



第七大道
7ROAD.COM

7Road Holdings Limited 第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 797



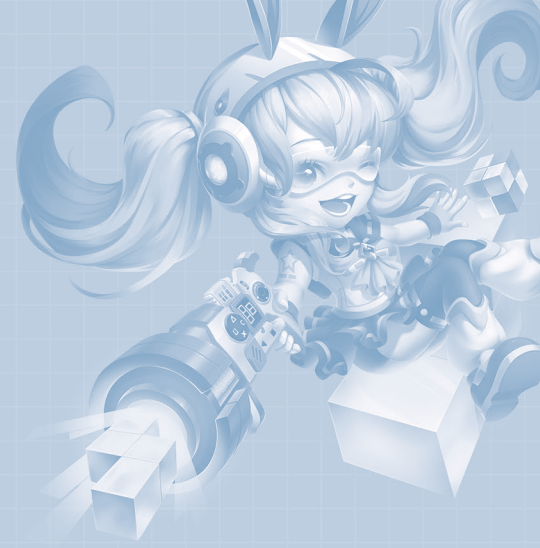
2020

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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 (*Chairman*)
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 (*FCCA, CPA*)

AUTHORIZED REPRESENTATIVES

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

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

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

	For the six months ended 30 June	
	2020 (RMB'000)	2019 (RMB'000)
Revenue	198,325	103,484
Profit/(loss) for the period	32,526	(25,590)
Profit/(loss) for the period attributable to owners of the Company	32,379	(25,590)
Adjusted net profit/(loss) ⁽¹⁾	37,509	(1,223)
Adjusted net profit/(loss) attributable to owners of the Company	37,362	(1,223)

Note:

(1) Adjusted net profit/(loss) does not include share-based compensation costs. Please see "Non-IFRSs Measures" for details.

1. For the six months ended 30 June 2020, the Company recorded a total revenue amounted to approximately RMB198.3 million, representing an increase of approximately 91.6% as compared with the six months ended 30 June 2019.
2. For the six months ended 30 June 2020, the Company recorded a profit for the period attributable to owners of the Company amounted to approximately RMB32.4 million, representing an increase of approximately 226.5% as compared with the six months ended 30 June 2019.
3. For the six months ended 30 June 2020, the non-IFRSs adjusted net profit attributable to owners of the Company amounted to approximately RMB37.4 million, representing an increase of approximately 3,154.9% as compared with the six months ended 30 June 2019.



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 “2020 Global Games Market Report” released by Newzoo in 2020, the global online game market in 2020 is expected to record a revenue of approximately US\$159.3 billion. The mobile-end game market remained the largest segmented market with an expected market revenue of approximately US\$72.2 billion, representing approximately 13.3% of the global online game market. Approximately 40% of the revenue in global game market would arise from smartphone games.

In 2020, revenue from the Asia Pacific online game market is expected to increase by approximately 9.9% as compared with 2019, amounting to over US\$78.4 billion and accounting for approximately 49.0% of the global online game market. The North American market remained the second largest online game market, and the revenue from this region in 2020 is expected to be over US\$40.0 billion, accounting for approximately 25.0% 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 reach over US\$35.0 billion in total in 2020, accounting for approximately 22.0% of the global online game market. The Latin American online game market was expected to generate a revenue of US\$6.0 billion, accounting for approximately 4.0% of the global online game market.

According to “IH 2020 China Gaming Industry Report” jointly released by the Game Publishing Committee (GPC) of the China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會) and the International Data Corporation (IDC), from January to June 2020, the actual sales revenue from China’s online game market amounted to approximately RMB139.5 billion, representing an increase of 22.3% as compared to the same period in 2019. From January to June 2020, the number of game players in China is expected to exceed almost 660 million, with a period-on-period increase of 2.0%.

For the first half of 2020, the Company recorded a total revenue of approximately RMB198.3 million, representing an increase of approximately 91.6% as compared to the same period of 2019. For the first half of 2020, the gross profit and gross profit margin of the Company were RMB154.6 million and 78.0%, respectively. For the first half of 2020, the Company recorded profit attributable to Shareholders amounted to approximately RMB32.4 million, which was mainly due to the profit contribution of Xinla Group, which was consolidated in the Group in the second half of 2019.

OUTLOOK FOR THE SECOND HALF OF 2020

In the second half of 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 (“IP”) 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 into 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.

In the second half of 2020, we will continue to strategically expand overseas markets while focusing on the domestic market. We will be committed to updating and promoting our existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy.

Management Discussion and Analysis

We plan to launch and test multiple 2D mobile games in the second half of 2020, of which, Alice Closet (愛麗絲的衣櫥), a dress up game popular among female players, has conducted the first-round user test in August with good testing data and positive feedback from users; Arkadia (阿卡迪亞), a 2D card game, is expected to be published in November 2020. At the same time, we will participate in the development of the first-line animation IP, Silver Soul (銀魂). As it is the first self-developed mobile game of Silver Soul series in China, we focus on reproducing the original humorous storyline and strive to provide a mobile game with original taste to a large number of Silver Soul series fans in China. In early 2020, we designed and developed The Prosperity 3 (盛世3) project based on the current development of China's game market and game market of legendary series, after taking into account our own project advantages and needs of users. The Prosperity 3 is a boutique, long-term, social, mobile game of legendary series, which is expected to find further exploration in the current competitive and repetitive game market of legendary series. The Company holds positive expectation towards the peak gross billing of The Prosperity 3, the final technical test of which is about to commence, and it is expected to be officially published around the fourth quarter of 2020. The Dragon Slayer (屠龍世界) is a massive multiplayer online role-playing mobile game. The game adopts real-time combat mode. Data-deletion test is expected to take place in August 2020 and will be published in September 2020.

The mobile game of the Company's classic IP, Wartune (神曲) will also be tested overseas recently. We are also preparing for the development of a new game under the Company's core IP, namely DDTank Retro (彈彈堂懷舊版) and a 3D mobile game under a first-tier Japanese animation IP, which are 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 of capturing more market opportunities.

According to the Company's development strategy, the Company will selectively acquire or invest in IP with great potential or high-quality R&D and publishing companies on the industry chain from third parties, such as popular fictions, comics, and social networks. We will also seek strategic partnerships with outstanding game developers or publishers to enhance the Group's business. As disclosed in the announcement of the Company dated 27 April 2020, the Company is proposing a new acquisition where the subject company is a boutique game R&D company that is well-known in the industry and has launched multiple popular games with great success. As of the date of this interim report, the Company is in the process of negotiating the detailed terms of the transaction. If the acquisition is completed in the second half of 2020, it will expand the Company's game portfolio and enhance the Company's game development capabilities, promoting the Company's performance to a new level. The Company will strive to integrate, coordinate and optimize its existing business resources with the resources of business acquired or to be acquired, 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 addition, the Company is also paying attention to the development of 5G networks and conducting in-depth research and analysis of the possible impact of the 5G era on the cultural and entertainment industries. The Company will keep pace with the new development trend of the game industry in the 5G era, and make plans to seize market share of cloud gaming and game cloud in the 5G era starting to capture opportunities.

The utilization of IP will still remain as an integral part of our long-term strategy. In the second half of 2020, we will continue to concentrate our efforts on R&D in terms of the IP by ways of IP licensing and cooperating with other outstanding developers; and continue to recruit more talents and retain the existing talents with attractive compensation policies to enhance our IP R&D capabilities. In the meantime, we will actively pursue appropriate opportunities for investments and cooperations.



CORONAVIRUS DISEASE 2019 IMPACT

After the outbreak of Coronavirus Disease 2019 (“COVID-19”) in 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including 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.

In view of the outbreak of the COVID-19 epidemic, the Group has taken a series of necessary health precaution to mitigate the potential impact of the COVID-19 epidemic outbreak, including the implementation of prevention and control policies released by the relevant government authorities and adopting flexible work-from-home practices. Due to the nature of the Company in gaming industry, as at the date of this interim report, the Group does not anticipate any significant adverse financial or operational impacts resulting from the COVID-19 epidemic. The Group will pay close attention to the situation of the COVID-19 epidemic and continue to assess the impact of the epidemic disease on the Group’s finances and operations from time to time, as the case may be.

FINANCIAL REVIEW

Operational Information

Our Games

For the six months ended 30 June 2020, we continued to focus on the R&D and operation of high-quality games to face the ever-growing competition in the game industry. Despite being affected by the global COVID-19 epidemic, the Company still performed well in its principal business. The launched DDTank (彈彈堂) series contributed a turnover of approximately RMB156 million in the first half of 2020, representing an increase of 35% as compared to the corresponding period in 2019, of which DDTank Web (頁遊彈彈堂) increased by 37% period-on-period, DDTank Mobile (手遊彈彈堂) increased by 44% period-on-period, and classic DDTank Web (經典版頁遊彈彈堂) increased by 47% period-on-period. In addition, DDTank Mobile was launched in the Asia-Pacific region in March 2020, and it has been well-performed and enjoyed popularity among users. At the same time, the Company continued to promote it. The product turnover of Wartune (神曲) series for the six months ended 30 June 2020 is generally the same as the corresponding period of 2019. 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 in order to 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 six months ended 30 June 2020, our web games had (i) an average MAUs of approximately 1.2 million; (ii) an average MPUs of approximately 65,000; (iii) an ARPPU of approximately RMB392.4; and our mobile games had (i) an average MAUs of approximately 1.3 million; (ii) an average MPUs of approximately 134,000; (iii) an ARPPU of approximately RMB446.1.

Management Discussion and Analysis

THE SIX MONTHS ENDED 30 JUNE 2020 COMPARED TO THE SIX MONTHS ENDED 30 JUNE 2019

The following table sets forth the comparative statements of profit or loss for the six months ended 30 June 2020 and the six months ended 30 June 2019.

	For the six months ended 30 June	
	2020 (RMB'000)	2019 (RMB'000)
Revenue	198,325	103,484
Cost of revenue	(43,682)	(18,296)
Gross profit	154,643	85,188
Research and development expenses	(67,849)	(44,960)
Selling and marketing expenses	(15,891)	(85)
Administrative expenses	(37,405)	(41,058)
Net reversal of impairment losses/(impairment losses) on financial assets	14,225	(1,641)
Other income	11,065	4,388
Other losses, net	(37,534)	(33,001)
Operating profit/(loss)	21,254	(31,169)
Finance income	462	309
Finance costs	(1,778)	(1,450)
Finance costs, net	(1,316)	(1,141)
Share of results of a joint venture	(1,781)	—
Profit/(loss) before income tax	18,157	(32,310)
Income tax credit	14,369	6,720
Profit/(loss) for the period	32,526	(25,590)
Add:		
Share-based compensation costs	4,983	24,367
Adjusted net profit/(loss)⁽¹⁾	37,509	(1,223)
Adjusted net profit/(loss) attributable to the owners of the Company	37,362	(1,223)

Note:

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





REVENUE

The following table sets forth the comparative breakdown of our revenue for the six months ended 30 June 2020 and 2019:

	For the six months ended 30 June		2019	
	2020	(% of total revenue)	(RMB'000)	(% of total revenue)
	(RMB'000)			
Types of goods or services				
Online game revenue	189,213	95.4%	102,346	98.9%
— Self-development games				
published by the Group	11,156	5.6%	3,448	3.3%
published by other publishers	174,466	88.0%	86,561	83.7%
— Licensed games				
published by the Group	2,400	1.2%	3,367	3.2%
published by other publishers	1,191	0.6%	8,970	8.7%
Sales of online game technology and publishing solutions services	7,911	4.0%	—	—
Intellectual property licensing	1,201	0.6%	1,138	1.1%
Total	198,325	100.0%	103,484	100.0%

For the six months ended 30 June 2020, the Group recorded a total revenue amounted to approximately RMB198.3 million, representing an increase of approximately 91.6% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the revenue contribution of Xinla Group which was consolidated into the Group 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 amortization of game IP. The cost of revenue amounted to approximately RMB43.7 million for the six months ended 30 June 2020, representing an increase of approximately 138.8% as compared to approximately RMB18.3 million for the six months ended 30 June 2019. Such increase was mainly due to the higher cost of principal business of the Xinla Group which was consolidated into the Group in the second half of 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit amounted to approximately RMB154.6 million for the six months ended 30 June 2020, representing an increase of approximately 81.5% as compared to approximately RMB85.2 million for the six months ended 30 June 2019. Such increase was mainly attributable to the gross profit contribution of Xinla Group which was consolidated in the Group in the second half of 2019.

Our gross profit margin was approximately 78.0% for the six months ended 30 June 2020, representing a decrease of 4.3 percentage points as compared to approximately 82.3% for the six months ended 30 June 2019. Such decrease was mainly attributable to the larger increase of gross profit margin over the increase of revenue.



Management Discussion and Analysis

EXPENSES

R&D Expenses

Our R&D expenses mainly comprise employee salary and benefit expenses incurred by our R&D department, outsourcing expenses and amortization of game IP. The R&D expenses amounted to approximately RMB67.8 million for the six months ended 30 June 2020, representing an increase of approximately 50.9% as compared to approximately RMB45.0 million for the six months ended 30 June 2019. Such increase was mainly due to the impact on the R&D expenses of Xinla Group which was consolidated into the Group in the second half of 2019.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses and professional consulting fees. The administrative expenses amounted to approximately RMB37.4 million for the six months ended 30 June 2020, representing a decrease of 8.9% as compared to approximately RMB41.1 million for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in professional consulting service fees.

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 RMB15.9 million for the six months ended 30 June 2020, representing an increase of approximately 18,595.3% as compared to approximately RMB0.1 million for the six months ended 30 June 2019. Such increase was mainly due to the impact on the selling expenses of Xinla Group which was consolidated into the Group in the second half of 2019.

Income Tax Expenses

The income tax credit increased for the six months ended 30 June 2020, which was mainly due to certain subsidiaries with a higher deferred income tax regarding on loss. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the period ended 30 June 2020 vary from 15% to 25% (2019:15%-25%).

PROFIT FOR THE PERIOD

For the six months ended 30 June 2020, our profit attributable to owners of the Company amounted to approximately RMB32.4 million, representing an increase of approximately 226.5% as compared with the six months ended 30 June 2019. Such increase was mainly attributable to the profit contribution of Xinla Group which was consolidated in the Group in the second half of 2019.

NON-IFRSS MEASURES

To supplement our consolidated financial information which is presented in accordance with IFRSs, we set forth below our adjusted net profit/(loss) as an additional financial measure which is not presented in accordance with IFRSs. 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 the share-based compensation costs. The term “adjusted net profit” is not defined under IFRSs. 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 relevant period. 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 IFRSs:

	For the six months ended 30 June	
	2020 (RMB'000)	2019 (RMB'000)
Profit/(loss) for the period	32,526	(25,590)
Add:		
Share-based compensation costs	4,983	24,367
Adjusted net profit/(loss)	37,509	(1,223)
Adjusted net profit/(loss) attributable to:		
— Owners of the Company	37,362	(1,223)
— Non-controlling interests	147	—
	37,509	(1,223)

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 period, operating profit or any other operating performance measure that is calculated in accordance with IFRSs. 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.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2020 (RMB'000)	As at 30 June 2019 (RMB'000)	Change %
Cash at bank and on hand	130,390	246,824	-47.2%
Restricted funds	1,941	2,224	-12.7%
Total	132,331	249,048	-46.9%

As of 30 June 2020, our cash at bank and on hand and restricted funds amounted to approximately RMB132.3 million, as compared with approximately RMB249.0 million as of 30 June 2019. Such decrease was mainly attributable to the payments consideration for acquisition of Xinla Group and the increase in project investment.

As of 30 June 2020, our total borrowings amounted to approximately RMB54.6 million, representing an increase of 23.0% as compared with approximately RMB44.4 million as of 31 December 2019. As of 30 June 2020, our bank borrowings were mainly denominated in RMB, among which approximately RMB22.4 million are repayable within one year and approximately RMB32.2 million are payable more than one year.



Management Discussion and Analysis

GEARING RATIO

As of 30 June 2020, our gearing ratio, which is calculated as total debt divided by total assets, was approximately 35.7%, as compared with approximately 42.6% as of 31 December 2019. The decrease was mainly due to profit generated for six month ended 30 June 2020 and payment to acquisition of Xinla Group.

CAPITAL EXPENDITURE

	For the six months ended 30 June		
	2020 (RMB'000)	2019 (RMB'000)	Change %
Office computer and electronic equipment	262	32	718.8%
Office furniture and leasehold improvement	1,250	—	—
Vehicles	332	—	—
Houses and buildings	—	509	-100.0%
Software	1,500	—	—
Total	3,344	541	518.1%

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Our capital expenditure includes office computer and electronic equipment, office furniture and leasehold improvements, vehicles, houses and buildings and software. For the six months ended 30 June 2020 and 2019, total capital expenditure was amounted to approximately RMB3.3 million and RMB0.5 million respectively.

FOREIGN EXCHANGE RISK

The Group operates in overseas markets through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from recognised assets and liabilities when foreign currency is or will be received from overseas counterparties. For the six months ended 30 June 2020, the Group does not have policies to hedge any foreign currency fluctuations.

CHARGE ON ASSETS

As of 30 June 2020, a property for our own use was pledged to secure a bank loan granted to us in September 2016.

In March 2020, the Group received a loan from a bank of RMB15,000,000 at an interest rate of one-year Loan Prime Rate plus 1.3875% per annum. The borrowing was secured by certain property, plant and equipment, right of use assets and trade receivables of the Group.

Save as disclosed in this interim report, there was no other material charge on the Group's assets as of 30 June 2020.

CONTINGENT LIABILITIES AND GUARANTEES

As of 30 June 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.





SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this interim report, the Group did not have other significant investments held as of 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Reference is made to the announcement of the Company dated 27 April 2020, the Group, as the potential purchaser, and the potential vendor in relation to the potential acquisition of Beijing Locojoy Technology Co., Ltd. (北京樂動卓越科技有限公司) are in the process of negotiating the detailed terms and conditions of the potential acquisition. The Group will make further announcement(s) in relation to the potential investment and the potential acquisition as and when appropriate.

Save as disclosed in this interim report, the Company did not have other future plans for material investments or capital assets as of the date of this interim report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any other material acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2020, we had 455 full-time employees, mostly based in Shenzhen, Wuxi and Shanghai, China. The following table sets out the number of our employees by function as at 30 June 2020:

Function	Number of Employees	% of total
R&D	288	63.3%
Operation	81	17.8%
Administration	86	18.9%
Total	455	100.0%

For the six months ended 30 June 2020, our employee remuneration amounted to approximately RMB63 million (including salary, bonus, share-based compensation, pension scheme contribution, other social security fund and other employee benefits).

The remuneration of our employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, 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.



Management Discussion and Analysis

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

As at the date of this interim report, the Group did not have any significant events after the Reporting Period.



Other Information



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

As at 30 June 2020, 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 or short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange 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
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 30 June 2020.
- (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.

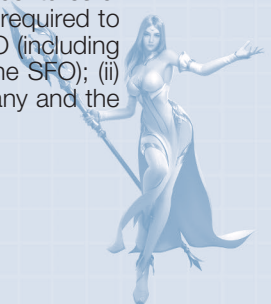
INTERESTS IN OTHER MEMBERS OF THE GROUP

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%
	Huoguoqi 7Road ⁽²⁾	Interest in a controlled corporation	20.19%

Notes:

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

Save as disclosed in this interim report, as at 30 June 2020, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.



Other Information

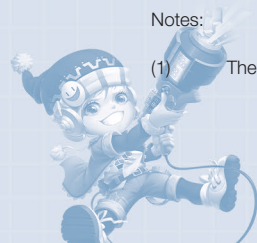
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors were aware, as at 30 June 2020, 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 as 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⁾	353,586,000	13.50%
Ningbo Hao Chu Investment Management Co., Ltd.	Interest in controlled corporations ⁽³⁾	353,586,000	13.50%
Mr. Zhou Hao	Interest in controlled corporations ⁽³⁾	353,586,000	13.50%
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%
Ben 7Road Holdings Limited	Beneficial owner Interest in a controlled corporation ⁽⁵⁾	429,922,000 98,932,000	16.41% 3.78%
World 7Road Holdings Limited	Beneficial owner Interest in a controlled corporation ⁽⁶⁾	331,130,000 80,000,000	12.64% 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 30 June 2020.





- (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 which 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., which is in turn 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 which 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 which 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, 38.73% by Ms. Chen Yanni (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, the Directors are not aware of any other persons (other than a director or chief executive of the Company) who, as at 30 June 2020, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

RSU SCHEME

On 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 of 30 June 2020, the remaining life of the RSU Scheme was approximately seven years and nine months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.



Other Information

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 to the RSU Trustees the Shares to be held by the RSU Trustees and to 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 30 June 2020, RSUs representing 21,637,500 underlying Shares were vested. Please refer to note 24 to the consolidated financial statements on page 47 of this interim report for details.

Details of the outstanding RSUs granted under the RSU Scheme as at 30 June 2020 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 30 June 2020 ⁽¹⁾
Director of our subsidiary and/or Consolidated Affiliated Entities					
Ms. Xu Jing	director and head of business management department of Huoerguosi 7Road	Flat 610, Chang Sheng Garden District 43, Bao'an District Shenzhen, PRC	2,600,000	31 March 2018	0.10%
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	400,000	31 March 2018	0.02%
Mr. Shi Shuanghua	head of the arts department	Flat 24A, Block H1 Ao Cheng Garden Phase II Nanshan District, Shenzhen PRC	500,000	31 March 2018	0.02%
Summary of outstanding RSUs by position held with our Group					
Position held with our Group		Number of underlying Shares represented by the outstanding RSUs	Date of grant	Approximate percentage of interest as at 30 June 2020 ⁽¹⁾	
18 game development employees		3,660,000	31 March 2018	0.14%	
4 game operation employees		860,000	31 March 2018	0.03%	
1 functional employee		400,000	31 March 2018	0.02%	

Note:

(1) The calculation is based on the total number of 2,619,500,000 Shares in issue as at 30 June 2020.

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 24 to the consolidated financial statements on page 47 of this interim report.





MOVEMENTS IN SHARE CAPITAL

Details of the movements in share capital of the Company during the six months ended 30 June 2020 are set out in note 22 to the consolidated financial statements on page 46 of this interim report.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry to all Directors, they have all confirmed that they have complied with the Model Code and the code of conduct of the Company regarding securities transactions by Directors throughout the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGES IN DIRECTORS' INFORMATION

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

Mr. 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.

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



Other Information

CHANGE IN AUDITOR

PricewaterhouseCoopers has resigned as the Company's auditor, with effect from 10 April 2020. Moore Stephens CPA Limited has been appointed as the Company's new auditor, with effect from 10 April 2020.

For further details of the change in the Company's auditor, please refer to the Company's announcement dated 10 April 2020.

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the six months ended 30 June 2020 and up to the date of this interim report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this interim report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Xue Jun, Ms. Li Yiqing and Ms. Wang Ying.

Mr. Xue Jun is the chairman of the Audit Committee.

REVIEW OF THE INTERIM FINANCIAL INFORMATION AND THE INTERIM REPORT

The Audit Committee has reviewed the unaudited interim financial information and the interim report of the Group for the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM REPORT

This interim report of the Group for the six months ended 30 June 2020, which contains all the information required by the Listing Rules was published on the websites of our Company (www.7road.com) and the Stock Exchange (www.hkexnews.hk) and has been dispatched to the Shareholders in due course.



Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020



	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	6	198,325	103,484
Cost of revenue	9	(43,682)	(18,296)
Gross profit		154,643	85,188
Research and development expenses	9	(67,849)	(44,960)
Selling and marketing expenses	9	(15,891)	(85)
Administrative expenses	9	(37,405)	(41,058)
Net reversal of impairment losses/(impairment losses) on financial assets	9	14,225	(1,641)
Other income	7	11,065	4,388
Other losses, net	8	(37,534)	(33,001)
Operating profit/(loss)		21,254	(31,169)
Finance income	10	462	309
Finance costs	10	(1,778)	(1,450)
Finance costs, net	10	(1,316)	(1,141)
Share of results of a joint venture	17	(1,781)	—
Profit/(loss) before income tax		18,157	(32,310)
Income tax credit	11	14,369	6,720
Profit/(loss) for the period		32,526	(25,590)
Profit/(loss) attributable to:			
— Owners of the Company		32,379	(25,590)
— Non-controlling interests		147	—
Earnings/(losses) per share for profit attributable to owners of the Company (expressed in RMB per share):	12		
Basic earnings/(losses) per share		0.013	(0.010)
Diluted earnings/(losses) per share		0.013	(0.010)

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



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit/(loss) for the period	32,526	(25,590)
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value changes on financial assets at fair value through other comprehensive income, net of tax	—	(1,031)
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(12,080)	1,100
Other comprehensive (loss)/income, net of tax	(12,080)	69
Total comprehensive income/(loss) for the period	20,446	(25,521)
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	20,299	(25,521)
— Non-controlling interests	147	—

The notes on pages 28 to 53 are integral parts of these consolidated financial statements.

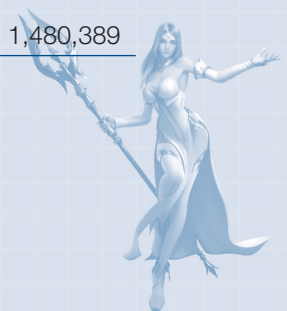


Interim Condensed Consolidated Balance Sheet

As at 30 June 2020



	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14	18,009	17,630
Right-of-use assets	15	79,996	83,087
Intangible assets	16	823,267	856,188
Interest in a joint venture	17	1,435	3,216
Financial assets at fair value through other comprehensive income	20	794	794
Financial assets at fair value through profit or loss	21	2,357	2,357
Prepayment and other receivables	19	260,709	113,059
Restricted cash		1,941	1,935
Deferred income tax assets		24,625	18,741
		1,213,133	1,097,007
Current assets			
Trade receivables	18	253,145	229,673
Prepayment and other receivables	19	77,552	442,483
Income tax recoverable		13,403	17,317
Financial assets at fair value through profit or loss	21	85,106	111,469
Restricted cash		—	1
Cash and cash equivalents		130,390	44,011
		559,596	844,954
Total assets		1,772,729	1,941,961
Current liabilities			
Trade and other payables	28	334,210	332,459
Lease liabilities	27	5,335	5,093
Borrowings	25	22,323	9,058
Current income tax liabilities		46,657	53,052
Contract liabilities	26	54,874	61,910
		463,399	461,572
Net current assets		96,197	383,382
Total assets less current liabilities		1,309,330	1,480,389



Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Other payables	28	90,428	273,750
Lease liabilities	27	5,211	7,895
Borrowings	25	32,227	35,296
Deferred tax liabilities		41,201	48,614
		169,067	365,555
Net assets			
		1,140,263	1,114,834
Equity			
Share capital	22	86	86
Share premium		3,791,696	3,791,696
Other reserves	23	(2,984,431)	(2,977,334)
Retained earnings		334,193	301,814
Total equity attributable to owners of the Company			
		1,141,544	1,116,262
Non-controlling interests			
		(1,281)	(1,428)
Total equity			
		1,140,263	1,114,834

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

The Interim Condensed Consolidated Financial Information on pages 21 to 53 were approved by the Board of Directors on 31 August 2020 and was signed on its behalf.

Meng Shuqi
Director

Li Zhengquan
Director

Yang Cheng
Director



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020



	Attributable to owners of the Company						Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)		
Balance at 1 January 2020		86	3,791,696	(2,977,334)	301,814	1,116,262	(1,428)	1,114,834
Comprehensive income								
Profit for the period		—	—	—	32,379	32,379	147	32,526
Other comprehensive income								
Currency translation differences		—	—	(12,080)	—	(12,080)	—	(12,080)
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	(12,080)	32,379	20,299	147	20,446
Transactions with owners in their capacity as owners								
Share-based compensation								
— Value of employee services	24	—	—	4,983	—	4,983	—	4,983
Balance at 30 June 2020		86	3,791,696	(2,984,431)	334,193	1,141,544	(1,281)	1,140,263



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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

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



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020



	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	158,680	27,736
Interest received	462	131
Interest paid	—	(45)
Income tax paid	(1,409)	—
Net cash generated from operating activities	157,733	27,822
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	6,276	145,842
Proceeds from disposal of property, plant and equipment	2	1,006
Prepayments for potential investments	(50,000)	—
Refunds of prepayments for potential investments	60,000	—
Payments for purchase of financial assets at fair value through profit or loss	(15,435)	(207,325)
Receipts from mobile game cooperation contract	104,477	—
Payments for purchases of property, plant and equipment	(1,844)	(541)
Payments for purchases of intangible assets	(1,500)	—
Payments for contingent consideration payable for acquisition of a subsidiary	(182,990)	—
Net cash used in investing activities	(81,014)	(61,018)
Cash flows used in financing activities		
New bank borrowings raised	15,000	—
Repayments of bank borrowings	(4,949)	(3,070)
Payments for leasing	(2,792)	(2,254)
Interest paid	(1,087)	(1,264)
Net cash from/(used in) financing activities	6,172	(6,588)
Net increase/(decrease) in cash and cash equivalents	82,891	(39,784)
Cash and cash equivalents at beginning of the period	44,011	286,017
Effects of exchange rate changes on cash and cash equivalents	3,488	591
Cash and cash equivalents at end of the period	130,390	246,824



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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, the 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.

This Interim Condensed Consolidated Financial Information is presented in Renminbi Yuan (“**RMB**”), unless otherwise stated, and is approved for issue by the Board of Directors on 31 August 2020. This Interim Condensed Consolidated Financial Information has not been audited.

2. BASIS OF PREPARATION

This Interim Condensed Consolidated Financial Information has been prepared in accordance with International Accounting Standards (“**IAS**”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, as set out in the 2019 annual report of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Condensed Consolidated Financial Information has 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.

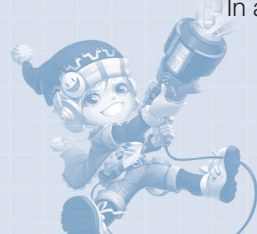
Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020 are the same as those presented in the annual consolidated financial statements for the year ended 31 December 2019, as set out in the 2019 annual report of the Company.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Interim Condensed Consolidated Financial Information:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 “COVID-19-Related Rent Concessions”.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the Interim Condensed Consolidated Financial Information.

Impacts and accounting policies on early application of Amendment to IFRS 16 "COVID-19-Related Rent Concessions"

(i) Accounting policies

Leases

COVID-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

(ii) Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained earnings at 1 January 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB140,000 in the profit or loss for the current interim period.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this Interim Condensed Consolidated Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended 31 December 2019.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Interim Condensed Consolidated Financial Information does not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since year ended 31 December 2019.

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial instruments that are measured at fair value using level 1, 2 and 3 inputs:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2020 (Unaudited)				
Financial assets at fair value through other comprehensive income (Note 20)	—	—	794	794
Financial assets at fair value through profit or loss (Note 21)	85,106	—	2,357	87,463
	85,106	—	3,151	88,257
Contingent consideration payable for acquisition of a subsidiary (Note 28)	—	—	(328,135)	(328,135)
As at 31 December 2019 (Audited)				
Financial assets at fair value through other comprehensive income (Note 20)	—	—	794	794
Financial assets at fair value through profit or loss (Note 21)	111,469	—	2,357	113,826
	111,469	—	3,151	114,620
Contingent consideration payable for acquisition of a subsidiary (Note 28)	—	—	(497,709)	(497,709)

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 investments in listed companies in Hong Kong Stock Exchange.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

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

The changes in level 3 instruments of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and contingent consideration payable for acquisition of a subsidiary for the six months ended 30 June 2020 have been disclosed in Notes 20, 21 and 28 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.

	Amount at 30 June 2020 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	<ul style="list-style-type: none">• Earnings multiples of comparable companies• Discount for lack of marketability	4.41 15.80%	note i
Contingent consideration payable for acquisition of a subsidiary	(328,135)	Discounted cash flow method	<ul style="list-style-type: none">• Discount rate	5.39%	note ii



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

Notes:

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

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended 30 June 2020
			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

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

Key unobservable inputs	Range of inputs	Change	Fair value change for the period ended 30 June 2020
			RMB'000
Discount rates	5.39%	+1%	3,422
	5.39%	-1%	(3,498)

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

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet, mainly comprise of bank borrowings. The carrying amounts of the bank borrowings approximate to their fair values.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

6. SEGMENT INFORMATION AND REVENUE

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

Revenue for the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Types of goods or services		
Online game revenue	189,213	102,346
— Self-development games		
<i>published by the Group</i>	11,156	3,448
<i>published by other publishers</i>	174,466	86,561
— Licensed games		
<i>published by the Group</i>	2,400	3,367
<i>published by other publishers</i>	1,191	8,970
Sales of online game technology and publishing solutions services	7,911	—
Intellectual property licensing	1,201	1,138
	198,325	103,484

Revenues of approximately RMB147,056,000 were derived from the five largest single external customers for the six months ended 30 June 2020 (2019: RMB72,998,000).

During the six months ended 30 June 2020, revenues of approximately RMB86,212,000 and RMB25,780,000 were derived from two single external customers accounted for more than 10% of the total revenue (2019: RMB42,130,000 and RMB14,820,000 were derived from two single external customers).



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



7. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grants (note)	3,525	2,831
Value added tax ("VAT") refunds (note)	1,401	1,557
Compensation income (Note 19(c))	1,772	—
Interest income on receivable from disposal of investments (Note 19(d))	2,735	—
Rent concession income	140	—
Others	1,492	—
	11,065	4,388

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

8. OTHER LOSSES, NET

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Losses on financial assets at fair value through profit or loss (Note 21)	(35,522)	(31,887)
Provisional fair value change on contingent consideration payable for acquisition of a subsidiary (Note 28)	(6,709)	—
Gains/(losses) on disposal of property, plant and equipment	1	(470)
Foreign exchange gains/(losses), net	4,694	(791)
Others	2	147
	(37,534)	(33,001)



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Payroll and employee benefit expense	57,809	36,870
Share-based compensation (Note 24)	4,983	24,367
Professional and consulting fees	9,211	13,754
Outsourced technical services	19,045	10,710
Promotion and advertising expenses	21,038	5,828
Utilities and office expenses	2,370	2,789
Depreciation of property, plant and equipment (Note 14)	1,464	1,737
Depreciation of right-of-use assets (Note 15)	3,356	2,732
Amortization of intangible assets (Note 16)	34,421	960
Net impairment losses on financial assets	—*	1,641
Travelling and entertainment expenses	2,153	1,066
Tax and levies	2,621	397
Others	6,356	3,189
	164,827	106,040

* During the six months ended 30 June 2020, the Group recognized net reversal of impairment losses on financial assets of RMB14,225,000 and such amount is not included in this note.

10. FINANCE COSTS, NET

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance income		
Others	462	309
Finance costs		
Interest expenses on bank borrowings	(1,289)	(1,264)
Others	(489)	(186)
	(1,778)	(1,450)
Finance costs, net	(1,316)	(1,141)



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



11. INCOME TAX CREDIT

The income tax expense/(credit) of the Group for the six months ended 30 June 2020 and 2019 is analyzed as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	6,894	(6,270)
Deferred income tax	(21,263)	(450)
	(14,369)	(6,720)

Corporate Income Tax

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

Income tax expense is recognized based on management's best estimation of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding the entities that are currently tax exempted) for the year ending 31 December 2020 varies from 15% to 25% (2019: 15% to 25%).

PRC Withholding Tax ("WHT")

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



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

12. EARNINGS/(LOSSES) PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company	32,379	(25,590)
Weighted average number of ordinary shares in issue (in thousands)	2,440,568	2,487,748
Earnings/(losses) per share for profit attributable to equity holders of the Company	0.013	(0.010)

Note:

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 six months ended 30 June 2020 and 2019 since the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting periods, and the impact of dilution of the RSUs was anti-dilutive during the six months ended 30 June 2020 and 2019.

13. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 (2019: Nil). The directors of the Company do not recommend the payment of an interim dividend.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Servers and other equipment RMB'000	Furniture & leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)						
At beginning of the period	13,834	1,439	2,106	251	—	17,630
Additions	—	262	1,250	332	—	1,844
Disposal	—	(1)	—	—	—	(1)
Depreciation charge (Note 9)	(244)	(248)	(942)	(30)	—	(1,464)
At end of the period	13,590	1,452	2,414	553	—	18,009
Six months ended 30 June 2019 (Unaudited)						
At beginning of the period	12,237	2,038	1,804	1,077	1,529	18,685
Additions	—	32	—	—	509	541
Disposal	—	(859)	(81)	(536)	—	(1,476)
Depreciation charge (Note 9)	(209)	(174)	(1,092)	(262)	—	(1,737)
At end of the period	12,028	1,037	631	279	2,038	16,013

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15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Rented office premises RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)			
At beginning of the period	70,489	12,598	83,087
Additions	—	265	265
Depreciation charge (Note 9)	(642)	(2,714)	(3,356)
At end of the period	69,847	10,149	79,996
Six months ended 30 June 2019 (Unaudited)			
At beginning of the period (upon the application of IFRS 16)	71,773	11,784	83,557
Depreciation charge (Note 9)	(642)	(2,090)	(2,732)
At end of the period	71,131	9,694	80,825



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Game copyrights and intellectual property license contracts RMB'000	Computer software licenses RMB'000	Domain name RMB'000	Total RMB'000
Six months ended 30 June 2020 (Unaudited)					
At beginning of the period	693,065	160,901	393	1,829	856,188
Additions	—	1,500	—	—	1,500
Amortization charge (Note 9)	—	(34,053)	(205)	(163)	(34,421)
At end of the period	693,065	128,348	188	1,666	823,267
Six months ended 30 June 2019 (Unaudited)					
At beginning of the period	26,031	—	1,398	2,154	29,583
Additions	—	—	—	—	—
Amortization charge (Note 9)	—	—	(797)	(163)	(960)
At end of the period	26,031	—	601	1,991	28,623

Impairment tests for goodwill

Goodwill acquired in a business combination is allocated to cash-generating units (“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:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Shanghai Sub-group	667,034	667,034
Shenzhen Sub-group	26,031	26,031
	693,065	693,065



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



16. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

The goodwill amounted to RMB667,034,000 was resulted from the acquisition of Osmanthus Vale Holdings Limited (“**Osmanthus Vale**”) and was attributable to the CGU consisting of the Sub-group of which the operation is mainly based in Shanghai, the PRC.

The goodwill amounted to RMB26,031,000 was resulted from the acquisition of Shenzhen Qianqi Network Technology Co., Ltd. and was attributable to the CGU consisting of the Sub-group of which the operation is mainly based in Shenzhen, the PRC.

The Group determines whether goodwill is impaired at least on an annual basis. The latest impairment test was performed for 31 December 2019. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, i.e. the Shanghai Sub-group and the Shenzhen Sub-group. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews.

17. INTEREST IN A JOINT VENTURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At beginning of the period	3,216	—
Share of losses and other comprehensive expense	(1,781)	—
At end of the period	1,435	—



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

18. TRADE RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade receivables	273,135	253,977
Less: provision for impairment	(19,990)	(24,304)
Trade receivables, net	253,145	229,673

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:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	162,714	130,020
3 to 6 months	26,424	61,883
6 months to 1 year	56,228	39,841
1 to 2 years	21,398	19,246
Over 2 years	6,371	2,987
	273,135	253,977



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



19. PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Included in non-current assets		
Rental deposits	1,187	1,140
Prepayment for technology services	2,358	2,358
Advance granted to third parties	4,616	4,394
Prepayment for investment (note a)	130,000	80,000
Deposit paid for acquisition of intangible assets	124,906	28,302
Less: provision for impairment	(2,358)	(3,135)
	260,709	113,059
Included in current assets		
Housing loans to employee	1,817	1,601
Advance granted to third parties	3,079	3,022
Advance to a related party	2,795	2,747
Recoverable value-added tax	18,679	9,511
Prepayment to game developers	10,917	22,837
Prepayment for technology services	32,017	24,429
Receivable from refund for undelivered technology services	2,000	3,000
Receivable from mobile game cooperation contract (note b)	—	104,477
Receivable from refund for terminated mobile game contract (note c)	—	106,387
Prepayment for copyright loyalty	705	681
Prepayment for advertisement and marketing	23,299	38,642
Prepayment for advisory services	76	523
Receivable from disposal of investments (note d)	20,299	113,439
Prepayment for investments	6,810	66,810
Others	10,688	9,140
Less: provision for impairment	(55,629)	(64,763)
	77,552	442,483



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

19. PREPAYMENT AND OTHER RECEIVABLES (continued)

Notes:

- (a) In December 2019, January and March 2020, the Group, as the potential investor, entered into a letter of intent, a framework agreement and a supplementary framework agreement, respectively, with a state-owned enterprise group in Shanghai (an independent third-party to the Group), and the local government for the proposed acquisition of the equity interest in an information technology company ("**Target Company A**"), with a refundable amount of RMB80,000,000 and RMB50,000,000 paid to the designated recipient of the state-owned enterprise group in December 2019 and March 2020 respectively. The Group intended to exert its own advantage in the industry, perform businesses coordination and integrate industry resources, and further facilitates the game business development of the Group through the construction and operation of game cloud, clouding storage, big data, in order to be well arranged in the cloud gaming business and game cloud business. Up to the date when the Interim Condensed Consolidated Financial Information was authorized for issue, the above RMB130,000,000 has been fully refunded in August 2020 due to restructure of investment arrangement, and based on the restructured investment arrangement the Group has then acquired 2% equity interest of Target Company A at consideration of RMB180,000,000 (in which RMB135,000,000 has been subsequently paid in August 2020) through the equity transfer agreement dated 28 July 2020.
- (b) On 31 January 2019, the Group entered into a cooperation contract with an independent third-party mobile game publisher ("**Publisher**"), enabling the Group to participate in the advertising and promotion activities of a mobile game. Pursuant to the contract, the Group agreed to cooperate 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**"). The Cooperation Amount and related income totaling approximately RMB104,477,000 has been fully repaid during the six months ended 30 June 2020.
- (c) The Group entered into a mobile game distribution agreement with an independent third-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 the subsequent supplemental agreements, this independent third-party should refund a total amount of USD26,500,000 (including compensation income of USD1,500,000) to the Group. During the six months ended 30 June 2020, the Group proportionally recognized compensation income of RMB1,772,000 (2019: nil) and the total amount of USD26,500,000 (including the compensation income of USD1,500,000) has been fully received.
- (d) 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. The directors of the Company believe that such amount is still unrecoverable as at 31 December 2019 and 30 June 2020.
- On 10 October 2019, the Group entered into a share transfer agreement with an investment management partnership (limited partnership), an independent third-party, to transfer the Group's investment in Ningbo Jiujin Investment Partnership Enterprise (Limited Partnership). The transfer amount of RMB93,140,000 and related interest income of RMB2,735,000 were fully received during the six months ended 30 June 2020.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Unlisted equity investments	794	794

Movements in financial assets at fair value through other comprehensive income during the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At beginning of the period	794	5,172
Fair value change	—	(1,360)
At end of period	794	3,812

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Current		
Listed shares in Hong Kong	85,106	111,469
Non-current		
Listed shares in the PRC	867	867
Unlisted investments in the PRC	1,490	1,490
	2,357	2,357
	87,463	113,826



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

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

Movements in financial assets at fair value through profit or loss during the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At beginning of the period	113,826	308,079
Addition	15,435	207,325
Disposal	(6,276)	(145,842)
Realized and unrealized losses (Note 8)	(35,522)	(31,887)
At end of period	87,463	337,675

22. SHARE CAPITAL

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	Unaudited			
	Six months ended 30 June			
	Number of shares		Share capital	
	2020 (thousands)	2019 (thousands)	2020 RMB'000	2019 RMB'000
As at 1 January and 30 June	2,619,500	2,666,680	86	88



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



23. OTHER RESERVES

	Shares held for RSU Scheme	Statutory surplus reserve	Shareholder contribution	Capital redemption reserve	Capital reserve	Share-based compensations	Currency translation differences	Financial assets at fair value through other comprehensive income	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2020	(273,592)	5,000	273,592	2	(3,032,350)	18,545	34,675	(3,206)	(2,977,334)
Share-based compensations (Note 24)									
– value of employee services	–	–	–	–	–	4,983	–	–	4,983
Currency translation differences	–	–	–	–	–	–	(12,080)	–	(12,080)
At 30 June 2020	(273,592)	5,000	273,592	2	(3,032,350)	23,528	22,595	(3,206)	(2,984,431)
At 1 January 2019	(273,592)	5,000	273,592	–	(3,032,350)	35,632	21,613	879	(2,969,226)
Share-based compensations (Note 24)									
– value of employee services	–	–	–	–	–	24,367	–	–	24,367
– vested and settled	–	–	–	–	–	(27,731)	–	–	(27,731)
Fair value changes on financial asset at fair value through other comprehensive income	–	–	–	–	–	–	–	(1,031)	(1,031)
Currency translation differences	–	–	–	–	–	–	1,100	–	1,100
At 30 June 2019	(273,592)	5,000	273,592	–	(3,032,350)	32,268	22,713	(152)	(2,972,521)

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24. EQUITY-SETTLED SHARE-BASED COMPENSATION

On 6 March 2018, to incentivize Directors, senior management and employees, a Restricted Share Units Scheme (“**RSU Scheme**”) was approved and adopted by the Company. 7Road Elite Holdings Limited (“**ESOP 1**”) and 7Road Talent Holdings Limited (“**ESOP 2**”) were incorporated to hold 8,946,600 ordinary shares of the Company (in equivalent to 178,932,000 ordinary shares upon the completion of the Share Subdivision and Global Offering), which was contributed by a former shareholder. ESOP 1 and ESOP 2 were consolidated by the Company as to the Company is able to execute power over the control and management over ESOP 1 and ESOP 2. These shares 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, RSUs in equivalent to 100,800,000 ordinary shares were granted to certain eligible persons selected by the Board of Directors. Under the terms of the grant letter, the RSUs shall be vested as to 30%, 30% and 40% on 31 March 2019, 31 March 2020 and 31 March 2021, respectively, of which certain designated grantees also required to fulfill 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.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

24. EQUITY-SETTLED SHARE-BASED COMPENSATION (continued)

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 million.

Movement of the RSU Scheme for the six months ended 30 June 2020 and 2019 is as follows:

	Number of underlying Shares represented by the RSUs (Unaudited)
At 1 January 2019	88,825,000
Forfeited	(18,275,000)
Vested and settled (note a)	(21,637,500)
At 30 June 2019	48,912,500
At 1 January 2020	19,547,500
Forfeited/Lapsed	(11,127,500)
At 30 June 2020	8,420,000

Notes:

- (a) 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 RSUs at HKD1.50 per underlying Shares, totaling RMB27,731,000, and (ii) certain performance conditions for the vesting of the remaining 2nd 30% and 3rd 40% was added ("Additional Vesting Condition").

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

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



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



25. BORROWINGS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Secured bank borrowings		
— RMB loan (note a)	51,490	41,434
— Hong Kong Dollar (“HK\$”) loan (note b)	3,060	2,920
	54,550	44,354

Notes:

- (a) In September 2016, the Group received a loan from a bank of RMB61,600,000 at an interest rate of Shanghai Interbank Offered Rate basic loan rate plus 1.09% per annum. The borrowing was secured by certain property, plant and equipment and right of use assets of the Group.
- In March 2020, the Group received a loan from a bank of RMB15,000,000 at an interest rate of one-year Loan Prime Rate plus 1.3875% per annum. The borrowing was secured by certain property, plant and equipment, right of use assets and trade receivables 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 included in financial assets at fair value through profit or loss of the Group.

At 30 June 2020 and 31 December 2019, the Group's borrowings were repayable as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 year	22,323	9,058
1 to 2 years	6,138	6,138
2 to 5 years	18,415	18,415
Over 5 years	7,674	10,743
	54,550	44,354

At 30 June 2020 and 31 December 2019, the carrying amounts of the Group's borrowings approximate to their fair values. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

26. CONTRACT LIABILITIES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Advance from customers	45,827	44,556
Game copyrights	88	418
Game revenue derived from game players	8,959	16,936
	54,874	61,910

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

27. LEASE LIABILITIES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 year	5,335	5,093
Over 1 year but within 2 years	5,211	7,895
	10,546	12,988
Less: Amount due for settlement within 12 months shown under current liabilities	(5,335)	(5,093)
Amount due for settlement after 12 months shown under non-current liabilities	5,211	7,895



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



28. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Included in non-current liabilities		
Contingent consideration payable for acquisition of a subsidiary (note)	90,428	273,750
Included in current liabilities		
Trade payables	23,444	34,936
Payroll liabilities	15,914	36,124
Other tax payables	13,469	15,576
Dividend payables	1	1
Government grants	1,936	1,935
Accrued expenses	6,273	8,811
Listing expense	8,548	8,543
Contingent consideration payable for acquisition of a subsidiary (note)	237,707	223,959
Others	26,918	2,574
	334,210	332,459

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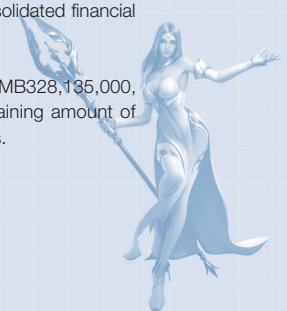
The ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
0 to 30 days	2,850	13,211
31 to 60 days	396	6,449
61 to 90 days	517	16
91 to 180 days	2,576	476
181 to 365 days	3,458	1,279
Over 1 year	13,647	13,505
	23,444	34,936

Note:

The amount represents provisional fair value of contingent consideration payable arising from the acquisition of Osmanthus Vale during the year ended 31 December 2019. Pursuant to the sale and purchase agreement dated 23 August 2019, the contingent consideration payable is subject to adjustment mechanism in respect of "Profit Compensation", "Goodwill Impairment Compensation" and "Additional Consideration" (collectively referred to as the "Adjustment Mechanism"). Details of the Adjustment Mechanism have been disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

Depending on the result of Adjustment Mechanism, included in the provisional fair value of contingent consideration payable of RMB328,135,000, RMB237,707,000 is payable within twelve months from the end of reporting period and is included in current liabilities. The remaining amount of RMB90,428,000 is payable after more than twelve months from the end of the reporting period and is included in non-current liabilities.



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020

29. CAPITAL COMMITMENTS

As at 30 June 2020, significant capital expenditure in respect of purchase of game copyrights contracted but not provided for amounted to RMB65 million (31 December 2019: RMB165 million).

As at 30 June 2020, there was no significant capital expenditure in respect of purchase of property, plant and equipment contracted but not provided (31 December 2019: Nil).

30. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with a related party

The following company is a related party of the Group that had balances and/or transactions with the Group during the six months ended 30 June 2020 and 2019.

<u>Company</u>	<u>Relationship</u>
Ben 7Road Holdings Limited	Shareholder

(b) Key management compensation

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,763	1,632
Other social security costs and housing benefits and other employee benefits	49	114
Pension costs — defined contribution plans	117	154
Share-based compensation — value of employee services	1,723	10,737
Total	4,652	12,637



Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2020



30. RELATED PARTY TRANSACTIONS (continued)

(c) Loans to Ben 7Road Holdings Limited

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At beginning of the period	2,747	2,687
Exchange difference	48	11
At end of the period	2,795	2,698
Maximum outstanding during the period	2,795	2,698

31. CONTINGENCIES

As at 30 June 2020, the Group did not have any material contingent liabilities. (31 December 2019: Nil)



Definitions

“ARPPU”	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of such game, such type of games or all of our games, as applicable, during such period
“Audit Committee”	the audit committee of the Board
“average MPUs”	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
“Board”	the board of Directors of the Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes Hong Kong, 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 listed on the Main Board of the Stock Exchange on 18 July 2018 (Stock Code: 797)
“Contractual Arrangements”	certain contractual arrangements entered into on 13 April 2018 by the Group
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	the public offering of 66,668,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 600,012,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HKD” or “HK\$”	Hong Kong dollars, 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 liability on 27 November 2015 and by virtue of the Contractual Arrangements, accounted for as our subsidiary





“IAS”	the International Accounting Standards
“IFRS”	the International Financial Reporting Standards
“Listing Date”	the date on which the Shares 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
“online game(s)”	video game(s) that is/are played over some form of computer or mobile network, including primarily client games, web games and mobile games
“paying users”	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
“Prospectus”	the prospectus issued by the Company dated 29 June 2018
“R&D”	research and development
“Reporting Period”	the six months ended 30 June 2020
“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



Definitions

“Share(s)”	ordinary share(s) of US\$0.000005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen 7Road”	Shenzhen 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability on 22 January 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Shenzhen Qianqi”	Shenzhen Qianqi Network Technology Co., Ltd. (深圳市千奇網絡科技有限公司), a company incorporated under the laws of the PRC with limited liability on 28 November 2018 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“web game(s)”	game(s) that is/are played in a web browser on personal computer without downloading any client base or application
“Xinla Group”	Shanghai Xinla Network Technology Co., Ltd.* (上海辛辣網絡科技有限公司) and its subsidiaries
“%”	percent

* For identification purpose only

