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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The Board announces the unaudited consolidated interim results of the Group for the six months ended June 30, 2019 (“**interim results**”) together with the comparative figures for the corresponding period in 2018.

FINANCIAL PERFORMANCE HIGHLIGHTS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is a leading game developer and operator in China with a global reach. Since our inception in 2008, the Company has engaged in the R&D, operation and licensing of a number of popular web games. Our web games *DDTank* (彈彈堂) and *Wartune* (神曲), which were launched in 2009 and 2011 respectively, maintain a strong momentum and contribute a considerable portion of revenue to the Company. The Company derives a sizable portion of revenue from the overseas markets and our games have been published in more than 100 countries and regions. We are committed to bringing quality gameplay experience in various game formats to our users. In recent years, we have strategically expanded our business focuses to develop mobile games, which are increasingly popular among the players.

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

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

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

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

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

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

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

OUTLOOK FOR SECOND HALF OF 2019

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

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

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

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

With respect to our principal business activities, we will be committed to updating existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy.

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

INTERIM DIVIDEND

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

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

For the six months ended June 30, 2019, we continued to focus on the R&D of high-quality online games in response to the intensifying competition in the game industry. For the six months ended June 30, 2019, we developed two new games.

Our Players

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

For the six months ended June 30, 2019, our web games (i) had an average MAUs of approximately 1.3 million; (ii) an average MPUs of approximately 67,000; (iii) an ARPPU of approximately RMB380. Our mobile games had (i) an average MAUs of approximately 0.85 million; (ii) an average MPUs of approximately 40,000; (iii) an ARPPU of approximately RMB252.

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

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

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

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

REVENUE

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

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

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

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

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

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

COST OF REVENUE

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

EXPENSES

R&D Expenses

Our R&D expenses primarily consist of employee benefit expense incurred by our R&D department and outsourcing expenses. The R&D expenses were RMB45.0 million for the first half of 2019, representing a decrease of 20.5% as compared with the corresponding period of 2018. This was mainly attributable to the decrease in the expenses in technology development and arts outsourcing.

Administrative Expenses

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

Selling and Marketing Expenses

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

Income Tax Expenses

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

NON-IFRS MEASURES

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

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

	For the six months ended	
	June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	(25,590)	104,543
Add:	24,367	38,352
Listing-related expenses	—	19,500
Share-based compensation costs	24,367	18,852
	<hr/>	<hr/>
Adjusted (net loss)/net profit	<u>(1,223)</u>	<u>142,895</u>

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

FINANCIAL POSITIONS

As of June 30, 2019, our total equity was approximately RMB1,147.8 million, as compared with approximately RMB1,177.1 million as of December 31, 2018.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

GEARING RATIO

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

CAPITAL EXPENDITURE

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

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

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

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

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

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

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

CHARGE ON ASSETS

As of June 30, 2019, a property for our own use was pledged to secure a bank loan granted to us in September 2016.

CONTINGENT LIABILITIES AND GUARANTEES

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

As of June 30, 2019, our employee remuneration totaled approximately RMB61.2 million (including salary, bonus, share-based compensation, pension scheme contribution, other social security fund and other employee benefits).

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

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

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Global Offering were approximately HKD874.0 million, after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. We have, and will continue to utilize the net proceeds from the Global Offering in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EVENTS AFTER REPORTING PERIOD

On July 2, 2019, it was announced that the Group intended to exercise its power to repurchase up to 80,000,400 Shares, representing up to approximately 3.00% of the existing total number of issued Shares from the open market (the “**Share Repurchase Plan**”). Such Share Repurchase Plan shall remain effective until the earlier of the conclusion of next annual general meeting or the date on which the aggregate number Shares repurchased by the Group reached 80,000,400. As at the date of the announcement, the Group has repurchased an aggregate of 47,180,000 Shares, which were cancelled on August 5, 2018.

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

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

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

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

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended June 30,	
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	103,484	233,672
Cost of revenue	7	<u>(18,296)</u>	<u>(26,718)</u>
Gross profit		85,188	206,954
Research and development expenses	7	(44,960)	(56,538)
Selling and marketing expenses	7	(85)	(243)
Administrative expenses	7	(41,058)	(45,463)
Net impairment losses on financial assets	7	(1,641)	—
Other income	5	4,388	9,779
Other (losses)/gains, net	6	<u>(33,001)</u>	<u>7,097</u>
Operating (loss)/profit		<u>(31,169)</u>	<u>121,586</u>
Finance income	8	309	2,945
Finance costs	8	<u>(1,450)</u>	<u>(3,614)</u>
Finance costs, net	8	(1,141)	(669)
Share of results of associates	15	<u>—</u>	<u>1,271</u>
(Loss)/profit before income tax		(32,310)	122,188
Income tax expense	9	<u>6,720</u>	<u>(17,645)</u>
(Loss)/profit for the period		<u>(25,590)</u>	<u>104,543</u>
(Loss)/profit attributable to owners of the Company		<u>(25,590)</u>	<u>104,543</u>
(Losses)/earnings per share for profit attributable to owners of the Company (expressed in RMB per share):	10		
Basic (losses)/earnings per share		(0.010)	0.057
Diluted (losses)/earnings per share		<u>(0.010)</u>	<u>0.057</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	12	16,013	18,685
Land use rights	3	—	71,773
Right-of-use assets	3, 13	80,825	—
Intangible assets	14	28,623	29,583
Financial assets at fair value through other comprehensive income		3,821	5,172
Financial assets at fair value through profit or loss	18	124,139	138,860
Prepayment and other receivables	17	380,740	384,121
Restricted cash		1,930	2,182
Deferred income tax assets		10,380	10,204
		<u>646,471</u>	<u>660,580</u>
Current assets			
Trade receivables	16	64,662	81,547
Prepayment and other receivables	17	151,443	131,785
Income tax recoverable		10,675	4,739
Financial assets at fair value through profit or loss	18	119,743	169,219
Mobile game joint promotion contract	25	93,793	—
Restricted cash		294	1,703
Cash and cash equivalents		246,824	286,017
		<u>687,434</u>	<u>675,010</u>
Total assets		<u><u>1,333,905</u></u>	<u><u>1,335,590</u></u>

		Unaudited	Audited
		As at	As at
		June 30,	December 31,
		2019	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Borrowings	22	38,365	41,435
Lease liabilities	3	6,214	—
Contract liabilities	23	—	6,066
Deferred income tax liabilities		8,080	8,746
		52,659	56,247
Current liabilities			
Trade and other payables	24	112,015	42,318
Borrowings	22	6,138	6,138
Lease liabilities	3	4,086	—
Contract liabilities	23	11,263	53,759
		133,502	102,215
Total liabilities		186,161	158,462
Net assets		1,147,744	1,177,128
Equity attributable to owners of the Company			
Share capital	19	88	88
Share premium		3,854,742	3,854,742
Other reserves	20	(2,972,521)	(2,969,226)
Retained earnings		265,435	291,524
Total equity		1,147,744	1,177,128

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

7Road Holdings Limited (the “**Company**”) was incorporated in Cayman Islands on September 6, 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The address of the Company’s registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the development and distribution of web games and mobile games in the People’s Republic of China (the “**PRC**”) and other countries and regions.

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

This Interim Condensed Consolidated Financial Information is presented in thousands of Renminbi Yuan (“**RMB**”), unless otherwise stated, and is approved for issue by the Board of Directors on August 29, 2019. This condensed interim consolidated financial information has not been audited.

2 BASIS OF PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the group

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

IFRS 16 — Leases

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

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

Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement

Annual improvements 2015–2017 Cycle

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

IFRS 16

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 SEGMENT INFORMATION AND REVENUE

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

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

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

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

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

5 OTHER INCOME

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

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

6 OTHER (LOSSES)/GAINS, NET

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Losses)/gains on financial assets at fair value through profit or loss (<i>Note 18</i>)	(38,024)	1,520
Gain on a mobile game joint promotion contract (<i>Note 25</i>)	6,137	—
(Losses)/gains on disposal of property, plant and equipment	(470)	52
Gains on disposal of an investment	—	111
Foreign exchange (losses)/gains, net	(791)	4,903
Others	147	511
	<u>(33,001)</u>	<u>7,097</u>

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Payroll and employee benefit expense	36,870	44,415
Share-based compensation (<i>Note 21</i>)	24,367	18,852
Professional and consulting fees	13,754	—
Outsourced technical services	10,710	11,528
Promotion and advertising expenses	5,828	11,338
Utilities and office expenses	2,789	6,154
Depreciation of right-of-use assets	2,090	—
Depreciation of property, plant and equipment (<i>Note 12</i>)	1,737	1,448
Impairment/(reversal of impairment) on financial assets	1,641	(601)
Travelling and entertainment expenses	1,066	2,116
Amortization of intangible assets (<i>Note 14</i>)	960	895
Listing expenses	—	19,500
Amortization of land use rights (<i>Note 13</i>)	642	642
Tax and levies	397	1,200
Revenue sharing cost	159	6,495
Others	3,030	4,980
	<u>106,040</u>	<u>128,962</u>

8 FINANCE COSTS, NET

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

9 INCOME TAX EXPENSE

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

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

Corporate Income Tax

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

Income tax expense is recognised based on management's best estimation of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding the entities that are currently tax exempted) for the year ending December 31, 2019 varies from 15% to 25% (2018: 15% to 25%).

PRC Withholding Tax ("WHT")

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

10 (LOSSES)/EARNINGS PER SHARE

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

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

Note:

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

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

11 DIVIDENDS

On August 28, 2018, the directors declared an interim dividend of HKD3.1 cents per share, totalling HKD82,667,000 (equivalent to approximately RMB71,693,000). As at June 30, 2019, RMB1,000 (Note 24) was remained unpaid.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Servers and other equipment <i>RMB'000</i>	Furniture & leasehold improve- ments <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended June 30, 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 (<i>Note 7</i>)	(209)	(174)	(1,092)	(262)	—	(1,737)
At end of the period	<u>12,028</u>	<u>1,037</u>	<u>631</u>	<u>279</u>	<u>2,038</u>	<u>16,013</u>
Six months ended June 30, 2018						
(Unaudited)						
At beginning of the period	12,654	2,698	1,340	1,674	1,529	19,895
Additions	—	145	—	—	—	145
Disposal	—	(24)	—	—	—	(24)
Depreciation charge (<i>Note 7</i>)	(209)	(547)	(394)	(298)	—	(1,448)
At end of the period	<u>12,445</u>	<u>2,272</u>	<u>946</u>	<u>1,376</u>	<u>1,529</u>	<u>18,568</u>

13 RIGHT-OF-USE ASSETS

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

(a) Land use rights

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	71,773	—
Amortization charge (Note 7)	(642)	—
At end of the period	<u>71,131</u>	<u>—</u>

Notes:

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

As at June 30, 2019 and December 31, 2018, the Group's land use rights of RMB71,131,000 and RMB71,773,000 together with the related buildings of RMB12,028,000 and RMB12,237,000 (Note 12) were pledged as security for the Group's bank borrowings of RMB44,503,000 and RMB47,573,000, respectively (Note 22).

14 INTANGIBLE ASSETS

	Goodwill	Computer software licenses	Domain name	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2019				
(Unaudited)				
At beginning of the period	26,031	1,398	2,154	29,583
Additions	—	—	—	—
Amortization charge (Note 7)	—	(797)	(163)	(960)
At end of the period	<u>26,031</u>	<u>601</u>	<u>1,991</u>	<u>28,623</u>
Six months ended June 30, 2018				
(Unaudited)				
At beginning of the period	26,031	2,396	2,480	30,907
Additions	—	83	—	83
Amortization charge (Note 7)	—	(732)	(163)	(895)
At end of the period	<u>26,031</u>	<u>1,747</u>	<u>2,317</u>	<u>30,095</u>

Impairment tests for goodwill

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

The Group determines whether goodwill is impaired at least on an annual basis. The latest impairment test was performed for December 31, 2018. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, i.e. the Group as a whole. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews.

15 INVESTMENTS IN ASSOCIATES

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

Notes:

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

16 TRADE RECEIVABLES

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

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

	As at June 30, 2019 <i>RMB'000</i> (Unaudited)	As at December 31, 2018 <i>RMB'000</i> (Audited)
Up to 3 months	31,353	26,122
3 to 6 months	9,962	11,707
6 months to 1 year	11,990	37,243
1 to 2 years	13,719	8,423
Over 2 years	<u>1,805</u>	<u>1,517</u>
	<u>68,829</u>	<u>85,012</u>

17 PREPAYMENT AND OTHER RECEIVABLES

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

Notes:

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At beginning of the period	308,079	123,000
Addition	119,669	—
Reclassification from available-for-sale financial assets	—	11,829
Disposal	(145,842)	(43,238)
Realised and unrealised (losses)/gains (<i>Note 6</i>)	(38,024)	1,520
At end of period	<u>243,882</u>	<u>93,111</u>
Unrealized (losses)/gains recognized in statement of profit or loss included in the above balance	<u>(22,361)</u>	<u>1,282</u>

Note:

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

19 SHARE CAPITAL

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

Note:

On September 6, 2017, the Company was incorporated in the Cayman Islands with limited liability and authorized share capital of USD50,000, divided into 500,000,000 shares of a par value of USD0.0001 each. 1 ordinary share was allotted and issued for cash at par to the initial subscriber of the Company and was subsequently transferred to Ben Holdings. On the same day, the Company further allotted and issued 9,999 ordinary shares for cash at par to Ben Holdings and credited as fully paid. These shares rank pari passu in all respects with the share in issue.

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

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

On June 23, 2018, the shareholders resolved, among other things subject to the Global Offering becoming unconditional, that all the issued and unissued ordinary share of USD0.0001 par value each of our Company will be subdivided into 20 Shares of USD0.000005 par value each such that the authorized share capital of our Company shall be USD50,000 divided into 10,000,000,000 Shares of par value USD0.000005 each and the issued share capital shall be USD10,000 divided into 2,000,000,000 Shares of USD0.000005 par value each.

20 OTHER RESERVES

	Shares held for Restricted Share Units Scheme RMB'000	Statutory surplus reserve RMB'000	Shareholder contribution RMB'000	Capital reserve RMB'000	Share-based compensations RMB'000	Currency translation differences RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Total RMB'000
At January 1, 2019	(273,592)	5,000	273,592	(3,032,350)	35,632	21,613	879	(2,969,226)
Share-based compensations (Note 21)								
— 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 June 30, 2019	<u>(273,592)</u>	<u>5,000</u>	<u>273,592</u>	<u>(3,032,350)</u>	<u>32,268</u>	<u>22,713</u>	<u>(152)</u>	<u>(2,972,521)</u>

	Shares held for Restricted Share Units Scheme RMB'000	Statutory surplus reserve RMB'000	Share Premium RMB'000	Merger reserve RMB'000	Share-based compensations RMB'000	Currency translation differences RMB'000	Investment in associates RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Available-for- sale financial assets fair value reserve RMB'000	Total RMB'000
At January 1, 2018	—	5,000	—	25,700	—	844	(129)	—	8,359	39,774
Adjustment of adoption of IFRS 9, net of tax	—	—	—	—	—	—	—	—	(8,359)	(8,359)
Share-based compensations reserve (Note 7)	—	—	—	—	18,852	—	—	—	—	18,852
Share of other comprehensive income of associates (Note 15)	—	—	—	—	—	—	(152)	—	—	(152)
Issuance of shares	—	—	3,058,055	—	—	—	—	—	—	3,058,055
Effect of the re-organization	—	—	—	(3,058,050)	—	—	—	—	—	(3,058,050)
Shares held for Restricted Share Units Scheme	(273,597)	—	273,597	—	—	—	—	—	—	—
Fair value changes on financial asset at fair value through other comprehensive income	—	—	—	—	—	—	—	997	—	997
Currency translation differences	—	—	—	—	—	(199)	—	—	—	(199)
At June 30, 2018	<u>(273,597)</u>	<u>5,000</u>	<u>3,331,652</u>	<u>(3,032,350)</u>	<u>18,852</u>	<u>645</u>	<u>(281)</u>	<u>997</u>	<u>—</u>	<u>50,918</u>

21 EQUITY-SETTLED SHARE-BASED COMPENSATION

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

On March 31, 2018, in exchange for employee services to the Group, RSUs in equivalent to 100,800,000 ordinary shares were granted to certain eligible persons selected by the Board of Directors. Under the terms of the grant letter, the RSUs shall be vested as to 30%, 30% and 40% on March 31, 2019, March 31, 2020 and March 31, 2021, respectively.

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

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

	Number of RSU
At January 1, 2018	—
Granted during the year	100,800,000
Forfeited	<u>(11,975,000)</u>
At December 31, 2018	88,825,000
Forfeited	(18,275,000)
Vested and settled (<i>Note</i>)	<u>(21,637,500)</u>
At June 30, 2019	<u><u>48,912,500</u></u>

Note:

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

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

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

For the six months ended June 30, 2019, expenses arising from the share-based compensation have been charged to the condensed consolidated statement of profit or loss as follows:

	As at June 30, 2019 RMB'000 (Unaudited)
Cost of revenue	1,510
General and administrative expenses	16,702
Research and development expenses	6,155
	24,367

22 BORROWINGS

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

Note:

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

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

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

At June 30, 2019 and December 31, 2018, the carry amounts of the Group's borrowings approximately fair values. The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate.

23 CONTRACT LIABILITIES

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

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

24 TRADE AND OTHER PAYABLES

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Trade payables	5,322	7,289
Payroll liabilities	7,969	10,011
Other tax payables	3,820	4,796
Dividend payables (<i>Note 11</i>)	1	1,411
Government grants	1,930	2,174
Accrued expenses	6,515	4,397
Listing expense	8,505	10,214
Intention payment for cooperation	77,000	—
Others	953	2,026
	<u>112,015</u>	<u>42,318</u>

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

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

25 MOBILE GAME JOINT PROMOTION CONTRACT

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

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

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

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

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

COMPLIANCE WITH CG CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2019 was reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The Audit Committee has reviewed the interim financial information for the six months ended June 30, 2019.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2019 INTERIM REPORT

This interim results announcement was published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.7road.com). The Interim Report of the Group for the six months ended June 30, 2019, which contains all the information required under the Listing Rules, will be despatched to Shareholders and available on the above websites in due course.

DEFINITIONS

“ARPPU”	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of the game, the type of games or all of our games, as applicable, during such period
“Audit Committee”	the audit committee of the Board
“average MPUs”	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
“Board”	the board of Directors of the Company
“CEO”	the chief executive officer of the Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“client game(s)”	game(s) that can be played by first downloading the client base from game providers’ websites and then connecting to the servers through Internet browsers
“Company” or “our Company”	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on September 6, 2017
“Contractual Arrangements”	certain contractual arrangements entered into on April 13, 2018 by the Group
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Digital Hollywood”	Digital Hollywood Interactive Limited, a company listed on Stock Exchange (Stock Code: 2022)

“Global Offering”	the public offering of 66,668,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 600,012,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HKD” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	the International Accounting Standards
“IFRS”	the International Financial Reporting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. July 18, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MAUs”	monthly active users, refers to the number of people logged in to specific game(s) in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“mobile game(s)”	game(s) that is/are played on mobile devices
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules

“MPUs”	monthly paying users, refers to the number of paying users in the relevant calendar month
“online game(s)”	video game(s) that is/are played over some form of computer or mobile network, including primarily client games, web games and mobile games
“paying users”	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
“Prospectus”	the prospectus issued by the Company dated June 29, 2018
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2019
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme adopted by our Company on March 6, 2018
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“Sales and Purchase Agreement”	the sales and purchase agreement dated August 23, 2019 entered into by the Company, the Vendors and the Target Company in relation to the Transaction
“senior management”	the senior management of the Company
“Share(s)”	ordinary share(s) of US\$0.000005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Shenzhen 7Road”	Shenzhen 7th Road Technology Co., Ltd (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability on January 22, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Shenzhen Qianqi”	Shenzhen Qianqi Network Technology Co., Ltd. (深圳千奇網絡科技有限公司) a company incorporated under the laws of the PRC with limited liability on November 28, 2013 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the online game business owned by the Target Company
“Target Company”	Osmanthus Vale Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on June 27, 2019
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	Maple Vale Limited, a company incorporated in the British Virgin Islands; and Ms. Huang Le (黃樂), a Hong Kong permanent resident
“web game(s)”	game(s) that is/are played in a web browser on personal computer without downloading any client base or application
“%”	per cent

By order of the Board
7Road Holdings Limited
Meng Shuqi
Chairman

Shenzhen, the PRC
August 29, 2019

As at the date of this announcement, the executive Directors are Mr. Meng Shuqi, Mr. Li Zhengquan and Mr. Yang Cheng; the non-executive Directors are Mr. Li Shimeng and Mr. Yan Kaidan; and the independent non-executive Directors are Mr. Xue Jun, Mr. Liu Yunli and Ms. Wang Ying.