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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 31 DECEMBER 2019 AND CONTINUED SUSPENSION OF TRADING

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2019 ("**Annual Results**") together with the comparative information for the year ended 31 December 2018. The Annual Results have been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Year-on-year change
	(RMB'000)	*(RMB'000)*	%
Revenue	**333,379**	332,384	0.3%
Profit/(loss) for the year	**13,905**	(98,031)	-114.2%
Profit/(loss) for the year attributable to owners of the Company	**10,791**	(98,031)	-111.0%
Adjusted net profit[(1)]	**24,549**	83,527	-70.6%
Adjusted net profit attributable to the owners of the Company	**21,435**	83,527	-74.3%

Note:

(1) Adjusted net profit does not include share-based compensation costs.

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

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

3. For the year ended 31 December 2019, the non-IFRS adjusted net profit attributable to owners of the Company amounted to approximately RMB21.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

Principal risks relating to our business

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

- We are required to comply with new policies or any amendment to current policies in relation to the game industry, which may affect our business operations;

- We face uncertainties in the continued growth of the mobile game and web game industries as well as the market acceptance of our mobile games and web games;

- Delays of game launches could negatively affect our operations and prospects;

- We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new key employees;

- If we are unable to extend the expected lifecycle of our web games and mobile games or if our games do not maintain their popularity during their expected lifecycle, our business, financial condition, results of operations and prospects could be materially and adversely impacted;

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

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

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

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

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

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

- We closely monitor the progress of our pipeline games;

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

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

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

OUTLOOK FOR 2020

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

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

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

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

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

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

CORONAVIRUS IMPACT

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

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

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

FINAL DIVIDEND

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

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

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

Our Players

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

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

Acquisition of the Acquired Business

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

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

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

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

Note:

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

REVENUE

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

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

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

COST OF REVENUE

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

EXPENSES

Research and Development Expenses

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

Administrative Expenses

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

Selling and Marketing Expenses

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

NON-IFRS MEASURES

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

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

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

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

CAPITAL EXPENDITURE

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

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

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

CHARGE ON ASSETS

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

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

CONTINGENT LIABILITIES AND GUARANTEES

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

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2019, we had 555 full-time employees, mostly based in Shenzhen, Wuxi and Shanghai. For the year ended 31 December 2019, our employee remuneration amounted to approximately RMB93.9 million (including salary, bonus, share-based compensation, pension scheme contribution, other social security fund and other employee benefits).

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

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

SUBSEQUENT EVENTS

COVID-19 outbreak

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

Digital Hollywood's Litigation

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

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**333,379**	332,384
Cost of revenue	6	**(40,248)**	(51,116)
Gross profit		**293,131**	281,268
Research and development expenses	6	**(112,407)**	(149,343)
Selling and marketing expenses	6	**(20,997)**	(18,558)
Administrative expenses	6	**(58,733)**	(102,252)
Net impairment losses on financial assets under expected credit loss model		**(36,626)**	(26,208)
Other income	4	**21,394**	19,089
Other (losses)/gains, net	5	**(77,562)**	17,286
Operating profit		**8,200**	21,282
Finance income	7	**813**	3,893
Finance costs	7	**(3,100)**	(5,500)
Finance costs, net	7	**(2,287)**	(1,607)
Share of results of associates		**—**	(1,034)
Share of results of a joint venture		**(784)**	—
Deemed disposal loss of interest in an associate		**—**	(110,661)
Profit/(loss) before income tax		**5,129**	(92,020)
Income tax credit/(expense)	8	**8,776**	(6,011)
Profit/(loss) for the year		**13,905**	(98,031)
Profit/(loss) attributable to:			
— Owners of the Company		**10,791**	(98,031)
— Non-controlling interests		**3,114**	—
		13,905	(98,031)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	9	**0.0044**	(0.0461)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

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

Consolidated Balance Sheet

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**17,630**	18,685
Right-of-use assets		**83,087**	—
Land use rights		**—**	71,773
Intangible assets		**856,188**	29,583
Interests in associates		**—**	—
Interest in a joint venture		**3,216**	—
Financial assets at fair value through other comprehensive income		**794**	5,172
Financial assets at fair value through profit or loss	11	**2,357**	138,860
Prepayment and other receivables	12	**113,059**	384,121
Restricted cash		**1,935**	2,182
Deferred income tax assets		**18,741**	10,204
		1,097,007	660,580
Current assets			
Trade receivables	13	**229,673**	81,547
Prepayment and other receivables	12	**442,483**	131,785
Income tax recoverable		**17,317**	4,739
Financial assets at fair value through profit or loss	11	**111,469**	169,219
Restricted cash		**1**	1,703
Cash and cash equivalents		**44,011**	286,017
		844,954	675,010
Total assets		**1,941,961**	1,335,590
LIABILITIES			
Current liabilities			
Trade and other payables	17	**332,459**	42,318
Lease liabilities		**5,093**	—
Borrowings	16	**9,058**	6,138
Current income tax liabilities		**53,052**	—
Contract liabilities		**61,910**	53,759
		461,572	102,215
Net current assets		**383,382**	572,795
Total assets less current liabilities		**1,480,389**	1,233,375

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current liabilities			
Other payables	17	**273,750**	—
Lease liabilities		**7,895**	—
Borrowings	16	**35,296**	41,435
Contract liabilities		**—**	6,066
Deferred income tax liabilities		**48,614**	8,746
		365,555	56,247
Net assets		**1,114,834**	1,177,128
EQUITY			
Share capital	14	**86**	88
Share premium	14	**3,791,696**	3,854,742
Other reserves		**(2,977,334)**	(2,969,226)
Retained earnings		**301,814**	291,524
Total equity attributable to owners of the Company		**1,116,262**	1,177,128
Non-controlling interests		**(1,428)**	—
Total equity		**1,114,834**	1,177,128

1 General information and reorganisation

1.1 General information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

4 Other income

	2019	2018
	RMB'000	*RMB'000*
Government grants	**2,874**	13,192
Value added tax ("**VAT**") refunds	**5,911**	5,378
Compensation income *(Note 12(c))*	**8,893**	—
Interest income on receivable from disposal of investments *(Note 12(d))*	**2,279**	—
Others	**1,437**	519
	21,394	19,089

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

5 Other (losses)/gains, net

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

6 Expenses by nature

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

7 Finance costs, net

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

8 Income tax credit/(expense)

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

	2019	2018
	RMB'000	*RMB'000*
Current income tax	**(963)**	(4,221)
Deferred income tax credit/(expenses)	**9,739**	(1,790)
	8,776	(6,011)

9 Earnings/(losses) per share

(a) Basic

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

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

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

(b) Diluted

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

10 Dividends

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

11 Financial assets at fair value through profit or loss

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

12 Prepayment and other receivables

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

Notes:

(a) On 12 December 2018, the Group entered into a letter of intent ("**LOI**") with Ningbo Jingxuan Investment Center ("**Ningbo Jingxuan**"), which is a limited partnership established in the PRC and an independent third party to the Group, for acquisition of the entire equity in an online game company, Shanghai Xinla Networks Technology Co., Ltd. ("**Shanghai Xinla**"). According to the LOI, a refundable down payments comprising RMB80,000,000 and HK$330,000,000 were paid to the designated recipient of the Ningbo Jingxuan and secured by 49% equity interest in Shanghai Xinla (which is wholly owned subsidiary of Osmanthus Vale Holdings Limited). Pursuant to the sale and purchase agreement dated 23 August 2019, the aforesaid prepayment equivalent to amount of RMB371,555,000, taking into account the exchange difference, was fully used to settle part of the purchase consideration for the acquisition of Osmanthus Vale Holdings Limited, as disclosed in note 19.

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

(b) On 31 January 2019, the Group entered into a cooperation and distribution 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 RMB88,843,000) ("**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, and in return, the Group is entitled to a portion of the net revenue generated from the mobile game based on a predetermined sharing ratio, of which the Publisher agreed a return of 12% with a cap at 25% on the Cooperation Amount. The inception amount of the contract was RMB88,843,000 and the contract was accounted for as financial assets at fair value through profit or loss during the Cooperation Period and transferred to other receivables upon end of Cooperation Period. During the year, a gain on such contract of RMB15,634,000 was recognized. Up to the date when the consolidated financial statements were authorized for issue, such other receivable of RMB104,477,000 have been fully repaid.

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

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

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

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

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

13 Trade receivables

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

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

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

14 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 1 January 2018	63,729,400	42	10,000	—	10,042
Issuance of ordinary shares for Reorganization	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 31 December 2018	2,666,680,000	88	—	3,854,742	3,854,830
Share repurchases	(47,180,000)	(2)	—	(63,046)	(63,048)
As at 31 December 2019	2,619,500,000	86	—	3,791,696	3,791,782

15 Equity-settled share-based compensation

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

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

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

The exceed of the consideration over the fair value of RSUs purchased of RMB924,000, representing additional benefit provided to the employee and was recognised as an expense during the year ended 31 December 2019.

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

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

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

16 Borrowings

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

Notes:

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

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

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

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

17 Trade and other payables

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

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

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

18 Acquisition of a subsidiary

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

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

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

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

Notes:

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

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

The provisional fair values of the assets and liabilities of the acquiree at acquisition date are as follows:

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

19 Subsequent Events

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

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

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on or before 31 July 2020. A notice containing the details of convening the AGM and the book closure of register of members, for the purpose of ascertaining Shareholders' entitlement to attend the AGM, will be published and despatched in June.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares in 2019.

FINAL DIVIDEND

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

COMPLIANCE WITH CG CODE

The Company has complied with all the applicable code provisions of the CG Code, as set out in Appendix 14 to the Listing Rules throughout the year of 2019, save and except from the deviation from code provision A.2.1 of the CG Code, namely, the roles of the chairman and chief executive officer have not been separated, for the period from 1 January 2019 to 1 September 2019. From 1 January 2019 to 1 September 2019, Mr. Meng Shuqi held the roles of both the Chairman and the CEO. Since Mr. Meng Shuqi is the key person for our Group's establishment and development with extensive experience in the internet and game industry, Mr. Meng Shuqi is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment. The Board considered that vesting the roles of Chairman and CEO in the same person was beneficial to the Group, and balance of power and authority was ensured by the operation of the senior management and the Board, which comprised experienced individuals. Mr. Meng Shuqi has ceased to be the CEO, and Mr. Peng Cheng has been appointed as the CEO since 1 September 2019. Subsequent to the resignation of Mr. Meng Shuqi and the appointment of Mr. Peng Cheng as the CEO, the Company has complied with all the applicable code provisions of the Code.

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 year ended 31 December 2019.

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, Ms. Li Yiqing and Ms. Wang Ying. Mr. Xue Jun is the chairman of the Audit Committee. The Audit Committee has reviewed the Annual Results.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

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 31 December 2019 as set out in this annual results announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The auditor 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 auditor 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 auditor on this annual results announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2019 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 31 December 2019 will be despatched to the Shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 31 March 2020 pending the publication of the Annual Results and will remain suspended until the Company fulfills the requirements under the letter, dated 12 May 2020, from the Stock Exchange setting out the guidance for the resumption of trading in the Shares. The Company will keep the public informed of the latest development by making further announcements as and when appropriate.

DEFINITIONS

"Acquisition"	the acquisition of the Acquired Business by the Company
"Acquired Business"	the online game business owned by Osmanthus Vale Holdings Limited and its subsidiaries, which was acquired by the Company on 22 October 2019
"ARPPU"	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of the game, the type of games or all of our games, as applicable, during such period
"Audit Committee"	the audit committee of the Board
"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
"Contractual Arrangements"	certain contractual arrangements entered into on 13 April 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 6 September 2017 and the Shares of which are listed on the main board of the Stock Exchange on 18 July 2018 (Stock Code: 797)

“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	the public offering of 66,668,000 Shares for subscription by the public in Hong Kong and the international offering (as defined respectively in the Prospectus) of 600,012,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“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
“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. 18 July 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MAUs”	monthly active users, refers to the number of people logged in to specific game(s) in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“mobile game(s)”	game(s) that is/are played on mobile devices

"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users, refers to the number of paying users in the relevant calendar month
"online game(s)"	video game(s) that is/are played over some form of computer or mobile network
"paying users"	in any given period, (i) 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 (ii) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
"Prospectus"	the prospectus issued by the Company dated 29 June 2018
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by our Company on 6 March 2018
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme
"senior management"	the senior management of the Company
"Share(s)"	ordinary share(s) of US$0.000005 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"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
"Wuxi 7Road"	Wuxi 7Road Technology Co., Ltd. (無錫第七大道科技有限公司), a company established under the laws of the PRC with limited liability on 18 July 2019
"%"	per cent

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

Wuxi, the PRC
12 June 2020

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