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7Road Holdings Limited
第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

The Board announces the audited consolidated annual results of the Group for the year ended December 31, 2018 ("**Annual Results**") together with the comparative information for the year ended 31 December 2017. The Annual Results have been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended December 31,		
	2018	2017	change
	(RMB'000)	*(RMB'000)*	%
Revenue	**332,384**	445,295	-25.4%
(Loss)/profit for the year	**(98,031)**	257,181	-138.1%
(Loss)/profit for the year attributable to owners of the Company	**(98,031)**	257,181	-138.1%
Adjusted net profit[(1)]	**83,527**	263,297	-68.3%

Note:

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

1. For the year ended December 31, 2018, the total revenue amounted to approximately RMB332.4 million, representing a decrease of approximately 25.4% as compared with the year ended December 31, 2017.

2. For the year ended December 31, 2018, the Company recorded a loss attributable to owners of the Company amounted to approximately RMB98.0 million.

3. For the year ended December 31, 2018, the unaudited non-IFRS adjusted net profit amounted to approximately RMB83.5 million. See "Non-IFRS Measures" for details.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

According to the "2018 China Game Industry Report" jointly published by the China Game Publishers Association Publications Committee (GPC) of the China Audio-video and Digital Publishing Association and Gamma Information (CNG), the actual sales revenue of China's game market was RMB214.44 billion for the year of 2018, representing a year-on-year increase of 5.3%. In the year of 2018, the number of gamers in China reached approximately 626 million, representing an increase of 7.3% year-on-year.

As of the end of the Reporting Period, our total revenue amounted to approximately RMB332.4 million, representing a decrease of 25.4% as compared with the year of 2017. Loss attributable to owners of the Company for the year ended December 31, 2018 was approximately RMB98.0 million. Adjusted net profit for the year ended December 31, 2018 was approximately RMB83.5 million. The decrease in total revenue and the loss attributable to the owners of the Company recorded for the year ended December 31, 2018 was primarily due to:

1. The SAPPRFT ceasing the issue of approvals for publishing new online games ("Approvals") from March to the end of December 2018

Before the Company was listed on the Stock Exchange on July 18, 2018, there had been a few unofficial online media reporting that the SAPPRFT had issued a "Notice on Certain Important Issues regarding Online Game Application and Approval (《游戲申報審批重要事項通知》)" (the "**Notice**") in March 2018. Pursuant to the Notice, approvals for publishing new online games may be suspended temporarily due to the institutional reform of the SAPPRFT in March 2018, but shall be resumed shortly as soon as the official stamp for the new regulatory authority becomes officially approved for use. Nevertheless, the Notice was not found on the SAPPRFT's or other authorities' official websites or from any recognizable open sources. As a matter of fact, and as confirmed by the PRC legal advisors to the Company, the Notice shall not serve as official rules or regulations promulgated by the SAPPRFT, and no government authorities/sources, including the SAPPRFT and the MOC, have issued or promulgated any official policy, regulation or statement in respect of any cessation of issuances of Approvals or any proposed, revised or new administrative/regulatory approval procedure involving publishing and commercial launch of online games. As there had been no official announcements on the cessation or resumption of issuing Approvals, the Company, as well as the other market participants, could only reckon with the benefit of hindsight that no Approvals have been issued by the SAPPRFT from March 2018 to the end of December 2018.

The aforementioned uncertainties in the regulatory environment had caused the Company to substantially postpone its schedule for applying for Approvals and launching certain pipeline games in mainland China in the second half of 2018. Due to such cessation, the Group did not obtain any Approvals for its pipeline games which were originally scheduled to be launched in mainland China in the second half of 2018. The available net profit from the expected launch of new products ended in vain due to this delay in schedule.

2. Loss in relation to the Group's investment in Digital Hollywood

As of the date of this announcement, the Group held approximately 15.52% equity in Digital Hollywood. Digital Hollywood was making profit and its share price was on an increasing trend since the date of its listing. However, on November 8, 2018, the share price of Digital Hollywood experienced an unexpected drop of approximately 77% and continued to keep at such low level (the "**Unusual Price Movement**").

Before December 2018, the Group's investment in Digital Hollywood was accounted for as investment in associate using equity method of accounting under International Accounting Standard 28 "Investments in associates and joint ventures" ("**IAS 28**"). However, the Group's investment in Digital Hollywood has been accounted for as financial assets at fair value instead of investment in associate under IAS28 as the Group no longer had significant influence on Digital Hollywood, primarily due to the resignation of Mr. Meng Shuqi (the Chairman, CEO and executive Director) as a non-executive director of Digital Hollywood on December 27, 2018 due to his other work arrangements. According to paragraph 22(b) of IAS28, the difference between the fair value of the retained interest in Digital Hollywood and the carrying amount of the investment in Digital Hollywood, at the date when the equity method was discontinued, was recognized in the consolidated statement of profit or loss in December 2018. Consequently, the Group's investment in Digital Hollywood's shares was accounted for as financial assets at fair value through profit or loss under International Financial Reporting Standard 9 "Financial instruments".

As such, the foregoing factors resulted in an aggregate loss in the books of the Group of approximately RMB110.7 million for the year ended December 31, 2018. The loss of investment in Digital Hollywood (deemed disposal loss of an investment in associate) is eliminated from the adjusted net profit of the Company for the year ended December 31, 2018. See "Non-IFRS Measures" for details.

3. Decrease in revenue generated from existing games

The revenue generated from mainland China market for the year ended December 31, 2018 decreased by approximately 57.3% as compared with the previous year. Although the revenue generated from the international market increased by approximately 38.0% in the year of 2018, such increase was not able to offset the decrease in revenue from the mainland China market, resulting in an overall decrease in our revenue.

4. **Impact of listing expenses and share-based compensations**

The Group has recorded a total of RMB70.9 million for its listing expenses and share-based compensation for the year ended December 31, 2018. The listing expenses and share-based compensations are eliminated from the adjusted net profit of the Company. See "Non-IFRS Measures" for details.

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

OUTLOOK FOR 2019

In 2019, apart from the domestic market, we will also strategically focus on the overseas markets.

With respect to our principal activities, we will be committed to updating existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy. We plan to launch four mobile games and one H5 game in 2019, which mainly include:

- Mobile game Wartune 3D (神曲 3D) (self-developed) is the official mobile game sequel of the IP of web game Wartune (神曲). It is a brand-new 3D SRPG in the Euro-American realistic style; it is a brand-new mobile game with main elements like stages getting through, world exploration and strategic combat.

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

In addition, we have also developed three different types of mobile games, including love games, simulation games and war strategy games, experimenting in different areas.

The utilization of intellectual properties is an integral part of the Company's long-term strategy. In 2019, the Company will continue the R&D of its intellectual properties through licensing intellectual properties or cooperating with third parties. The Company will carry on recruiting more R&D talents and retaining existing talents with competitive compensation, while enhancing our R&D capabilities. In addition, the Company will actively seek possible external investment and cooperation in response to the possible effect of increasingly competitive industry and evolving industrial policy on our principal activities.

FINAL DIVIDEND

The Board did not recommend to declare final dividend for the year ended December 31, 2018.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

For the year ended December 31, 2018, we kept our focus on developing and operating games to face the ever-growing competition in the game industry. As at December 31, 2018, we launched six new games, which have received positive feedbacks. We will continue to develop and operate high-quality online games and utilize our experiences in the game industry. We will continue to innovate and launch new games that will attract more players.

Our Players

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

For the year ended December 31, 2018, our web games (i) had an average MAUs of approximately 2,070 thousand; (ii) an average MPUs of approximately 89 thousand; (iii) an ARPPU of approximately RMB379. Our mobile games had (i) an average MAUs of approximately 2,190 thousand; (ii) an average MPUs of approximately 110 thousand; (iii) an ARPPU of approximately RMB159.

YEAR ENDED DECEMBER 31, 2018 COMPARED TO THE YEAR ENDED DECEMBER 31, 2017

The following table sets forth the comparative statements of profit or loss for the year ended December 31, 2018 and the year ended December 31, 2017.

	For the year ended December 31,		Year-on-year
	2018	2017	change
	(RMB'000)	*(RMB'000)*	%
Revenue	**332,384**	445,295	-25.4%
Cost of revenue	**(51,116)**	(37,881)	34.9%
Gross profit	**281,268**	407,414	-31.0%
R&D expenses	**(149,343)**	(92,518)	61.4%
Selling and distribution expenses	**(18,558)**	(16,156)	14.9%
Administrative expenses	**(102,252)**	(29,157)	250.7%
Net impairment losses on financial asset	**(26,208)**	(2,646)	890.5%
Other income	**19,089**	21,361	-10.6%
Other gains, net	**17,286**	5,260	228.6%
Operating profit	**21,282**	293,558	-92.8%
Finance income	**3,893**	6,267	-37.9%
Finance costs	**(5,500)**	(7,281)	-24.5%
Finance losses, net	**(1,607)**	(1,014)	58.5%
Share of results of associates	**(1,034)**	313	-430.4%
Deemed disposal loss of an investment in associates	**(110,661)**	—	-100%
Profit before income tax	**(92,020)**	279,245	-133.0%
Income tax expense	**(6,011)**	(22,064)	-72.8%
Profit for the year	**(98,031)**	257,181	-138.1%
Add:			
Listing-related expenses	**35,265**	6,116	476.6%
Share-based compensation costs	**35,632**	—	100%
Deemed disposal loss of an investment in associate	**110,661**	—	100%
Adjusted net profit[1]	**83,527**	263,297	-68.3%

Note:

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

REVENUE

The following table sets forth the breakdown of our revenue for the year ended December 31, 2018 and 2017:

	For the year ended December 31,			
	2018		2017	
	(RMB'000)	***(% of total revenue)***	*(RMB'000)*	*(% of total revenue)*
Online game revenue	**230,717**	**69.4%**	388,929	87.3%
— Self-development games				
published by us	**6,024**	**1.8%**	6,663	1.5%
published by other publishers	**209,148**	**63.0%**	371,603	83.4%
— Licensed games				
published by us	**2,791**	**0.8%**	12	0.0%
published by other publishers	**12,754**	**3.8%**	10,651	2.4%
Sales of online game technology and publishing solutions services	**52,480**	**15.8%**	46,577	10.5%
Intellectual property licensing	**49,187**	**14.8%**	9,789	2.2%
Total	**332,384**	**100.0%**	445,295	100.0%

	For the year ended December 31,			
By location	**2018**		2017	
	(RMB'000)	***(% of total revenue)***	*(RMB'000)*	*(% of total revenue)*
The PRC	**126,288**	**38.0%**	295,958	66.5%
Overseas	**206,096**	**62.0%**	149,337	33.5%
Total revenue	**332,384**	**100.0%**	445,295	100%

For the year ended December 31, 2018, total revenue was approximately RMB332.4 million, representing a decrease of approximately 25.4% as compared with 2017. This was mainly attributable to the SAPPRFT ceasing the issue of approvals for publishing new online games from March to the end of December 2018, which led to a delay in launching our new games. Moreover, our existing games did not generate enough revenue to meet our expectation.

For the year ended December 31, 2018, our revenue from online games amounted to approximately RMB230.7 million, representing a decrease of approximately 40.7% as compared with 2017. This was mainly attributable to the delay in launching our new games and the decline in revenue in our existing domestic game business.

For the year ended December 31, 2018, our revenue from self-development games amounted to approximately RMB215.2 million, representing a decrease of approximately 43.1% as compared with 2017. This was mainly attributable to the decline in revenue from our existing self-developed games as compared with 2017, and the delay in launching our new games.

For the year ended December 31, 2018, our revenue from licensed games amounted to approximately RMB15.5 million, representing an increase of approximately 45.8% as compared with 2017. This was mainly because we launched several licensed games in 2018.

For the year ended December 31, 2018, our revenue from the sales of web and mobile game technology and publishing solutions services amounted to approximately RMB52.5 million, representing an increase of 12.7% as compared with 2017. This was mainly attributable to our expansion in other businesses related to the game industry by utilizing our strong R&D ability and popularity in the industry.

For the year ended December 31, 2018, our revenue from intellectual property licensing amounted to approximately RMB49.2 million, representing an increase of approximately 402.5% as compared with 2017. This was mainly attributable to our authorization and usage of our intellectual property licensing which is strong and vivid in the market.

COST OF REVENUE

Our cost of revenue mainly comprises employee salary and benefit expense, advertising and promotion fee and cost of game licensing incurred by business units. The cost of revenue was RMB51.1 million for 2018, representing an increase of 34.9% as compared with 2017. This was mainly attributable to the increase in employee salary and benefit expense (including the expense in relation to the RSU Scheme).

Our cost of game licensing was RMB3.5 million for 2018, representing an increase of 25.6% as compared with 2017. This was mainly attributable to the increase in revenue from game licensing.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit was RMB281.3 million for 2018, representing a year-on-year decrease of approximately 31.0%. Our gross profit margin was 84.6% for 2018, as compared with 91.5% for 2017.

EXPENSES

R&D Expenses

Our R&D expenses primarily consist of employee salary and benefit expenses incurred by our R&D department and outsourcing expenses. The R&D expenses were RMB149.3 million for 2018, representing an increase of 61.4% as compared with 2017. This was mainly attributable to the increase in employee salary benefit expense (including the expense in relation to the RSU Scheme) and outsourcing expenses.

Administrative Expenses

Our administrative expenses primarily comprise salary and benefit expenses and professional consulting fees for employees in business units. The administrative expenses were RMB102.3 million for 2018, representing an increase of 250.7% as compared with 2017. This was mainly attributable to the increase in employee salary benefit expense (including the expense in relation to the RSU Scheme) and professional consulting service fees, and the listing expenses caused by the Company in 2018.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of advertising expenses and employee salary and benefit expense of marketing and sales staff incurred by our marketing department. The selling and marketing expenses were RMB18.6 million for 2018, representing an increase of 14.9% as compared with the corresponding period of 2017. This was mainly attributable to the increase in brand promotion fee.

Income Tax Expenses

Our income tax expenses were RMB6.0 million for 2018, representing a decrease of 72.8% as compared with of 2017. This was mainly attributable to the decrease in before tax profit. For the year ended December 31, 2018, the nominal income tax rate for our major domestic operating entities in the PRC was approximately 10%.

NON-IFRS MEASURES

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

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

	For the year ended December 31,	
	2018	2017
	(RMB'000)	*(RMB'000)*
(Loss)/profit for the year	**(98,031)**	257,181
Add:		
Listing-related expenses	**35,265**	6,116
Share-based compensation costs	**35,632**	—
Deemed disposal loss of an investment in associate	**110,661**	—
Adjusted net profit	**83,527**	263,297

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

FINANCIAL POSITIONS

As of December 31, 2018, our total equity was approximately RMB1,177.1 million, as compared with approximately RMB555.8 million as of December 31, 2017. The increase in equity was mainly attributable to the funds raised by the Company through the Listing.

As of December 31, 2018, our net current assets were approximately RMB572.8 million, as compared with approximately RMB173.8 million as of December 31, 2017. The increase was mainly attributable to the increase of current assets upon the Listing and the partial repayment of previous liabilities by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

	December 31, 2018 *(RMB'000)*	December 31, 2017 *(RMB'000)*	Change %
Cash at bank and on hand	**286,017**	130,186	119.7%
Restricted cash	**3,885**	165,058	-97.6%
Total	**289,902**	295,244	-1.8%

As of December 31, 2018, our cash at bank and on hand and restricted cash totaled RMB289.9 million, as compared with RMB295.2 million as of December 31, 2017.

GEARING RATIO

As of December 31, 2018, our gearing ratio, which is calculated as total debt divided by total assets, was 11.9%, as compared with 39.4% as of December 31, 2017.

CAPITAL EXPENDITURE

	December 31, 2018 *(RMB'000)*	December 31, 2017 *(RMB'000)*	Change %
Office computer	**211.9**	302.0	-29.8%
Electronic appliance	**189.0**	102.6	84.2%
Transportation vehicles	**—**	833.0	-100.0%
Software	**490.7**	163.1	200.9%
Construction in progress	**1,533.0**	1,529.1	0.3%
Total	**2,424.6**	2,929.8	-17.2%

Our capital expenditure includes office computer, electronic appliance, software and construction in progress. For the year ended December 31, 2018 and 2017, total capital expenditure amounted to approximately RMB2,424,600 and RMB2,929,800 respectively.

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

For the year ended December 31, 2018, we did not engage in any significant acquisition and disposal matters. Meanwhile, we are actively identifying new opportunities for business development and seeking for appropriate investment opportunities.

CHARGE ON ASSETS

As of December 31, 2018, a property for our own use was pledged to secure a bank loan granted to us in September 2016.

CONTINGENT LIABILITIES AND GUARANTEES

As of December 31, 2018, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2018, we had 264 full-time employees, mostly based in Shenzhen, China. The following table sets forth the number of our employees by function as of December 31, 2018:

Function	Number of employees	% of total
R&D	220	83.3%
— Game R&D	186	70.4%
— Game operation	34	12.9%
Marketing and sales	—	—
General and administration	44	16.7%
Total	264	100%

As of December 31, 2018, our employee remuneration totaled approximately RMB140.9 million (including salary, bonus, share-based compensation, pension scheme contribution, other social security fund and other employee benefits).

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

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Global Offering were approximately HK$874 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.

SUBSEQUENT EVENTS

In January 2019, the Group entered into two separate mobile game cooperation agreements with two mobile game publishers, both of them are independent third parties. Pursuant to the cooperation agreements, the Group agreed to finance the advertising and promotion of certain mobile games in overseas markets to the extent of US$25,000,000 and HK$100,000,000 ("**Cooperation Amounts**") respectively for the period from March to December 2019 and the Group is entitled to share of the net revenue of a predetermined sharing ratio with a minimum guarantee of a return of 12% on the Cooperation Amounts. The Cooperation Amounts were paid by the Group in January 2019.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2018

		Year ended December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	3	**332,384**	445,295
Cost of revenue	6	**(51,116)**	(37,881)
Gross profit		**281,268**	407,414
Research and development expenses	6	**(149,343)**	(92,518)
Selling and marketing expenses	6	**(18,558)**	(16,156)
Administrative expenses	6	**(102,252)**	(29,157)
Net impairment losses on financial assets		**(26,208)**	(2,646)
Other income	4	**19,089**	21,361
Other gains, net	5	**17,286**	5,260
Operating profit		**21,282**	293,558
Finance income	7	**3,893**	6,267
Finance costs	7	**(5,500)**	(7,281)
Finance costs, net	7	**(1,607)**	(1,014)
Share of results of associates	11	**(1,034)**	313
Deemed disposal loss of an investment in associate	11	**(110,661)**	—
Dilution loss on an investment in associate	11	**—**	(13,612)
(Loss)/profit before income tax		**(92,020)**	279,245
Income tax expense	8	**(6,011)**	(22,064)
(Loss)/profit for the year		**(98,031)**	257,181
(Loss)/profit attributable to owners of the Company		**(98,031)**	257,181
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	9	**(0.0461)**	0.1412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

		Year ended December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
(Loss)/profit for the year		**(98,031)**	257,181
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value changes on financial assets at fair value through other comprehensive income, net of tax		**879**	—
Items that may be reclassified to profit or loss			
Fair value changes on available-for-sale financial assets, net of tax		**—**	5,373
Currency translation differences		**20,769**	(3,217)
Share of other comprehensive income of associates	11	**129**	866
Other comprehensive income, net of tax		**21,777**	3,022
Total comprehensive (loss)/income for the year		**(76,254)**	260,203
Total comprehensive (loss)/income attributable to owners of the Company		**(76,254)**	260,203

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**18,685**	19,895
Land use rights		**71,773**	73,056
Intangible assets		**29,583**	30,907
Investments in associates	11	**—**	175,268
Available-for-sale financial assets		**—**	41,979
Financial assets at fair value through other comprehensive income		**5,172**	—
Financial assets at fair value through profit or loss	12	**138,860**	80,000
Prepayment and other receivables	13	**384,121**	7,848
Restricted cash		**2,182**	2,728
Deferred income tax assets		**10,204**	6,326
		660,580	438,007
Current assets			
Trade receivables	14	**81,547**	101,367
Prepayment and other receivables	13	**131,785**	42,114
Income tax recoverable		**4,739**	458
Financial assets at fair value through profit or loss		**169,219**	43,000
Restricted cash		**1,703**	162,330
Cash and cash equivalents		**286,017**	130,186
		675,010	479,455
Total assets		**1,335,590**	917,462

		As at December 31,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	17	**41,435**	47,573
Contract liabilities	3	**6,066**	5,592
Deferred income tax liabilities		**8,746**	2,785
		56,247	55,950
Current liabilities			
Trade and other payables	18	**42,318**	62,539
Borrowings	17	**6,138**	112,178
Current income tax liabilities		**—**	2,835
Contract liabilities	3	**53,759**	128,115
		102,215	305,667
Total liabilities		**158,462**	361,617
Net assets		**1,177,128**	555,845
EQUITY			
Share capital/combined capital	15	**88**	10,042
Share premium	15	**3,854,742**	—
Other reserves		**(2,969,226)**	29,774
Retained earnings		**291,524**	516,029
Total equity attributable to owners of the Company		**1,177,128**	555,845

NOTES

1 GENERAL INFORMATION

7Road Holdings Limited was incorporated in the 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 the Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares have been listed on the Main Board of Stock Exchange since July 18, 2018.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the development and distribution of web games and mobile games in the PRC and other countries and regions.

These consolidated financial statements are RMB, unless otherwise stated, and have been approved for issue by the Company's board of directors on March 29, 2019.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

(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, 2018:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts with Customers*
- *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2*
- *Annual Improvements 2014–2016 cycle*
- *Transfers to Investment Property — Amendments to IAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

These new and amendments to the standards that effective for the year ended December 31, 2018 do not have a material impact on these consolidated financial statements except below:

IFRS 9

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

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

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

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

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

IFRS 15

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

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IAS 19	Employee benefits on plan amendment, curtailment or settlement	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17	Insurance contracts	January 1, 2021
Amendments to IFRS 9	Prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	January 1, 2019
Annual improvements to IFRS Standards 2015–2017 cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019

IFRS 16

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 3 (amendment)

IFRS 3 (amendment) clarifies the definition of business. Under the new amendment, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new amendment is mandatory for which the acquisition date is on or after January 1, 2020. The Group does not intend to adopt this standard before its effective date.

Apart from the above, other new standards and amendments to standards are not expected to have a significant effect on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION AND REVENUE

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

As at December 31, 2018, substantially, the majority of the non-current assets of the Group other than certain long-term receivables were located in the PRC.

Revenue for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
	RMB'000	*RMB'000*
Online Game Revenue	**230,717**	388,929
— Self-development games		
published by the Group	**6,024**	6,663
published by other publishers	**209,148**	371,603
— Licensed games		
published by the Group	**2,791**	12
published by other publishers	**12,754**	10,651
Sales of online game technology and publishing solutions services	**52,480**	46,577
Intellectual property licensing	**49,187**	9,789
	332,384	445,295

4 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants	**13,192**	14,491
Value added tax ("**VAT**") refunds	**5,378**	6,870
Others	**519**	—
	19,089	21,361

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

5 OTHER GAINS, NET

	2018	2017
	RMB'000	*RMB'000*
Gains on financial assets at fair value through profit or loss *(Note 12)*	**8,639**	2,576
Impairment loss on available-for-sales financial assets	**—**	(1,000)
Gain on partial disposal of an available-for-sales financial assets	**—**	11,777
Gains/(losses) on disposal of property, plant and equipment	**209**	(112)
Foreign exchange gains/(losses), net	**4,754**	(8,151)
Others	**3,684**	170
	17,286	5,260

6 EXPENSES BY NATURE

	2018	2017
	RMB'000	*RMB'000*
Employee benefit expense	**105,398**	83,233
Share-based compensation	**35,632**	—
Promotion and advertising expenses	**42,492**	35,658
Utilities and office expenses	**12,392**	12,654
Outsourced technical services	**26,941**	10,028
Depreciation of property, plant and equipment	**2,881**	5,317
Amortization of intangible assets	**1,815**	2,107
Amortization of land use rights	**1,283**	1,283
Bandwidth and servers custody fee	**5,815**	4,499
Auditors' remuneration		
— Audit services	**4,569**	49
— Audit-related services	**1,200**	—
Listing expenses	**35,265**	6,116
Other professional consulting fees	**11,800**	3,161
Impairment on prepayment for technology services	**24,276**	—
Travelling and entertainment expenses	**4,052**	5,867
Tax and levies	**1,830**	1,676
Others	**3,628**	4,064
	321,269	175,712

7 FINANCE COSTS, NET

	2018	2017
	RMB'000	*RMB'000*
Finance income		
Interest income on restricted bank deposits	**3,573**	5,924
Others	**320**	343
	3,893	6,267
Finance costs		
Interest expenses on bank borrowing	**(4,857)**	(6,401)
Others	**(643)**	(880)
	(5,500)	(7,281)
Net finance costs, net	**(1,607)**	(1,014)

8 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2018 and 2017 is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**4,221**	20,601
Deferred income tax	**1,790**	1,463
	6,011	22,064

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits, except that certain subsidiaries are qualified to entitle for various preferential income tax rate from 10% to 15%.

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 when actual payment of dividends is made. If a foreign investor incorporated in Hong Kong meets certain conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9 (LOSSES)/EARNINGS PER SHARE

(a) Basic

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

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company	**(98,031)**	275,181
Weighted average number of ordinary shares in issue (in thousands)	**2,126,097**	1,821,068
Basic (losses)/earnings per share for profit attributable to owners of the Company	**(0.0461)**	0.1412

The weighted average number of ordinary shares for the purposes of basic earnings per share for the years ended December 31, 2018 and 2017 has been retrospectively adjusted for (i) the effects of each of the ordinary shares of the Company subdivided into 20 ordinary shares which took place on June 23, 2018 ("**Subdivision**") and (ii) 8,946,600 ordinary shares, before Subdivision, (equivalent to 178,932,000 ordinary shares after Subdivision) of the Company contributed by a Shareholder to the RSU Scheme which took place on March 31, 2018.

(b) Diluted

Diluted loss per share is the same as basic loss per share for the year ended December 31, 2018 because the impact of dilution of the RSUs is anti-dilutive.

10 DIVIDENDS

The directors do not recommend the payment of final dividend.

11 INVESTMENTS IN ASSOCIATES

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**175,268**	201,090
Additions	**—**	999
Shares of results	**(1,034)**	313
Share of other comprehensive (loss)/income	**(386)**	866
Dilution loss	**—**	(13,612)
Disposal of an associate (b)	**(888)**	(3,000)
Deemed disposal of an investment in associate	**(182,744)**	—
Currency translation differences	**9,784**	(11,388)
At end of the year	**—**	175,268

(a) On December 27, 2018, primarily due to the resignation of Mr. Meng Shuqi 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. A deemed disposal loss of an investment in associate of RMB110,661,000, being the difference between the fair value of the retained interest in Digital Hollywood of RMB72,083,000 and the carrying amount of the investment in Digital Hollywood of RMB182,744,000, at the same date, was recognized in the consolidated statement of profit or loss.

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

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
Current		
Investments in wealth management products	**44,836**	43,000
Listed shares	**124,383**	—
	169,219	43,000
Non-current		
Unlisted investment	**138,860**	80,000
	138,860	80,000
	308,079	123,000

Movements in financial assets at fair value through profit or loss during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**123,000**	123,587
Adoption of IFRS 9	**11,829**	—
Transfer from investment in an associate	**72,083**	—
Addition	**749,220**	247,292
Disposal	**(656,692)**	(250,455)
Realized and unrealized gains *(Note 5)*	**8,639**	2,576
At the end of year	**308,079**	123,000

13 PREPAYMENT AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Included in non-current assets		
Rented deposits	**1,740**	1,554
Prepayment for technology services	**4,244**	6,294
Advance to third party	**6,480**	—
Advance to related party	**2,687**	—
Prepayment for investment *(a)*	**369,146**	—
Less: provision for impairment	**(176)**	—
	384,121	7,848
Included in current assets		
Housing loans to employee	**2,037**	5,349
Advance granted to third parties *(b)*	**12,673**	800
Recoverable value-added tax	**6,737**	6,376
Interest receivable	**9**	13,852
Prepayment for listing expenses	**—**	4,250
Prepayment to game developers	**4,808**	4,808
Prepayment for technology services *(c)*	**24,276**	—
Receivable from refund for undelivered technology services	**3,000**	—
Prepayment for copyright loyalty	**2,044**	—
Prepayment for advertisement and marketing *(d)*	**92,392**	3,116
Prepayment for advisory services	**6,478**	—
Receivable from disposal of investments *(e)*	**20,299**	—
Income tax recoverable	**2,529**	—
Others	**2,488**	3,563
Less: provision for impairment	**(47,985)**	—
	131,785	42,114

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 payment comprising RMB80,000,000 and HK$330,000,000 was paid to the designated recipient of the Ningbo Jingxuan and secured by 49% equity interest in Shanghai Xinla.

(b) This represents for the remaining balance of advance to third parties, most of which was collected in February 2019.

(c) On February 26, 2018, the Group entered into a game development agreement with Shenzhen Chuangyu Technology Co., Ltd. ("**Shenzhen Chuangyu**") of which Shenzhen Chuangyu is responsible to develop a mobile game based on the Group's guidance. A prepayment of RMB20,000,000 was paid pursuant to the agreement.

(d) During the year ended December 31, 2018, the Group entered into advertising and promotion agreements with various advertising agencies, they are independence third parties, for promoting the online and mobile games of the Group. Certain prepayments were paid pursuant to these agreements. After the Reporting Period, one of the advertising and promotion agreements was terminated and the related prepayment of RMB24,286,000 was returned to the Group.

(e) On June 12, 2018, the Group entered into a series of agreements with a third-party regarding the disposal of certain equity investments of the Group at an aggregate cash considerations of RMB27,149,000. However, the considerations to the extent of RMB20,299,000 was past due as at December 31, 2018 due to the financial difficulty of the counterparty and accordingly, a full impairment against the remaining balance amounted to RMB20,299,000 was provided for as an incurred loss.

14 TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**85,012**	102,626
Less: provision for impairment	**(3,465)**	(1,259)
Trade receivables, net	**81,547**	101,367

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:

	2018	2017
	RMB'000	*RMB'000*
Up to 3 months	**26,122**	57,799
3 to 6 months	**11,707**	30,215
6 months to 1 year	**37,243**	10,790
1 to 2 years	**8,423**	2,390
Over 2 years	**1,517**	1,432
	85,012	102,626

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	**Share capital**	**Combined capital**	**Share premium**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	—	—	10,000	—	10,000
Issuance of ordinary shares for reorganization	63,729,400	42	—	—	42
As at December 31, 2017	63,729,400	42	10,000	—	10,042
As at January 1, 2018 *(note a)*	63,729,400	42	10,000	—	10,042
Issuance of ordinary shares for reorganization *(note b)*	36,270,600	18	(10,000)	3,058,050	3,048,068
Share subdivision	1,900,000,000	—	—	—	—
Issuance of ordinary shares upon IPO	666,680,000	28	—	852,529	852,557
Share issuance cost	—	—	—	(55,837)	(55,837)
As at December 31, 2018	2,666,680,000	88	—	3,854,742	3,854,830

(a) On September 6, 2017, the Company was incorporated in the Cayman Islands with limited liability and authorized share capital of US$50,000, divided into 500,000,000 shares of a par value of US$0.0001 each. 1 ordinary share was allotted and issued for cash at par to the initial subscriber of the Company and was subsequently transferred to Ben 7Road Holdings Limited. On the same day, the Company further allotted and issued 9,999 ordinary shares for cash at par to Ben 7Road Holdings Limited and credited as fully paid. These shares rank pari passu in all respects with the share in issue.

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

(c) On March 6, 2018, a RSU Scheme was approved and adopted by the Company. An aggregate of 8,946,600 ordinary shares allotted and issued to 7Road Elite Holdings Limited and 7Road Talent Holdings Limited 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 7Road Elite Holdings Limited and 7Road Talent Holdings Limited for the purpose of establishment of the RSU Scheme.

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

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

(f) Share issuance cost primarily included underwriting commissions, lawyer's fees, reporting accountant's fee and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares amounting to RMB55,055,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB36,052,000 were recognized as expenses in the consolidated statement of profit or loss.

16 EQUITY-SETTLED SHARE-BASED COMPENSATION

Movement of the RSU Scheme for the year ended December 31, 2018 is as follows:

	2018
	RMB'000
At January 1, 2018	**—**
Granted during the year *(Note)*	**100,800,000**
Forfeited	**(11,975,000)**
At December 31, 2018	**88,825,000**

Note: On March 31, 2018, 5,040,000 RSUs were granted to certain eligible employees of the Group which represented 100,800,000 ordinary shares of the Company upon the completion of the Share Subdivision and Global Offering of the Company.

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

	Year ended December 31, 2018
	RMB'000
Cost of revenue	**2,619**
General and administrative expenses	**23,219**
Research and development expenses	**9,794**
	35,632

17 BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured bank borrowings		
— RMB loan *(note a)*	**47,573**	53,711
— US$ loan *(note b)*	**—**	106,040
	47,573	159,751

Notes:

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

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

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**6,138**	112,178
1~2 years	**6,138**	6,138
2~5 years	**18,414**	18,415
Over 5 years	**16,883**	23,020
	47,573	159,751

18 TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**7,289**	7,384
Payroll liabilities	**10,011**	6,505
Other tax payables	**4,796**	5,424
Interest payables	**—**	85
Dividend payables	**1,411**	38,616
Government grants	**2,174**	2,728
Accrued expenses	**4,397**	84
Listing expense	**10,214**	—
Others	**2,026**	1,713
	42,318	62,539

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

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**2,417**	3,109
31–60 days	**1,302**	4,117
61–90 days	**599**	61
91–180 days	**600**	97
181–365 days	**2,371**	—
	7,289	7,384

19. EVENTS AFTER THE PERIOD

In January 2019, the Group entered into two separate mobile game cooperation agreements with two mobile game publishers, both of them are independent third parties. Pursuant to the cooperation agreements, the Group agreed to finance the advertising and promotion of certain mobile games in overseas markets to the extent of US$25,000,000 and HK$100,000,000 ("**Cooperation Amounts**") for the period from March to December 2019 and the Group is entitled to share of the net revenue of a predetermined sharing ratio with a minimum guarantee of a return of 12% on the Cooperation Amounts. The Cooperation Amounts were paid by the Group in January 2019.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

ANNUAL GENERAL MEETING

The 2018 annual general meeting (the "**AGM**") of the Company is scheduled to be held on June 20, 2019. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the period from the Listing Date to December 31, 2018.

FINAL DIVIDEND

The Board did not declare a final dividend for the year ended December 31, 2018.

COMPLIANCE WITH CG CODE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules of the Stock Exchange. For the period from the Listing Date to December 31, 2018, 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 it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Meng Shuqi as both the Chairman and CEO.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, June 17, 2019 to Thursday, June 20, 2019, both days inclusive, during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM to be held on Thursday, June 20, 2019. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, June 14, 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in this annual results announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The auditors made no comments as to the reasonableness or appropriateness of those assumptions of the "Non-IFRSs Measures" as presented in this annual results announcement. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

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 of the Company, 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 year ended December 31, 2018.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Xue Jun, Mr. Liu Yunli and Mr. Wu Xiaoguang. Mr. Xue Jun is the chairman of the Audit Committee. The Audit Committee has reviewed the Annual Results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2018 ANNUAL REPORT

This Annual 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 annual report of the Group for the year ended December 31, 2018 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
"Contractual Arrangements"	certain contractual arrangements entered into on April 13, 2018 by us

"Company" or "our Company"	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on September 6, 2017 and listed on the Stock Exchange on July 18, 2018 (Stock Code: 797)
"CG 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 the 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)
"H5"	a markup language used for structuring and presenting content on the World Wide Web, which is the fifth and current major version of the HTML standard
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 incorporated under the laws of the PRC with limited liability on November 27, 2015

"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
"MOC"	the Ministry of Culture of the PRC (中華人民共和國文化部), which is reformed and known as the Ministry of Culture and Tourism (中華人民共和國文化和旅遊部) since March 18, 2018
"MPUs"	monthly paying users, refers to the number of paying users in the relevant calendar month
"online game(s)"	video game(s) that is/are played over some form of computer or mobile network, including primarily client games, web games and mobile games

"paying users"	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
"Prospectus"	the prospectus issued by the Company dated June 29, 2018
"Qianhai Huanjing"	Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司), a company incorporated under the laws of the PRC with limited liability on July 12, 2015
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2018
"RMB"	Renminbi, the lawful currency of the PRC
"RPGs"	role-playing games, which refer to games that involve a large number of users who interact with each other in an evolving fictional world; each user adopts skill sets (such as melee combat or casting magic spells) and controls the avatars' actions; there are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the users, and the storyline continuously evolves even while the users are offline and away from the games
"RSU Scheme"	the restricted share unit scheme adopted by our Company on March 6, 2018
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme
"SAPPRFT"	the State Administration of Press, Publication, Radio, Film and Television of the PRC (國家新聞出版廣電總局)

"senior management"	the senior management of the Company
"Share(s)"	ordinary share(s) of US$0.000005 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Shenzhen 7Road"	Shenzhen 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability on January 22, 2018
"SRPG"	strategy role-playing games, which incorporate elements from strategy video games as an alternative to traditional role-playing game systems, emphasizing tactics
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States
"web game(s)"	game(s) that is/are played in a web browser on personal computer without downloading any client base or application
"%"	per cent

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

Shenzhen, the PRC
March 29, 2019

As at the date of this announcement, the executive Directors are Mr. Meng Shuqi, Mr. Hu Min 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 Mr. Wu Xiaoguang.