7Road Holdings Limited
第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 797

Content

Definitions

"AGM"	the annual general meeting of the Company proposed to be held on 31 July 2020
"Acquired Business"	the online game business owned by Osmanthus Vale Holdings Limited and its subsidiaries, which was acquired by the Company on 22 October 2019
"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
"Articles of Association"	the articles of association of the Company conditionally adopted by the Board on 23 June 2018 and became effective on the Listing Date
"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
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Chairman"	the chairman of the Board
"China" or "PRC"	for the purpose of this report only, 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
"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 6 September 2017 and the Shares of which are listed on the main board of the Stock Exchange on 18 July 2018 (Stock Code: 797)
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Consolidated Affiliated Entities"	the entities that the Company controls through the Contractual Arrangements, namely Shenzhen 7Road and its subsidiaries
"Contractual Arrangements"	certain contractual arrangements entered into on 13 April 2018 by us. For details, please refer to pages 206 to 227 of the Prospectus

"Director(s)"	the director(s) of the Company
"Global Offering"	the public offering of 66,668,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 600,012,000 Shares for subscription by the institutional, professional, corporate and other investors
"Group", "we", "our" 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)
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 liabilities on 27 November 2015 and one of our Consolidated Affiliated Entities
"IFRS"	the International Financial Reporting Standards
"IP"	intellectual property
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date on which the Shares were listed and initially commenced their dealings on the Stock Exchange, i.e. 18 July 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

Definitions

“Ningbo Bao Pu”	Ningbo Bao Pu Xing Sheng Investment Management Center (Limited liability partnership) (寧波趵樸鑫盛投資管理中心(有限合夥)), a limited liability partnership established under the laws of the PRC on 13 June 2016, and a shareholder of Shenzhen 7Road
“Nomination Committee”	the nomination committee of the Board
“online game(s)”	video game(s) that is/are played over some forms of computer or mobile network
“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 29 June 2018
“Qianhai Huanjing”	Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司), a company established under the laws of the PRC with limited liability on 12 July 2015
“R&D”	research and development
“Registered Shareholders”	Mr. Meng Shuqi, Mr. Hu Min, Mr. Liu Jing, Ningbo Bao Pu and Shanghai Ting Can, as the shareholders of Shenzhen 7Road
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme adopted by our Company on 6 March 2018
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“senior management”	the senior management of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Ting Can”	Shanghai Ting Can Entity Investment Center (Limited liability partnership) (上海廷燦股權投資中心 (有限合夥)), a limited liability partnership established under the laws of the PRC on 11 November 2015, which is a shareholder of Shenzhen 7Road

"Share(s)"	ordinary share(s) of US$0.000005 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Shenzhen 7Road"	Shenzhen 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), a company established under the laws of the PRC with limited liability on 22 January 2008 and one of our Consolidated Affiliated Entities
"Shenzhen Qianqi"	Shenzhen Qianqi Network Technology Co., Ltd. (深圳千奇網絡科技有限公司), a company established under the laws of the PRC with limited liability on 28 November 2013 and one of our Consolidated Affiliated Entities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"web game(s)"	game(s) that is/are played in a web browser on personal computer without downloading any client base or application
"Wuxi 7Road"	Wuxi 7Road Technology Co., Ltd. (無錫第七大道科技有限公司), a company established under the laws of the PRC with limited on 18 July 2019 and wholly-owned by the Company
"%"	per cent

Corporate Profile

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Xue Jun
Ms. Li Yiqing
Ms. Wang Ying

AUDIT COMMITTEE

Mr. Xue Jun *(Chairman)*
Ms. Li Yiqing
Ms. Wang Ying

REMUNERATION COMMITTEE

Ms. Li Yiqing *(Chairwoman)*
Mr. Xue Jun
Ms. Wang Ying
Mr. Meng Shuqi

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon, 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

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 2-18-1902, Long Shan Road
Xin Wu District, Wuxi
Jiangsu Province, 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 Ke Yuan branch

Bank of China,
Shenzhen Yi Yuan Road branch

Financial Performance Highlights

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)	2015 (RMB'000)
Revenue	**333,379**	332,384	445,295	403,151	375,611
Profit/(loss) for the year	**13,905**	(98,031)	257,181	(16,840)	168,731
Profit/(loss) for the year attributable to owners of the Company	**10,791**	(98,031)	257,181	(16,840)	168,731
Adjusted net profit[1]	**24,549**	83,527	263,297	212,000	182,192
Adjusted net profit attributable to the owners of the Company	**21,435**	83,527	263,297	212,000	182,192

Notes:

(1) Adjusted net profit does not include share-based compensation costs and listing-related expenses, and the investment loss in Digital Hollywood (deemed disposal loss of an investment in associate) due to its change into measuring through fair value. See "Non-IFRS Measures" for details.

1. For the year ended 31 December 2019, the total revenue amounted to approximately RMB333.4 million, representing an increase of approximately 0.3% as compared with the year ended 31 December 2018.

2. For the year ended 31 December 2019, the Company recorded a profit attributable to owners of the Company amounted to approximately RMB10.8 million.

3. For the year ended 31 December 2019, the unaudited non-IFRS adjusted net profit and adjusted net profit attributable to the owners of the Company amounted to approximately RMB24.5 million and RMB21.4 million respectively. See "Non-IFRS Measures" for details.

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)	2015 (RMB'000)
Assets					
Non-current assets	**1,097,007**	660,580	438,007	529,294	442,706
Current assets	**844,954**	675,010	479,455	375,657	264,819
Total assets	**1,941,961**	1,335,590	917,462	904,951	707,525
Equity and liabilities					
Total equity	**1,114,834**	1,177,128	555,845	495,600	278,146
Non-current liabilities	**365,555**	56,247	55,950	184,603	150,001
Current liabilities	**461,572**	102,215	305,667	224,748	279,378
Total liabilities	**827,127**	158,462	361,617	409,351	429,379
Total equity and liabilities	**1,941,961**	1,335,590	917,462	904,951	707,525

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors and the management of 7Road Holdings Limited, I am pleased to present to you the annual report of the Group for the year ended 31 December 2019.

In 2019, the global game market achieved a revenue of over US$152.1 billion with a base of more than 2.4 billion active game players worldwide, among which 46%, or approximately 1.1 billion players were willing to pay for games. Gaming spending is expected to increase at a compound annual growth rate of 10.4% to US$196.0 billion in 2022. In 2019, the actual sales revenue of China's game market was RMB230.38 billion, representing a year-on-year increase of 7.7%; the number of game players in China was approximately 640 million, representing a year-on-year increase of 2.5%.

In 2019, we continued to focus on game development and operation to cope with the ever-growing competition in the game industry. For the year ended 31 December 2019, we launched two new games, which received positive feedback. Among which, the multi-language version of DDTank (彈彈堂), as a mobile shooting game, was launched across America and Portugal, with high-quality graphics, lovely cartoon character settings and a unique gaming method of parabolic shooting in a simulated gravity field. Such IP products have been consistently top ranked among the shooting games. As a large-scale 3D martial arts mobile game under a classic and famous IP, the mobile game Demi-Gods and Semi-Devils M (天龍八部M) presents the remarkable plots and massive scenes with extensive martial arts elements. As of the end of 2019, we have completed the publishing of the game and its long-term operation in Taiwan and various regions in Southeast Asia, which ranked among the top in the martial arts category and had been well-received by many local users. We will continue to focus on the R&D and operation of high-quality online games, and taking full advantage of our experience in the gaming industry over the years, continue to innovate and launch new games that players will adore.

In 2019, our intellectual property rights business continued to grow. We will grant intellectual property rights of classic games with long life-cycle to R&D and distribution companies in different areas, and the potential of our future development is promising.

I shall then briefly present the financial results of the Group in 2019, review the business development during the year and discuss the strategies and prospects in the coming year.

For the year ended 31 December 2019, the total revenue of the Group amounted to approximately RMB333.4 million, representing an increase of 0.3% compared to 2018. For the year ended 31 December 2019, we recorded profit attributable to owners of the Company of approximately RMB10.8 million, while the adjusted net profit attributable to the owners of the Company amounted to approximately RMB21.4 million. The increase in total revenue was mainly attributable to the Acquired Business has been consolidated into the Group's accounts upon completion of the acquisition in the second half of 2019.

According to Newzoo's annual observation, the revenue of the global game market will exceed US$160.0 billion by 2020, representing a year-on-year increase of 7.3%. 2020 will be a crucial year for the global game market, and the mobile game sector will become the fastest growing sector, with a year-on-year growth of 11.6%. The number of mobile game subscription services in mature markets such as the United States and China will continue to rise steadily. At the same time, since the cloud gaming sector is under rapid development, certain world-class companies have started to make presence in the cloud gaming services sector or invest in companies with potential.

Chairman's Statement

In 2020, strategically, we will continue to expand overseas markets while focusing on the domestic market. With respect to our principal activities, we will be committed to updating our existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy. We plan to launch our grand 3D mobile game Wartune (神曲) and prepare for the development of new games under the Company's core IP, namely DDTank H5 (彈彈堂 H5) in 2020. Meanwhile, we are developing a 3D mobile game under a first-tier Japanese animation IP, which is expected to be launched for online testing in 2021. We will try to participate in more different segmented areas, including the attempts and preparations for products such as casual competition and feminine games, with an aim to capturing more market opportunities. Also, the Group will continue the R&D of its intellectual properties through licensing intellectual properties or cooperating with other outstanding developers. In addition, we will invest in and acquire high-quality companies in the industry and strengthen our synergic strategy. The Group will proactively explore and expand our business into gaming-related areas with potential such as game cloud, cloud gaming and big data. It will further enhance our sustainability and profitability in the long run in response to the possible impact of the increasingly competitive industry environment and the ever-changing industry policies on the business operation of the Company, creating values for the Group and the Shareholders. Therefore, I am confident in the Company's potential for future development!

I would like to take this opportunity to express my sincerest gratitude to our employees and management for their contribution and hard work over the year. I would also like to thank our shareholders for their support and their confidence in the Group.

Meng Shuqi
Chairman

Wuxi, 12 June 2020

Profiles of Directors and Senior Management

Below are the brief profiles of our current Directors and senior management.

DIRECTORS

The Board currently comprises six Directors, of which three are executive Directors and three are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. Meng Shuqi	42	Chairman and executive Director	6 September 2017
Mr. Li Zhengquan	44	Executive Director, chief financial officer and joint company secretary	30 April 2019
Mr. Yang Cheng	43	Executive Director, vice president	29 October 2018
Independent Non-executive Directors			
Mr. Xue Jun	45	Independent non-executive Director	14 December 2018
Ms. Li Yiqing	46	Independent non-executive Director	30 September 2019
Ms. Wang Ying	47	Independent non-executive Director	2 August 2019

EXECUTIVE DIRECTORS

Mr. Meng Shuqi, aged 42, is our executive Director and Chairman. He is responsible for the overall management, strategic planning and decision-making of our Group.

Mr. Meng has more than 13 years of experience in the internet and game industry. Prior to joining our Group, from May 2004 to October 2006, Mr. Meng had served as a business manager in A8 Music Group, a company primarily engaged in value-added telecommunication service, where Mr. Meng was in charge of its business operation and commercial decision-making.

Mr. Meng joined Shenzhen 7Road in June 2009. He had served as the chief operation officer and a director of Shenzhen 7Road since May 2011. He ceased to be the director of Shenzhen 7Road in May 2013 and subsequently retired from his role as the chief operation officer in February 2014. In April 2015, Mr. Meng returned to Shenzhen 7Road and has been acting as the chief executive officer of Shenzhen 7Road since then. He has also been acting as the director and chairman of the board of Shenzhen 7Road since August 2015. Despite his temporary absence in the management of Shenzhen 7Road from March 2014 to March 2015, Mr. Meng has been in charge of the overall management, strategic planning and decision-making of Shenzhen 7Road most of the time since 2011.

Mr. Meng had been the non-executive director of Digital Hollywood Interactive Limited, from November 2015 to December 2018.

Mr. Li Zhengquan, aged 44, is our executive Director, joint company secretary and chief financial officer. Mr. Li has over 12 years of experience in financial management. Mr. Li worked as the assistant director of the research center of Wuxi Municipal Government (無錫市委研究室) from December 2006 to June 2011. Mr. Li served as the assistant president of Guolian Securities Co., Ltd. (國聯證券股份有限公司) ("**Guolian Securities**"), from July 2011 to December 2012. Mr. Li then served as the deputy general manager of Guolian Trust Co., Ltd. (國聯信託股份有限公司) from January 2013 to December 2013. He served as the director of Hua Ying Securities Co., Ltd. (華英證券有限責任公司) from April 2016 to September 2017. Mr. Li also served as the vice president and the secretary of the board of directors of Guolian Securities, a company whose shares were listed on the Stock Exchange in July 2015 (Stock code: 1456), from January 2014 to November 2018. Mr. Li has been acting as a non-independent director of Cloud Live Technology Group Co., Ltd. (中科雲網科技集團股份有限公司), a company whose shares were listed on The Shenzhen Stock Exchange in November 2009 (Stock code: 002306), since March 2019. Mr. Li has been acting as the vice president of the Wuxi City Listed Company Association (無錫市上市公司協會) since January 2019. Mr. Li has been acting as the chief financial officer of the Company and an executive Director since 30 April 2019; and has been acting as one of the joint company secretaries since 5 November 2019.

Mr. Li obtained a doctoral degree in economics from Peking University (北京大學) in July 2005, and has been a member of the Committee of Investment Industry of the Securities Association of China (中國證券業協會投資業務委員會) since July 2012.

Mr. Yang Cheng, aged 43, is our executive Director and vice president. Mr. Yang has over 15 years of experience in financial management. Mr. Yang managed the overall financial affairs of Besttone Holding Co., Ltd (號百控股股份有限公司), a listed company on the Shanghai Stock Exchange in China (SH.600640), for more than 10 years, as the general manager of the planning and finance department and the chief financial officer. Subsequent to that, Mr. Yang worked in a technology company to assist in the overall management. Mr. Yang obtained a bachelor's degree in Economics from East China University of Science and Technology (華東理工大學) in July 2000, and a master's degree in financial management from the same university in March 2003. Mr. Yang obtained the qualification of senior accountant in December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xue Jun, aged 45, is our independent non-executive Director. Mr. Xue has over 20 years of experience in auditing and financial management. Mr. Xue served as an audit manager in PricewaterhouseCoopers from July 1998 to October 2005. He has been acting as a partner and the deputy principal of Shanghai My Whole Way Certified Public Accountants (上海浩威會計師事務所) since October 2005. Mr. Xue obtained his bachelor's degree in Economics from Shanghai Jiaotong University (上海交通大學) in June 1998. Mr. Xue obtained the qualification of Chinese Certified Public Accountant and Chartered Financial Analyst in December 2001 and November 2010, respectively.

Ms. Li Yiqing, aged 46, is our independent non-executive Director. Ms. Li has substantial experience in corporate management and investment. Ms. Li has been acting as the chairwoman of Hangzhou Li Zi Cultural Technology Co., Ltd. (杭州粒子文化科技有限公司) since September 2018; a director of Hangzhou Shunwang Technology Co., Ltd. (杭州順網科技股份有限公司), a company whose shares are listed on Shenzhen Stock Exchange (SZ: 300113), since September 2018 and the vice-chairwoman of the board of directors of the company since May 2019; and the director of Chengdu Hua Qi Yun Technology Co., Ltd. (成都華棲雲科技有限公司) since August 2018. From April 2017 to April 2018, Ms. Li acted as the chairwoman of the investment committee of De Qing Pu Hua Equity Investment Fund Enterprise (Limited Partnership) (德清朴華股權投資基金合夥企業 (有限合夥)). From June 2015 to May 2017, Ms. Li acted as a director of Tianjin Tangren Media Co., Ltd. (天津唐人影視股份有限公司), a company whose shares had been listed on the National Equities Exchange and Quotations until October 2018 (NEEQ: 835885). From September 2012 to September 2015, Ms. Li acted as the chairwoman and chief executive officer of Hua Shu Media Holdings Co., Ltd. (華數傳媒控股股份有限公司), a company whose shares are listed on Shenzhen Stock Exchange (SZ: 000156), and later acted as a director and chief executive officer of such company from September 2015 to March 2017. From December 2009 to November 2015, Ms. Li acted as the chairwoman and the chief executive officer of Huashu Media Network Co., Ltd. From July 2001 to December 2009, Ms. Li acted as the senior vice president of Hua Shu Digital Television Media Group Co., Ltd (華數數字電視傳媒集團有限公司).

Ms. Li obtained her bachelor's degree in finance from the Zhejiang University of Finance and Economics (浙江財經大學) (formerly known as Zhejiang Institution of Finance and Economics (浙江財經學院)) in July 1995 and further obtained her master's degree in business administration from Zhejiang University (浙江大學) in March 2001.

Ms. Wang Ying, aged 47, is our independent non-executive Director. Ms. Wang has substantial experience in corporate management and legal matters. From September 1992 to July 2002, Ms. Wang served as an accountant in China Construction Bank, Hubei Branch, Xiantao Sub-branch (中國建設銀行湖北省分行仙桃支行). Ms. Wang has been serving at Minzu University of China (中央民族大學) since September 2005 and her current position is an associate professor. In addition, Ms. Wang has been acting as an independent non-executive director at Changjiang Securities Company Limited (長江證券股份有限公司), a joint stock company whose shares are listed on Shenzhen Stock Exchange (SZ: 000783), since December 2015; Luo Niu Shan Corp., Ltd. (羅牛山股份有限公司), a joint stock company whose shares are listed on Shenzhen Stock Exchange (SZ: 000735), since June 2016; Beijing Piesat Information Technology Co., Ltd. (北京航天宏圖信息技術股份有限公司), a joint stock company whose shares are listed on Shanghai Stock Exchange (SH: 688066), since May 2017; and China Development Bank Financial Leasing Co., Ltd., a company whose shares are listed on the Stock Exchange (Stock Code: 1606), since November 2019.

Ms. Wang received her doctoral degree in international law from the University of International Business and Economic (對外經濟貿易大學) in July 2009. Ms. Wang obtained the Legal Professional Qualification Certificate (法律職業資格證書) from the Ministry of Justice of the PRC in February 2010.

SENIOR MANAGEMENT

Mr. Peng Cheng, aged 38, has been appointed as the CEO with effect from 1 September 2019. He has substantial experience in online game industry and had successfully led the development of a number of premium online games. From May 2005 to March 2010, Mr. Peng worked as a senior game producer at Shanda Games Limited, a company with its American depositary shares used to be listed on NASDAQ (NASDAQ: GAME). From April 2010 to July 2019, Mr. Peng acted as the vice president of Giant Network Group Co., Ltd. (巨人網絡集團股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (SZ: 002558).

Mr. Hu Min, aged 39, is our chief production officer. He is responsible for strategic planning and overseeing the game product development of our Group. Mr. Hu acted as our executive Director from March 2018 to April 2019.

Mr. Hu has more than 10 years of experiences in the internet and game industry. He joined Shenzhen 7Road in July 2009 and had served as the chief production officer of Shenzhen 7Road from July 2013 until he temporarily retired from the position in February 2014. He returned to Shenzhen 7Road in August 2015 and has been acting as the director of Shenzhen 7Road since then. Mr. Hu's primary responsibilities, from the date he joined Shenzhen 7Road in July 2009 to his temporary departure in February 2014 and since his return to Shenzhen 7Road in January 2015, had and have been to oversee the product development of Shenzhen 7Road. Mr. Hu has also been acting as the director and manager of Qianhai Huanjing since July 2015 and the chief production officer of Shenzhen Qianqi since February 2014.

Mr. Hu received his bachelor's degree in light chemical engineering from Donghua University (東華大學) in July 2004.

Mr. Yang Cheng, see "— Executive Directors" in this section for details.

Mr. Li Zhengquan, see "— Executive Directors" in this section for details.

Ms. Guo Hua, aged 36, is our head of the testing department and joined our Group in July 2009. Ms. Guo is responsible for overseeing product testing and managing our testing department. Ms. Guo has more than 10 years of experience in the game industry. Ms. Guo joined our Group in July 2009 as a testing engineer and has been serving as our head of the testing department since June 2013.

Mr. Shi Shuanghua, aged 36, is our head of the arts department and joined our Group in October 2012. Mr. Shi is responsible for overseeing artwork designing and managing our arts department.

Mr. Shi has more than 9 years of experience in the game industry. Prior to joining our Group, from February 2010 to May 2011, Mr. Shi had worked as an art manager at Hangzhou Lei Tian Technology Co., Ltd. (杭州雷天科技有限公司) and was responsible for the establishment and management of its arts department. Mr. Shi joined our Group in October 2012 as an art designer and has been acting as our head of the arts department of Shenzhen 7Road and then our Group since June 2014.

Mr. Shi received his bachelor's degree in arts from Guangxi Arts University Art (廣西藝術學院) in June 2006.

Ms. Xu Jing, aged 35, is our head of the business management department and joined our Group in August 2011. Ms. Xu is responsible for overseeing commercial data analysis and assisting in marketing strategy planning.

Ms. Xu has more than seven years of experience in business management. She joined Shenzhen 7Road in August 2011 as a senior data analyst and was in charge of commercial data analysis. Ms. Xu has been acting as our head of the business management department of since March 2014.

Ms. Xu received her bachelor's degree in applied mathematics from Shangrao Normal University (上饒師範學院) in July 2007 and later received a master's degree in applied mathematics from Guangzhou University (廣州大學) in 2010.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

Changes in Directors

- With effect from 30 April 2019, Mr. Li Zhengquan has been appointed as an executive Director and the Company's chief financial officer.
- With effect from 30 April 2019, Mr. Hu Min has resigned as an executive Director but remains as the Company's chief production officer.
- With effect from 2 August 2019, Mr. Wu Xiaoguang has resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.
- With effect from 2 August 2019, Ms. Wang Ying has been appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee.
- With effect from 1 September 2019, Mr. Meng Shuqi has resigned as the CEO but remains as the Chairman and an executive Director.

- With effect from 30 September 2019, Mr. Liu Yunli has resigned as an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee.

- With effect from 30 September 2019, Ms. Li Yiqing has been appointed as an independent non-executive Director, a member of the Audit Committee, the chairwoman of the Remuneration Committee and a member of the Nomination Committee.

- With effect from 5 November 2019, Mr. Li Zhengquan has been appointed as one of the Company's joint company secretaries.

- With effect from 2 March 2020, Mr. Li Shimeng and Mr. Yan Kaidan have resigned as the non-executive Directors.

The details of changes in Directors were set out in the announcements of the Company dated 6 May 2019, 16 May 2019, 6 August 2019, 30 August 2019, 30 September 2019, 5 November 2019 and 2 March 2020, published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.7road.com.

Changes in Senior Management

- With effect from 30 April 2019, Mr. Lin Sen has resigned as the Company's chief financial officer.

- With effect from 1 September 2019, Mr. Peng Cheng has been appointed as the CEO.

- With effect from 31 October 2019, Mr. Xu Jia ceased to be the Company's chief operation officer.

- With effect from 31 December 2019, Mr. Wang Chendong ceased to be the Company's chief human resource officer.

Management Discussion and Analysis

OVERVIEW

The Group is a leading game developer and operator in China with a global reach. Since our incorporation in 2008, we have been engaging in the R&D, operation and licensing of a number of popular games. A sizable portion of revenue is derived from the overseas markets and our games have been published in more than 100 countries and/or regions. We are also committed to bringing quality gameplay experience in various game formats to our users. In recent years, we have been strategically expanding our business focuses to develop and operate mobile games, which enjoy wide popularity among game players.

According to the "2019 Global Games Market Report" released by Newzoo in 2019, the global online game market in 2019 was expected to record a revenue of US$152.1 billion. The mobile-end game market remained the largest segmented market with an expected market revenue of US$68.5 billion, representing 45.0% of the global online game market. Approximately 80.0% of the revenue in global mobile-end game market would arise from smartphone games.

In 2019, revenue from the Asia Pacific online game market was expected to increase by 7.6% as compared with 2018, amounting to over US$72.2 billion and accounting for 47.0% of the global online game market. The North American market remained the second largest online game market, and the revenue from this region in 2019 was expected to be over US$39.6 billion, which accounted for 26.0% of the global online game market. The European, Middle East and African markets were expected to slightly fall behind the North American market in terms of game revenue growth, and the game revenue from these regions was expected to be over US$34.7 billion in total in 2019, which accounted for 23% of the global online game market. The Latin American online game market was expected to generate a revenue of US$5.6 billion, which accounted for 4% of the global online game market.

According to "2019 China Gaming Industry Report" jointly released by the China Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音數協遊戲工委) and the International Data Corporation (IDC), in 2019, the revenue generated from China's online game market increased by RMB16.4 billion to approximately RMB230.8 billion as compared to 2018, representing a year-on-year increase of 7.7%. As at 31 December 2019, the number of game players in China exceeded 640 million, with a year-on-year increase of 2.5%.

Principal risks relating to our business

There are certain risks involved in our operations and our prospects and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- We are required to comply with new policies or any amendment to current policies in relation to the game industry, which may affect our business operations;
- We face uncertainties in the continued growth of the mobile game and web game industries as well as the market acceptance of our mobile games and web games;
- Delays of game launches could negatively affect our operations and prospects;
- We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new key employees;
- If we are unable to extend the expected lifecycle of our web games and mobile games or if our games do not maintain their popularity during their expected lifecycle, our business, financial condition, results of operations and prospects could be materially and adversely impacted;

- We rely on third-party distribution and publishing platforms to distribute and publish our games. If these third-party distribution and publishing platforms fail to effectively promote our games on their platforms or otherwise fulfill their obligations to us, our business and results of the operations will be materially and adversely affected; and

- Our business relies on our data analysis capabilities, any impact on which would materially and adversely affect our ability to formulate appropriate business strategies.

To mitigate the identified risks, we shall monitor the risks, and review our business strategies and financial results. We have implemented the following strategies to ensure the risks are being managed:

- Our Directors and management teams actively exchange views and information in relation to the new policies and amendments to current policies of the game industry with relevant regulatory authorities and take appropriate actions to respond to the changes and ensure the Company is in compliance with the latest applicable laws and regulations;

- Our user support department is committed to tracking and responding to the changes in players' preferences in a timely and effective manner;

- We further strengthen our data analytics capabilities to continue developing popular games, improve players' experience and enhance profitability of our games;

- We closely monitor the progress of our pipeline games;

- We constantly enhance or update our existing games with new features to attract players;

- To keep pace with the market, we bring on board new talents to keep the competitiveness of our games; and

- We strengthen our relationships with major domestic and international publishing and distribution partners.

OUTLOOK FOR 2020

In 2020, the Company will continue to strive to produce exquisite and high-quality game products. The Company will fully utilize the value of its existing intellectual properties and the experience accumulated over years in game development, to enrich the Company's product portfolio and optimize the functions and rules in those newly developed games taking full consideration of players' experience.

The Company will, taking the in-game virtual commodity consumption as its basic profit model, actively explore diversified income streams in order to increase the revenue and improve the performance of the Company.

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

As disclosed in the Company's announcement dated 23 October 2019, the Company had completed the acquisition of the Acquired Business on 22 October 2019. The Company will strive to integrate, coordinate and optimize its existing business resources with the resources (the "**Acquisition**")of the Acquired Business, such as its R&D capabilities, game products, marketing channels, operation and management and its current game players. We will take this opportunity to further improve our layout in the game industry, as well as enhance our integrated competitiveness, resource control ability, ability to maintain sustainable business growth and risk resistance capability, and thereby solidifying, developing and enhancing our position in the industry.

In 2020, strategically, we will continue to expand overseas markets while focusing on the domestic market. With respect to our principal activities, we will be committed to updating our existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy. We plan to launch our grand 3D mobile game Wartune (神曲) and prepare for the development of new games under the Company's core IP, namely DDTank H5 (彈彈堂H5) in 2020. Meanwhile, we are developing a 3D mobile game under a first-tier Japanese animation IP, which is expected to be launched for online testing in 2021. We will try to participate in more different segmented areas, including the attempts and preparations for products such as casual competition and feminine games, with an aim to capturing more market opportunities. Also, the Group will continue the R&D of its intellectual properties through licensing intellectual properties or cooperating with other outstanding developers. In addition, we will invest in and acquire high-quality companies in the industry and strengthen our synergic strategy. The Group will proactively explore and expand our business into gaming-related areas with potential such as game cloud, cloud gaming and big data. It will further enhance our sustainability and profitability in the long run in response to the possible impact of the increasingly competitive industry environment and the ever-changing industry policies on the business operation of the Company, creating values for the Group and the Shareholders.

The utilization of intellectual properties is an integral part of our long-term strategy. We have entered into a strategic cooperation framework agreement with CMGE Technology Group Limited in relation to the carrying out of cooperations in the areas of game intellectual properties, game publishing and game operations. In 2020, We will continue to concentrate our efforts on R&D in terms of the intellectual properties by ways of cooperating with third parties and improving our internal R&D environment. We will continue to recruit more talents and retain the existing talents with attractive compensation policies to enhance our R&D capabilities. In the meantime, we will pursue appropriate opportunities for investments and cooperations to cope with the possible impact of the intensifying competition in the game industry and ever-changing policies on our principal business activities.

CORONAVIRUS IMPACT

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in late 2019, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work and school resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

As of the date of this report, the impacts of the COVID-19 outbreak on macro-economic conditions as a whole are still uncertain, and the Group is unable to quantify the related financial effects. The COVID-19 outbreak has led to delay in the auditing process of the Group. Save for the impact on auditing process, the Group was not aware of any material adverse effects on the business operation as a result of the COVID-19 outbreak as at the date of this report.

The Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including the postponement of work resumption, implementation of prevention and control policies enacted by the relevant governmental authorities in the PRC and adopting flexible work-from-home practices. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

FINAL DIVIDEND

The Board did not recommend to declare final dividend for the year ended 31 December 2019.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

In 2019, we kept our focus on developing and operating games to face the ever-growing competition in the game industry. Our new games launched in 2019 have received positive feedbacks. We will continue to develop and operate high-quality online games and exploit our experiences in the game industry. Also, we will continue to innovate and launch new games that will attract more players.

Our Players

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

For the year ended 31 December 2019, our web games had (i) an average MAUs of approximately 1.2 million; (ii) an average MPUs of approximately 64.0 thousand; (iii) an ARPPU of approximately RMB367.6; and our mobile games had (i) an average MAUs of approximately 1.6 million; (ii) an average MPUs of approximately 118.0 thousand; (iii) an ARPPU of approximately RMB265.9.

Acquisition of the Acquired Business

Pursuant to the Company's announcement dated 23 October 2019, the Company had completed the Acquisition of the Acquired Business on 22 October 2019. The Acquired Business mainly includes the R&D of online games and has a track record in providing several premium online games. Please refer to "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies" below for details.

YEAR ENDED 31 DECEMBER 2019 COMPARED TO THE YEAR ENDED 31 DECEMBER 2018

The following table sets forth the comparative statements of profit or loss for the year ended 31 December 2019 and the year ended 31 December 2018.

	For the year ended 31 December		Year-on-year
	2019	2018	change
	(RMB'000)	(RMB'000)	%
Revenue	333,379	332,384	0.3%
Cost of revenue	(40,248)	(51,116)	-21.3%
Gross profit	293,131	281,268	4.2%
Research and development expenses	(112,407)	(149,343)	-24.7%
Selling and marketing expenses	(20,997)	(18,558)	13.1%
Administrative expenses	(58,733)	(102,252)	-42.6%
Net impairment losses on financial assets under expected credit loss model	(36,626)	(26,208)	39.8%
Other income	21,394	19,089	12.1%
Other (losses)/gains, net	(77,562)	17,286	-548.7%
Operating profit	8,200	21,282	-61.5%
Finance income	813	3,893	-79.1%
Finance costs	(3,100)	(5,500)	-43.6%
Finance costs, net	(2,287)	(1,607)	42.3%
Share of results of associates	—	(1,034)	-100.0%
Share of results of a joint venture	(784)	—	—
Deemed disposal loss of interest in an associate	—	(110,661)	-100.0%
Profit/(loss) before income tax	5,129	(92,020)	105.6%
Income tax credit/(expense)	8,776	(6,011)	246.0%
Profit/(loss) for the year	13,905	(98,031)	-114.2%
Add:			
Listing-related expenses	—	35,265	-100%
Share-based compensation costs	10,644	35,632	-70.1%
Deemed disposal loss of an investment in associate	—	110,661	-100%
Adjusted net profit(1)	24,549	83,527	-70.6%
Adjusted net profit attributable to the owners of the Company	21,435	83,527	-74.3%

Note:

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

REVENUE

The following table sets forth the breakdown of our revenue for the years ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	(RMB'000)	(% of total revenue)	(RMB'000)	(% of total revenue)
Types of goods or services				
Online game revenue	285,819	85.7%	230,717	69.4%
— Self-development games				
published by the Group	5,797	1.7%	6,024	1.8%
published by other publishers	262,351	78.7%	209,148	63.0%
— Licensed games				
published by the Group	565	0.2%	2,791	0.8%
published by other publishers	17,106	5.1%	12,754	3.8%
Sales of customization game software	13,302	4.0%	—	—
Sales of game copyrights	22,453	6.7%	—	—
Sales of online game technology and publishing solutions services	1,382	0.5%	52,480	15.8%
Intellectual property licensing	10,423	3.1%	49,187	14.8%
Total	333,379	100.0%	332,384	100.0%

For the year ended 31 December 2019, total revenue was approximately RMB333.4 million, representing an increase of approximately 0.3% as compared with 2018. This was mainly attributable to the Acquired Business has been consolidated into the Group's accounts after the completion of the Acquisition in the second half of 2019.

COST OF REVENUE

Our cost of revenue mainly comprises employee salary and benefit expense, advertising and promotion fee and cost of game licensing incurred by business units. The cost of revenue amounted to approximately RMB40.2 million for the year ended 31 December 2019, representing a decrease of approximately 21.3% as compared to approximately RMB51.1 million in 2018, mainly because the Group had spent great effort to enhance its cost management in cost of revenue for the year of 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit amounted to approximately RMB293.1 million for the year ended 31 December 2019, representing an increase of approximately 4.2% as compared to approximately RMB281.3 million in 2018, mainly attributable to the increase in our revenue for the year of 2019.

Our gross profit margin was approximately 87.9% for 2019. For the year ended 31 December 2018, our gross profit margin was approximately 84.6%.

EXPENSES

Research and Development Expenses

Our research and development expenses mainly comprise employee salary and benefit expenses incurred by our R&D department and outsourcing expenses. The R&D expenses amounted to approximately RMB112.4 million for the year ended 31 December 2019, representing a decrease of approximately 24.7% as compared to approximately RMB149.3 million in 2018. Such decrease was mainly because the Group had spent great effort to enhance its cost management in R&D in the year of 2019.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses and professional consulting fees. The administrative expenses were approximately RMB58.7 million for the year ended 31 December 2019, representing a decrease of 42.6% as compared to approximately RMB102.3 million in 2018. Such decrease was mainly because listing-related expenses no longer recurred and the Group had spent great effort to enhance its cost management in the year of 2019.

Selling and Marketing Expenses

Our selling and marketing expenses mainly comprise advertising expenses incurred by our marketing department. The selling and marketing expenses amounted to approximately RMB21.0 million for the year ended 31 December 2019, representing an increase of approximately 13.1% as compared to RMB18.6 million in 2018. Such increase was mainly because the selling and marketing expenses of the Acquired Business have been consolidated into the Group’s accounts after the completion of the Acquisition in the second half of 2019.

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 closely relevant to our operating performance have been eliminated, and this would be useful for investors to compare our financial results directly with those of our peer companies.

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

	For the year ended 31 December	
	2019 (RMB'000)	2018 (RMB'000)
Profit/(loss) for the year	**13,905**	(98,031)
Add:		
Listing-related expense	**—**	35,265
Share-based compensation costs	**10,644**	35,632
Deemed disposal loss of an investment in associate	**—**	110,661
Adjusted net profit	**24,549**	83,527
Adjusted net profit attributable to:		
— Owners of the Company	**21,435**	83,527
— Non-controlling interests	**3,114**	—
	24,549	83,527

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

CAPITAL EXPENDITURE

Our capital expenditure includes office computer, electronic appliance, software and construction in progress. For the years ended 31 December 2019 and 2018, total capital expenditure amounted to approximately RMB3.07 million and RMB2.42 million respectively.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Pursuant to the Company's announcement dated 23 January 2020, Wuxi 7Road, a wholly-owned subsidiary of the Company, as the potential investor, entered into a framework agreement in relation to a potential investment (the "**Potential Investment**") in an information technology company. Details of the Potential Investment are subject to further negotiations between the parties according to such framework agreement.

Pursuant to the Company's announcement dated 27 April 2020, the Company (as the potential buyer) entered into a letter of intent with the potential vendors in relation to the potential acquisition (the "**Potential Acquisition**") of the entire equity interest of Beijing Locojoy Technology Co., Ltd.* (北京樂動卓越科技有限公司) on 17 April 2020.

Other than the Potential Investment and Potential Acquisition, the Company did not have other plans for material investments or capital assets as of the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Pursuant to the Company's announcement dated 23 October 2019, the Company has completed the Acquisition on 22 October 2019. Please refer to (i) the Company's announcement dated 23 August 2019, 13 September 2019 and 20 September 2019; (ii) the Company's circular dated 26 September 2019; and (iii) the Company's announcement dated 23 October 2019, for details of the Acquisition.

As a result of the Acquisition, as at 31 December 2019, the total assets of the Group has increased by approximately RMB606.4 million to approximately RMB1,942.0 million; and the total liabilities of the Group has increased by approximately RMB668.7 million to approximately RMB827.1 million. Upon the completion of the Acquisition in October 2019, the financial results, including but not limited to the revenue, cost of revenue and profit attributable to the owners of the Acquired Business, have been consolidated into our Group's account. For the year ended 31 December 2019, the revenue from the Acquired Business and consolidated into our Group's account amounted to approximately RMB101.5 million.

Save as disclosed above, the Company did not have any other material acquisitions or disposals of subsidiaries and affiliated companies in 2019.

CHARGE ON ASSETS

As of 31 December 2019, a property for our own use was pledged to secure a bank loan granted to us in September 2016.

Save as disclosed above, there was no other material charge on the Group's assets as at 31 December 2019.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2019, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

* *For identification purposes only*

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2019, we had 555 full-time employees, mostly based in Shenzhen, Wuxi and Shanghai. For the year ended 31 December 2019, our employee remuneration amounted to approximately RMB93.9 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, performance-related bonus, RSUs, 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 of the Company 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, performance-related bonus, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension schemes on their behalf.

SUBSEQUENT EVENTS

COVID-19 outbreak

After the COVID-19 outbreak in late 2019, a series of precautionary and control measures have been and continued to be implemented in the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which the consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

Digital Hollywood's Litigation

On 27 April 2020, Guangzhou Zhang Ying Kong Information Technology Company Limited ("**Zhang Ying Kong**"), a subsidiary of Digital Hollywood Interactive Limited ("**Digital Hollywood**") litigated against Qianhai Huanjing and Shenzhen 7Road both subsidiaries of the Group, concerning a game cooperation agreement (the "**Litigation**"). The Litigation was filed to the People's Court of Haizhu District, Guangzhou, the PRC on 18 May 2020, for which the Company has engaged the services of lawyers to prepare for vigorous defense. As the Company believes that Zhang Ying Kong and other subsidiaries of Digital Hollywood breached the contracts in advance in respect of a series of cooperation with the Group, while the Group has consistently performed its obligations under the contracts, the Group's claims will have a greater chance to be supported. Therefore, the management believes that the result of the Litigation will not have any material adverse effect on the consolidated financial statement. Subject to the development of the Litigation, the actual effect might differ from above expectations.

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the CG Code and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2019, the Company has complied with the applicable code provisions of the CG Code other than the code provisions A.2.1 of the CG Code, namely, the roles of the chairman and chief executive officer have not been separated, from 1 January 2019 to 1 September 2019.

Code Provision A.2.1 of the CG Code

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 1 January 2019 to 1 September 2019, Mr. Meng Shuqi held the roles of both the Chairman and the CEO. Since Mr. Meng Shuqi is the key person for our Group's establishment and development with extensive experience in the internet and game industry, Mr. Meng Shuqi is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment. The Board considers that vesting the roles of Chairman and CEO in the same person is beneficial to the Group, and balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. Mr. Meng Shuqi ceased to be the CEO, and Mr. Peng Cheng was appointed as the CEO, with effect from 1 September 2019. Subsequent to the resignation of Mr. Meng Shuqi and appointment of Mr. Peng Cheng as the CEO, the Company has complied with all the applicable code provisions of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and the internal control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and is conducting the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Group, who will implement the strategy and direction as determined by the Board.

The Board currently consists of six Directors, namely Mr. Meng Shuqi (Chairman), Mr. Li Zhengquan and Mr. Yang Cheng as executive Directors, and Mr. Xue Jun, Ms. Li Yiqing and Ms. Wang Ying as independent non-executive Directors. None of the Directors had a relationship (including financial, family or other substantial or related relationship) with each other. The Board has a balance of skills and experience appropriate for the requirements of the business of the Group.

The biographies of the Directors are set out on pages 11 to 15 of this annual report.

Each of the executive Directors has entered into a service contract with the Company and the Company has issued letters of appointment to each of the independent non-executive Directors.

Code provision A.4.2 of the CG Code states that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the independent non-executive Directors has signed a letter of appointment with the Company until the third anniversary of the Listing Date and is subject to retirement by rotation at an annual general meeting of the Company at least once every three years.

The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association, the Listing Rules and other applicable laws.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the year ended 31 December 2019 was approximately RMB4,142,000.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors and senior management for the year ended 31 December 2019 are set out in note 10 and note 36 to the consolidated financial statements respectively.

The company has arranged appropriate insurance cover in respect of legal proceedings against the Directors.

The procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense as required pursuant to code provision A.1.6 of the CG Code.

During the year ended 31 December 2019 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Mr. Xue Jun is the Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considered them to be independent.

Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The joint company secretaries of the Company are Mr. Li Zhengquan and Mr. Cheung Kai Cheong. In compliance with Rule 3.29 of the Listing Rules, Mr. Li Zhengquan and Mr. Cheung Kai Cheong have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019. Mr. Cheung Kai Cheong has the necessary qualifications and experience as required under Rule 3.28 and 8.17 of the Listing Rules.

All Directors attended various trainings in the Reporting Period, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company has arranged suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

Changes in Directors' and chief executive's information pursuant to Rule 13.51B (1) of the Listing Rules

The change in Directors' and chief executive's 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 with effect from 1 September 2019.

Mr. Li Zhengquan

- Appointed as an executive Director and the Company's chief financial officer with effect from 30 April 2019.
- Appointed as one of the Company's joint company secretary with effect from 5 November 2019.

Mr. Hu Min

- Ceased to be an executive Director with effect from 30 April 2019.

Mr. Li Shimeng

- Ceased to be a non-executive Director with effect from 2 March 2020.

Mr. Yan Kaidan

- Ceased to be a non-executive Director with effect from 2 March 2020.

Mr. Wu Xiaoguang

- Ceased to be an independent non-executive Director and a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee with effect from 2 August 2019.

Ms. Wang Ying

- Appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee with effect from 2 August 2019.

Mr. Liu Yunli

- Ceased to be an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 30 September 2019.

Ms. Li Yiqing

- Appointed as an independent non-executive Director, a member of the Audit Committee, the chairwoman of the Remuneration Committee and a member of the Nomination Committee with effect from 30 September 2019.

Mr. Peng Cheng

- Appointed as the CEO with effect from 1 September 2019.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy. The diversity policy sets out the basic principles to ensure that the Board has the requisite knowledge of the Company and experience in different business and cultural conditions of different regions and markets and a variety of perspectives necessary to maintain and enhance the overall effectiveness of the Board and taking account of succession planning. All Board appointments will continue to be made on a merit basis based on the Group's business needs from time to time while taking into account the benefit of diversity. The Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates will be based on a range of factors with reference to the Company's business needs, including but not limited to age, gender, nationality, educational background, industry and professional experience. The Nomination Committee will select board members in accordance with the Company's nomination policy and will also give consideration to the board diversity policy. The Nomination Committee will review the board diversity policy at least annually to ensure its continued effectiveness.

BOARD MEETINGS

The Company has adopted a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least three days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the joint company secretaries of the Company and the copies are circulated to all Directors for reference and record purpose.

The minutes of the meetings of the Board and committees thoroughly are recorded all matters under consideration and decisions made including any problems raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meetings and the committee meetings.

A Board meeting was held on 29 March 2019 to consider and approve the annual results announcement and annual report of the Group for the year ended 31 December 2018. A Board meeting was held on 30 April 2019 to consider the resignation of Mr. Hu Min as the executive Director and Mr. Lin Sen as the Company's chief financial officer, as well as the appointment of Mr. Li Zhengquan as the executive Director and the Company's chief financial officer. The Board passed a written resolution on 2 July 2019 to consider and approve the Company's plan to repurchase up to 80,000,400 Shares. A Board meeting was held on 23 August 2019 to consider the entering into the sale and purchase agreement in relation to the acquisition of the Acquired Business. A Board meeting was held on 29 August 2019 to consider and approve the interim results of the Group for the six months ended 30 June 2019, to consider the resignation of Mr. Meng Shuqi as chief executive officer and appoint Mr. Peng Cheng as chief executive officer. The Board passed a written resolution on 4 December 2019 to consider the entering into the framework cooperation agreement with Beijing Zhongtai Chuanghui Equity Investment Fund Management Co., Ltd. All Directors had participated in the above board meetings or making written resolutions.

GENERAL MEETING

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least 20 clear business days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Poll voting results are posted on the Company's website on the day of the annual general meeting.

During the year ended 31 December 2019, one annual general meeting and one extraordinary general meeting were held. All executive Directors had participated in the annual general meeting and the extraordinary general meeting.

The forthcoming AGM will be held on 31 July 2020. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Xue Jun, Ms. Li Yiqing and Ms. Wang Ying, all being our independent non-executive Directors. Mr. Xue Jun has been appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

A meeting of the Audit Committee was held on 29 March 2019 to review the annual results announcement of the Group for the year ended 31 December 2018, internal control policy and risk management systems, etc. A meeting of the Audit Committee was held on 29 August 2019 to review the interim results of the Group for six months ended 30 June 2019 and the audit plan. All members of the Audit Committee had participated in the above meetings.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee has four members, comprising three independent non-executive Directors, namely Ms. Li Yiqing, Mr. Xue Jun and Ms. Wang Ying, and one executive Director, namely Mr. Meng Shuqi. Ms. Li Yiqing is the chairwoman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement.

Meetings of the Remuneration Committee were held on 30 April 2019, 2 August 2019, 29 August 2019 and 30 September 2019 to discuss matters in relation to the remuneration of the newly-appointed directors and to make recommendations to the Board. A meeting of the Remuneration Committee was held on 29 March 2019 to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters. All members of the Remuneration Committee had participated in the above meetings.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three independent non-executive Directors, being Mr. Xue Jun, Ms. Li Yiqing and Ms. Wang Ying, and one executive Director, being Mr. Meng Shuqi, who is the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Meetings of the Nomination Committee were held on 30 April 2019, 2 August 2019, 29 August 2019 and 30 September 2019 to discuss matters in relation to the appointment of new Directors and to make recommendations to the Board. A meeting of the Nomination Committee was held on 29 March 2019 to review composition of the Board, assess the independence of independent non-executive Directors and recommend the Board on the re-election of Directors. All members of the Nomination Committee had participated in the above meetings. During the year of 2019, the Nomination Committee has reviewed the structure, size and composition of the Board, and the nomination of candidates for directorship and made recommendations to the Board on terms of such appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors, the senior management, and Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management and employees of the Group during the year under review.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has in place a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

EXTERNAL AUDITOR

For the year ended 31 December 2019, the fees paid/payable to Moore Stephens for audit and audit-related services amounted to approximately RMB3.58 million, respectively. For the year of 2019, no non-auditing service was provided by the external auditor.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flows during the Reporting Period. A statement from the auditor about its reporting responsibilities on the consolidated financial statements is set out on pages 54 to 55 of this annual report. In preparing the consolidated financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 16 to 25 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for evaluating and determining the nature and extent of the risk the Company is willing to take to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board has developed its internal management systems, which include but not limited to the following processes:

- The Board receives regular updates from the senior management and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed;
- The senior management supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk;
- The Group monitors a wide range of indicators, such as game statistics, player feedbacks and employee turnover rate, and responds promptly if any risk indicators arise; and
- The Group works with external legal, accounting and other professional advisers at various jurisdictions to ensure that it is in compliance with relevant legislation and regulations.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for overseeing the management in the design, implementation and monitoring of such systems, and reviewing and maintaining appropriate and effective risk management and internal control systems. During the year ended 31 December 2019, the Board has conducted reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk and other risks.

In addition, the Board has reviewed and considered that the resources, staff qualifications and experience, training programs and budget of the Company's accounting, compliance, legal and financial reporting functions are adequate and effective during the year ended 31 December 2019.

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies have been put in place to ensure that inside information is adequately controlled. To ensure the confidentiality and the timely disclosure of inside information, all employees have been provided with learning materials and guidelines regarding the handling and dissemination of inside information. Our data system controls have been implemented to ensure the access to sensitive data is restricted to authorized personnel only.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was conditionally adopted by the Board on 23 June 2018 and became effective on the Listing Date. A copy of the Articles of Association is available on the website of the Company and the Stock Exchange. Since the Listing Date up to the date of this annual report, there was no significant change in constitutional documents of the Company.

SHAREHOLDERS

The Company was incorporated in the Cayman Islands. Pursuant to the Articles of Association, general meetings of the Company shall also be convened on the written requisition of any one or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings of the Company will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Under article 64 of the Articles of Association, any one or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the joint company secretaries of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law. Shareholders who wish to put forward proposals at general meetings of the Company may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for Shareholders to propose a person for election as a Director are published on the Company's website. For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company as follows:

Address: No. 2-18-1902, Long Shan Road, Xin Wu District, Wuxi, Jiangsu Province, PRC.

The Company will not normally deal with verbal or anonymous enquiries.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 6 September 2017 as an exempted company with limited liability under the Companies Law. The Group is a leading game developer and operator in China with a global reach. Since its inception in 2008, the Group has engaged in the R&D, operation and licensing of a number of popular web games.

The activities and particulars of the Company's subsidiaries are shown under note 38 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and consolidated statement of profit or loss.

BUSINESS REVIEW

A review of the Group's business during the year ended 31 December 2019, which includes a discussion of the principal challenges and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advice 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 performance of the audit works of the Company's consolidated financial statements for the year ended 31 December 2019, PricewaterhouseCoopers, the Company's former Auditor, identified certain unresolved audit issues in connection with the audit of the Company's consolidated financial statements as at and for the year ended 31 December 2019. The publication of annual results and dispatch of annual report for the year ended 31 December 2019 are therefore deferred until the date of this annual report. Accordingly, the Company was not able to comply with the financial reporting provisions under Rules 13.46 and 13.49 of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2019 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended 31 December 2019 are set out on pages 56 to 63 of this annual report. The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 July 2020 to Friday, 31 July 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM to be held on Friday, 31 July 2020 at 10 a.m.. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 27 July 2020.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 8 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements on pages 116 to 117 of this annual report.

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. See Appendix — Environmental, Social and Governance Report to this annual report for further details.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in note 26 to the consolidated financial statements on pages 130 to 131 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the Consolidated Statement of Changes in Equity on pages 60 to 61 of this annual report and in note 27 to the consolidated financial statements on page 132 of this annual report respectively. As at 31 December 2019, the Company had distributable reserves amounting to RMB3,845.6 million.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 2, 3, 4, 5, 8, 9, 10, 11, 12, 16, 17, 18, 19, 22, 23, 24, and 25 July 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 in 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the Companies Law, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

USE OF NET PROCEEDS

The Shares were listed on the Stock Exchange on the Listing Date and the net proceeds raised from the Global Offering amounted to approximately HK$874 million (approximately RMB769.1 million). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at 31 December 2019, the Company has utilised RMB730.3 million of the net proceeds from the Global Offering. For the amounts not yet utilised, the Company will apply the remaining net proceeds in the manner set out in the Prospectus. As at 31 December 2019, the following table sets out the breakdown of the use of proceeds from Global Offering:

Business Strategy	**Net Proceeds from the Global Offering** *(RMB million)*	**Utilization as at 31 December 2019** *(RMB million)*	**Unutilized amount** *(RMB million)*
Proprietary online games and other IPs	230.7	191.9	38.8
Acquisition of popular IPs or other related assets, or investment in or acquisition of overseas or China-based popular IP providers	230.7	230.7	—
Investment in game developers and publishers	153.9	153.9	—
Fund of our game publishing business	76.9	76.9	—
Working capital and other general corporate purposes	76.9	76.9	—
Total	**769.1**	**730.3**	**38.8**

DIRECTORS

The Board currently consists of the following six Directors:

Executive Directors

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

Independent Non-executive Directors

Mr. Xue Jun
Ms. Li Yiqing
Ms. Wang Ying

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 11 to 15 in the section headed "Profiles of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. Pursuant to their respective service contracts, Mr. Meng Shuqi has agreed to act as executive Director for an initial term of three years commencing from the Listing Date. Mr. Yang Cheng agreed to act as executive Director with effect from 29 October 2018 for a term of three years, Mr. Li Zhengquan agreed to act as executive Director with effect from 30 April 2019 for a term of three years. The above service contracts may be terminated by not less than three months' notice in writing served by either the Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from his/her respective appointment date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors (including the Directors proposed for re-election at the AGM) has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Related Party Transactions" in note 36 to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the year ended 31 December 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 31 December 2019 or subsisted at the end of the Reporting Period.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Benefits and Interests of Directors" in note 10 to the consolidated financial statements, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in note 9 and note 10 to the consolidated financial statements in this annual report. The annual remunerations of senior management (excluding those who are also the Directors) fall within the following:

	Number of individuals in 2019
HK$1,000,001 to HK$1,500,000	2
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	—
HK$3,500,001 to HK$4,000,000	1
HK$4,500,001 to HK$5,000,000	—
HK$6,500,001 to HK$7,000,000	—
	4

For the year ended 31 December 2019, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors had waived any emoluments for the year ended 31 December 2019.

Except as disclosed above, no other payments had been made or were payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently, none of the applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into the Contractual Arrangements to enable the Company to exercise and maintain control over operations of the Consolidated Affiliated Entities and to consolidate these companies' financial results into the Company's results under IFRSs as if they are wholly-owned subsidiaries of the Company.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have taken and plan to continue to take specific steps to comply with the Qualification Requirements. After the Listing, the Company kept implementing its expansion plan in target overseas markets. For the year ended 31 December 2019, the Company generated revenue from overseas markets which amounted to RMB143,163,101.

Up to the date of this annual report, there is no further update in relation to the Qualification Requirement. The Contractual Arrangements which were in place during the year ended 31 December 2019 are as follows:

1. The voting rights proxy agreement and powers of the attorney dated 13 April 2018, pursuant to which each of the Registered Shareholders irrevocably appointed Qianhai Huanjing or the Directors and their successors as his attorney-in-fact to exercise such shareholder's rights in Shenzhen 7Road (the "**Proxy Agreement and Powers of Attorney**").

2. The exclusive option agreement dated 13 April 2018, pursuant to which Registered Shareholders jointly and severally granted irrevocably to Qianhai Huanjing the exclusive rights to require the Registered Shareholders to transfer any or all their equity interests and/or assets in Shenzhen 7Road to Qianhai Huanjing and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken, subject to the relevant PRC laws and regulations, they will return to Qianhai Huanjing any consideration received in the event that Qianhai Huanjing exercises the option to acquire the equity interests of Shenzhen 7Road (the "**Exclusive Option Agreement**").

3. The equity pledge agreement dated 13 April 2018, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Shenzhen 7Road to Qianhai Huanjing as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements (the "**Equity Pledge Agreement**").

4. the Exclusive business cooperation agreement dated 13 April 2018, pursuant to which Shenzhen 7Road agreed to engage Qianhai Huanjing as its exclusive provider of technical support, consultation and other services and Shenzhen 7Road agreed to pay service fees to Qianhai Huanjing (the "**Exclusive Business Cooperation Agreement**").

No service fee was paid pursuant to the Exclusive Business Cooperation Agreement for the year ended 31 December 2019.

The revenue and net profit of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB19.1 million and RMB81.3 million for the year ended 31 December 2019, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB670.5 million and RMB288.8 million as at 31 December 2019, respectively.

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed "Risk Factors — Risks Relating to our Corporate Structure" in the Prospectus for details.

Material change in relation to the Contractual Arrangements

During the year ended 31 December 2019, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of the Consolidated Affiliated Entities to be operated without the Contractual Arrangements.

However, for the year ended 31 December 2019, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

TRANSFER OF NON-RESTRICTED BUSINESS

As at 31 December 2019, the transfer of trademarks from the Consolidated Affiliated Entities to Qianhai Huanjing was completed.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2019, the Company did not enter into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2019.

LOAN AND GUARANTEE

During the year ended 31 December 2019, the Group had not made any loan or provided any guarantee for the loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

RSU SCHEME

On 6 March 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 6 March 2018 (unless it is terminated earlier in accordance with its terms). As at 31 December 2019, the remaining life of the RSU Scheme was approximately eight years and three 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. 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 31 March 2018, RSUs representing 100,800,000 underlying Shares has been granted to 66 participants in the RSU Scheme pursuant to the RSU Scheme. On 31 March 2019, RSUs represented 21,637,500 underlying Shares were vested. Please refer to note 28 to the consolidated financial statements on page 133 this annual report for details.

Details of the RSUs granted under the RSU Scheme as at 31 December 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 31 December 2019[(1)]
Director of our subsidiary and/or Consolidated Affiliated Entities					
Ms. 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	31 March 2018	0.17%
Senior management members of our Company					
Ms. 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	31 March 2018	0.03%
Mr. Shi Shuanghua	head of the arts department	Flat 24A, Block H1, Ao Cheng Garden Phase II, Nanshan District, Shenzhen, PRC	875,000	31 March 2018	0.03%

Rank/position held with our Group	Number of underlying Shares represented by RSUs	Date of grant	Approximate percentage of interest as at 31 December 2019[(1)]
19 game development employees	6,650,000	31 March 2018	0.25%
7 game operation employees	3,115,000	31 March 2018	0.12%
1 general and administration employees	700,000	31 March 2018	0.03%

Note:

(1) The calculation is based on the total number of 2,619,500,000 Shares in issue as at 31 December 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 28 to the consolidated financial statements on page 133 of this annual report.

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

As at 31 December 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 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(2)	Approximate percentage of issued share capital(1)
Mr. Meng Shuqi (3), (4)	Interest in a controlled corporation	528,854,000	20.19%

Notes:

(1) The calculation is based on the total number of 2,619,500,000 Shares in issue as at 31 December 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.

(4) 98,932,000 Shares are registered under the name of 7Road Elite Holdings Limited, the issued share capital of which is owned as to 100% by Ben 7Road Holdings Limited. Ben 7Road Holdings Limited is wholly-owned by Mr. Meng Shuqi. Accordingly, Mr. Meng Shuqi is deemed to be interested in all the Shares held by 7Road Elite Holdings Limited for the purpose of Part XV of the SFO.

INTERESTS IN OTHER MEMBERS OF THE GROUP

Name of Director/ Chief Executive	Name of other members of the Group	Capacity/ Nature of interest	Approximate percentage of registered capital (1)
Mr. Meng Shuqi	Shenzhen 7Road(2)	Beneficial owner	20.19%
	Shenzhen Qianqi(2)	Interest in a controlled corporation	20.19%
	Huoerguosi 7Road(2)	Interest in a controlled corporation	20.19%

Notes:

(1) All interests stated are long positions.

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

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

So far as the Directors were aware, as at 31 December 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[2]	Approximate percentage of interest[1]
Baohu Holdings Limited	Beneficial owner[3]	352,714,000	13.46%
Shanghai Bao Hu Investment Management Center (Limited Partnership)	Interest in a controlled corporation[3]	352,714,000	13.46%
Shanghai Bao Pu Investment Management Co., Ltd.	Interest in controlled corporations[3] Interest in controlled corporations[3]	353,586,000 872,000	13.50% 0.03%
Ningbo Hao Chu Investment Management Co., Ltd.	Interest in controlled corporations[3] Interest in controlled corporations[3]	353,586,000 872,000	13.50% 0.03%
Mr. Zhou Hao	Interest in controlled corporations[3] Interest in controlled corporations[3]	353,586,000 872,000	13.50% 0.03%
Shangyulongcheng Holdings Limited	Beneficial owner[4]	174,410,000	6.66%
Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership)	Interest in a controlled corporation[4]	174,410,000	6.66%
Zhejiang Long Xin Equity Investment Management Co., Ltd.	Interest in a controlled corporation[4]	174,410,000	6.66%
Wolong Holding Group Co., Ltd.	Interest in a controlled corporation[4]	174,410,000	6.66%
Mr. Chen Jiancheng	Interest in a controlled corporation[4]	174,410,000	6.66%
Ms. Chen Yanni	Interest in a controlled corporation[4]	174,410,000	6.66%

Name	Nature of interest	Number of Shares or underlying Shares held[2]	Approximate percentage of interest[1]
Ben 7Road Holdings Limited	Beneficial owner	429,922,000	16.41%
	Interest in a controlled corporation[5]	98,932,000	3.78%
World 7Road Holdings Limited	Beneficial owner	331,130,000	12.64%
	Interest in a controlled corporation[6]	80,000,000	3.05%
Mr. Hu Min	Interest in a controlled corporation[6]	411,130,000	15.69%
Songshuxing Holdings Limited	Beneficial owner[7]	189,936,000	7.25%
Mr. Song Shuxing	Interest in a controlled corporation[7]	189,936,000	7.25%
Shengqu Technology Korean Limited	Beneficial owner	140,666,000	5.37%

Notes:

(1) The calculation is based on the total number of 2,619,500,000 Shares in issue as at 31 December 2019.

(2) All interests stated are long positions.

(3) 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 (Limited Partnership). Accordingly, Shanghai Bao Hu Investment Management Center (Limited Partnership) is deemed to be interested in such number of Shares held by Baohu Holdings Limited. In addition, the general partner of Shanghai Bao Hu Investment Management Center (Limited Partnership) 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. In addition, 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. 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 Co., Ltd. and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baopu Hong Kong Limited.

(4) 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, 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 and 38.73% by Ms. Chen Yanni, who is the daughter of Mr. Chen Jiancheng and 12.34% by certain other shareholders. Accordingly, each of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership), 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.

(5) 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.

(6) 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 such number of Shares held by 7Road Talent Holdings Limited. In addition, World 7Road Holdings Limited is wholly-owned by Mr. Hu Min. Accordingly, Mr. Hu Min is deemed to be interested in such number of Shares held by World 7Road Holdings Limited and 7Road Talent Holdings Limited.

(7) 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 such number of Shares held by Songshuxing Holdings Limited.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customers accounted for 12.64% of the Group's total revenue. The Group's five largest customers accounted for 46.78% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 7.55% of the Group's total purchase. The Group's five largest suppliers accounted for 24.75% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

DIVIDEND POLICY

The Company has adopted a Dividend Policy which allows the Shareholders to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) the Company's actual and expected financial performance;

(b) dividends received from the Company's subsidiaries and associates;

(c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;

(d) the liquidity position of the Group;

(e) the Group's expected working capital requirements;

(f) general business conditions and strategies;

(g) taxation considerations;

(h) possible effects on creditworthiness;

(i) legal, statutory and regulatory restrictions;

(j) contractual restrictions; and

(k) any other factors that the Board deem appropriate.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

HUMAN RESOURCES

As at 31 December 2019, we had 555 full-time employees, mostly based in Shenzhen, Wuxi and Shanghai. The following table sets forth the number of our employees by function as at 31 December 2019:

Function	Number of employees	% of total
R&D	471	84.86%
— Game R&D	393	70.81%
— Game operation	78	19.85%
General and administration	84	15.14%
Total	555	100%

The Group has entered into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes salaries, performance-related bonus, RSUs, 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.

RETIREMENT BENEFITS SCHEME

The Group's employees in Hong Kong have all participated in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in note 2.19(a) to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS

Save as the transactions contemplated under the Contractual Arrangements, during the year ended 31 December 2019, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in note 36 to the consolidated financial statements contained herein.

None of the related party transactions constituted a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, other than the code provision A.2.1 of the CG Code during the period from 1 January 2019 to 1 September 2019.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 34 of this annual report.

AUDITOR

There has been no change in auditor since the Listing Date to the year ended 31 December 2019. However, PricewaterhouseCoopers tendered its resignation as the auditor of the Company with effect from 10 April 2020, and Moore Stephens CPA Limited has been appointed as the new auditor of the Company with effect from 10 April 2020. The consolidated financial statements for the year ended 31 December 2019 have been audited by Moore Stephens CPA Limited, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

On behalf of the Board

Meng Shuqi
Chairman

Wuxi, PRC, 12 June 2020

Independent Auditor's Report

MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of 7Road Holdings Limited
第七大道控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

The consolidated financial statements of 7Road Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 56 to 152, which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition – estimates of lifespan of in-game virtual items with reference to expected playing period of paying players ("**Player Relationship Period**") in the Group's online game service
- Impairment assessment of goodwill

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – estimates of lifespan of in-game virtual items with reference to expected playing period of paying players ("**Player Relationship Period**") in the Group's online game service *(Refer to Note 2.22, Note 4(a) and Note 5 to the consolidated financial statements)*	
During the year ended 31 December 2019, the Group's revenue from online games amounted to RMB285.8 million, representing 85.7% of the Group's total revenue. It was mainly derived from the sales of in-game virtual items. The in-game virtual items sold by the Group are categorised either as consumable or durable in nature. Revenue derived from consumable in-game virtual items is recognised once they are consumed, while revenue derived from durable in-game virtual items is recognised ratably over the lifespan with reference to Player Relationship Period (defined in Note 2.22), on a game by game basis. The determination of the Player Relationship Period for relevant in-game virtual items requires significant judgements and estimates by the management. These judgements and estimates included (i) the determination of key assumptions applied in the expected Player Relationship Period, including but not limited to the observation of historical paying players' behaviour, log-in records, churn rates and games life-cycle; and (ii) the identification of events that may trigger changes in the expected Player Relationship Period. We focused on this area because of the size of the online game revenue and the significant judgements involved in the determination of the Player Relationship Period.	We understood, evaluated and validated the key controls in relation to the recognition of revenue from in-game virtual items, including oversight exercised by management in determining and re-assessing the Player Relationship Period on a regular basis and the computation of the monthly revenue of in-game virtual items. We discussed with management and evaluated the appropriateness of their methodology, judgements and estimations made in determining and re-assessing the Player Relationship Period for each game by comparing with historical data and industry practice. We checked, on a sample basis, the accuracy and the integrity of the key data inputs, including the observation of the paying players' behaviour with reference to their log-in records, and calculation of churn rates used in determining Player Relationship Period, extracted from the game servers. We also tested the information system logic for generation of such data. Based on our procedures above, we found that the significant judgements and estimates involved in determining the Player Relationship Period adopted by the management were supportable.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill *(Refer to Note 18 and Note 33 to the consolidated financial statements)* At 31 December 2019, the Group has recognised goodwill of approximately RMB693 million (including provisional goodwill of RMB667 million relating to a business combination which took place for the year ended 31 December 2019 as disclosed in Note 33) relating to the cash generating units ("CGUs") principally engaged in the development and distribution of web games and mobile games in the People's Republic of China, which are subject to annual impairment assessment. The directors of the Company considered no impairment loss is necessary as at 31 December 2019. Details are disclosed in Note 18 to the consolidated financial statements. Impairment of goodwill is assessed based on the value in use calculation by using a discounted cash flow model, which is highly judgmental and is dependent on certain significant inputs including the discount rates, growth rates and expected changes to sales and direct costs. We focused on this area because of the size of the goodwill and the significant judgements involved in the assessment of the recoverable amount of the CGUs.	We understood and assessed the rationale of management on the impairment assessment process, including the impairment model, CGUs allocation and the preparation of cash low projection. We discussed with management and evaluated the appropriateness of the impairment model and inputs applied in the impairment model, including the discount rates, growth rates and expected changes to sales and direct costs. We evaluated the accuracy of management's cash flow forecasts by comparing the actual results of those CGUs to the previously forecasted results. Based on our procedures above, we found that the significant judgements and estimates involved in the impairment assessment of goodwill adopted by the management were supportable.

OTHER MATTER

The Group's consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2019.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 12 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	333,379	332,384
Cost of revenue	8	(40,248)	(51,116)
Gross profit		293,131	281,268
Research and development expenses	8	(112,407)	(149,343)
Selling and marketing expenses	8	(20,997)	(18,558)
Administrative expenses	8	(58,733)	(102,252)
Net impairment losses on financial assets under expected credit loss model		(36,626)	(26,208)
Other income	6	21,394	19,089
Other (losses)/gains, net	7	(77,562)	17,286
Operating profit		8,200	21,282
Finance income	11	813	3,893
Finance costs	11	(3,100)	(5,500)
Finance costs, net	11	(2,287)	(1,607)
Share of results of associates	19	—	(1,034)
Share of results of a joint venture	20	(784)	—
Deemed disposal loss of interest in an associate	19	—	(110,661)
Profit/(loss) before income tax		5,129	(92,020)
Income tax credit/(expense)	12	8,776	(6,011)
Profit/(loss) for the year		13,905	(98,031)
Profit/(loss) attributable to:			
— Owners of the Company		10,791	(98,031)
— Non-controlling interests		3,114	—
		13,905	(98,031)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	13	0.0044	(0.0461)

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit/(loss) for the year		**13,905**	(98,031)
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Fair value changes on financial assets at fair value through other comprehensive income, net of tax		**(4,085)**	879
Items that may be reclassified to profit or loss			
Currency translation differences of foreign operations		**13,062**	20,769
Share of other comprehensive income of associates	19	**—**	129
Other comprehensive income, net of tax		**8,977**	21,777
Total comprehensive income/(loss) for the year		**22,882**	(76,254)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**19,768**	(76,254)
— Non-controlling interests		**3,114**	—
		22,882	(76,254)

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

31 December 2019

	Notes	As at 31 December 2019 RMB'000	 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	17,630	18,685
Right-of-use assets	16	83,087	—
Land use rights	17	—	71,773
Intangible assets	18	856,188	29,583
Interests in associates	19	—	—
Interest in a joint venture	20	3,216	—
Financial assets at fair value through other comprehensive income	21	794	5,172
Financial assets at fair value through profit or loss	22	2,357	138,860
Prepayment and other receivables	23	113,059	384,121
Restricted cash	25	1,935	2,182
Deferred income tax assets	31	18,741	10,204
		1,097,007	660,580
Current assets			
Trade receivables	24	229,673	81,547
Prepayment and other receivables	23	442,483	131,785
Income tax recoverable		17,317	4,739
Financial assets at fair value through profit or loss	22	111,469	169,219
Restricted cash	25	1	1,703
Cash and cash equivalents	25	44,011	286,017
		844,954	675,010
Total assets		1,941,961	1,335,590
LIABILITIES			
Current liabilities			
Trade and other payables	32	332,459	42,318
Lease liabilities	29	5,093	—
Borrowings	30	9,058	6,138
Current income tax liabilities		53,052	—
Contract liabilities	5	61,910	53,759
		461,572	102,215
Net current assets		383,382	572,795
Total assets less current liabilities		1,480,389	1,233,375

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current liabilities			
Other payables	32	273,750	—
Lease liabilities	29	7,895	—
Borrowings	30	35,296	41,435
Contract liabilities	5	—	6,066
Deferred income tax liabilities	31	48,614	8,746
		365,555	56,247
Net assets		1,114,834	1,177,128
EQUITY			
Share capital	26	86	88
Share premium	26	3,791,696	3,854,742
Other reserves	27	(2,977,334)	(2,969,226)
Retained earnings		301,814	291,524
Total equity attributable to owners of the Company		1,116,262	1,177,128
Non-controlling interests		(1,428)	—
Total equity		1,114,834	1,177,128

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

The financial statements on pages 56 to 152 were approved by the Board of Directors on 12 June 2020 and were signed on its behalf

Meng Shuqi
Director

Li Zhengquan
Director

Yang Cheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018		88	3,854,742	(2,969,226)	291,524	1,177,128	–	1,177,128
Adjustment on adoption of IFRS 16	2.2	–	–	–	(499)	(499)	–	(499)
Balance at 1 January 2019		88	3,854,742	(2,969,226)	291,025	1,176,629	–	1,176,629
Comprehensive income								
Profit for the year		–	–	–	10,791	10,791	3,114	13,905
Other comprehensive income								
Currency translation differences		–	–	13,062	–	13,062	–	13,062
Fair value changes on financial assets at fair value through other comprehensive income		–	–	(4,085)	–	(4,085)	–	(4,085)
Total comprehensive income		–	–	8,977	10,791	19,768	3,114	22,882
Transactions with owners in their capacity as owners								
Repurchase and cancellation of own shares	26	(2)	(63,046)	2	(2)	(63,048)	–	(63,048)
Addition relating to acquisition of a subsidiary	33	–	–	–	–	–	(4,542)	(4,542))
Share-based compensation								
— value of employee services	28	–	–	10,644	–	10,644	–	10,644
— vested and settled	28	–	–	(27,731)	–	(27,731)	–	(27,731)
Total transactions with owners in their capacity as owners		(2)	(63,046)	(17,085)	(2)	(80,135)	(4,542)	(84,677)
Balance at 31 December 2019		86	3,791,696	(2,977,334)	301,814	1,116,262	(1,428)	1,114,834

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Attributable to owners of the Company Share capital RMB'000	Combined capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December 2017		42	10,000	–	29,774	516,029	555,845
Adjustment on adoption of IFRS 9		–		–	(8,359)	8,359	–
Balance at 1 January 2018		42	10,000	–	21,415	524,388	555,845
Comprehensive income/(loss)							
Loss for the year		–	–	–	–	(98,031)	(98,031)
Other comprehensive income							
Currency translation differences		–	–	–	20,769	–	20,769
Share of other comprehensive income of associates		–	–	–	129	–	129
Fair value changes on financial assets at fair value through other comprehensive income		–	–	–	879	–	879
Total comprehensive income/(loss)		–	–	–	21,777	(98,031)	(76,254)
Transactions with owners in their capacity as owners							
Issuance of ordinary shares for re-organization	26	18	(10,000)	3,058,050	(3,048,050)	–	18
Issuance of ordinary shares upon initial public offering ("**IPO**")	26	28	–	852,529	–	–	852,557
Shares issuance costs	26	–	–	(55,837)	–	–	(55,837)
Dividends	14	–	–	–	–	(134,833)	(134,833)
Share-based compensation	28	–	–	–	35,632	–	35,632
Total transactions with owners in their capacity as owners		46	(10,000)	3,854,742	(3,012,418)	(134,833)	697,537
Balance at 31 December 2018		88	–	3,854,742	(2,969,226)	291,524	1,177,128

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34	**79,329**	(49,629)
Interest received		**813**	320
Interest paid		**—**	(406)
Income tax refunded/(paid), net		**12,742**	(15,220)
Cash settlement of vested RSUs		**(27,731)**	—
Net cash generated from/(used in) operating activities		**65,153**	(64,935)
Cash flows from investing activities			
Payments for purchase of wealth management products		**(166,964)**	(614,793)
Proceeds from maturity of wealth management products		**212,466**	610,235
Payments for mobile game cooperation contract		**(88,843)**	—
Payment for purchase of other financial assets at fair value through profit or loss		**(51,240)**	(134,427)
Proceeds from sale of other financial assets at fair value through profit or loss		**25,733**	46,457
Capital injection to a joint venture		**(4,000)**	—
Prepayments for potential investments		**(146,810)**	(369,146)
Proceeds from disposal of investment in an associate and financial assets at fair value through other comprehensive income		**—**	6,850
Dividend income		**—**	423
Payments for purchases of property, plant and equipment		**(3,077)**	(1,799)
Proceeds from disposal of property, plant and equipment		**1,430**	54
Payments for purchases of intangible assets		**—**	(467)
Net cash inflow on acquisition of a subsidiary	33	**23,559**	—
Payments for contingent consideration payable for acquisition of a subsidiary		**(52,072)**	—
Loans granted to related parties		**—**	(2,687)
Loans granted to third parties		**—**	(195,368)
Repayments of loans granted to third parties		**12,173**	177,706
Withdrawal of restricted deposits as revenue for serving of debt for loans		**—**	162,330
Net cash used in investing activities		**(237,645)**	(314,632)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from IPO		–	852,529
Share issuance costs		(1,671)	(42,359)
Share repurchases		(63,048)	—
New bank borrowings raised		2,920	—
Repayments of bank borrowings		(6,139)	(108,854)
Repayments of lease liabilities		(4,174)	—
Payment for interest portion of lease liabilities		(488)	—
Interest received of a deposit in relation to a bank borrowing		–	17,425
Dividends declared in prior years and paid to the then shareholders		–	(37,460)
Dividends declared and paid during the year to the then shareholders		–	(62,855)
Dividends paid		–	(71,978)
Interest paid		(2,606)	(5,178)
Net cash (used in)/generated from financing activities		(75,206)	541,270
Net (decrease)/increase in cash and cash equivalents		(247,698)	161,703
Cash and cash equivalents at beginning of the year	25(a)	286,017	130,186
Exchange losses on cash and cash equivalents		5,692	(5,872)
Cash and cash equivalents at end of the year	25(a)	44,011	286,017

The notes on pages 64 to 152 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

7Road Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 6 September 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the 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 "**Business**").

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors on 12 June 2020.

1.2 Reorganization of the Group

Prior to the incorporation of the Company and completion of the Group's reorganization on 1 March 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 31 December 2018.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

Immediately prior to and after the Reorganization, the Group's Business was carried out by Shenzhen 7Road and its subsidiaries. Pursuant to the Reorganization, the Group's Business are effectively controlled by Shenzhen Qianhai Huanjing Network Technology Co., Ltd. ("**Qianhai Huanjing**") (wholly owned subsidiary of the Company), and ultimately controlled by the Company, through direct equity holding and the Contractual Arrangements (as defined in Note 2.4(a)). The Company and those companies newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Group's Business and does not result in any changes in business substance, nor in any management of the Group's Business. Accordingly, the consolidated financial statements of the companies now comprising the Group is presented using the carrying value of the Group's Business for all periods presented.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and contingent consideration payable for acquisition of a subsidiary, which are carried at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application of IFRS 16.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect (if any) recognised at the date of initial application of IFRS 16, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application of IFRS 16;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for a similar class of underlying assets in a similar economic environment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 "Leases" (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied was 4.75%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	15,714
Lease liabilities discounted at relevant incremental borrowing rates	12,292
Less: Recognition exemption – low value assets (excluding short-term leases of low value leases)	(9)
Lease liabilities as at 1 January 2019	12,283
Analysed as	
Current	4,013
Non-current	8,270
	12,283

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 "Leases" (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	At 1 January 2019 RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		11,784
Reclassified from land use rights	(a)	71,773
		83,557
By class:		
Leasehold lands		71,773
Office premises		11,784
		83,557

Note (a): Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of IFRS 16, the land use rights amounting to RMB71,773,000 were reclassified to right-of-use assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 16 "Leases" (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated balance sheet at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amount under IFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	—	83,557	83,557
Land use rights	71,773	(71,773)	—
Current liabilities			
Lease liabilities	—	(4,013)	(4,013)
Non-current liabilities			
Lease liabilities	—	(8,270)	(8,270)
Equity			
Retained earnings	1,177,128	(499)	1,176,629

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future and the relevant details are mentioned below.

Amendments to IFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. The optional concentration test and the amended definition of a business are not expected to have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have a significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Subsidiaries controlled through contractual agreements

Pursuant to a series of contractual agreements, including exclusive business cooperation agreement, exclusive option agreement, share pledge agreement, and powers of attorney agreement, dated 13 April 2018 (collectively, the "**Contractual Agreements**") among the wholly-owned subsidiary of the Company, Qianhai Huanjing, Shenzhen 7Road and its shareholders, which enable Qianhai Huanjing and the Group to:

- governing the financial and operating policies of Shenzhen 7Road;
- exercise shareholders' voting rights of Shenzhen 7Road;
- receive substantially all of the economic interest returns generated by Shenzhen 7Road in consideration for the business support, technical and consulting services provided by Qianhai Huanjing;
- obtain an irrevocable and exclusive right with an initial period of 10 years to purchase all or part of the equity interests in Shenzhen 7Road from the respective shareholders at a minimum purchase price permitted under PRC laws and regulations, and the irrevocable and exclusive right shall be unconditionally and automatically extended thereafter until it is terminated by Qianhai Huanjing. Qianhai Huanjing may exercise such options at any time until it has acquired all equity interests of Shenzhen 7Road. The respective shareholders have also undertaken, subject to the relevant PRC laws and regulations, they will return to Qianhai Huanjing any consideration received in the event that Qianhai Huanjing exercises the option to acquire the equity interests of Shenzhen 7Road;
- obtain a pledge over the entire equity interests of Shenzhen 7Road from its respective shareholders as collateral security for all of Shenzhen 7Road's payments due to Qianhai Huanjing and to secure performance of Shenzhen 7Road's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the directors of the Company believe that the Group has rights to exercise power over Shenzhen 7Road and its subsidiaries, receive variable returns from its involvement with Shenzhen 7Road and its subsidiaries, has the ability to affect those returns through its power over Shenzhen 7Road and its subsidiaries and is considered to control Shenzhen 7Road and its subsidiaries. Consequently, the Company regards Shenzhen 7Road and its subsidiaries as the controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Subsidiaries controlled through contractual agreements (continued)

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen 7Road and its subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Shenzhen 7Road and its subsidiaries. The directors of the Company, based on the advice of its external legal counsel, consider that the Contractual Arrangements among Qianhai Huanjing, Shenzhen 7Road and its shareholders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(ii) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries (continued)

(a) Consolidation (continued)

(ii) Business combination (continued)

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Subsidiaries (continued)

(a) Consolidation (continued)

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Investments in subsidiaries

Investments in subsidiaries disclosed in Note 39 are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's interests in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the statement of profit or loss.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). In preparing the Group's consolidated financial statements for the year ended 31 December 2019, the directors of the Company reassessed the facts and circumstances associated with the functional currency of the Company and considered its functional currency changed to HK$ from US$ on Listing Date (i.e. 18 July 2018), which better reflect underlying transactions, events and conditions that are relevant to the Company in the primary economic environment in which the Company operates. The change in the functional currency of the Company was applied prospectively from date of change in accordance with IAS 21 "The Effect of Changes in Foreign Exchange Rate". On the date of the change of functional currency, all assets, liabilities, share capital, other reserves, retained earnings and profit or loss and other comprehensive income items were translated into HK$ at the exchange rate on that date. As US$ is pegged to HK$, the directors of the Company are of the opinion that the impact of the change of functional currency on the financial statements of the Company is minimal.

The functional currencies of the Company's subsidiaries in the PRC are RMB while its overseas subsidiaries are US$ or other appropriate currencies. As the major operations of the Group are within the PRC, the Group determined to present its financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	30 years
— Servers and other equipment	3 years
— Vehicles	4 years
— Furniture	3 to 5 years
— Leasehold improvements	Estimated useful lives of 1 to 3 years or remaining lease terms of 2 to 3 years, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other gains/(losses), net' in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Lessee accounting from 1 January 2019

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight— line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases

(b) Lessee accounting from 1 January 2019

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

(b) Lessee accounting from 1 January 2019 (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets unless the adjustment to the right of use assets results in the carrying amount of the right of assets becoming zero and there is a further reduction in the measurement of the lease liability, in which case, any remaining amount of the remeasurement is recognised in profit or loss) whenever:

- there is a change in the lease term or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- there is a change in future lease payments resulting from changes in an index or rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review or there is a change in the amounts expected to be payable under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(c) Lessee accounting prior to 1 January 2019

Land use rights

Land use rights represent prepayment for land and are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortization of land use rights is calculated on a straight-line basis over the period of the land use rights.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Game copyrights and intellectual property license contracts

Game copyrights and intellectual property license contracts acquired in a business combination are initially recognized at fair value at the date of acquisition and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Separately acquired game copyrights and intellectual property license contracts are carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired intellectual property license contracts over their estimated useful lives of three to ten years.

(c) Computer software licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of one to three years, and recorded in amortization within operating expenses in the statement of profit or loss.

(d) Domain names

Domain names are initially recognized and measured at costs incurred to acquire and bring to use them. The costs are amortized on a straight-line basis over domain names' estimated useful lives of ten years and recognized as amortization within operating expenses in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets (including right-of-use assets) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(a) Classification and measurement (continued)

Debt instruments

Initial recognition and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. There are three categories into which the Group classifies its debt instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as and measured at amortized cost. A gain or loss on a debt investment measured at amortized cost which is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is recognized using the effective interest rate method.

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as and measured at fair value through other comprehensive income. Movements in the carrying amount of these financial assets are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other gains, net" in the consolidated income statement. Interest income from these financial assets is recognized using the effective interest rate method.

- Fair value through profit or loss: Financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are classified as and measured at fair value through profit or loss. A gain or loss on a debt investment measured at fair value through profit or loss which is not part of a hedging relationship is recognized in profit or loss and presented in "other gains, net" for the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since initial recognition.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(c) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or in the absence of a principal market, the most advantageous market) at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); or

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied to the same taxable entity by the same taxation authority.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and the other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as labor costs when they are due.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.20 Equity-settled share-based payments arrangements

Share-based compensation arrangement represents the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments (such as restricted share or options) is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Equity-settled share-based payments arrangements (continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

In case it is an option arrangement, when the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Revenue recognition

The Group evaluated and recognized revenue based on a five step approach:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to each performance obligation
- Recognize revenue when each performance obligation is satisfied

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts, returns and value added taxes. Revenue is recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) Online game revenue

The Group is a web-based and mobile online game developer and also a publisher. The Group's online game revenue are generated primarily from its self-operated, i.e. game publishing by the Group's platforms, and licenced-out, i.e. game publishing by other publisher under various game distribution arrangements.

The Group's online games are operated under free-to-download model whereby game players can play the games free of charge and are charged for the purchase of in-game tokens, which entitle the game players to exchange for in-game virtual items, including those consumable and durable virtual items.

(i) Revenue from online games (both self-development games and licensed games) published by the Group

The Group sells the in-game tokens to its game players via payment channels, such as various mobile carriers and third-party internet payment systems. The in-game tokens are non-refundable and non-cancellable, and can exchange for virtual items. The payment channels are entitled to a handling fee which is withheld and deducted from the gross proceeds collected from the game players, with the net amounts remitted to the Group. The handling fee charged by payment channels are recognized as cost of revenue in the consolidated statement of profit or loss.

The Group is obligated to provide on-going services to the game players and such obligation is not deemed to be inconsequential after game players purchase in-game virtual items. Revenue is recognized when the Group satisfies its performance obligations, i.e. point in time for the consumable virtual items upon consumed and over the estimated playing period of paying players ("**Player Relationship Period**") for the durable virtual items, given there is an implicit obligation of the Group to maintain and allow access of the players to the games operated by the Group.

Estimation of Player Relationship Period

The Group estimates the Player Relationship Period and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group until the new game establishes its own patterns and history. The Group also considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period. Adjustments arising from changes in the estimated useful lives of durable virtual items are applied prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) Online game revenue (continued)

(ii) Revenue from online games (both self-development games and licensed games) published by other publisher under game distribution arrangements

The Group also grants its online games to third-party game publishers ("**Publishers**") to publish its online games through their own platforms, including web-based and mobile game portals, or other distribution platforms, including major social networking websites (such as Facebook), online application stores installed in mobile (such as Apple Inc.'s App Store ("**Apple App**") and Google Play), web-based and mobile game portals.

Proceeds earned from selling in-game tokens are collected by the Publishers or its designated payment platform and shared between the Group and the Publishers based on a pre-determined rate.

The Group is jointly obligated to provide on-going services to the game players.

In certain arrangements, the Group is responsible for providing game product, technical support and upgrades, while the Publishers are responsible for publishing (including determining the platforms), providing payment solution, customer service, promotion activities and other daily game operation, and the right to determine the ultimate pricing of in-game virtual items are shared among the Group and the Publishers.

The Group recognizes the revenue amounts that the Group is entitled, i.e. on a net basis and under the same principles as stated in (i) above as the Group is jointly obligated to provide on-going services to the game players.

The Group is obligated to the Publishers to operate the licensed-out games.

In certain arrangements, the Group grants its online game to the Publishers and the Publishers pay license fees for the exclusive right to operate the Group's games in specified geographic areas. The license fees normally comprise of a fixed license fees (either up-front or under specific payment schedule) and variable fees calculated based on a predetermined rate on the cash paid by game players collected by the Publishers related to the licensed-out games. The Group views the third-party Publishers as its customers as the Group does not have the primary responsibility for fulfilment and acceptability of the game services.

Under these arrangements, apart from providing game license and initial game content, the Group is also obligated to provide post-sale services to the Publishers, including when-and-if-available technical support and upgrades. Normally, no activity that significantly affect the game license is undertaken by the Group. The performance obligations of the Group in these arrangements comprise of the transfer of control of game license and post-sale services. The fixed license fees are allocated between the game license and post-sale services based on relative fair value of the standalone performance obligation. The amount allocated to the game license is recognized as revenue at the point in time when the license is granted and the commencement of the license period, given that it is considered to be a right to use the game licence, and the amount allocated to post-sale services is recognized as revenue ratably over the license period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) Online game revenue (continued)

(ii) Revenue from online games (both self-development games and licensed games) published by other publisher under game distribution arrangements (continued)

The variable license fees which are contingent upon future events (future cash paid by game players collected by the Publishers related to the licensed game title) are recognized when the contingency is met provided that collectability is reasonably assured.

(b) Sales of customization game software

The Group is entrusted to provide customization game software to third parties. Revenue is recognized at a point in time when the services are rendered to third parties.

(c) Sales of game copyrights

Revenue from the sale of game copyrights is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the game software master copy and completion of the registration change of game copyrights.

(d) Sales of online game technology and publishing solutions services

The Group sells technology development services, games installation services, software copyrights and publishing solutions services to third parties. Revenue is recognized when the services are rendered.

(e) Intellectual property licensing

The Group also generates revenue from licensing its copyrights to other online game companies for agreed periods. The license fees normally comprise of a fixed license fees (either up-front or under specific payment schedule) and variable fees calculated based on predetermined terms. Normally the Group do not have any substantive post-sale services to the licensee.

The revenue from licensing agreements is recognized at the point in time when the license has been transferred to the licensee given that it is considered to be a right to use arrangement. The variable license fees which are contingent upon future events (future cash paid by game players collected by the Publishers related to the licensed game title) are recognized when the contingency is met provided that collectability is reasonably assured.

(f) Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities mainly comprise of revenue sharing received in advance from customers, the unamortised revenue from sales of virtual items for online games and the up-front license fee paid by licensees, where there is still an implied obligation to be provided by the Group and will be recognised as revenue when all of the revenue recognition criteria are met.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2.24 Research and development costs

The expenditure on an internal research and development project is classified into research cost and development cost based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Research cost is recognized in profit or loss in the period in which it is incurred. Development cost is capitalized only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset, and use or sell it;
- Management ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate economic benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs capitalized in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

Capitalized development costs are amortized using the straight-line method over their estimated useful lives.

Development costs not satisfying the above criteria are recognized in the profit or loss as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

During the years ended 31 December 2019 and 2018, the Group did not capitalize any development costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: (i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and (ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$. Foreign exchange risk primarily arose from recognized assets and liabilities when receiving or to receive foreign currencies from overseas counterparties. The Group did not hedge against any fluctuation in foreign currency during the years ended 31 December 2019 and 2018.

For the Group's PRC subsidiaries whose functional currency is RMB, if US$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax profit would have been approximately RMB2,492,000 higher/lower for the year ended 31 December 2019 and the post-tax loss would have been approximately RMB2,835,000 lower/higher for the year ended 31 December 2018, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in US$.

(ii) Price risk

The Group is exposed to price risk in respect of investments held by the Group that are classified on the consolidated balance sheet either as at fair value through other comprehensive income or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

The Group's financial assets at fair value through other comprehensive income are held for capital appreciation and business strategic purposes. The sensitivity analysis is determined based on the exposure to equity price risks of financial assets at fair value through other comprehensive income at the end of the reporting period. If equity prices of the respective instruments held by the Group had been 5% higher/lower, the other comprehensive income for the years ended 31 December 2019 and 31 December 2018 would have been approximately RMB34,000 and RMB220,000 higher/lower respectively.

In respect of the Group's financial assets at fair value through profit or loss, the sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of the reporting period. If the fair value of the respective instruments held by the Group had been 5% higher/lower, the post-tax profit for the year ended 31 December 2019 would have been approximately RMB5,671,000 higher/lower and the post-tax loss for the year ended 31 December 2018 would have been approximately RMB13,872,000 lower/higher.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. All borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group analyses its interest rate exposure on a regular basis to consider the options available for refinancing, renewal of existing positions, and alternative financing.

As at 31 December 2019, if the interest rate had increased/decreased by 100 basis points with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB352,000 lower/higher and post-tax loss for the year ended 31 December 2018 would have been approximately RMB404,000 higher/lower, mainly as a result of increase/decrease in interest expense on borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents and restricted cash placed with banks, trade receivables and other loan and receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Credit risk is managed on group basis. Finance team is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past experience and other factors.

Cash and cash equivalents and restricted cash are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. These has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model: trade receivables and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows:

Receivables	Expected credit loss	Basis for recognition of expected credit loss provision	Estimated gross amount at default	Carrying amount (net of impairment provision)
			As at 31 December 2019	
			RMB'000	RMB'000
Trade receivables	9.6%	Life time expected credit losses	253,977	229,673
Advances granted to third parties	19.6%	12 months expected credit losses	7,416	5,966
Advance to related party	1.9%	12 months expected credit losses	2,747	2,695
Receivables value-added tax	–	12 months expected credit losses	9,511	9,511
Receivable from refund for terminated mobile game contract	3.4%	12 months expected credit losses	106,387	102,743
Receivable from mobile game cooperation contract	3.4%	12 months expected credit losses	104,477	100,898
Receivable from disposal of investments	3.4%	12 months expected credit losses	93,140	89,949
Others	13.0%	12 months expected credit losses	13,741	11,960

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Receivables	Expected credit loss	Basis for recognition of expected credit loss provision	Estimated gross amount at default As at 31 December 2018 RMB'000	Carrying amount (net of impairment provision) RMB'000
Trade receivables	4.1%	Life time expected credit losses	85,012	81,547
Advances granted to third parties	14.8%	12 months expected credit losses	19,153	16,320
Receivables value-added tax	—	12 months expected credit losses	9,266	9,266
Others	1.6%	12 months expected credit losses	7,525	7,403

Apart from the above expected credit loss, the Group also provided certain full impairment provision against receivables for certain incurred losses to the extent of RMB26,261,000 (2018: RMB23,103,000), due to financial difficulty in the relevant counterparties identified by the Group, of which included an amount of RMB20,299,000 (2018: RMB20,299,000) related to receivable from disposal of investments as at 31 December 2019 (Note 23(f)).

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Trade receivables 2019 RMB'000	2018 RMB'000
At 1 January	**3,465**	1,259
Acquisition of a subsidiary	**4,097**	—
Increase in loss allowance recognised in profit or loss	**17,142**	2,323
Receivables written off during the year as uncollectible	**(400)**	(117)
At 31 December	**24,304**	3,465

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and indicators of severe financial difficulty.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Impairment losses on trade receivables are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) 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 analyzes the Group's non-derivative financial liabilities and lease 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.

	Weighted average interest rate %	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	Total RMB'000	Carrying amount RMB'000
Group							
At 31 December 2019							
Borrowings	4.60%	11,093	7,954	21,861	11,380	52,288	44,354
Trade and other payables (excluding staff payroll and welfare payables, government grants, other taxes payables and contingent consideration payable for acquisition of a subsidiary) (Note 32)	–	54,865	–	–	–	54,865	54,865
Contingent consideration payable for acquisition of a subsidiary (Note 32)	5.39%	230,324	200,000	100,000	–	530,324	497,709
Lease liabilities	4.75%	5,732	7,855	396	–	13,983	12,988
		302,014	215,809	122,257	11,380	651,460	609,916
At 31 December 2018							
Borrowings	5.46%	8,490	8,215	22,638	18,110	57,453	47,573
Trade and other payables (excluding staff payroll and welfare payables, government grants and other taxes payables) (Note 32)	–	24,964	6	367	–	25,337	25,337
		33,454	8,221	23,005	18,110	82,790	72,910

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at fair value through other comprehensive income (Note 21)	**–**	**–**	**794**	**794**
Financial assets at fair value through profit or loss (Note 22)	**111,469**	**–**	**2,357**	**113,826**
	111,469	**–**	**3,151**	**114,620**
Contingent consideration payable for acquisition of a subsidiary (Note 33)	**–**	**–**	**(497,709)**	**(497,709)**
As at 31 December 2018				
Financial assets at fair value through other comprehensive income (Note 21)	–	–	5,172	5,172
Financial assets at fair value through profit or loss (Note 22)	124,383	44,836	138,860	308,079
	124,383	44,836	144,032	313,251

As at 31 December 2018, none of the Group's financial liabilities are measured at fair value.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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.

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 other comprehensive income, financial assets at fair value through profit or loss and contingent consideration payable for acquisition of a subsidiary for the years ended 31 December 2019 and 2018 have been disclosed in Notes 21, 22 and 33, respectively.

The components of the level 3 instruments include investments in unlisted equity securities and contingent consideration payable for acquisition of a subsidiary. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

At 31 December 2019

	Amount RMB'000	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity securities	3,151	Market approach	• Earnings multiples of comparable companies • Discount for lack of marketability	4.41 15.80%	Note ii
Contingent consideration payable for acquisition of a subsidiary	(497,709)	Discounted cashflow method	• Discount rate	5.39%	Note ii

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

At 31 December 2018

	Amount RMB'000	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity securities	38,430	Recent transaction price (note i)	N/A	N/A	N/A
Unlisted equity securities	105,602	Market approach	• Earnings multiples of comparable companies	7.68 — 9.26	Note iii
			• Discount for lack of marketability	10% — 15%	

Notes:

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

(ii) The 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 year ended 31 December 2019 RMB'000
Earnings multiples of comparable companies	4.41	+5%	156
	4.41	-5%	(156)
Discount for lack of marketability	15.80%	+5%	(30)
	15.80%	-5%	30
Discount rate	5.39%	+1%	5,580
	5.39%	-1%	(5,720)

(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 year ended 31 December 2018 RMB'000
Earnings multiples of comparable companies	7.68 — 9.26	+5%	5,280
	7.68 — 9.26	-5%	(5,280)
Discount for lack of marketability	10% — 15%	+5%	(932)
	10% — 15%	-5%	932

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of Player Relationship Period in the Group's online game services

As described in Note 2.22, the Group recognizes certain revenue from sale of in-game durable virtual items in online game services ratably over the Player Relationship Period. The determination of the Player Relationship Period for relevant in-game virtual items requires significant judgement and estimates by the management. These judgements and estimates included (i) the determination of key assumptions applied in the expected Player Relationship Period, including but not limited to the observation of historical paying players' behaviour, log-in records, churn rates and games life-cycle; and (ii) the identification of events that may trigger changes in the expected Player Relationship Period. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Fair value measurement of level 3 financial assets

The fair value of financial assets that are not quoted in active markets is determined by using valuation techniques. These include the use of recent arm's length transactions, net asset value, and comparable companies approach and other valuation techniques commonly used by market participants, which require selection of significant unobservable inputs in the valuation process, including but not limited to recent arm's length transaction prices, discount for lack of marketability, earnings multiple of comparable companies, etc. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

(c) Impairment provision for trade and other receivable

The impairment provisions for trade and other receivables are based on assumptions about the expected credit loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical data, existing market conditions as well as forward looking information at the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 3.1(b), Note 23 and Note 24. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss.

(d) Control over Shenzhen 7Road and its subsidiaries under the Contractual Arrangements

As described in Note 2.4, Shenzhen 7Road and its subsidiaries are treated as controlled structured entities of Qianhai Huanjing and ultimately controlled and consolidated by the Company by way of the Contractual Arrangements. The management of the Group, after consulting legal opinion, are of the opinion that the Contractual Arrangements are in compliance with the PRC laws and regulations and are legally enforceable, and that the Group has power over Shenzhen 7Road's relevant activities and is exposed to significant variable return of Shenzhen 7Road. Changes in these assumptions could have material impact on the consolidated financial statements of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(e) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs with significant inputs including growth rates and expected changes to sales and direct costs, and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is RMB693,065,000 (2018: RMB26,031,000). Details of the recoverable amount calculation are disclosed in Note 18.

5 SEGMENT INFORMATION AND REVENUE

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

As at 31 December 2019 and 2018, substantially, the majority of the non-current assets of the Group were located in the PRC.

Revenue for the years ended 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Types of goods or services		
Online game revenue	285,819	230,717
— Self-development games		
published by the Group	5,797	6,024
published by other publishers	262,351	209,148
— Licensed games		
published by the Group	565	2,791
published by other publishers	17,106	12,754
Sales of customization game software	13,302	—
Sales of game copyrights	22,453	—
Sales of online game technology and publishing solutions services	1,382	52,480
Intellectual property licensing	10,423	49,187
	333,379	332,384
Timing of revenue recognition		
— At a point in time	103,906	80,216
— Over time	229,473	252,168
	333,379	332,384

5 SEGMENT INFORMATION AND REVENUE (continued)

Revenues of approximately RMB155,948,000 and RMB134,164,000 for the years ended 31 December 2019 and 2018, respective were derived from five largest single external customers.

During the year ended 31 December 2019, revenue of approximately RMB78,805,000 was derived from two external customers, which individually accounted for more than 10% of the total revenue.

During the year ended 31 December 2018, no revenues were derived from respective single external customers, each of which accounted for more than 10% of total revenue.

The Group has recognized the following liabilities related to contracts with customers:

	2019 RMB'000	2018 RMB'000
Contract liabilities		
Current		
Advance from customers	44,556	33,790
Game copyrights	418	10,179
Game revenue derived from game players	16,936	9,790
	61,910	53,759
Non-current		
Game copyrights	–	6,066
Total contract liabilities	61,910	59,825

Contract liabilities primarily represented the unamortized revenue derived from sale of in-game virtual items in the Group's online game services and advance payments from third parties publishers, which the Group continued to have obligations as at the reporting date.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2019 RMB'000	2018 RMB'000
Revenue recognised during the year that was included in contract liabilities balance at the beginning of the year		
Advance from customers	33,790	21,804
Game copyrights	15,914	4,371
Game revenue derived from game players	9,790	48,935
	59,494	75,110

6 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants	2,874	13,192
Value added tax ("**VAT**") refunds	5,911	5,378
Compensation income (Note 23(e))	8,893	—
Interest income on receivable from disposal of investments (Note 23 (f))	2,279	—
Others	1,437	519
	21,394	19,089

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

7 OTHER (LOSSES)/GAINS, NET

	2019 RMB'000	2018 RMB'000
Fair value change on:		
— mobile game cooperation contract (Notes 22 and 23(d))	15,634	—
— other financial assets at fair value through profit or loss (Note 22)	(83,626)	8,639
Provisional fair value change on contingent consideration payable for acquisition of a subsidiary (Note 33)	(12,652)	—
(Losses)/gains on disposal of property, plant and equipment	(149)	209
Foreign exchange gains, net	821	4,754
Others	2,410	3,684
	(77,562)	17,286

8 EXPENSES BY NATURE

	2019 RMB'000	2018 RMB'000
Employee benefit expense of directors and staff (Note 9)	**83,266**	105,863
Share-based compensation (Notes 9 and 28)	**10,644**	35,632
Promotion and advertising expenses	**29,067**	42,492
Utilities and office expenses	**3,592**	12,392
Outsourced technical services	**29,788**	26,941
Depreciation of property, plant and equipment (Note 15)	**3,132**	2,881
Depreciation of right-of-use assets (Note 16)	**5,498**	—
Amortization of land use rights (Note 17)	**—**	1,283
Amortization of intangible assets (Note 18)	**16,590**	1,815
Short-term leases expenses	**2,305**	—
Bandwidth and servers custody fee	**6,269**	5,815
Auditors' remuneration		
— Audit services	**13,384**	4,569
— Audit-related services	**776**	1,200
Listing expenses	**—**	35,265
Other professional consulting fees	**18,054**	11,335
Impairment on prepayment for technology services	**2,358**	24,276
Travelling and entertainment expenses	**2,580**	4,052
Tax and levies	**2,161**	1,830
Others	**2,921**	3,628
	232,385	321,269

9 EMPLOYEE BENEFIT EXPENSE

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	**67,430**	81,909
Other social security costs, housing fund and other employee benefits	**9,486**	16,389
Pension costs — defined contribution plans	**6,350**	7,565
Share-based compensation (Note 28)	**10,644**	35,632
	93,910	141,495

9 EMPLOYEE BENEFIT EXPENSE (continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include one (2018: one) directors whose emoluments are reflected in analysis shown in note (b) below. The emoluments payable to the remaining four (2018: four) individuals for each of the year ended 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries	2,787	2,330
Pension costs — defined contribution plans	177	187
Other social security costs, housing fund and other employee benefits	182	165
Share-based compensation	6,319	18,428
Total	9,465	21,110

(b) The emoluments fell within the following band:

	Number of individuals 2019	 2018
HK$1,000,001 to HK$1,500,000	2	—
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	—	1
HK$3,500,001 to HK$4,000,000	1	—
HK$4,500,001 to HK$5,000,000	—	1
HK$6,500,001 to HK$7,000,000	—	1
	4	4

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of each director for the years ended 31 December 2019 and 2018 is set out as below:

	Fee RMB'000	Salary RMB'000	Share-based compensations RMB'000	Pension costs – defined contribution cost RMB'000	Other social security costs, housing fund and other employee benefits RMB'000	Total RMB'000
Year ended 31 December 2019						
Executive directors						
Meng Shuqi(1)	–	595	–	40	13	648
Hu Min(2)	–	300	–	35	32	367
Li Zhengquan(2)	–	779	–	23	35	837
Yang Cheng(2)	–	1,195	–	32	34	1,261
Non-executive directors						
Li Shimeng(4)	141	–	–	–	–	141
Yan Kaidan(4)	141	–	–	–	–	141
Independent non-executive directors						
Xue Jun(6)	277	–	–	–	–	277
Liu Yunli(5)	198	–	–	–	–	198
Wu Xiaoguang(5)	156	–	–	–	–	156
Wang Ying(6)	72	–	–	–	–	72
Li Yiqing(6)	44	–	–	–	–	44
Total	1,029	2,869	–	130	114	4,142
Year ended 31 December 2018						
Executive directors						
Meng Shuqi(1)	–	600	–	17	14	631
Hu Min(2)	–	300	–	38	28	366
Wang Chendong(3)	–	518	5,801	37	35	6,391
Yang Cheng(2)	–	143	–	10	9	162
Non-executive directors						
Li Shimeng(4)	42	–	–	–	–	42
Yan Kaidan(4)	42	–	–	–	–	42
Independent non-executive directors						
Ho Chit(5)	116	–	–	–	–	116
Xue Jun(6)	11	–	–	–	–	11
Liu Yunli(5)	127	–	–	–	–	127
Wu Xiaoguang(5)	127	–	–	–	–	127
Total	465	1,561	5,801	102	86	8,015

10 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

Notes:

(1) Mr. Meng Shuqi resigned as the Company's chief executive on 1 September 2019 and remained as the Company's chairman and executive director.

(2) Mr. Hu Min, Mr. Li Zhengquan and Mr. Yang Cheng were appointed as the Company's executive directors on 6 March 2018, 30 April 2019 and 29 October 2018, respectively. Mr. Hu Min resigned as the Company's executive directors on 30 April 2019 but remained as an employee of the Group.

(3) Mr. Wang Chendong was appointed as the Company's executive director on 6 March 2018, and resigned as the Company's executive director on 14 December 2018 but remained as an employee of the Group until 31 December 2019.

(4) Mr. Li Shimeng and Mr. Yan Kaidan were appointed as the Company's non-executive directors on 6 March 2018, and resigned as the Company's non-executive directors on 2 March 2020.

(5) Mr. Ho Chit, Mr. Liu Yunli and Mr. Wu Xiaoguang were appointed as the Company's independent non-executive directors on 23 June 2018. Mr Ho Chit, Mr. Liu Yunli and Mr. Wu Xiaoguang resigned as the Company's independent non-executive directors on 14 December 2018, 30 September 2019 and 2 August 2019, respectively.

(6) Mr. Xue Jun, Ms. Wang Ying and Ms. Li Yiqing were appointed as the independent non-executive directors on 14 December 2018, 2 August 2019 and 30 September 2019, respectively.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the companies comprising the Group.

No directors waived any emolument during 2019.

No director fees were paid to these directors in their capacity as directors of the Company or the companies comprising the Group.

No emoluments were paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office during 2019.

(i) Director's retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during 2019.

(ii) Consideration provided to third parties for making available director's services

During 2019, the Company did not pay consideration to any third parties for making available directors' services.

(iii) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates by and controlled entities with such directors

Save as disclosed in Note 35 (c), there is no loans, quasi-loans and other dealing arrangement in favor of directors, or controlled body corporates and connected entities of such directors during 2019.

(iv) Directors' material interest in transactions, arrangements or contracts

There are no significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during 2019.

11 FINANCE COSTS, NET

	2019 RMB'000	2018 RMB'000
Finance income		
Interest income on restricted bank deposits	810	3,573
Others	3	320
	813	3,893
Finance costs		
Interest expenses on bank borrowing	(2,606)	(4,857)
Interest expenses on lease liabilities	(488)	—
Others	(6)	(643)
	(3,100)	(5,500)
Net finance costs, net	(2,287)	(1,607)

12 INCOME TAX CREDIT/(EXPENSE)

The income tax expense of the Group for the years ended 31 December 2019 and 2018 is analysed as follows:

	2019 RMB'000	2018 RMB'000
Current income tax		
— income tax for the year	(7,234)	(4,221)
— over provision of income tax in prior year	6,271	—
	(963)	(4,221)
Deferred income tax credit/(expense)	9,739	(1,790)
Income tax credit (expense)	8,776	(6,011)

(a) **Cayman Islands and BVI Income Tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

(b) **Hong Kong Profits Tax**

For the years ended 31 December 2019 and 2018, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits.

12 INCOME TAX CREDIT/(EXPENSE) (continued)

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% (2018: 25%) on the assessable profits during the year, except for stated below.

Shenzhen 7Road was qualified as "High and New Technology Enterprises" ("**HNTEs**") for a 3-year period under the EIT Law in 2014 and renewed the qualification to another 3-year period on 31 October 2017. Therefore, Shenzhen 7Road is entitled to a preferential income tax rate of 15%. Accordingly, PRC EIT for Shenzhen 7Road for the years ended 31 December 2019 and 2018 was provided for at a tax rate of 15% and 15%, respectively.

Qianhai Huanjing considered it fulfilled the criteria as a Key Software Enterprise ("**KSE**") for the year ended 31 December 2018, which enabled Qianhai Huanjing a preferential income tax rate of 10%, according to the relevant announcement and circular issued by relevant government authorities. Qianhai Huanjing was accredited as "software enterprises" in May 2019 under the relevant PRC laws and regulations enacted in 2018. Pursuant to the relevant tax circular, they are subject to a two-year EIT exemption period, followed by a three-year period with 50% reduction in the applicable income tax rate (i.e. 12.5%). The preferential tax period commences either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years. Accordingly, the directors of the Company considered that Qianhai Huanjing was entitled to first year income tax exemption for the year ended 31 December 2018 and second year income tax exemption for the year ended 31 December 2019 respectively. As the EIT of Qianhai Huanjing for the year ended 31 December 2018 was previously provided at the preferential income tax rate of 10% as KSE and paid to respective tax bureau, it resulted in the overprovision of EIT amounting to RMB5,766,000 in prior year during the year ended 31 December 2019. The aforesaid amount was refunded by the tax bureau during the year.

Shanghai Xinla considered it fulfilled the criteria as a KSE for the year ended 2019 which enable Shanghai Xinla a preferential income tax of 10%. Hangzhou Shengfeng was also accredited as "software enterprises" in 2019 under relevant PRC regulations enacted in 2018. Therefore, the directors of the Company considered that Hangzhou Shengfeng is entitled to a preferential income tax rate of 12.5% for the year ended 31 December 2019 as the final year of the preferential tax period.

Huoerguosi 7Road was accredited as a "software enterprise" in a special economic development zone under relevant PRC laws and regulations in 2016 and is entitled to a tax concession of exemption from EIT for five years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years, whichever is later. Huoerguosi 7Road was exempt from enterprise income tax from 2016 to 2020 under such local preferential tax regime.

12 INCOME TAX CREDIT/(EXPENSE) (continued)

(d) 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 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets certain 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%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory income tax rate as follows:

	2019 RMB'000	2018 RMB'000
Profit/(loss) before income tax	5,129	(92,020)
Tax calculated at PRC statutory tax rate of 25%	1,282	(23,005)
Tax effects of:		
Effects of preferential income tax benefits of certain subsidiaries	(25,988)	(10,056)
Effects of different tax rates applicable to different subsidiaries of the Group	3,928	45,337
Additional deduction for research and development expenses	(16,662)	(7,642)
Expenses not deductible for tax purposes	17,368	6,882
Utilisation of previously unrecognized tax losses	(1,528)	—
Tax effect of other deductible temporary differences not recognised	21,871	—
Re-measurement of deferred tax due to change in the applicable tax rate	2,193	(5,407)
Overprovision in respect of prior years	(6,271)	—
Income not subject to income tax	(4,969)	(98)
Income tax (credit)/expenses	(8,776)	6,011

13 EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019 RMB'000	2018 RMB'000
Profit/(loss) attributable to owners of the Company	**10,791**	(98,031)
Weighted average number of ordinary shares in issue (in thousands)	**2,464,093**	2,126,097
Basic earnings/(losses) per share for profit attributable to owners of the Company	**0.0044**	(0.0461)

Note: The weighted average number of ordinary shares for the purposes of basic earnings/(losses) per share for the year ended 31 December 2018 has been retrospectively adjusted for (i) the effects of each of the ordinary shares of the Company subdivided into 20 ordinary shares which took place on 23 June 2018 ("**Subdivision**") and (ii) 8,946,600 ordinary shares, before Subdivision, (equivalent to 178,932,000 ordinary shares after Subdivision) of the Company contributed by a Shareholder to the RSU Scheme which took place on 31 March 2018.

(b) Diluted

Diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share as those contingently vesting shares in relation to RSUs are not included in the computation of diluted earnings/(losses) per share for the year ended 31 December 2019 since the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period, and the impact of dilution of the RSUs was anti-dilutive during the year ended 31 December 2018.

14 DIVIDENDS

On 28 August 2018, the directors of the Company declared an interim dividend of HK$3.1 cents per share, totalling HK$82,667,000 (equivalent to approximately RMB71,693,000). As at 31 December 2019, RMB1,000 (Note 32) was remained unpaid.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2019 to its ordinary shareholders.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Servers and other equipment RMB'000	Furniture & leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost						
At 1 January 2018	13,175	39,635	22,116	3,142	1,529	79,597
Additions	–	401	1,533	–	–	1,934
Disposal	–	(3,387)	(29)	–	–	(3,416)
At 31 December 2018	13,175	36,649	23,620	3,142	1,529	78,115
Additions	–	165	2,403	–	509	3,077
Transfer from CIP to buildings	2,038	–	–	–	(2,038)	–
Addition through acquisition of a subsidiary	–	498	–	81	–	579
Disposal	–	(16,752)	(401)	(2,302)	–	(19,455)
At 31 December 2019	15,213	20,560	25,622	921	–	62,316
Accumulated depreciation						
At 1 January 2018	(521)	(36,937)	(20,776)	(1,468)	–	(59,702)
Depreciation charge (Note 8)	(417)	(817)	(1,050)	(597)	–	(2,881)
Disposal	–	3,143	10	–	–	3,153
At 31 December 2018	(938)	(34,611)	(21,816)	(2,065)	–	(59,430)
Depreciation charge (Note 8)	(441)	(374)	(2,020)	(297)	–	(3,132)
Disposal	–	15,864	320	1,692	–	17,876
At 31 December 2019	(1,379)	(19,121)	(23,516)	(670)	–	(44,686)
Net book amount						
At 31 December 2018	12,237	2,038	1,804	1,077	1,529	18,685
At 31 December 2019	13,834	1,439	2,106	251	–	17,630

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expenses have been charged to the consolidated statement of profit or loss as follows:

	2019 RMB'000	2018 RMB'000
Cost of revenue	596	846
Research and development expenses	1,418	846
Administration expenses	1,118	1,186
Selling and marketing expenses	—	3
	3,132	2,881

Note: As at 31 December 2019, the Group's buildings of RMB13,834,000 (2018: RMB12,237,000) together with the related right-of-use assets of leasehold lands of RMB70,489,000 (2018: land use rights of RMB71,773,000) (Note 16 and Note 17) were pledged as collateral for one of the Group's bank borrowings of RMB41,434,000 (2018: RMB47,572,000) (Note 30).

16 RIGHT-OF-USE ASSETS

	Leasehold lands* RMB'000	Rented office premises RMB'000	Total RMB'000
Upon the application of IFRS 16			
At 1 January 2019			
Carrying amount	71,773	11,784	83,557
At 31 December 2019			
Carrying amount	70,489	12,598	83,087
For the year ended 31 December 2019			
Depreciation charge (Note 8)	1,284	4,214	5,498
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	—	2,305	2,305
Total cash outflow for leases	—	6,967	6,967
Additions to right-of-use assets	—	10,330	10,330
Early termination of leases	—	8,830	8,830
Addition through acquisition of a subsidiary (Note 33)	—	3,528	3,528

* Being land use rights held under leases for the period of 70 years from 2004 to 2074 are located in the PRC for the Group's own use.

16 RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable periods, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17 LAND USE RIGHTS

	RMB'000
Cost	
At 1 January 2018 and 31 December 2018 (note a)	74,660
Impact on initial application on IFRS16	(74,660)
At 1 January 2019 (restated) and 31 December 2019	—
Accumulated amortization	
At 1 January 2018	(1,604)
Charge for the year (note b)	(1,283)
At 31 December 2018	(2,887)
Impact on initial application on IFRS16	2,887
At 1 January 2019 (restated) and 31 December 2019	—
Net book amounts	
At 1 January 2019 (restated)	—
At 31 December 2018	71,773

Notes:

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

(b) Amortization on land use rights of the Group was charged to the administrative expenses.

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Game copyrights and intellectual property licenses contracts RMB'000	Computer software licenses RMB'000	Domain name RMB'000	Total RMB'000
Cost					
At 1 January 2018	26,031	8,189	6,721	3,253	44,194
Additions	—	—	491	—	491
At 31 December 2018	26,031	8,189	7,212	3,253	44,685
Addition through acquisition of a subsidiary in provisional basis (Note 33)	667,034	176,161	—	—	843,195
At 31 December 2019	693,065	184,350	7,212	3,253	887,880
Accumulated amortization					
At 1 January 2018	—	(8,189)	(4,325)	(773)	(13,287)
Amortization charge (Note 8)	—	—	(1,489)	(326)	(1,815)
At 31 December 2018	—	(8,189)	(5,814)	(1,099)	(15,102)
Amortization charge (Note 8)	—	(15,260)	(1,005)	(325)	(16,590)
At 31 December 2019	—	(23,449)	(6,819)	(1,424)	(31,692)
Net book amount					
At 31 December 2018	26,031	—	1,398	2,154	29,583
At 31 December 2019	693,065	160,901	393	1,829	856,188

Amortization charges were expensed in the following categories in the consolidated statements of profit or loss:

	2019 RMB'000	2018 RMB'000
Cost of revenue	15,599	336
Research and development expenses	978	1,460
Administration expenses	13	19
	16,590	1,815

18 INTANGIBLE ASSETS (continued)

Impairment assessment of goodwill

Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from that business combination. The management considers groups of subsidiaries operating in specific locations (the "**Sub-group**"), i.e. Shenzhen and Shanghai, the PRC, represents separate CGUs for the purpose of goodwill impairment testing. The CGUs are principally engaged in the development and distribution of web games and mobile games in the PRC. At the end of the reporting period, the carrying amount of goodwill allocated to these Sub-groups are as follows:

	2019 RMB'000	2018 RMB'000
Shanghai Sub-group	667,034	—
Shenzhen Sub-group	26,031	26,031
	693,065	26,031

The goodwill amounted to RMB26,031,000 as at 31 December 2019 and 2018 was resulted from the acquisition of Shenzhen Qianqi and was attributable to the CGU consisting of the Sub-group of which the operation is mainly based in Shenzhen, the PRC.

The goodwill amounted to RMB667,034,000 as at 31 December 2019 was resulted from the acquisition of Osmanthus Vale Holdings Limited and was attributed to the CGU consisting of the Sub-group of which the operation is mainly based in Shanghai, the PRC.

The recoverable amounts of CGUs are determined from value in use calculations. The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management and discount rates. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and direct costs.

Management estimates discount rates of 20.3% to 21.8% (2018: 20.3%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in sales and direct costs are based on past practices and expectations of future changes in the market. Cash flows beyond 5-year period have been extrapolated using growth rates from 0% (2018: 0%) per annum.

The Directors of the Company considered no impairment loss for goodwill and intangible assets is necessary as at 31 December 2019 (2018: nil).

19 INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
At beginning of the year	**–**	175,268
Share of results	**–**	(1,034)
Share of other comprehensive loss	**–**	(386)
Disposal of an associate	**–**	(888)
Deemed disposal of an associate (note a)	**–**	(182,744)
Currency translation differences	**–**	9,784
At end of the year	**–**	–

	2019 RMB'000	2018 RMB'000
Cost of unlisted investment	**–**	–
Accumulated share of losses and other comprehensive income	**–**	–
At end of the year	**–**	–

Set out below are the associates of the Group as at 31 December 2019 and 2018. The associates as listed below have share capital consisting solely of ordinary shares.

Name of associates	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at 31 December **2019**	2018	Note
Digital Hollywood Interactive Limited Co., Ltd. ("**Digital Hollywood**")	Cayman Islands	Development, operations and publishing of web-based games and mobile games	**N/A**	N/A	(a)
Shenzhen Xiaotudou Cultural and Communication Co., Ltd. ("**Shenzhen Xiaotudou**")	The PRC	Designation of advertisement and animation	**–**	–	(b)

19 INTERESTS IN ASSOCIATES (continued)

Notes:

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

On 27 May 2017, Digital Hollywood allotted and issued a total of 1,111,122 new shares to a trustee of its share option scheme at a nominal consideration of US$1,111,122 and the Group's equity interest in Digital Hollywood diluted to 20.7%.

On 15 December 2017, Digital Hollywood completed its initial public offering ("**IPO**") on the Main Board of the Stock Exchange. Digital Hollywood allotted and issued 500,000,000 new shares upon the IPO at an offer price of HK$0.63 per shares with net cash proceed of approximately HK$265 million. The Group's equity interest in Digital Hollywood further diluted to 15.52%.

The Group recognized a loss on dilution of interest in Digital Hollywood of RMB13,612,000 as a result of the aforesaid new shares issued by Digital Hollywood in the year ended 31 December 2017.

Despite that the Group's interest in Digital Hollywood diluted to 15.52% upon its IPO, the Group remained its ability to exercise significant influence in Digital Hollywood's operational and financial matters through the participation in its board of directors, thus the Group continued to account for its interest in Digital Hollywood as an associate.

On 27 December 2018, primarily due to the resignation of Mr. Meng Shuqi as the Group's representative, as a non-executive director of Digital Hollywood in the board of directors 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. Accordingly, a deemed disposal loss of an investment in associate of RMB110,661,000, being the difference between the fair value of the retained interest in Digital Hollywood of RMB72,083,000 based on share price as at 27 December 2018 and the carrying amount of the investment in Digital Hollywood of RMB182,744,000, at the same date, was recognized in the consolidated statement of profit or loss.

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

20 INTEREST IN A JOINT VENTURE

	2019 **RMB'000**	2018 RMB'000
At beginning of the year	**—**	—
Addition	**4,000**	—
Share of losses and other comprehensive expenses	**(784)**	—
At end of the year	**3,216**	—

	2019 **RMB'000**	2018 RMB'000
Cost of unlisted investment	**4,000**	—
Accumulated share of losses and other comprehensive expenses	**(784)**	—
	3,216	—

20 INTEREST IN A JOINT VENTURE (continued)

Set out below is a joint venture of the Group as at 31 December 2019. The joint venture as listed below has share capital consisting solely of ordinary shares.

Name of joint venture	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at 31 December		Note
			2019	2018	
Perfect World Qijia Information Technology (Shanghai) Co., Ltd.	The PRC	Development, operations and publishing of web-based games and mobile games	**40%**	—	(a)

Note:

(a) On 15 October 2019, Perfect World Qijia Information Technology (Shanghai) Co., Ltd. ("**Perfect World Qijia**") was established in the PRC. The principal activities of Perfect World Qijia are online game development, promotion and management. On 1 November 2019, the Group injected capital of RMB4,000,000 into Perfect World Qijia, which represents 40% of the equity interest. Perfect World Qijia is accounted for as a joint venture as in accordance with its memorandum and articles, appointment of directors required unanimous consent of all of its shareholders, and decisions on major financial and operating policies require unanimous consent of all of its directors.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted equity investments	**794**	5,172

Set out below is the unlisted equity investment under financial assets at fair value through other comprehensive income of the Group as at 31 December 2019 and 2018.

Name of investee	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at 31 December	
			2019	2018
珠海雷酷互動科技有限公司	The PRC	Development and sale of computer software and provision of software technical services	**10%**	10%

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movements in financial assets at fair value through other comprehensive income during the years ended 31 December 2018 and 2019 are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	5,172	—
Adoption of IFRS 9	—	30,150
Disposal (note)	—	(26,150)
Fair value change	(4,378)	1,172
At the end of year	794	5,172

Note: On 12 June 2018, the Group disposed of certain equity investments amounted to RMB26,150,000 at aggregate considerations of RMB26,150,000 to Shenzhen Longyou Tianxia Network Technology Co., Ltd.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Current		
Investments in wealth management products (note)	—	44,836
Listed shares in Hong Kong	111,469	124,383
	111,469	169,219
Non-current		
Listed shares in the PRC	867	27,930
Unlisted investments in the PRC	1,490	110,930
	2,357	138,860
	113,826	308,079

Note: The Group purchased certain wealth management products issued by certain major commercial banks in the PRC. The Group 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. During the year ended 31 December 2019, all these wealth management products have been disposed with realized gains of RMB739,000.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Set out below are the unlisted investments under financial assets at fair value through profit or loss of the Group as at 31 December 2019 and 2018.

Name of investee	Place of incorporation/ establishment	Principal activities and place of operation	Interest held by the Group as at 31 December 2019	2018
深圳懿乾科技有限公司	The PRC	Development and sale of computer software and provision of software technical services	**15%**	15%
上海風格信息技術股份有限公司	The PRC	Development and sale of computer software and hardware, and electronic equipment	**1.6%**	1.6%
寧波九晋投資合夥企業 (note)	The PRC	Investment management	**—**	15.5%

Note: On 12 December 2017, the Group invested RMB80,000,000 in Ningbo Jiujin Investment Partnership Enterprise (Limited Partnership). The directors of the Company determined that the Group did not have significant influence on the investee and accordingly the investment was classified as financial asset at fair value through profit or loss. On 10 October 2019, such investment was disposed as disclosed in Note 23(f).

Movements in financial assets at fair value through profit or loss during the years ended 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**308,079**	123,000
Adoption of IFRS 9	**—**	11,829
Transfer from investment in an associate (Note 19(a))	**—**	72,083
Additions	**307,047**	749,220
Addition through acquisition of a subsidiary	**228**	—
Disposal	**(238,199)**	(656,692)
Transfer to other receivables	**(195,337)**	—
Realized and unrealized (losses)/gains (Note 7)	**(67,992)**	8,639
At the end of year	**113,826**	308,079
Unrealized (losses)/gains recognized in statement of profit or loss included in the above balance	**(52,695)**	8,372

23 PREPAYMENT AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Included in non-current assets		
Rental deposits	1,140	1,740
Prepayment for technology services (note c)	2,358	4,244
Prepayment to game developers	28,302	—
Advance granted to third parties (note b)	4,394	6,480
Advance to related party (Note 36)	—	2,687
Prepayment for investment (note a)	80,000	369,146
Less: provision for impairment	(3,135)	(176)
	113,059	384,121
Included in current assets		
Housing loans to employee	1,601	2,037
Advance granted to third parties (note b)	3,022	12,673
Advance to related party (Note 36)	2,747	—
Recoverable value-added tax	9,511	6,737
Prepayment to game developers	22,837	4,808
Prepayment for technology services (note c)	24,429	24,276
Receivable from refund for undelivered technology services	3,000	3,000
Receivable from mobile game cooperation contract (note d)	104,477	—
Receivable from refund for terminated mobile game contract (note e)	106,387	—
Prepayment for copyright loyalty	681	2,044
Prepayment for advertisement and marketing	38,642	92,392
Prepayment for advisory services	523	6,478
Receivable from disposal of investments (note f)	113,439	20,299
Prepayment for investments (note g)	66,810	—
Others	9,140	5,026
Less: provision for impairment	(64,763)	(47,985)
	442,483	131,785

23 PREPAYMENT AND OTHER RECEIVABLES (continued)

Notes:

(a) On 12 December 2018, the Group entered into a letter of intent ("**LOI**") with Ningbo Jingxuan Investment Center ("**Ningbo Jingxuan**"), which is a limited partnership established in the PRC and an independent third party to the Group, 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 HK$330,000,000 were paid to the designated recipient of the Ningbo Jingxuan and secured by 49% equity interest in Shanghai Xinla (which is wholly owned subsidiary of Osmanthus Vale Holdings Limited). Pursuant to the sale and purchase agreement dated 23 August 2019, the aforesaid prepayment equivalent to amount of RMB371,555,000, taking into account the exchange difference, was fully used to settle part of the purchase consideration for the acquisition of Osmanthus Vale Holdings Limited, as disclosed in note 33.

On 18 December 2019, the Group entered into a LOI with a state-owned enterprise group in Shanghai, an independent third party to the Group, for acquisition of more than 51% equity interest in an information technology company (the "**Target A**"). According to the LOI, a refundable down payment of RMB80,000,000 were paid to the designated recipient of the state-owned enterprise group. Subsequently, on 20 January 2020 and 26 March 2020, the Group, as the potential investor, entered into a framework agreement and a supplementary framework agreement, respectively, in relation to such investment with the state-owned enterprise group and the local government. Pursuant to the framework agreements, the Group further paid a refundable down payment of RMB50,000,000 on 17 March 2020 and shall have the rights to acquire 30% instead of more than 51% equity interest of Target A with paid-in capital of RMB300,000,000 in it and, meanwhile exerting its own advantage in the industry, perform businesses coordination and integrate industry resources, by further facilitating the game business development of the Group through the construction and operation of game cloud, clouding storage, big data and etc. of the Target A, in order to be well arranged in the cloud gaming business and game cloud business. Up to the date when the consolidated financial statements were authorized for issue, no formal sale and purchase agreement has been finalized.

(b) In September 2018 and November 2018, the Group provided loans with a maturity period of 1 year to a customer who is an independent third party. As at 31 December 2018, the gross carrying amount was RMB11,873,000 bearing interest rate of 1%. The balance was subsequently fully repaid in 2019 and there was no such loan to the customer as at 31 December 2019.

In November 2018, the Group provided a loan to a supplier who is an independent third party of HK$2,480,000 at an interest rate of 5% per annum with a maturity period of 2 years. As at 31 December 2019, the gross carrying amount of the advance is HK$2,480,000 (equivalent to RMB2,222,000) (2018: HK$2,480,000 (equivalent to RMB2,173,000)).

In January 2018, the Group provided a loan to an independent third party of US$600,000 at an interest rate of 5% per annum with maturity date on 31 December 2021. As at 31 December 2019, the gross carrying amount of the advance is US$630,000 (equivalent to RMB4,394,000) (2018: US$627,000 (equivalent to RMB4,306,000)).

(c) The Group entered into technology service agreements with various agencies in 2018 and 2019, that are independent third parties. Two of the technology service agreements were with Shenzhen Chuangyu Technology Co., Ltd. ("**Shenzhen Chuangyu**") and Shenzhen Xiaoduo Technology Co., Ltd. ("**Shenzhen Xiaoduo**"). Shenzhen Chuangyu was responsible to develop a mobile game according to the Group's instruction and Shenzhen Xiaoduo was responsible to provide game consulting services to the Group. However, due to Shenzhen Chuangyu's significant delay in the publishing schedule and certain technical issues as well as Shenzhen Xiaoduo's failure on delivery of consulting services, the Group expects that the recoverability of these prepayments through the game publishing and consulting services are uncertain. Accordingly, full impairment against the balance of these prepayments of RMB26,634,000 (2018: RMB24,276,000) was provided as at 31 December 2019.

(d) On 31 January 2019, the Group entered into a cooperation contract with an independent third party mobile game publisher ("**the Publisher**"), enabling the Group to participate in the advertising and promotion 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 RMB88,843,000) ("**Cooperation Amount**") for the period from March to November 2019 ("**Cooperation Period**"). During the Cooperation Period, the Group will participate in the advertising and promotion activities, and 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. The inception amount of the contract was RMB88,843,000 and the contract was accounted for as financial assets at fair value through profit or loss during the Cooperation Period and transferred to other receivables upon end of Cooperation Period. During the year, a gain on such contract of RMB15,634,000 was recognized. Up to the date when the consolidated financial statements were authorized for issue, such other receivable of RMB104,477,000 have been fully repaid.

23 PREPAYMENT AND OTHER RECEIVABLES (continued)

Notes: (continued)

(e) The Group entered into a mobile game cooperation distribution agreement with an independent third party ("**The Party**") on 12 January 2019. The Group has paid USD25,000,000 and the agreement was terminated on 26 June 2019. According to the termination agreement and two related supplementary agreements dated 29 June 2019, 31 August 2019 and 20 December 2019, the Party should repay USD26,500,000 (including compensation income of USD1,500,000) to the Group, and the instalment payments were USD11,000,000 by 29 June 2019, USD3,000,000 by 31 January 2020 and USD12,500,000 by 30 April 2020 respectively. As of 31 December 2019, the Group has received USD11,000,000, and the outstanding gross carrying amount was USD15,250,000 (equivalent to RMB106,387,000). Up to the date when the consolidated financial statements were authorized for issue, the outstanding amount was fully repaid.

(f) On 12 June 2018, the Group entered into a series of agreements with a third-party regarding the disposal of certain equity investments of the Group at aggregate cash considerations of RMB27,149,000. However, the considerations to the extent of RMB20,299,000 was past due as at 31 December 2018 due to the financial difficulty of the counterparty and accordingly, a full impairment of the remaining balance amounted to RMB20,299,000 was provided for as credit-impaired loss as at 31 December 2018. The directors of the Company believe that the amount is still not able to be recovered as at 31 December 2019.

On 10 October 2019, the Group entered into a share transfer agreement with an investment management partnership (limited partnership) ("**Investment Management**"), an independent third party to transfer the Group's investment in Ningbo Jiujin Investment Partnership Enterprise (Limited Partnership), which was included in the Group's financial asset at fair value through profit or loss and amounted to RMB90,860,000, and in return, Investment Management will pay for a consideration of RMB90,860,000 and interest with carrying amount of RMB2,280,000 by 9 October 2020. Such balance was transferred from the Group's financial assets at fair value through profit or loss to other receivables. As at 31 December 2019, the gross carrying amount of receivable from disposal of such investment is RMB93,140,000. Up to the date when the consolidated financial statements were authorized for issue, the outstanding amount was fully repaid.

(g) On 1 July 2019 and 18 December 2019, the Group entered into a LOI with an investment management company (the "**Seller**") for acquisition of a game publishing company (the "**Target B**"). According to the LOI, a refundable down payment of RMB60,000,000 was paid to designated recipient of the Seller.

Subsequently, no sale and purchase has been finalized in respect of the acquisition of no more than 12% equity interest of the Target B, and the refundable down payments of RMB60,000,000 would be refunded to the Group. Up to the date when the consolidated financial statements were authorized for issue, RMB60,000,000 was fully refunded to the Group.

24 TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	253,977	85,012
Less: provision for impairment	(24,304)	(3,465)
Trade receivables, net	229,673	81,547

24 TRADE RECEIVABLES (continued)

As at 31 December 2019 and 2018, the Group's trade receivables were denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	199,124	27,374
US$	50,886	55,493
Others	3,967	2,145
	253,977	85,012

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:

	2019 RMB'000	2018 RMB'000
Up to 3 months	130,020	26,122
3 to 6 months	61,883	11,707
6 months to 1 year	39,841	37,243
1 to 2 years	19,246	8,423
Over 2 years	2,987	1,517
	253,977	85,012

Movements on the Group's provision for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of the year	(3,465)	(1,259)
Acquisition of a subsidiary	(4,097)	—
Provision for impairment	(17,142)	(2,323)
Receivables written off during the year as uncollectible	400	117
At end of the year	(24,304)	(3,465)

The creation and release of provision for impaired receivables have been included in 'Net impairment losses on financial assets' in the statement of profit or loss.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. The Group does not hold any collateral as security.

25 BANK BALANCES AND CASH

(a) Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	**44,011**	286,017

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Restricted cash

	2019 RMB'000	2018 RMB'000
Current		
Restricted dividend payable account	**1**	1,703
Non-current		
Restricted deposits (note)	**1,935**	2,182
	1,936	3,885

Note: Restricted deposits represent government grants prepaid to the Group and held by the banks in segregated accounts. The amounts will be available for withdrawal when the Group fulfills all the obligations required by the government.

26 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital RMB'000	Combined capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2018 (note a)	63,729,400	42	10,000	–	10,042
Issuance of ordinary shares for Reorganization (note b)	36,270,600	18	(10,000)	3,058,050	3,048,068
Share Subdivision (note d)	1,900,000,000	–	–	–	–
Issuance of ordinary shares upon IPO (note e)	666,680,000	28	–	852,529	852,557
Share issuance cost (note f)	–	–	–	(55,837)	(55,837)
As at 31 December 2018	2,666,680,000	88	–	3,854,742	3,854,830
Share repurchases (note g)	(47,180,000)	(2)	–	(63,046)	(63,048)
As at 31 December 2019	2,619,500,000	86	–	3,791,696	3,791,782

26 SHARE CAPITAL AND SHARE PREMIUM (continued)

Notes:

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

(b) On 17 November 2017, 28 February 2018, 12 March 2018 and 4 May 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.

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

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

(e) On 18 July 2018, the Company issued 666,680,000 ordinary shares of US$0.000005 each at an offer price of HK$1.50 per share through the global offering for an aggregated gross proceeds of HK$1,000,020,000 (in equivalent to approximately RMB852,557,000). These shares rank pari passu in all respects with the shares in issue.

(f) Share issuance cost primarily included underwriting commissions, lawyer's fees, reporting accountant's fee and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares amounting to RMB55,837,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB36,052,000 were recognized as expenses in the consolidated statement of profit or loss.

(g) During the year, the Company repurchased 47,180,000 shares at aggregate repurchase price of HK$70,856,000 (equivalent to approximately RMB63,048,000) and all these repurchased shares were cancelled thereafter. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB2,000 was transferred from retained earnings to capital redemption reserve. The premium paid on the repurchase of the shares of RMB63,046,000 was charged to the share premium account.

27 OTHER RESERVES

	Shares held for RSU Scheme RMB'000	Statutory surplus reserve RMB'000	Shareholder contribution RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Share-based compensations RMB'000	Currency translation differences RMB'000	Investment in associates RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Total RMB'000
At 1 January 2019	(273,592)	5,000	273,592	–	(3,032,350)	35,632	21,613	–	879	–	(2,969,226)
Repurchase and cancellation of own shares (Note 26(g))	–	–	–	2	–	–	–	–	–	–	2
Share-based compensation											
– value of employee services (Notes 9 and 28)	–	–	–	–	–	10,644	–	–	–	–	10,644
– vested and settled (Note 28)	–	–	–	–	–	(27,731)	–	–	–	–	(27,731)
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(4,085)	–	(4,085)
Currency translation differences	–	–	–	–	–	–	13,062	–	–	–	13,062
At 31 December 2019	(273,592)	5,000	273,592	2	(3,032,350)	18,545	34,675	–	(3,206)	–	(2,977,334)
At 1 January 2018	–	5,000	–	–	15,700	–	844	(129)	–	8,359	29,774
Adjustment of adoption of IFRS 9, net of tax	–	–	–	–	–	–	–	–	–	(8,359)	(8,359)
Share-based compensations reserve (Notes 9 and 28)	–	–	–	–	–	35,632	–	–	–	–	35,632
Share of other comprehensive income of associates	–	–	–	–	–	–	–	129	–	–	129
Issuance of shares for the re-organization	–	–	–	–	(3,048,050)	–	–	–	–	–	(3,048,050)
Shares held for Restricted Share Units Scheme	(273,592)	–	273,592	–	–	–	–	–	–	–	–
Fair value changes on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	879	–	879
Currency translation differences	–	–	–	–	–	–	20,769	–	–	–	20,769
At 31 December 2018	(273,592)	5,000	273,592	–	(3,032,350)	35,632	21,613	–	879	–	(2,969,226)

28 EQUITY-SETTLED SHARE-BASED COMPENSATION

On 6 March 2018, to incentivize Directors, senior management and employees, a RSU Scheme was approved and adopted by the Company. ESOP 1 Holdings and ESOP 2 Holdings 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 shareholder. ESOP 1 Holdings and ESOP 2 Holdings were consolidated by the Company as the Company is able to execute power over the control and management over ESOP 1 Holdings and ESOP 2 Holdings. These shares are considered treasury shares held for the RSU Scheme indirectly by the Company.

On 31 March 2018, in exchange for employee services to the Group, 5,040,000 RSUs (equivalent to 100,800,000 ordinary shares of the Company) 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 31 March 2019, 31 March 2020 and 31 March 2021, respectively, of which certain designated grantees also required to fulfil certain service conditions.

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.

As a private company with no quoted market price of the Company's equity instruments at the date of grant, the Company needs to estimate the fair value of its equity interest at the grant date. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest of the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. As at 31 March 2018, the fair value of each RSU was valued at RMB27.6.

Movement of the RSU Scheme for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
At 1 January	**88,825,000**	—
Granted during the year	**—**	100,800,000
Forfeited	**(47,640,000)**	(11,975,000)
Vested and settled	**(21,637,500)**	—
At 31 December	**19,547,500**	88,825,000

On 31 March 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 21,637,500 RSUs at HKD1.50 per underlying shares, totalling RMB27,731,000, and (ii) certain non-market performance conditions for the vesting of the remaining 2nd batch 30% and 3rd batch 40% of RSUs were added ("**Additional Vesting Condition**").

28 EQUITY-SETTLED SHARE-BASED COMPENSATION (continued)

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 year ended 31 December 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.

For the years ended 31 December 2019 and 2018, expenses arising from the share-based compensation have been charged to the consolidated statement of profit or loss as follows:

	2019 RMB'000	2018 RMB'000
Cost of revenue	**835**	2,619
General and administrative expenses	**7,523**	23,219
Research and development expenses	**2,286**	9,794
	10,644	35,632

29 LEASE LIABILITIES

	2019 RMB'000
Within 1 year	**5,093**
Over 1 year but within 2 years	**7,895**
	12,988
Less: Amount due for settlement within 12 months shown under current liabilities	**(5,093)**
Amount due for settlement after 12 months shown under non-current liabilities	**7,895**

30 BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowings		
— RMB loan (note a)	41,434	47,573
— HK$ loan (note b)	2,920	—
	44,354	47,573

Notes:

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

(b) In 2019, the Group was provided with a margin financing facility amount of HK$3,000,000. The borrowing was secured by certain listed securities with fair value of RMB15,008,000 as at 31 December 2019 included in financial assets at fair value through profit or loss and held by the Group.

As at 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	9,058	6,138
1-2 years	6,138	6,138
2-5 years	18,415	18,414
Over 5 years	10,743	16,883
	44,354	47,573

As at 31 December 2019, the carrying amounts of the Group's borrowings approximate to their fair values.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets	18,741	10,204
Deferred income tax liabilities	(48,614)	(8,746)
	(29,873)	1,458

The movements in the deferred income tax assets (liabilities) are as follows:

	Contract liabilities RMB'000	Impairments RMB'000	Tax losses RMB'000	Fair value change of financial assets RMB'000	Fair value adjustment on intangible assets acquired on business combination RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2019	5,278	9,563	–	(5,229)	–	(8,154)	1,458
Addition through acquisition of a subsidiary	951	646	–	–	(42,960)	–	(41,363)
Charged to other comprehensive income	–	–	–	293	–	–	293
Credited to profit or loss	(4,383)	4,492	2,590	5,099	1,941	–	9,739
At 31 December 2019	1,846	14,701	2,590	163	(41,019)	(8,154)	(29,873)
At 1 January 2018	5,890	186	250	(2,785)	–	–	3,541
Charged to other comprehensive income	–	–	–	(293)	–	–	(293)
(Charged)/credited to profit or loss	(612)	9,377	(250)	(2,151)	–	(8,154)	(1,790)
At 31 December 2018	5,278	9,563	–	(5,229)	–	(8,154)	1,458

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries when actual payment of dividends is made. Except for the deferred tax liabilities of RMB8,154,000 (2018: RMB8,154,000) recognised as at 31 December 2019, no withholding tax had been provided for the retained earnings of approximately RMB298,954,000 (2018: RMB286,653,000) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on several factors, including management's estimation of overseas funding requirements.

32 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Included in non-current liabilities		
Contingent consideration payable for acquisition of a subsidiary	273,750	—
Included in current liabilities		
Trade payables	34,936	7,289
Payroll liabilities	36,124	10,011
Other tax payables	15,576	4,796
Dividend payables	1	1,411
Government grants	1,935	2,174
Accrued expenses	8,811	4,397
Listing expense	8,543	10,214
Contingent consideration payable for acquisition of a subsidiary	223,959	—
Other	2,574	2,026
	332,459	42,318

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

	2019 RMB'000	2018 RMB'000
0–30 days	13,211	2,417
31–60 days	6,449	1,302
61–90 days	16	599
91–180 days	476	600
181–365 days	1,279	2,371
Over 1 year	13,505	—
	34,936	7,289

33 ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2019, the Group acquired the following subsidiary which is principally engaged in the development and distribution of web games and mobile games in the PRC. The primary reason for the below acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Provisional fair value of purchase consideration RMB'000
Business combination in:			
Osmanthus Vale Holdings Limited	22 October 2019	100%	916,346

Details of provisional fair value of net identifiable assets acquired and provisional goodwill arising on acquisition are as follows:

	RMB'000
Consideration	
— Prepayment for investment made in prior year (note a)	371,555
— Cash paid after the date of acquisition but before the end of the reporting period	52,072
— Provisional fair value of contingent consideration payable (note b)	492,719
	916,346
Provisional non-controlling interests (note c)	(4,542)
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(244,770)
Provisional goodwill	667,034

Notes:

(a) Included in the Group's prepayment and other receivables of RMB384,121,000 under non-current assets as at 31 December 2018, there were prepayment for investment of RMB369,141,000 which were refundable down payments in accordance with a letter of intent on 12 December 2018 as detailed in Note 23(a). Pursuant to the sale and purchase agreement signed between the vendor and the Company dated 23 August 2019 (the "**Sale and Purchase Agreement**"), the aforesaid prepayment equivalent to amount of RMB371,555,000, taking into account the exchange difference, was fully used to settle part of the purchase consideration.

(b) The provisional fair value of contingent consideration payable of RMB492,719,000 represents the gross amount of contingent consideration payable of RMB538,768,000, offsetting with the amount due from the vendor of RMB46,049,000. The amount due from the vendor mainly represents the compensation from the vendor in respect of the indemnification of extra staff costs and income tax expenses of the acquiree in accordance with Sale and Purchase Agreement. The amount of extra income tax expenses is estimated based on the opinion of independent external tax experts appointed by the Group and is provisional as at the date of the consolidated financial statements. The amount due from the vendor and the contingent consideration payable are offset as there is a legally enforceable right to offset the amounts, and the Group is intended to settle the amounts on a net basis.

(c) The provisional non-controlling interests recognised at the date of acquisition were measured by reference to the proportionate share of provisional fair values of net assets of the acquiree's respective subsidiaries, 上海螢鈴網絡科技有限公司 and 上海儂游網絡科技有限公司, at the date of acquisition. The amount is debit side of RMB4,542,000 since the respective subsidiaries have net liabilities as at the date of acquisition.

33 ACQUISITION OF A SUBSIDIARY (continued)

The Group appointed Fujian United Assets Evaluation & Land and Real Estate Appraisal Co., Limited (福建聯合中和資產評估土地房產估價有限公司), an independent professional qualified valuer, to assist the management on carrying out the purchase price allocation exercise in accordance with IFRS 3 including the assessment of fair value of the acquired assets and liabilities of the acquiree. The provisional fair values of the assets and liabilities of the acquiree at date of acquisition are as follows:

	Provisional fair value RMB'000
Property, plant and equipment	579
Right-of-use assets	3,528
Intangible assets	
— Intellectual properties	176,161
Financial assets at fair value through profit or loss	228
Deferred income tax assets	1,052
Trade receivables (note)	151,859
Prepayment and other receivables (note)	60,917
Cash and cash equivalents	23,559
Deferred income tax liabilities	(42,415)
Trade and other payables	(45,485)
Current income tax liabilities	(47,603)
Contract liabilities	(34,231)
Lease liabilities	(3,379)
Identifiable net assets acquired by the Group	244,770

Note: The provisional fair values of trade receivables and prepayment and other receivables at acquisition date amounted to RMB151,859,000 and RMB60,917,000 respectively. The gross contractual amounts of those trade receivables and prepayment and other receivables amounted to RMB157,927,000 and RMB73,133,000 respectively at acquisition date. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB6,068,000 and RMB12,216,000 respectively.

Movement of fair value of contingent consideration payable for acquisition is as follows:

	RMB'000
Provisional fair value of contingent consideration payable recognised at the date of acquisition	492,719
Fair value change (Note 7)	12,652
Exchange realignment	(7,662)
Provisional fair value of contingent consideration payable as at 31 December 2019 #	497,709

Depending on the result of Adjustment Mechanism (as described below), included in the provisional fair value of contingent consideration payable of RMB497,709,000 as at 31 December 2019, RMB223,959,000 is payable during the year ending 31 December 2020 and is included in current liabilities. The remaining amounts of RMB185,665,000 and RMB88,085,000 are payable during the years ending 31 December 2021 and 2022, respectively, and are included in non-current liabilities.

33 ACQUISITION OF A SUBSIDIARY (continued)

The net cash inflow arising on acquisition is as follows:

	RMB'000
Cash and cash equivalents acquired	23,559

Pursuant to the Sale and Purchase Agreement, the consideration of the acquisition is RMB1.0 billion. However, the provisional fair value of contingent consideration is adjusted due to following two reasons:

(i) The provisional fair value of contingent consideration is adjusted by time value of money, by discounting future cash outflows to the present value as at the date of acquisition.

(ii) Pursuant to the Sale and Purchase Agreement, the provisional fair value of contingent consideration is also subject to the adjustment mechanism in respect of, "Profit Compensation", "Goodwill Impairment Compensation" and "Additional Consideration" (collectively referred to as the "**Adjustment Mechanism**"), as described below:

- The Profit Compensation may reduce the contingent consideration to as low as zero shall the actual net profit (the "**Actual Net Profit**") of Osmanthus Vale Holdings Limited and its subsidiaries (collectively referred to as the "**Acquired Group**") for the three financial years ending 31 December 2019, 2020 and 2021 fall below RMB117.0 million, RMB134.0 million and RMB151.0 million (the "**Net Profit Benchmark**"), respectively, for certain level in accordance with the formulas set out below:

  For the year ended 31 December 2019

  Profit compensation for the year ended 31 December 2019 = RMB1.0 billion x (Net Profit Benchmark for the year ended 31 December 2019 – Actual Net Profit for the year ended 31 December 2019)/Total Net Profit Benchmark

  For the year ending 31 December 2020

  Profit compensation for the year ending 31 December 2020 = RMB1.0 billion x (Net Profit Benchmark for the year ending 31 December 2020 – Actual Net Profit for the year ending 31 December 2020)/Total Net Profit Benchmark

  For the year ending 31 December 2021

  Profit compensation for the year ending 31 December 2021 = RMB1.0 billion x (Net Profit Benchmark for the year ending 31 December 2021 – Actual Net Profit for the year ending 31 December 2021)/Total Net Profit Benchmark

33 ACQUISITION OF A SUBSIDIARY (continued)

(ii) (continued)

- The Goodwill Impairment Compensation may reduce the contingent consideration by the goodwill impairment amounts net of Profit Compensation for each of the financial years ending 31 December 2019, 2020 and 2021 in accordance with the formulas set out below:

  For the year ended 31 December 2019

  Goodwill Impairment Compensation for the year ended 31 December 2019 = impairment amount of goodwill for the year ended 31 December 2019 — the Profit Compensation for the year ended 31 December 2019 (if any)

  For the year ending 31 December 2020

  Goodwill Impairment Compensation for the year ending 31 December 2020 = impairment amount of goodwill for the year ending 31 December 2020 — the Profit Compensation for the year ending 31 December 2020 (if any)

  For the year ending 31 December 2021

  Goodwill Impairment Compensation for the year ending 31 December 2021 = impairment amount of goodwill for the year ending 31 December 2021 — the Profit Compensation for the year ending 31 December 2021 (if any)

33 ACQUISITION OF A SUBSIDIARY (continued)

(ii) (continued)

- The Additional Consideration may increase the contingent consideration for an additional cash consideration of RMB200.0 million and additional shares to be issued by the Company to the vendor of RMB211.5 million shall the Acquired Group successfully fulfil the Net Profit Benchmark for each of the financial years ending 31 December 2019, 2020 and 2021, and the aggregate actual net profits for the three financial years ending 31 December 2019, 2020 and 2021 exceed the total Net Profit Benchmark of RMB402.0 million in accordance with the formulas set out below:

In the event that the aggregate amount of the total Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 exceeds of RMB402.0 million but less than RMB510.0 million

Additional Consideration = (Aggregate amount of the Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 — RMB402.0 million) x 60%

In the event that the aggregate amount of the Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 equals to RMB510.0 million

Additional Consideration = RMB200.0 million

In the event that the aggregate amount of the Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 exceeds RMB510.0 million but less than (or equals to) RMB600.0 million

Additional Consideration = RMB200.0 million plus additional shares issued by the Company to the vendors (the "**Additional Shares**")

Number of Additional Shares = (Aggregate amount of the Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 — RMB510.0 million) x 2.35/HK$2.10 (note)

Note: In any event, the Additional Shares shall not exceed 4.5% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement.

In the event that the aggregate amount of the Actual Net Profit for the years ended/ending 31 December 2019, 2020 and 2021 exceeds RMB600.0 million

Additional Consideration = RMB200.0 million plus Additional Shares

Number of Additional Shares = 100,714,286 shares (note)

100,714,286 shares represent approximately 3.84% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. Such number of Additional Shares is determined in accordance with the formula below:

Number of Additional Shares = (RMB600.0 million — RMB510.0 million) x 2.35/HK$2.10

33 ACQUISITION OF A SUBSIDIARY (continued)

In the opinion of the directors of the Company, the provisional fair value of Adjustment Mechanism was insignificant based on the forecast of the performance of the Acquired Group at the date of acquisition. For the year ended 31 December 2019, no change on the fair value of the contingent consideration payable was recognised. Provisional goodwill arose from the above acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the provisional goodwill arising on this acquisition is expected to be deductible for tax purposes.

The provisional goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the valuation to assess the provisional fair values of the purchase consideration and identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

During the year, acquired business contributed RMB101,486,000 to the Group’s revenue and generated profit of RMB66,977,000 for the period between the date of acquisition and the end of the reporting period, respectively.

Had the above acquisition been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2019 would have been RMB495,734,000, and the amount of the profit for the year would have been RMB45,114,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

34 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	2019 RMB'000	2018 RMB'000
Profit/(loss) before income tax	5,129	(92,020)
Amortization of land use rights (Note 17)	—	1,283
Amortization of intangible assets (Note 18)	16,590	1,815
Depreciation of property, plant and equipment (Note 15)	3,132	2,881
Depreciation of right-of-use assets (Note 16)	5,498	—
Net impairment losses on financial assets under expected credit loss model	36,626	26,208
Equity-settled share-based compensation (Note 28)	10,644	35,632
Losses/(gains) on disposal of property, plant and equipment (Note 7)	149	(209)
Return on wealth management products (Note 22)	(739)	(267)
Fair value change in listed shares (Note 22)	68,741	2,958
Fair value change in financial asset at fair value through profit or loss (Note 22)	(10)	(11,330)
Fair value change in contingent consideration payable for acquisition of a subsidiary (Note 7)	12,652	—
Finance costs, net (Note 11)	2,281	6,782
Interest income on receivable from disposal of investments	(2,279)	—
Dividend income from an investment in financial asset at fair value through profit or loss	—	(423)
Gain from debt exemption	—	(2,800)
Share of results from interests in associates (Note 19)	—	1,034
Share of results from interest in a joint venture (Note 20)	784	—
Deemed disposal loss of an investment in associate (Note 19)	—	110,550
(Increase)/decrease in trade receivables, prepayment and other receivables (Notes 23 and 24)	(53,443)	(76,976)
Increase/(decrease) in trade and other payables (Note 32)	5,473	(55,293)
Decrease in contract liabilities	(32,146)	—
Decrease in restricted cash (Note 25)	247	546
	79,329	(49,629)

34 CASH FLOW INFORMATION (continued)

(b) Movements of financing activities

	At beginning of the year	Cash flows	Non-cash exchange movement	Interest expense	Acquisition of a subsidiary (Note 33)	New leases entered/ leases terminated	At end of the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019							
Bank borrowings	47,573	(5,825)	–	2,606	–	–	44,354
Lease liabilities	12,283*	(4,662)	–	488	3,379	1,500	12,988
Total liabilities from financing activities	59,856	(10,487)	–	3,094	3,379	1,500	57,342
Year ended 31 December 2018							
Bank borrowings	159,751	(114,032)	(3,003)	4,857	–	–	47,573

* The amount is after the adjustment from the application of IFRS 16.

35 COMMITMENTS

(a) Operating lease commitment — as lessee

The Group leases offices under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases with lease terms of less than 1 year (2018: 3 to 5 years) are as follows:

	2019 RMB'000	2018 RMB'000
No later than 1 year	1,198	7,925
1–2 years	–	3,939
2–5 years	–	3,850
	1,198	15,714

(b) Capital commitments

As at 31 December 2019 and 2018, significant capital expenditure in respect of purchase of intangible asset of game copyrights contracted but not provided for amounted to RMB165 million and Nil respectively.

As at 31 December 2019 and 2018, significant capital expenditure in respect of purchase of property, plant and equipment contracted but not provided for amounted to Nil and RMB55,000 respectively.

36 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during 2019. 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 2018.

Digital Hollywood	Associate prior to 27 December 2018
Ben 7Road Holdings Limited	Shareholder

(b) Significant transactions with related parties

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

	2019 **RMB'000**	2018 RMB'000
Revenue:		
Digital Hollywood	**N/A**	28,064

(c) Loans to key management

(i) Other key management

	2019 **RMB'000**	2018 RMB'000
Movements during the years:		
At 1 January	**45**	120
Loans advanced during year	**—**	5,425
Loan repayments received	**(30)**	(5,500)
At 31 December	**15**	45

Loans to key management of the Group were unsecured, interest-free and repayable on demand.

36 RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses	5,891	4,058
Other social security costs and housing benefits and other employee benefits	324	364
Pension costs — defined contribution plans	338	274
Share-based compensation	6,732	24,874
Total	13,285	29,570

(e) Loan to Ben 7Road Holdings Limited

	2019 RMB'000	2018 RMB'000
Movements during the years:		
At 1 January	2,687	—
Loans advanced	—	2,687
Exchange difference	60	—
At 31 December	2,747	2,687
Maximum outstanding during the year	2,747	2,687

Loan to Ben 7Road Holdings Limited was unsecured, interest-bearing at 5% per annum and repayable in October 2020.

37 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2019 (2018: nil).

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Equity interest held as at 31 December 2018	2019	Principal activities
Directly held by the Company					
7Road Fun Limited	BVI/ 15 September 2017	US$1	100%	100%	Investment holdings
Indirectly held by the Company					
7Road HK Digital Limited (香港第七大道數位有限公司)	Hong Kong/ 9 October 2017	Hong Kong Dollar ("**HK$**") 1	100%	100%	Investment holdings
Shenzhen Qianhai Huanjing Network Technology Co., Ltd (深圳市前海幻境網絡科技有限公司) (note)	PRC/ 12 July 2015	RMB269,320,000	100%	100%	Online game development, promotion and management
Shenzhen 7Road Technology Co., Ltd. (深圳第七大道科技有限公司) (note)	PRC/ 22 January 2008	RMB10,000,000	100%	100%	Online game development, promotion and management
Shenzhen Qianqi Network Technology Co,. Ltd. (深圳市千奇網絡科技有限公司) ("**Shenzhen Qianqi**") (note)	PRC/ 28 November 2013	RMB26,000,000	100%	100%	Online game development, promotion and management
Huoerguosi 7th Road Network Technology Co., Ltd (霍爾果斯第七大道網絡科技有限公司) (note)	PRC/ 27 November 2015	RMB10,000,000	100%	100%	Online game development, promotion and management
7Road International Group Limited	BVI/ 12 May 2015	US$1	100%	100%	Publication of online games
7Road UK	UK/ 3 July 2009	British Pound 100	100%	100%	Publication of online games
7Road International HK Limited (第七大道國際(香港)有限公司)	Hong Kong/ 3 June 2015	US$1	100%	100%	Publication of online games
7Road International Ptd. Led	Singapore/ 28 September 2015	Singaporean Dollar 1	100%	100%	Publication of online games
Wuxi 7Road Technology Co., Ltd. (無錫第七大道科技有限公司)	PRC/ 18 July 2019	RMB34,846,300	100%	–	Online game development, promotion and management
Wuxi 7Road Culture and Media Co., Ltd. (無錫七道文化傳媒有限公司) (note)	PRC/ 25 July 2019	RMB1,000,000	100%	–	Culture Media

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Equity interest held as at 31 December 2018	2019	Principal activities
Indirectly held by the Company (continued)					
Wuxi 7Road Intellectual Property Services Co., Ltd. (無錫市七道知識產權服務有限公司)	PRC/ 31 July 2019	RMB1,000,000	100%	–	Intellectual Property Agency
Osmanthus Vale Holdings Limited	BVI/ 27 June 2019	US$100	100%	–	Investment holdings
Malus Vale Holdings Limited	BVI/ 21 December 2018	US$100	100%	–	Investment holdings
Shanghai Xinla Networks Technology Co., Ltd. (上海辛辣網絡科技有限公司)	PRC/ 6 January 2016	RMB501,000,000	100%	–	Online game development, promotion and management
Hangzhou Shengfeng Network Technology Co., Ltd. (杭州盛鋒網絡科技有限公司)	PRC/ 6 August 2015	RMB4,000,000	100%	–	Online game development, promotion and management
Huoerguosi 39 Mutual Entertainment Network Technology Co., Ltd. (霍爾果斯三九互娛網絡科技有限公司)	PRC/ 1 November 2016	RMB10,000,000	100%	–	Online game development, promotion and management
Shanghai Yingling Network Technology Co., Ltd. (上海螢鈴網絡科技有限公司)	PRC/ 5 June 2017	RMB6,400,000	53.33%	–	Mobile game development
Shanghai Chaozi Network Technology Co., Ltd. (上海巢淄網絡科技有限公司)	PRC/ 4 December 2017	RMB8,000,000	80%	–	Online game development, promotion and management
Wuxi Zhongyao Network Technology Co., Ltd. (無錫中堯網絡科技有限公司)	PRC/ 26 January 2018	RMB1,000,000	100%	–	Mobile game development
Shanghai Lingsu Network Technology Co., Ltd. (上海淩素網絡科技有限公司)	PRC/ 16 July 2018	RMB1,000,000	100%	–	Online game development, promotion and management
Shanghai Nong You Network Technology Co., Ltd. (上海儂游網絡科技有限公司)	PRC/ 8 August 2018	RMB7,000,000	70%	–	Mobile game development
Shanghai Xifeng Network Technology Co., Ltd. (上海翕風網絡科技有限公司)	PRC/ 22 October 2018	RMB1,000,000	100%	–	Mobile game development and operation

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Equity interest held as at 31 December 2018	2019	Principal activities
Indirectly held by the Company (continued)					
Shanghai Tianxun Network Technology Co., Ltd. (上海天勛網絡科技有限公司)	PRC/ 7 November 2018	RMB1,000,000	100%	–	Mobile game development
Shanghai Qizhou Network Technology Co., Ltd. (上海奇驟網絡科技有限公司)	PRC/ 10 December 2018	RMB1,000,000	100%	–	Online game development, promotion and management
Shanghai Sheng Pi Network Technology Co., Ltd. (上海聖辟網絡科技有限公司)	PRC/ 17 January 2019	RMB1,000,000	100%	–	Mobile game development
Hawthorn Vale Holdings (Hong Kong) Limited	Hong Kong/ 18 January 2019	HK$609,000,000	100%	–	Investment holdings
Poplar Vale Holdings Limited	BVI 4 July 2019	US$510,000	51%	–	Publication of online games

Note: The Group does not have legal ownership in equity interests of these subsidiaries, as the PRC regulations restrict foreign ownership of companies that provide value-added technology services, which include activities and services operated by the Group. In order to enable certain foreign companies to make investments into the business of the Group, the wholly-owned subsidiary of the Company, Qianhai Huanjing, has entered the Contractual Arrangements with Shenzhen 7Road and its equity holders, which enable Qianhai Huanjing and the Group to control the business under Shenzhen 7Road and its subsidiaries.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Assets		
Non-current asset		
Investments in subsidiaries (Note)	4,072,598	3,072,361
Current assets		
Prepayment and other receivables	973,943	1,179,129
Restricted cash	—	1,703
Cash and cash equivalents	1,578	79,173
Financial assets at fair value through profit or loss	46,350	—
	1,021,871	1,260,005
Total assets	5,094,469	4,332,366
Liability		
Current liability		
Trade and other payables	1,248,783	450,709
Equity attributable to owners of the Company		
Share capital	86	88
Share premium	3,802,757	3,866,904
Reserves	37,350	19,658
Retained earnings/(accumulated losses)	5,493	(4,993)
Total equity	3,845,686	3,881,657
Total equity and liability	5,094,469	4,332,366

The balance sheet of the Company was approved by the Board of Directors on 12 June 2020 and was signed on its behalf:

Meng Shuqi	**Li Zhengquan**	**Yang Cheng**

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note (a) Shares held for RSU Scheme

Please refer to note 2.19 for the Group's accounting policy on shares held for RSU Scheme.

Note (b) Reserve movement of the Company

	(Accumulated losses)/ retained earnings RMB'000	Other reserve RMB'000
At 1 January 2018	**—**	**—**
Loss for the year	66,700	—
Dividend	(71,693)	—
Currency translation differences	—	19,658
At 31 December 2018 and 1 January 2019	**(4,993)**	**19,658**
Profit for the year	10,486	—
Currency translation differences	—	17,692
At 31 December 2019	**5,493**	**37,350**

40 SUBSEQUENT EVENTS

COVID-19 outbreak

After the COVID-19 outbreak in late 2019, a series of precautionary and control measures have been and continued to be implemented in the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which the consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

Digital Hollywood's Litigation

On April 27, 2020, Guangzhou Zhang Ying Kong Information Technology Company Limited ("**Zhang Ying Kong**"), a subsidiary of Digital Hollywood Interactive Limited ("**Digital Hollywood**") litigate against Qianhai Huanjing and Shenzhen 7Road, both subsidiaries of the Group, concerning a game cooperation agreement (the "**Litigation**"). The Litigation was filed to the People's Court of Haizhu District, Guangzhou, the PRC on May 18, 2020, for which the Company has engaged the services of lawyers to prepare for vigorous defense. As the Company believes that Zhang Ying Kong and other subsidiaries of Digital Hollywood breached the contracts in advance in respect of a series of cooperation with the Group, while the Group has consistently performed its obligations under the contracts, the Group's claims will have a greater chance to be supported. Therefore, the management believes that the result of the Litigation will not have any material adverse effect on the consolidated financial statement. Subject to the development of the Litigation above, the actual effect might differ from such expectations.

Appendix: Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Period and Scope

We are pleased to present the Environmental, Social and Governance ("**ESG**") report (the "**Report**") of the Group. This Report comprises of our ESG policies, approaches, objectives, performances and achievements for the year ended 31 December 2019 (the "**Reporting Period**"). The scope of the Report covers the performances regarding to the subject areas and aspects for environmental and social of our principal place of business in Wuxi and our offices in Shanghai and Shenzhen during the Reporting Period (unless otherwise stated).

Reporting Standard

This Report has been prepared in accordance with the disclosure requirements of the ESG Reporting Guide in Appendix 27 to the Listing Rules. For more information regarding corporate governance, please refer to the "Corporate Governance Report" section included in our Annual Report 2019.

Your Feedback

We appreciate our stakeholders' valuable opinions which boost our continuous improvement. Should you have any feedback on this Report and our sustainability performances, you are welcome to email us at ir@7road.com.

ESG RISK MANAGEMENT

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for determining and evaluating the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has adopted appropriate policies and procedures to evaluate and improve the functions of risk management and internal control.

ABOUT US

Business Overview

We are a leading online game developer and operator in China with a global reach. Since our inception in 2008, we have engaged in the R&D, operation and licensing of a number of popular web games. A sizable portion of revenue was derived from the overseas markets and our games have been published in more than 100 countries and regions. We also 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 and operate the mobile games, which enjoy wide popularity among the players.

Appendix: Environmental, Social and Governance Report

Awards and Recognitions

We were granted the "Outstanding Enterprise Award 2018" (2018年度優秀企業獎) by Guangdong Entertainment & Game Industry Association in 2018.

We were granted the "Key enterprise of national cultural exports" (國家文化出口重點企業) by the Ministry of Commerce of China in 2017 and 2018.

Our game DDTank (全民彈彈堂) was awarded the "Original Game Fine Publishing Project" (原創遊戲出版精品) by the State Administration of Press, Publication, Radio, Film and Television and obtained the "Best Jinyao Award of the Year" (年度最佳金耀獎) issued by 3367 mobile games in 2017.

Our game Novoland The Castle in the Sky (九州 • 天空城) was awarded the "Original Game Fine Publishing Project" (原創遊戲出版精品) by the State Administration of Press, Publication, Radio, Film and Television in 2016.

Web game Demi-Gods and Semi-Devils (天龍八部頁遊) obtained the Golden Plume Awards (金翎獎) in 2016.

The Company was awarded the "2014 Top 10 Game Enterprises for Overseas Expansion in China" (2014年度中國十大海外拓展遊戲企業), and Wartune (神曲2) obtained the "Top-Ten Most Popular Webpage Game in 2014" (2014年度十大最受歡迎網頁遊戲) in 2014.

Our Milestones

2008 Shenzhen 7Road was established in the PRC in January.

2009 DDTank (彈彈堂), our first online game and one of our flagship titles, was launched in the PRC in March.

2011 Our RPG online game and one of our flagship titles, Wartune (神曲), was launched in the PRC in December.

2013 Wartune (神曲) received the "Facebook Staff Favorites Recognition" in July.

2016 The mobile game Wartune Heroes (神曲之符文英雄) was launched in the PRC in July.

2017 The mobile game DDTank (mobile) (彈彈堂(手遊)) was launched in the PRC in April.

2018 The Company listed on the Stock Exchange in July.

2019 The Company completed the acquisition of the Acquired Business in October. Please refer to pages 19 to 24 in the annual report.

VISION

Our vision is to become the respectful leader in the game industry.

OBJECTIVE

Our objective is to create unique and excellent boutique games worldwide.

OUR SUSTAINABLE DEVELOPMENT POLICY

We are a leading global online game developer and operator, with fast-growing in-house development capabilities for web games. In recent years, we have strategically expanded our business focuses to develop and launch mobile games by enhancing in-house development capabilities. This has also reflected our commitment to sustainable development. The Group is committed to ensuring business continuity, while sparing no effort in integrating environmental, social and management principles into our business administrative practices, which has produced a positive impact on the environment and the entire community.

As a responsible corporate citizen, we have formulated different policies on ESG and other issues to advance and manage matters relating to social responsibility, such as product responsibility, labor standards, environmental protection, health and safety, and supply chain management, so as to guide the Group and our business partners in putting sustainable development into practice. The relevant policies and measures and our sustainable development performance in all respects can be found in the corresponding sections of the Report.

STAKEHOLDER ENGAGEMENT

Our stakeholders mainly include employees, customers, suppliers, business partners, shareholders, the government and, in a broad sense, the community. We are firmly convinced that our sustainable development benefits from the unremitting support and trust of stakeholders. We listen to the voices of stakeholders and respond to their needs properly through a range of communication channels such as meetings, interviews, hotlines, official websites, WeChat public accounts, emails, so as to maintain a close and harmonious relationship with them and accordingly achieve long-term success.

Stakeholder Engagement Survey

During the Reporting Period, stakeholder engagement survey has been conducted to understand stakeholders' viewpoints towards our environmental, social and governance measures. We have identified 22 aspects that have significant impacts to our business:

Workplace quality

1. Diversification and anti-discrimination
2. Employee relations
3. Occupational health and safety
4. Training and Development
5. Anti-child and forced labor
6. Employee benefits

Environmental protection and green operations

7. Greenhouse gas emissions
8. Exhaust emissions
9. Electricity and water saving
10. Resource consumption
11. Waste handling
12. Green procurement

Operational practices

13. Supplier management
14. Suppliers' environmental and social performance assessment
15. Anti-fraud and anticorruption
16. Disaster emergency plan

Business operations

17. Game health and safety
18. Protection of players' data
19. Product responsibility
20. Players' satisfaction
21. Intellectual property

Contribution to society

22. Charitable donations

After the stakeholder engagement survey and related assessments, among the above, we believe the material aspects include:

ESG Categories	Material Aspects	Sections in this Report
Workplace quality	3. Occupation health and safety 4. Training and development	Our commitment to employees
Business operations	17. Game health and safety 18. Protection of players' data 20. Players' satisfaction 21. Intellectual property	Players' health and safety Protect personal data privacy Players' satisfaction Intellectual property

We strive to ensure proper measures on the most significant issues are addressed adequately throughout our business activities.

OUR COMMITMENT TO EMPLOYEES

We hold a firm belief that our people are essential to the Group's development and success. Therefore, we attach great importance to talent acquisition by scouting for people passionate in game development and operation. Recruitment channels include internal referral, campus recruitment, online recruitment, talent market and head hunters. In the selection process, we adhere to the principle of fairness, openness and justice to the greatest extent. What we are mostly concerned with are candidates' competencies and qualifications, instead of their age, gender, physical condition, marital status, race, nationality and religion.

We hunger for creative, energetic and passionate talents to boost our game business development. We also need technical and professional game cravers to keep improving our quality standards.

We conduct review regularly to ensure our Company complies with all relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Employee overview

As at 31 December 2019, we had 555 employees. The average age of our employees was approximately 28 years old. Male and female employees accounted for 74.6% and 25.4% of the total respectively.

The following table sets forth the number of our employees by function as at 31 December 2019:

Function	Number of Employees	% of total
Game operation	78	14.1
Game R&D	393	70.8
Administration	84	15.1
Total	555	100.0

Staff Development and Training

In addition to sourcing for talents, we also acknowledge the importance of nurturing them by offering abundant opportunities in development and training, in the hope that their talent can be fully unlocked, thereby benefit the Group's continual growth and success in return.

We have a sound performance management system under which regularly-scheduled comprehensive and conduct the timely appraisals of staff and an annual comprehensive performance evaluation. After the annual performance evaluation is conducted, employees must work with their line managers to set performance targets. We encourage line managers to communicate with their staff from time to time and give constructive feedbacks to help them grow.

Employees are given equal opportunities for promotion which is determined based on the results of their performance evaluation. The Group has also put in place promotion mechanisms for internal competition among the employees. Employees may apply for competitive promotion provided that they meet the relevant years of service and performance requirements and that they have no records of misconduct and are in line with the Group's corporate culture and values. This will accordingly stimulate the initiative of excellent employees, conducive to selecting and cultivating the talents.

Besides, recognising the significance of training such that we are able to catch up with the fast-growing internet industry and the everchanging market, we establish training platforms to train and nurture our employees.

We have four major programs in employee training: new employee training, high potential talent training, leadership training and professional skills upgrading.

- New employee training: In 2019, we have organized 11 training sessions for our new employees. The training sessions include the introducing of our culture and product philosophy, business objectives, management system and team behavior norms. New employee training aims to help our new employees to integrate into our team and get familiar with their works.

- High potential talent training: High potential talent training targets on the employees with relatively high personal development potential. Through offline business practice, communication and sharing, It can improve the basic management ability and personal comprehensive quality of these employees. High potential talent training reserves talents for our future managements.

- Leadership training: In 2019, external experts were invited for a leadership training session to improve our management's understanding of leadership. Meanwhile, management regular practices (such as quarterly business meetings, organizational atmosphere survey and reporting) were adopted to improve our management's personal leadership skills.

- Professional skills upgrading: In 2019, external industry experts were invited for four professional sharing and communicating sessions. We also organized our internal business experts for attending the professional skills training and sharing for a total of 9 times.

Caring our talents

Being a technology-based enterprise, we understand that human capital is our foremost property. Therefore, we strive to attract and retain talents by granting them competitive remuneration packages and benefits, together with creating a harmonious working atmosphere through a wide range of staff activities and events.

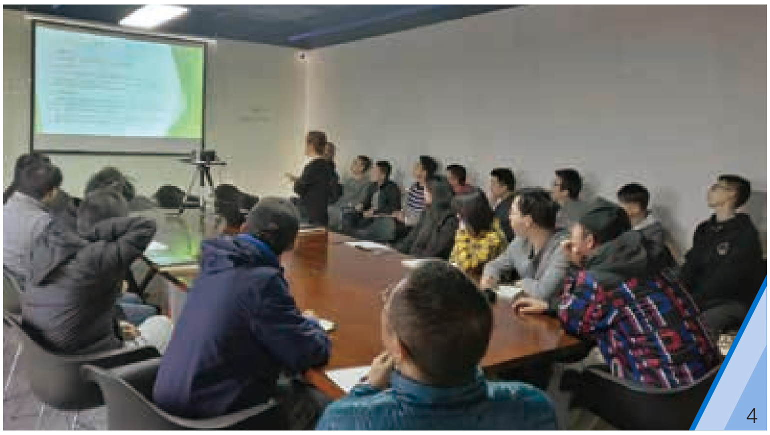
Strictly abiding by applicable laws and regulations including The Labor Law of the PRC (《中華人民共和國勞動法》), The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), we provide employees in the PRC with social insurances which cover endowment, unemployment, medical, maternity and work-related injury, and housing provident fund. All employees are granted bereavement leave, marital leave, medical leave and maternity leave. Other benefits include:

Traditional holiday and women's day welfare, marriage and birthday gifts, club activities, staff movie-watching events, afternoon tea breaks, meals and travel allowances.

Furthermore, we care about employees' work-life balance and organize an array of activities on a regular basis, for instance, themed birthday parties, clubs, sports activities and festive events. These activities can strengthen the bonding and create a harmonious relationship among employees and between the Group and employees.

We also care about employees' opinions. We have set up a number of communication channels, ranging from meetings to progress reports to WeChat and to email. Every one of us is welcomed to express his/her views and concerns through these channels.

Highlight of staff activities



1.Festival activities
2.Sports club activities
3,5,6.Employee gathering
4.Employee training

Occupational Health and Safety

The Group is committed to providing employees with a safe, healthy and comfortable working environment. We plant and place large quantities of green plants throughout the office and they are regularly maintained. At the same time, smoking is strictly prohibited in open areas at the office premises, and a complete set of fire-fighting facilities that meet fire protection standards are placed at a prominent position. Clear guidelines for emergency exit routes are indicated in the office and fire inspections are regularly conducted to eliminate potential fire hazards. Strictly abiding by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Group routinely uses different means of publicity to enhance the awareness of occupational diseases among employees, prevent and treat occupational diseases, and protect the health of employees and related rights and interests.

Aside from our endeavors in environmental safety, we pay greater attention to the health of our employees. The Group purchases for them critical illness plan and personal accident insurance. As at 31 December 2019, no incidence of any work-related injury or fatality was identified by the Group.

Labor Standards

Our employment practices are in compliance with applicable laws and regulations. Strictly abiding by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws and regulations, the Group prohibits the employment of child labor and forced labor. Upon joining, an employee's data file, including identity and age, will be reviewed thoroughly to ensure that there is no underage work. During the review, any child or forged identity data found will be handled in accordance with the law. The Group strictly abides by relevant laws and regulations of the jurisdiction in the place of operation, signing labor contracts with employees according to law and pays social insurance and protects the personal privacy of employees in strict accordance with provisions.

In addition, our staff handbook has set out details concerning the working hours, overtime, leave and dismissal. The Group's implementations are carried out in a unified manner according to standard working hours to ensure that the working hours of employees are reasonable. Employees are not forced to work and, if overtime is required, they need to obtain the approval in advance and will receive paid leave afterwards. In the case of forced labor, employees have the right to appeal to the Group's Human Resources Department.

SUPPLIER MANAGEMENT

We have been committing ourselves to be a high quality, environmental friendly and responsible game developer. We hope our suppliers and business partners to operate in a consistent manner and demonstrate best practices in connection with environmental and social matters.

We have established long-term relationships with numerous platforms, advertisers and suppliers around the world. We have stated in our internal policy that all personnel acting on our behalf must not receive rebates, gifts or favors of any kind which could influence a business decision. We also established supplier code of conduct indicating our expectations towards our suppliers and business partners in terms of anti-corruption, product and service quality, environmental protection and occupational health and safety. Such code of conduct has been circulated to our suppliers and business partners.

INTELLECTUAL PROPERTY

We are committed to protecting the achievements of our research and development team. To this end, we have established the Intellectual Property Management System under which standard work programmes are formulated in respect of applying for and managing intellectual property rights and strengthening the protection of intellectual property and this can effectively protect the intangible assets of the Group. The Group's intellectual property included copyrights, trademarks, patents, domain names, trade secrets and other rights conferred by (i) the Patent Law of the People's Republic of China (《中華人民共和國專利法》), (ii) the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), (iii) the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), (iv) the Measures for the Administration of Internet Domain Names in China (《中國互聯網域名管理辦法》), (vi) the Law of the People's Republic of China Against Unfair Competition (《中華人民共和國反不當競爭法》) and other applicable laws and regulations as well as other rights relating to the protection of games, software, designs, new technologies, techniques, etc.

We attach great importance to confidentiality in protecting intellectual property. All interested parties are prohibited to divulge or provide relevant information to others in the process of product development and creation. In accordance with the "Measures for the Administration of Content Self-review by Internet Cultural Business Entities" (《網絡文化經營單位內容自審管理辦法》), our self-inspection system will ensure that all products comply with our intellectual property measures and relevant regulations.

PLAYERS' HEALTH AND SAFETY

We are highly concerned about the health and safety of our players. We deliver health and safety messages to our players in games and suggest taking rest after playing a certain period of time. We tend to encourage our players to enjoy our games rather than become addicted to them. The Group strictly complies with the Standards Regarding the Development of Anti-addiction System on Online Games of the State and actively guides adolescent players to cultivate a green habit of game playing. In addition, to comply with the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) in the PRC, we have established a real-name registration system in our online games.

HEALTH NETWORK

As a company with focus on the internet business, we have the responsibility to uphold and strengthen a healthy network culture.

For our game development business, we strictly abide by the Measures for the Administration of Online Games (《網絡遊戲管理辦法》) and other applicable laws and regulations. In view of this, we have built a professional content review team. There are professional content reviewers on the team responsible for close scrutiny to ensure that the game elements, including names, backgrounds, sound effects, maps, scenes, character designs, building designs, prop designs and features, do not contain any legally prohibited or improper wordings and materials, neither should any pornography, gambling, violence and abetment be promoted.

PLAYERS' SATISFACTION

To boost creativity among our game talents so as to create more innovative and fascinating games, we ought to understand players' pattern and interests to cater to their needs. As a result, we put great store by enhancing players' satisfaction through listening and responding to their opinions through various online and offline channels including online forum, customer service hotline, mailbox and instant chat in games. Our dedicated customer service team will handle players' concerns and respond to them in a timely manner. They can also reach us at our social media accounts, such as Sina Weibo and WeChat, to seek game assistance and guidance. For games that we license to our distribution publishing partners, certain customer service will be provided by such partner.

PROTECT PERSONAL DATA PRIVACY

We take privacy and confidentiality of our user's data, such as players' account details and payment information seriously. No sensitive personal data (such as ID card or credit card information) are stored on our server. Our employees cannot access player's information without authorization.

In addition, we may subject to the threat of cyber attacks and the risks of the loss and leakage of data. To minimize these risks, we have adopted a series of data security measures, such as intrusion detection, firewalls access authorization, password and data transmission encryption, so that data are stored at least in two different locations on our local internal server and remote cloud system and further backup is implemented in our disaster recovery system.

ADVERTISING

We ensure the compliance, accuracy and authenticity of all published materials, including press releases, labels, articles, and web contents, in accordance with the Advertising Law of the People's Republic of China.

ANTI-CORRUPTION

The Group's commitment to cracking down on unethical business practices, including bribery, fraud and corruption can be reflected in our "Anti-Corruption Management Policy". Employees should report to us any suspected misconduct by phone or mail. Our internal audit department will enquire into the case carefully and implement correction measures in a professional and timely manner. Along with the above, code of ethics is also encapsulated in the employee handbook. We will make our best efforts to ensure employees' attention to the code and make it part of our everyday activities in order to create a positive corporate culture placing integrity and honesty on a high priority. During the Reporting Period, there was no litigation against the Group or its employees concerning corruption, bribery, fraud, extortion and money laundering.

OUR COMMITMENT TO THE COMMUNITY

As a corporate citizen, we have been actively fulfilling our social responsibility, sparing no effort to participate in various communal activities. We are not only engaging in building the community through conventional channels such as charity activities and volunteer activities, but are also fulfilling our social responsibility by bringing industry characteristics into play, continuously making a positive influence on the community. Going forward, the Group will continue to perform its social responsibility and constantly step up investments in communal public welfare undertakings, giving back to society through diversified channels.

Inputs toward the future development of industry talents

As an industry leader, we attach great importance to nurturing the next generation. Through a variety of forms, we provide young people interested in the game industry with platforms and opportunities to gain an understanding of and entry into the game industry.

Charity

The Group is enthusiastic about charity, showing concern for disadvantaged communities and making donations from time to time.

OUR COMMITMENT TO ENVIRONMENT

Due to the nature of our business, our operation activities have no significant impact on the environment and natural resource. In spite of that, we comply with any applicable local laws and regulations related to environmental protection. Also, we infuse environmentally friendly strategies into our daily operations to constantly conserve resources and reduce emissions.

Taking up the role as a global corporate citizen, we are highly concerned about our impact on the environment and pledge to strike a balance between business development and environmental protection. In stringent compliance with applicable laws and regulations including but not limited to The Environmental Protection Law of the PRC, we have incorporated environmentally friendly measures regarding emission reduction and resource efficiency into daily operation. We will review and refine the policy from time to time and we've optimized the following measures to push every one of us into routinising green initiatives to live a greener life:

- encouraging employees to take public transportation in place of private vehicles;
- maintain proper lighting in our working areas and turn off unused electric equipment in time;
- selling electronic waste (including computers, servers and phones) to qualified second-hand buyers to extend their life cycles;
- implementing waste separation measures in our working areas; and
- closely monitoring the amount of general refuse produced, predominantly paper and food waste, by sample weighing to optimize waste reduction measures.

We only trace air pollutant emissions generated by the company cars are involved in the course of business of the Group and that the impact on the environment and natural resources is minimal. Therefore, no disclosure of air pollutant emissions is made in the Report.

A small amount of electronic waste emissions is involved in the business of the Group. In terms of nonhazardous waste, paper use in the office is the major emission of the Group. During the Reporting Period, a total of approximately 498 kg of paper was used (for 2018. approximately 535 kg of paper was used). The Group remains committed to paper recycling. As for office waste such as waste batteries and printer cartridges, we have specific recycling bins for employees to collect.

During the Reporting Period, our electricity consumption was approximately 26,805 kWh (for 2018, our electricity consumption was approximately 27,710 kWh) and the annual per-capita electricity consumption was approximately 107.22 kWh (for 2018, our annual per-capita electricity consumption was approximately 104.96 kWh). The total amount of water consumed in the year was approximately 1,535 tonnes and the annual per-capita water consumption was approximately 6.14 tonnes (for 2018, our total amount of water consumed in the year was approximately 1,656 tonnes and the annual per-capita water consumption was approximately 6.27 tonnes). All the water consumed by the Group comes from the municipal pipeline network, thus no issue relating to water supplies was identified.

RESOURCE EFFICIENCY

The Group advocates environmental protection and energy conservation. To save natural resources, we have taken the following actions:

- Emails, instant communication tools and WeChat at Work are used and employees are not encouraged to print paper. A paperless process is now fully adopted for managing employee attendance. Necessary documents are printed. Double-sided printing and paper recycling are being promoted.

- Priority is given to energy-saving lighting and other energy-saving appliances to reduce electricity consumption.

- Although the Group's business does not belong to a high-water consumption industry, we are still actively encouraging employees to treasure water in the face of a global crisis of scarce water resources. For example, we use automatic sensor faucets in washrooms to reduce water consumption.

- Although our Group's business does not involve packaging materials, recyclable materials are used as far as possible to comply with the principle of recycling.

- To reduce our energy consumption, air conditioners are turned off during non-working hours or when the office occupancy rate is low. In non-summer and non-winter seasons like spring and autumn, the use of air conditioners is suspended to reduce exhaust gas and electricity consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
A. Environmental			
Aspect A1: Emissions *General Disclosure* Information on: (a) the policies; and (b) compliance with the relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Our Commitment to Environment and Resource Efficiency	163,164
KPI A1.1	The types of emissions and respective emission data.	Our Commitment to Environment	163
KPI A1.2	Greenhouse gas emissions in total and intensity.	The Group's does not generate significant amount of greenhouse gas	N/A
KPI A1.3	Total hazardous waste produced and intensity.	The Group does not generate significant amount of hazardous waste	N/A
KPI A1.4	Total non-hazardous waste produced and intensity.	Our Commitment to Environment	163
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Resource Efficiency	164
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Commitment to Environment	163
Aspect A2: Use of Resources *General Disclosure* Policies on the efficient use of resources, including energy, water and other raw materials.		Our Commitment to Environment and Resource Efficiency	163, 164
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Our Commitment to Environment	163
KPI A2.2	Water consumption in total and intensity.	Our Commitment to Environment	163
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Commitment to Environment	163
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not disclosed for this reporting period	N/A
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	The Group does not involve any packaging material.	N/A

Appendix: Environmental, Social and Governance Report

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")	Section	Page Number
Aspect A3: Environment and Nature Resources *General Disclosure* Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Group does not generate significant impact on the environment and natural resources.	N/A
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Group does not generate significant impact on the environment and natural resources.	N/A
B. Social **Employment and Labor Practices**		
Aspect B1: Employment *General Disclosure* Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Our Commitment to Employees	157
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Our Commitment to Employees — Employee Overview	157
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Not disclosed for this Reporting Period	N/A
Aspect B2: Health and Safety *General Disclosure* Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Commitment to Employees	157
KPI B2.1 Number and rate of work-related fatalities.	Our Commitment to Employees — Occupational Health and Safety	160
KPI B2.2 Lost days due to work injury.	Not applicable	N/A
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our Commitment to Employees — Occupational Health and Safety	160
Aspect B3: Development and Training *General Disclosure* Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Commitment to Employees — Staff Development and Training	157
KPI B3.1 The percentage of employees trained by gender and employee category	Not disclosed for this Reporting Period	N/A
KPI B3.2 The average training hours completed per employee by gender and employee category.	Not disclosed for this Reporting Period	N/A

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")		Section	Page Number
Aspect B4: Labor Standards			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		Our Commitment to Employees — Labor Standards	160
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Our Commitment to Employees — Labor Standards	160
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not Applicable	N/A
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supplier Management	161
KPI B5.1	Number of suppliers by geographical region.	Not disclosed for this Reporting Period	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management	161
Aspect B6: Product Responsibility			
General Disclosure			
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Intellectual Property, Players' Health and Safety, Health Network, Players' Satisfaction and Protect Personal Data Privacy	161, 162
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not produce any physical products.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	The Group does not produce any physical products.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property	161
KPI B6.4	Description of quality assurance process and recall procedures.	The Group does not produce any physical products.	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protect Personal Data Privacy	162

Appendix: Environmental, Social and Governance Report

Subject Areas, aspects, general disclosure and key performance indicators ("KPIs")	Section	Page Number
Aspect B7: Anti-Corruption		
General Disclosure		
Information on:		
(a) the policies; and	Anti-corruption	162
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	162
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	162
Community		
Aspect B8: Community Investment		
General Disclosure		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Commitment to the Community	163
KPI B8.1 Focus areas of contribution.	Not disclosed for this Reporting Period	N/A
KPI B8.2 Resources contributed to the focus area.	Not disclosed for this Reporting Period	N/A