate percentage of interest as at June 30, 2019 <sup>(1)</sup>
27 game development employees	10,972,500	March 31, 2018	0.41%
8 game operation employees	3,815,000	March 31, 2018	0.14%
3 general and administration employees	5,320,000	March 31, 2018	0.20%

Note:

(1) The calculation is based on the total number of 2,666,680,000 Shares in issue as at June 30, 2019.

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.

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.

Details of the movements in the outstanding RSUs are set out in note 23 to the consolidated financial statements on page 52 of this interim report.

## MOVEMENTS IN SHARE CAPITAL

Details of the movements in share capital of the Company during the six months ended June 30, 2019 are set out in note 21 to the consolidated financial statements on page 50 of this interim report.

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On July 2, 3, 4, 5, 8, 9, 10, 11, 12, 16, 17, 18, 19, 22, 23, 24, and 25, 2019, an aggregate of 47,180,000 shares were repurchased by the Company, at the total consideration of HK\$70,602,100.00 (excluding commission fee and etc.) and at the highest and lowest prices of HK\$1.65 and HK\$1.37 per share respectively. All the aforesaid repurchased shares have been cancelled on 5 August 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the Reporting Period.

## Other Information

### INTERIM DIVIDEND

The Company has declared not to pay any interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: HKD3.1 cents per share).

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules of the Stock Exchange. Since the Listing Date and up to June 30, 2019, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separated and should not be performed by the same individual. The role of Chairman and CEO are both performed by Mr. Meng Shuqi. Since Mr. Meng Shuqi is the key person for the Group's establishment and development, the Board considers that vesting the roles of Chairman and CEO in the same person, i.e., Mr. Meng Shuqi, would not create any potential harm to the interest of the Group and the Company will consider an arrangement to separate such roles as and when appropriate.

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

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, they have all confirmed that they have complied with the Model Code and the code of conduct of the Company regarding securities transactions by Directors throughout the six months ended June 30, 2019.

### 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

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Meng Shuqi

- Ceased to be the CEO of the Company with effect from September 1, 2019.

Mr. Li Zhengquan

- Appointed as the executive director of Wuxi 7Road Technology Co., Ltd. with effect from July 18, 2019;
- appointed as the executive director of Wuxi 7Road Culture and Media Co., Ltd. with effect from July 25, 2019; and
- appointed as the executive director of Wuxi 7Road Intellectual Property Services Co., Ltd. with effect from July 31, 2019.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this interim report.

### USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering were approximately HKD874.0 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.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate and has kept a close watch on any new laws or regulatory changes.

During the six months ended June 30, 2019 and up to the date of this interim report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

### 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. Xue Jun, Mr. Liu Yunli and Ms. Wang Ying.

Mr. Xue Jun 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, 2019 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, 2019.

### PUBLICATION OF THE INTERIM REPORT

This interim report of the Group for the six months ended June 30, 2019, which contains all the information required by the Listing Rules was published on the websites of our Company ([www.7road.com](http://www.7road.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and will be dispatched to the Shareholders 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 25 to 57, which comprises the interim condensed consolidated balance sheet of 7Road Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2019 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”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, August 29, 2019

# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended June 30, 2019

		Unaudited Six months ended June 30,	
	Note	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	6	<b>103,484</b>	233,672
Cost of revenue	9	<b>(18,296)</b>	(26,718)
<b>Gross profit</b>		<b>85,188</b>	206,954
Research and development expenses	9	<b>(44,960)</b>	(56,538)
Selling and marketing expenses	9	<b>(85)</b>	(243)
Administrative expenses	9	<b>(41,058)</b>	(45,463)
Net impairment losses on financial assets	9	<b>(1,641)</b>	—
Other income	7	<b>4,388</b>	9,779
Other (losses)/gains, net	8	<b>(33,001)</b>	7,097
<b>Operating (loss)/profit</b>		<b>(31,169)</b>	121,586
Finance income	10	<b>309</b>	2,945
Finance costs	10	<b>(1,450)</b>	(3,614)
Finance costs, net	10	<b>(1,141)</b>	(669)
Share of results of associates	17	<b>—</b>	1,271
<b>(Loss)/profit before income tax</b>		<b>(32,310)</b>	122,188
Income tax expense	11	<b>6,720</b>	(17,645)
<b>(Loss)/profit for the period</b>		<b>(25,590)</b>	104,543
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(25,590)</b>	104,543
<b>(Losses)/earnings per share for profit attributable to owners of the Company (expressed in RMB per share):</b>	12		
Basic (losses)/earnings per share		<b>(0.010)</b>	0.057
Diluted (losses)/earnings per share		<b>(0.010)</b>	0.057

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2019

	Note	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
<b>(Loss)/profit for the period</b>		<b>(25,590)</b>	104,543
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value changes on financial assets at fair value through other comprehensive income, net of tax		<b>(1,031)</b>	997
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<b>1,100</b>	(199)
Share of other comprehensive loss of associates	17	—	(152)
Other comprehensive income, net of tax		<b>69</b>	646
<b>Total comprehensive (loss)/income for the period</b>		<b>(25,521)</b>	105,189
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>		<b>(25,521)</b>	105,189

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Balance Sheet

As at June 30, 2019

	Note	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	16,013	18,685
Land use rights	3	—	71,773
Right-of-use assets	3,15	80,825	—
Intangible assets	16	28,623	29,583
Financial assets at fair value through other comprehensive income		3,821	5,172
Financial assets at fair value through profit or loss	20	124,139	138,860
Prepayment and other receivables	19	380,740	384,121
Restricted cash		1,930	2,182
Deferred income tax assets		10,380	10,204
		<b>646,471</b>	<b>660,580</b>
<b>Current assets</b>			
Trade receivables	18	64,662	81,547
Prepayment and other receivables	19	151,443	131,785
Income tax recoverable		10,675	4,739
Financial assets at fair value through profit or loss	20	119,743	169,219
Mobile game joint promotion contract	27	93,793	—
Restricted cash		294	1,703
Cash and cash equivalents		246,824	286,017
		<b>687,434</b>	<b>675,010</b>
<b>Total assets</b>		<b>1,333,905</b>	<b>1,335,590</b>

# Interim Condensed Consolidated Balance Sheet

As at June 30, 2019

	Note	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	24	38,365	41,435
Lease liabilities	3	6,214	—
Contract liabilities	25	—	6,066
Deferred tax liabilities		8,080	8,746
		52,659	56,247
<b>Current liabilities</b>			
Trade and other payables	26	112,015	42,318
Borrowings	24	6,138	6,138
Lease liabilities	3	4,086	—
Contract liabilities	25	11,263	53,759
		133,502	102,215
<b>Total liabilities</b>		<b>186,161</b>	158,462
<b>Net assets</b>		<b>1,147,744</b>	1,177,128
<b>Equity attributable to owners of the Company</b>			
Share capital	21	88	88
Share premium		3,854,742	3,854,742
Other reserves	22	(2,972,521)	(2,969,226)
Retained earnings		265,435	291,524
<b>Total equity</b>		<b>1,147,744</b>	1,177,128

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim Condensed Consolidated Financial Information on pages 25 to 57 were approved by the Board of Directors on August 29, 2019 and was signed on its behalf.

\_\_\_\_\_  
Meng Shuqi  
Director

\_\_\_\_\_  
Li Zhengquan  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2019

	Note	Unaudited Attributable to owners of the Company				Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>Balance at December 31, 2018</b>		88	3,854,742	(2,969,226)	291,524	1,177,128
Adjustment on adoption of IFRS 16	3	—	—	—	(499)	(499)
<b>Balance at January 1, 2019</b>		88	3,854,742	(2,969,226)	291,025	1,176,629
<b>Comprehensive loss</b>						
Loss for the period		—	—	—	(25,590)	(25,590)
Other comprehensive income						
Currency translation differences		—	—	1,100	—	1,100
Fair value changes on financial assets at fair value through other comprehensive income		—	—	(1,031)	—	(1,031)
<b>Total comprehensive loss</b>		—	—	69	(25,590)	(25,521)
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation						
— value of employee services	23	—	—	24,367	—	24,367
— vested and settled	2	—	—	(27,731)	—	(27,731)
<b>Total transactions with owners in their capacity as owners</b>		—	—	(3,364)	—	(3,364)
<b>Balance at June 30, 2019</b>		88	3,854,742	(2,972,521)	265,435	1,147,744

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2019

	Note	Unaudited Attributable to owners of the Company			Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>Balance at December 31, 2017</b>		42	39,774	516,028	555,844
Adjustment on adoption of IFRS 9, net of tax	3(a)	—	(8,359)	8,359	—
<b>Balance at January 1, 2018</b>		42	31,415	524,387	555,844
<b>Comprehensive income</b>					
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
<b>Total comprehensive income</b>		—	646	104,543	105,189
<b>Transactions with owners in their capacity as owners</b>					
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		—	18,852	—	18,852
<b>Total transactions with owners in their capacity as owners</b>		18	18,857	(68,000)	(49,125)
<b>Balance at June 30, 2018</b>		60	50,918	560,930	611,908

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Cash Flows

Six months ended June 30, 2019

	Unaudited	
	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	27,736	13,760
Interest received	131	125
Interest paid	(45)	(209)
Income tax paid	—	(9,593)
<b>Net cash generated from operating activities</b>	<b>27,822</b>	<b>4,083</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	145,842	43,238
Proceeds from disposal of property, plant and equipment	1,006	76
Dividend income	—	423
Payments for purchase of financial assets at fair value through profit or loss	(119,669)	(6,617)
Payment for a mobile game joint promotion contract	(87,656)	—
Payments for purchases of property, plant and equipment	(541)	(145)
Payment for purchase of financial assets at fair value through other comprehensive income	—	(3,799)
Payments for purchases of intangible assets	—	(82)
<b>Net cash (used in)/from investing activities</b>	<b>(61,018)</b>	<b>33,094</b>
<b>Cash flows used in financing activities</b>		
Repayments of bank borrowings	(3,070)	(6,204)
Payment for leasing	(2,254)	—
Interest paid	(1,264)	(3,389)
Dividends paid to then holding company	—	(10,000)
Dividends paid to the owners	—	(68,000)
<b>Net cash used in financing activities</b>	<b>(6,588)</b>	<b>(87,593)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(39,784)</b>	<b>(50,416)</b>
Cash and cash equivalents at beginning of the period	286,017	130,186
Effects of exchange rate changes on cash and cash equivalents	591	3,546
<b>Cash and cash equivalents at end of the period</b>	<b>246,824</b>	<b>83,316</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Notes to the Interim Condensed Consolidated Financial Information

## 1 General information, history and reorganization of the Group

### 1.1 General information

7Road Holdings Limited (the “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 (together, the “Group”) 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 of Hong Kong Limited since July 18, 2018.

This Interim Condensed Consolidated Financial Information is presented in thousands of Renminbi Yuan (“RMB”), unless otherwise stated, and is approved for issue by the Board of Directors on August 29, 2019. 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 on March 1, 2018 for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (“Reorganization”), the Group’s Business was carried out through Shenzhen 7Road Technology Co., Ltd. (深圳第七大道科技有限公司, “Shenzhen 7Road”), a limited liability company and its subsidiaries. Details of the Group’s Reorganization have been disclosed in the Group’s annual consolidated financial statements for the year ended December 31, 2018.

Upon completion of the Reorganization on March 1, 2018, the Company become the holding company of all the companies now comprising the Group.

## 2 Basis of preparation

This Interim Condensed Consolidated Financial Information has been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, as set out in the 2018 annual report of the Company.

## 3 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

IFRS 16 — Leases

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures

Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement

Annual improvements 2015-2017 Cycle

Except for IFRS 16, the adoption of the other standards did not have any significant effect on the Group's consolidated financial statements.

#### **IFRS 16**

The Group has changed its accounting policies following the adoption of IFRS 16 on January 1, 2019.

The Group leases office premises with fixed periods of no longer than 5 years. A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost calculated using the effective interest method, is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

# Notes to the Interim Condensed Consolidated Financial Information

## 3 Significant accounting policies (continued)

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

#### IFRS 16 (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office rent.

The Group has adopted IFRS 16 retrospectively with the cumulative effect of initially recognised as an adjustment to the opening balance of retained earnings at the date of initial application and the Group would not restate comparative information, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.75%. The main effects resulting from this measurement are as follows:

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	15,714
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	12,292
Less: low-value leases recognised on a straight-line basis as expense	(9)
Lease liability recognised as at January 1, 2019	12,283
Of which are:	
Current lease liabilities	4,013
Non-current lease liabilities	8,270
	12,283

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new standards had always been applied. The recognised right-of-use assets relate to the office premises of RMB9,694,000 and RMB11,784,000 as at June 30, 2019 and January 1, 2019, respectively. In addition, land use rights, which have been accounted for as operating lease and separately presented on the consolidated balance sheet previously was reclassified to right-of-use assets.

# Notes to the Interim Condensed Consolidated Financial Information

## 3 Significant accounting policies (continued)

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

#### IFRS 16 (continued)

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

	January 1, 2019 RMB'000
Increase in right-of-use assets	83,557
Decrease in land use rights	(71,773)
Increase in lease liabilities — current	4,013
Increase in lease liabilities — non-current	8,270
Decrease in retained earnings	(499)

The Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

## 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 annual consolidated financial statements of the Company for the year ended December 31, 2018.

# Notes to the Interim Condensed Consolidated Financial Information

## 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 annual consolidated financial statements for the year ended December 31, 2018.

There have been no changes in the risk management policies since year ended December 31, 2018.

### 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.

The table below analysis the Group's 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 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
<b>At June 30, 2019 (Unaudited)</b>				
Borrowings	8,354	8,048	22,137	14,627
Lease liabilities	4,487	4,500	1,941	—
Trade and other payables (excluding advance, staff payroll and welfare payables, government grants and other taxes payables)	98,015	—	281	—
	<b>110,856</b>	<b>12,548</b>	<b>24,359</b>	<b>14,627</b>
<b>At December 31, 2018 (Audited)</b>				
Borrowings	8,490	8,215	22,638	18,110
Trade and other payables (excluding advance, staff payroll and welfare payables, government grants and other taxes payables)	24,964	6	367	—
	<b>33,454</b>	<b>8,221</b>	<b>23,005</b>	<b>18,110</b>

# Notes to the Interim Condensed Consolidated Financial Information

## 5 Financial risk management (continued)

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at June 30, 2019 and December 31, 2018 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, 2019 and December 31, 2018, none of the Group's financial liabilities are measured at fair value. The following table presents the Group's financial assets that are measured at fair value using level 1, 2 and 3 inputs:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at June 30, 2019 (Unaudited)</b>				
Financial assets at fair value through other comprehensive income	—	—	3,821	3,821
Financial assets at fair value through profit or loss (Note 20)	112,585	7,158	124,139	243,882
Mobile game joint promotion contract (Note 27)	—	—	93,793	93,793
	<b>112,585</b>	<b>7,158</b>	<b>221,753</b>	<b>341,496</b>
<b>As at December 31, 2018 (Audited)</b>				
Available-for-sale financial assets	—	—	5,172	5,172
Financial assets at fair value through profit or loss (Note 20)	124,383	44,836	138,860	308,079
	<b>124,383</b>	<b>44,836</b>	<b>144,032</b>	<b>313,251</b>

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 financial assets in level 1 include investment in listed companies in Hong Kong Stock Exchange.

# Notes to the Interim Condensed Consolidated Financial Information

## 5 Financial risk management (continued)

### 5.3 Fair value estimation (continued)

The fair value of financial instruments that is 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. The components of the level 2 instruments include investments in bank wealth management products.

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 financial assets at fair value through profit or loss for the six months ended June 30, 2019 have been disclosed in Notes 20.

The components of the level 3 instruments include investments in unlisted equity securities, NEEQ equity security and mobile game joint promotion contract. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

	Amount at June 30, 2019 ('000)	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity securities	9,989	Market approach	<ul style="list-style-type: none"> <li>• Earnings multiples of comparable companies</li> <li>• Discount for lack of marketability</li> </ul>	25.56 30%	Note i
Unlisted equity securities	3,821	Market approach	<ul style="list-style-type: none"> <li>• Earnings multiples of comparable companies</li> <li>• Discount for lack of marketability</li> </ul>	11.69 30%	Note ii
Unlisted equity securities	85,959	Income approach	<ul style="list-style-type: none"> <li>• Discount rate</li> </ul>	17%	Note iii
Mobile game joint promotion contract	93,793	Income approach	<ul style="list-style-type: none"> <li>• Rate of return</li> </ul>	12%	Note iv
NEEQ equity securities	25,137	Market approach	<ul style="list-style-type: none"> <li>• Recent market price</li> </ul>	63.00	Note v

# Notes to the Interim Condensed Consolidated Financial Information

## 5 Financial risk management (continued)

### 5.3 Fair value estimation (continued)

Notes

(i) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended June 30, 2019 ('000)
Earnings multiples of comparable companies	25.56	+10%	900
	25.56	-10%	(900)
Discount for lack of marketability	30%	+10%	(386)
	30%	-10%	386

(ii) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended June 30, 2019 ('000)
Earnings multiples of comparable companies	11.69	+10%	356
	11.69	-10%	(356)
Discount for lack of marketability	30%	+10%	(153)
	30%	-10%	153

(iii) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended June 30, 2019 ('000)
Discount rate	17%	+10%	(112,645)
	17%	-10%	144,540

(iv) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended June 30, 2019 ('000)
Rate of return	12%	+25%	2,509

The range of inputs will not change downwards since there is a guaranteed rate of return of 12%.

(v) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements.

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended June 30, 2019 ('000)
Recent market price	63.00	+10%	2,514
	63.00	-10%	(2,514)

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 finance 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.



## Notes to the Interim Condensed Consolidated Financial Information

### 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.

Revenue for the six months ended June 30, 2019 and 2018 are as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Online Game Revenue	102,346	137,939
– Self-development games		
<i>published by the Group</i>	3,448	2,715
<i>published by other publishers</i>	86,561	123,095
– Licensed games		
<i>published by the Group</i>	3,367	—
<i>published by other publishers</i>	8,970	12,129
Sales of online game technology solutions and publishing consulting services	—	48,201
Intellectual property licensing	1,138	47,532
	103,484	233,672

Revenues of approximately RMB72,998,000 were derived from the five largest single external customers for the six months ended June 30, 2019 (2018: RMB104,450,000).

During the six months ended June 30, 2019, revenue of approximately RMB42,130,000 and RMB14,820,000 were derived from single external customer accounted for more than 10% of the total revenue (2018: RMB28,302,000 and RMB22,523,000).

## Notes to the Interim Condensed Consolidated Financial Information

### 7 Other income

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	2,831	6,401
VAT refunds	1,557	3,378
	4,388	9,779

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

### 8 Other (losses)/gains, net

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Losses)/gains on financial assets at fair value through profit or loss (Note 20)	(38,024)	1,520
Gain on a mobile game joint promotion contract	6,137	—
(Losses)/gains on disposal of property, plant and equipment	(470)	52
Gains on disposal of an investment	—	111
Foreign exchange (losses)/gains, net	(791)	4,903
Others	147	511
	(33,001)	7,097

## Notes to the Interim Condensed Consolidated Financial Information

### 9 Expenses by nature

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Payroll and employee benefit expense	36,870	44,415
Share-based compensation (Note 23)	24,367	18,852
Professional and consulting fees	13,754	—
Outsourced technical services	10,710	11,528
Promotion and advertising expenses	5,828	11,338
Utilities and office expenses	2,789	6,154
Depreciation of right-of-use assets	2,090	—
Depreciation of property, plant and equipment (Note 14)	1,737	1,448
Impairment/(reversal of impairment) on financial assets	1,641	(601)
Travelling and entertainment expenses	1,066	2,116
Amortization of intangible assets (Note 16)	960	895
Listing expenses	—	19,500
Amortization of land use rights (Note 15)	642	642
Tax and levies	397	1,200
Revenue sharing cost	159	6,495
Others	3,030	4,980
	<b>106,040</b>	<b>128,962</b>

### 10 Finance costs, net

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Finance income</b>		
Interest income on restricted bank deposits	—	2,937
Others	309	8
	<b>309</b>	<b>2,945</b>
<b>Finance costs</b>		
Interest expenses on bank borrowing	(1,264)	(3,227)
Others	(186)	(387)
	<b>(1,450)</b>	<b>(3,614)</b>
<b>Finance costs, net</b>	<b>(1,141)</b>	<b>(669)</b>

# Notes to the Interim Condensed Consolidated Financial Information

## 11 Income tax expense

The income tax expense of the Group for the six months ended June 30, 2019 and 2018 is analyzed as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(6,270)	18,193
Deferred income tax	(450)	(548)
	(6,720)	17,645

### 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, 2019 varies from 15% to 25% (2018: 15% 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 (Losses)/earnings per share

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

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company	(25,590)	104,543
Weighted average number of ordinary shares in issue (in thousands)	2,487,748	1,821,068
(Losses)/earnings per share for profit attributable to equity holders of the Company	(0.010)	0.057

Note:

The weighted average number of ordinary shares for the purposes of basic (losses)/earnings per share for the six months ended June 30, 2018 has been retrospectively adjusted for the effects of each of the ordinary shares of the Company subdivided into 20 ordinary shares which took place on July 18, 2018.

During the six months ended June 30, 2019 and 2018, there were no potential dilutive ordinary shares and diluted (losses)/earnings per share was equal to basic (losses)/earnings per share.

## Notes to the Interim Condensed Consolidated Financial Information

### 13 Dividends

On August 28, 2018, the directors declared an interim dividend of HKD3.1 cents per share, totalling HKD82,667,000 (equivalent to approximately RMB71,693,000). As at June 30, 2019, RMB1,000 (Note 26) was remained unpaid.

### 14 Property, plant and equipment

	Buildings RMB'000	Servers and other equipment RMB'000	Furniture & leasehold improve- ments RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Six months ended June 30, 2019</b> (Unaudited)						
At beginning of the period	12,237	2,038	1,804	1,077	1,529	18,685
Additions	—	32	—	—	509	541
Disposal	—	(859)	(81)	(536)	—	(1,476)
Depreciation charge (Note 9)	(209)	(174)	(1,092)	(262)	—	(1,737)
<b>At end of the period</b>	<b>12,028</b>	<b>1,037</b>	<b>631</b>	<b>279</b>	<b>2,038</b>	<b>16,013</b>
<b>Six months ended June 30, 2018</b> (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)
<b>At end of the period</b>	<b>12,445</b>	<b>2,272</b>	<b>946</b>	<b>1,376</b>	<b>1,529</b>	<b>18,568</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 15 Right-of-use assets

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Properties (Note 3)	9,694	—
Land use rights (a)	71,131	—
	<b>80,825</b>	—

#### (a) Land use rights

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At beginning of the period	71,773	—
Amortization charge (Note 9)	(642)	—
<b>At end of the period</b>	<b>71,131</b>	—

Notes:

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

As at June 30, 2019 and December 31, 2018, the Group's land use rights of RMB71,131,000 and RMB71,773,000 together with the related buildings of RMB12,028,000 and RMB12,237,000 (Note 14) were pledged as security for the Group's bank borrowings of RMB44,503,000 and RMB47,573,000, respectively (Note 24).

## Notes to the Interim Condensed Consolidated Financial Information

### 16 Intangible assets

	Goodwill RMB'000	Computer software licenses RMB'000	Domain name RMB'000	Total RMB'000
<b>Six months ended June 30, 2019 (Unaudited)</b>				
At beginning of the period	26,031	1,398	2,154	29,583
Additions	—	—	—	—
Amortization charge (Note 9)	—	(797)	(163)	(960)
<b>At end of the period</b>	<b>26,031</b>	<b>601</b>	<b>1,991</b>	<b>28,623</b>
<b>Six months ended June 30, 2018 (Unaudited)</b>				
At beginning of the period	26,031	2,396	2,480	30,907
Additions	—	83	—	83
Amortization charge (Note 9)	—	(732)	(163)	(895)
<b>At end of the period</b>	<b>26,031</b>	<b>1,747</b>	<b>2,317</b>	<b>30,095</b>

#### 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, 2018. 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.

## Notes to the Interim Condensed Consolidated Financial Information

### 17 Investments in associates

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At beginning of the period	—	175,268
Shares of results	—	1,271
Share of other comprehensive income	—	(152)
Disposal of an associate	—	(888)
Currency translation differences	—	2,244
<b>At end of the period</b>	<b>—</b>	<b>177,743</b>

Notes:

On December 27, 2018, primarily due to the resignation of Mr. Meng Shuqi as the Group's representative, as a non-executive director of Digital Hollywood, the Group lost the significant influence on Digital Hollywood. Accordingly, the investment in it has been accounted for as financial assets at fair value through profit or loss since then.

### 18 Trade receivables

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Trade receivables	68,829	85,012
Less: allowance for impairment of trade receivables	(4,167)	(3,465)
Trade receivables — net	64,662	81,547

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, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Up to 3 months	31,353	26,122
3 to 6 months	9,962	11,707
6 months to 1 year	11,990	37,243
1 to 2 years	13,719	8,423
Over 2 years	1,805	1,517
	68,829	85,012



# Notes to the Interim Condensed Consolidated Financial Information

## 19 Prepayment and other receivables

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
<b>Included in non-current assets</b>		
Rented deposits	1,484	1,740
Prepayment for technology services	1,910	4,244
Advance to third party	6,232	6,480
Advance to related party	2,698	2,687
Prepayment for investment (Note a)	369,146	369,146
Less: provision for impairment	(730)	(176)
	<b>380,740</b>	<b>384,121</b>
<b>Included in current assets</b>		
Housing loans to employee	801	2,037
Advance granted to third parties	800	12,673
Recoverable value-added tax	8,294	6,737
Interest receivable	187	9
Prepayment to game developers	4,808	4,808
Prepayment for technology services (Note b)	25,133	24,276
Receivable from refund for undelivered technology services	3,000	3,000
Prepayment for copyright royalty	1,363	2,044
Prepayment for advertisement and marketing (Note c)	129,293	92,392
Prepayment for advisory services	—	6,478
Receivable from disposal of investments	—	20,299
Income tax recoverable	—	2,529
Others	2,517	2,488
Less: provision for impairment	(24,753)	(47,985)
	<b>151,443</b>	<b>131,785</b>

### Notes

- (a) On December 12, 2018, the Group entered into a letter of intent ("LOI") with Ningbo Jingxuan Investment Center ("Ningbo Jingxuan"), a limited partnership established in the PRC, for acquisition of the entire equity in an online game company, Shanghai Xinla Networks Technology Co., Ltd. ("Shanghai Xinla"). According to the LOI, a refundable down payments comprising RMB80,000,000 and HKD330,000,000 were paid to the designated recipient of the Ningbo Jingxuan and secured by 49% equity interest in Shanghai Xinla.
- (b) The Group entered into technology service agreements with various agencies in 2018 and 2019, they are independence third parties. One of the technology service agreements was with Shenzhen Chuangyu Technology Co., Ltd. ("Shenzhen Chuangyu"). Shenzhen Chuangyu is responsible to develop a mobile game according to the Group's instruction. However, due to the significant delay in the publishing schedule and certain technical issues, the Group expects that the recoverability of this prepayment through the game publishing is uncertain. Accordingly, a full impairment against the balance of this prepayment was provided in 2018.
- (c) The Group entered into advertising and marketing agreements with a series of agencies in 2018 and 2019. One of the agreements was with an independent third party ("The Party") signed on January 12, 2019. The Group has paid USD25,000,000 and the agreement was terminated on June 26, 2019. According to the termination agreement, The Party should repay USD26,000,000 to the group. The instalment return was USD11,000,000 before June 30, 2019 and USD15,000,000 before 31 October, 2019. As of June 30, 2019, the Group has received USD11,000,000. As of the issue date of the report, no further return was received.

## Notes to the Interim Condensed Consolidated Financial Information

### 20 Financial assets at fair value through profit or loss

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Current		
Investments in wealth management products (Note)	7,158	44,836
Listed shares	112,585	124,383
	<b>119,743</b>	169,219
Non-current		
Unlisted investments	124,139	138,860
	<b>124,139</b>	138,860
	<b>243,882</b>	308,079

Movements in financial assets at fair value through profit or loss during the six months ended June 30, 2019 and 2018 are as follows:

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At beginning of the period	308,079	123,000
Addition	119,669	—
Reclassification from available-for-sale financial assets	—	11,829
Disposal	(145,842)	(43,238)
Realised and unrealised (losses)/gains (Note 8)	(38,024)	1,520
At end of period	<b>243,882</b>	93,111
Unrealized (losses)/gains recognized in statement of profit or loss included in the above balance	<b>(22,361)</b>	1,282

Note

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.

## Notes to the Interim Condensed Consolidated Financial Information

### 21 Share capital

	Unaudited			
	Six months ended June 30,			
	Number of shares		Share capital	
	2019	2018	2019	2018
	(thousands)	(thousands)	RMB'000	RMB'000
As at January 1, (Note)	2,666,680	63,729	88	42
Issuance of ordinary shares for Reorganization (Note)	—	36,271	—	18
As at June 30,	2,666,680	100,000	88	60

#### Note

On September 6, 2017, the Company was incorporated in the Cayman Islands with limited liability and authorized share capital of USD50,000, divided into 500,000,000 shares of a par value of USD0.0001 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.

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 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.

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.

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 USD0.0001 par value each of our Company will be subdivided into 20 Shares of USD0.000005 par value each such that the authorized share capital of our Company shall be USD50,000 divided into 10,000,000,000 Shares of par value USD0.000005 each and the issued share capital shall be USD10,000 divided into 2,000,000,000 Shares of USD0.000005 par value each.

## Notes to the Interim Condensed Consolidated Financial Information

### 22 Other reserves

	Shares held for Restricted Share Units Scheme RMB'000	Statutory surplus reserve RMB'000	Shareholder contribution RMB'000	Capital reserve RMB'000	Share-based compensations RMB'000	Currency translation differences RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Total RMB'000
<b>At January 1, 2019</b>	(273,592)	5,000	273,592	(3,032,350)	35,632	21,613	879	(2,969,226)
Share-based compensations (Note 23)								
– value of employee services	–	–	–	–	24,367	–	–	24,367
– vested and settled	–	–	–	–	(27,731)	–	–	(27,731)
Fair value changes on financial asset at fair value through other comprehensive income	–	–	–	–	–	–	(1,031)	(1,031)
Currency translation differences	–	–	–	–	–	1,100	–	1,100
<b>At June 30, 2019</b>	(273,592)	5,000	273,592	(3,032,350)	32,268	22,713	(152)	(2,972,521)

	Shares held for Restricted Share Units Scheme RMB'000	Statutory surplus reserve RMB'000	Share Premium RMB'000	Merger reserve 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
<b>At January 1, 2018</b>	–	5,000	–	25,700	–	844	(129)	–	8,359	39,774
Adjustment of adoption of IFRS 9, net of tax	–	–	–	–	–	–	–	–	(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)
Issuance 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	(273,597)	–	273,597	–	–	–	–	–	–	–
Fair value changes on financial asset at fair value through other comprehensive income	–	–	–	–	–	–	–	997	–	997
Currency translation differences	–	–	–	–	–	(199)	–	–	–	(199)
<b>At June 30, 2018</b>	(273,597)	5,000	3,331,652	(3,032,350)	18,852	645	(281)	997	–	50,918

## Notes to the Interim Condensed Consolidated Financial Information

### 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.

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.

Details of each grant under the RSU Scheme and the equivalent number of shares in the Company indirectly held by the eligible employees through ESOP 1 and ESOP 2 are as follows:

	Number of underlying Shares represented by the RSUs
At January 1, 2018	—
Granted during the year	100,800,000
Forfeited	(11,975,000)
At December 31, 2018	88,825,000
Forfeited	(18,275,000)
Vested and settled (Note)	(21,637,500)
At June 30, 2019	48,912,500

#### Note

On March 31, 2019, RSUs representing 21,637,500 underlying Shares were vested, representing the first 30% of the underlying Shares represented by the RSUs. On the same day, the Company agreed an amendment to the grant letter with all participants in the RSU scheme (“Amendment”). According to the Amendment, (i) the Group and the participants in the RSU scheme mutually agreed a cash settlement of the vested RSUs at HKD1.50 per underlying Shares, totalling RMB27,731,000, and (ii) certain performance conditions for the vesting of the remaining 2nd 30% and 3rd 40% was added (“Additional Vesting Condition”).

The exceed of the consideration over the fair value of RSUs purchased of RMB924,000, representing additional benefit provided to the employee and was recognised as an expense during the six months ended June 30, 2019.

The Additional Vesting Condition would not indicate any additional benefit providing to the employee, as a result the accounting treatment of the RSUs will be accounted for as if no inclusion of such Additional Vesting Condition.

## Notes to the Interim Condensed Consolidated Financial Information

### 23 Equity-settled share-based compensation (continued)

For the six months ended June 30, 2019, 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, 2019 RMB'000 (Unaudited)
Cost of revenue	1,510
General and administrative expenses	16,702
Research and development expenses	6,155
	<b>24,367</b>

### 24 Borrowings

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Secured bank borrowings		
— RMB loan (Note)	44,503	47,573

Note

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.

At June 30, 2019 and December 31, 2018, the Group's borrowings were repayable as follows:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Within 1 year	6,138	6,138
1~2 years	6,138	6,138
2~5 years	18,415	18,414
Over 5 years	13,812	16,883
	<b>44,503</b>	<b>47,573</b>

At June 30, 2019 and December 31, 2018, 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.

## Notes to the Interim Condensed Consolidated Financial Information

### 25 Contract liabilities

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Current		
Advance from customers	1,862	33,790
Game copyrights	2,630	10,179
Game revenue derived from game users	6,771	9,790
	<b>11,263</b>	53,759
Non-Current		
Game copyrights	—	6,066
	—	6,066
	<b>11,263</b>	59,825

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 and other payables

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Trade payables	5,322	7,289
Payroll liabilities	7,969	10,011
Other tax payables	3,820	4,796
Dividend payables (Note 13)	1	1,411
Government grants	1,930	2,174
Accrued expenses	6,515	4,397
Listing expense	8,505	10,214
Intention payment for cooperation (Note)	77,000	—
Others	953	2,026
	<b>112,015</b>	42,318

## Notes to the Interim Condensed Consolidated Financial Information

### 26 Trade and other payables (continued)

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

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
0–30 days	1,751	2,417
31–60 days	794	1,302
61–90 days	511	599
91–180 days	1,727	600
Over 181 days	539	2,371
	<b>5,322</b>	<b>7,289</b>

Note

In June 2019, the Group received the prepayment of RMB77,000,000 from a game operator and publisher according to the Exclusive Agent Contract ("Contract"). In July 2019, the amount was repaid as the Contract terminated.

### 27 Mobile game joint promotion contract

	Six months ended June 30, 2019 RMB'000 (Unaudited)
At January 1, 2019	—
Inception	87,656
Gain	6,137
At June 30, 2019	<b>93,793</b>

On January 31, 2019, the Group entered into a mobile game co-joint promotion contract with an independent third party mobile game publisher ("the Publisher"), enabling the Group to participate in the promotion and publishing activities of a mobile game.

Pursuant to the contract, the Group agreed to co-operate in the advertising and promotion of the mobile game in certain overseas markets to the extent of HK\$100,000,000 (equivalent to approximately RMB87,656,000) ("Cooperation Amount") for the period from March to November 2019 ("Cooperation Period"). During the Cooperation Period, the Group will advise on the promotion and publishing activities. In return, the Group is entitled to a portion of the net revenue generated from the mobile game based on a predetermined sharing ratio, of which the Publisher agreed a return of 12% with a cap at 25% on the Cooperation Amount.

During the six months ended June 30, 2019, a gain on such contract of RMB6,137,000 was recognized.



# Notes to the Interim Condensed Consolidated Financial Information

## 28 Commitments

### (a) Capital commitments

As at June 30, 2019, no significant capital expenditure in respect of purchase of property, plant and equipment contracted but not provided (2018: RMB55,000).

## 29 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 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.

### (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, 2019.

Company	Relationship
Ben 7Road Holdings Limited	Shareholder

### (b) 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,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Wages, salaries and bonuses	1,632	1,944
Other social security costs and housing benefits and other employee benefits	114	204
Pension costs — defined contribution plans	154	52
Share-based compensation — value of employee services	10,737	11,108
<b>Total</b>	<b>12,637</b>	<b>13,308</b>

# Notes to the Interim Condensed Consolidated Financial Information

## 29 Related party transactions (continued)

### (c) Loans to related party

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Movements during the years:		
At January 1,	2,687	—
Loans advanced	—	2,687
Foreign currency exchange loss	11	—
At June 30,	2,698	2,687
Maximum outstanding during the year	2,698	2,687

## 30 Contingent liabilities

As at June 30, 2019, the Group did not have any material contingent liability. (December 31, 2018: nil)

## 31 Events occurring after the balance sheet date

On July 2, 2019, it was announced that the Group intended to exercise its power to repurchase up to 80,000,400 shares of the Group, representing up to approximately 3.00% of the existing total number of issued shares from the open market. This shall remain effective until the earlier of the conclusion of next annual general meeting or the date on which the aggregate number shares repurchased by the Group reached 80,000,400. As of the date of this interim condensed consolidated financial information, the Group has repurchased an aggregate of 47,180,000 Shares, which were cancelled on August 5, 2019.

On July 18, 2019, the Group established a new subsidiary, namely Wuxi 7Road Technology Company Ltd. in Jiangsu province with the registered capital of RMB34.85 million.

On July 25, 2019, the Group established a new subsidiary, namely Wuxi 7Road Culture Media Company Ltd. in Jiangsu province with the registered capital of RMB1 million.

On July 31, 2019, the Group established a new subsidiary, namely Wuxi 7Road Intellectual Property Services Co., Ltd in Jiangsu province with the registered capital of RMB1 million.

On August 23, 2019, the Company entered into the Sale and Purchase Agreement with Maple Vale Limited and Ms. Huang Le (together, the "Vendors"), pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the online business owned by Osmanthus Vale Holdings Limited, at the consideration of RMB1 billion. Osmanthus Vale Holdings Limited is a company incorporated under the laws of the BVI with limited liability and wholly-owned by Maple Vale Limited. The transaction is subject to the fulfilment of the approval of the Shareholders of the Company at an extraordinary general meeting of the Company, and other conditions.

# 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 and listed on the Stock Exchange on July 18, 2018 (Stock Code: 797)
“Contractual Arrangements”	certain contractual arrangements entered into on April 13, 2018 by the Group
“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
“Digital Hollywood”	Digital Hollywood Interactive Limited, a company listed on Stock Exchange (Stock Code: 2022)
“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)
“HKD” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Huoerguosi 7Road”	Huoerguosi 7th Road Network Technology Co., Ltd. (霍爾果斯第七大道網絡科技有限公司), a company established under the laws of the PRC with limited liability on November 27, 2015 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## Definitions

“IAS”	the International Accounting Standards
“IFRS”	the International Financial Reporting Standards
“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
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2019
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Sales and Purchase Agreement”	the sales and purchase agreement dated August 23, 2019 entered into by the Company, the Vendors and the Target Company in relation to the Transaction
“senior management”	the senior management of the Company

## Definitions

“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
“Shenzhen Qianqi”	Shenzhen Qianqi Network Technology Co., Ltd. (深圳千奇網絡科技有限公司) a company incorporated under the laws of the PRC with limited liability on November 28, 2013 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the online game business owned by the Target Company
“Target Company”	Osmanthus Vale Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on June 27, 2019
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	Maple Vale Limited, a company incorporated in the British Virgin Islands; and Ms. Huang Le (黃樂), a Hong Kong permanent resident
“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