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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 2020 AND CONTINUED SUSPENSION OF TRADING

The Board announces the audited consolidated annual results of the Group (the "**Annual Results**") for the year ended 31 December 2020 together with the comparative information for the year ended 31 December 2019. The Annual Results have been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Year-on-year change
	(RMB'000)	*(RMB'000)*	%
Revenue	**424,313**	333,379	27.3
Profit for the period	**80,001**	13,905	475.3
Profit for the period attributable to owners of the Company	**81,309**	10,791	653.5

1. For the year ended 31 December 2020, the total revenue amounted to approximately RMB424.3 million, representing an increase of approximately 27.3% as compared with the year ended 31 December 2019.

2. For the year ended 31 December 2020, the Company recorded a profit attributable to owners of the Company amounted to approximately RMB81.3 million, representing an increase of approximately 653.5% as compared with the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

According to the "2020 Global Games Market Report" released by Newzoo in 2020, the global online game market in 2020 was expected to record a revenue of US$159.3 billion. The mobile-end game market remained the largest segmented market with an expected market revenue of US$77.2 billion, representing an increase of 45.0% year-on-year, while income from web games would decrease by 13.4% year-on-year. Approximately 40.0% of the revenue in global game market arose from smartphone games.

In 2020, revenue from the Asia Pacific online game market was expected to increase by 9.9% as compared with 2019, reaching US$78.42 billion and accounting for 49.0% of the global online game market. The North American market remained the second largest online game market, and the revenue from this region in 2020 was expected to be approximately US$40.0 billion, which accounted for 25.0% of the global online game market. The European online game market was expected to generate US$29.6 billion in revenue, which accounted for 19.0% of the global online game market. The European market had the slowest growth rate with only 7.8% year-on-year. The Latin American, Middle East and African markets were expected to slightly get ahead of the North American market in terms of game revenue growth, and the game revenue from these regions was expected to be over US$11.4 billion in total in 2020, which accounted for 7% of the global online game market.

According to "2020 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 2020, the revenue generated from China's online game market increased by RMB47.81 billion to approximately RMB278.7 billion as compared to 2019, maintaining a rapid growth by a year-on-year increase of 20.7%. As at 31 December 2020, the number of game players in China exceeded 665 million, with a year-on-year increase of 3.7%.

In 2020, the Company recorded a total revenue of approximately RMB424.3 million, representing an increase of approximately 27.3% as compared to 2019. In 2020, the gross profit and gross profit margin of the Company was RMB313.5 million and 73.9%, respectively. In 2020, the Company recorded profit attributable to Shareholders amounted to approximately RMB81.3 million, which was mainly due to the profit contribution of Xinla Group, after the Group completed its acquisition in October 2019.

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 highlight the principal risks exposed to the Group and are not meant to be exhaustive:

- we are required to comply with new policies or any amendment to current policies in relation to the gaming 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 rely 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 affected;

- 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 gaming industry with relevant regulatory authorities and take appropriate actions to respond to the changes and ensure the Group 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 the 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 2021

In 2021, the Group will continue to adhere to the concept of high-quality games and strive to create high-quality game products. The Group will make full use of the value of its existing intellectual property ("**IP**") and its experience accumulated over the years in game development to form a stable IP product line which consists of original innovations, Japanese comics and cartoon adaptations and domestic licensing to enrich the Group's product portfolio. The Group will also take into full account player experience and optimize functions and game rules in newly developed games. The Group will actively explore diversified income streams in order to increase the revenue and drive the performance of the Group, while leveraging in-game virtual commodity consumption as its basic profit model. In 2021, we will continue to strategically expand in overseas markets while focusing on the domestic market. We will be committed to updating and promoting our existing games and conducting R&D of new games to consolidate the domestic market and optimize our globalization strategy.

We will continue to prepare for the development of the Group's core IP, including the "DDTank Classics" (彈彈堂復古版), which is expected to be tested and launched online during the second half of this year. In addition, we also cooperated with females in the PRC and game developers to develop a new product called "Flowers and Dream" (花開易夢閣), which is initially planned to be launched in the Greater China Region in the fourth quarter of 2021 or in early 2022. In terms of our strategies of the 2D Japanese anime IP, we participated in the development of a well-known first-tier anime IP mobile game, which is expected to be tested for the first time in 2022. As the first self-developed mobile game of this well-known first-tier anime IP in the PRC, we strive to provide a mobile game with original taste to a large number of fans of this well-known first-tier anime IP in the PRC by reimagining the humour and silliness of the original plots. In addition, we will also publish an anime adaptation mobile game "Mini Super Cook" (廚神小當家), themed around gourmet, whose IP's influence is widely recognized in the anime industry and is well-received. The simulation game is expected to be launched in 2022. We will also try to participate in more different segmented areas, including attempts and preparations for products such as casual competitive and female-oriented games, with an aim to capture more market opportunities. Also, the Group will continue the joint R&D and publication of its IP through licensing IP or cooperation with other outstanding developers on quality games. In addition, we will consider to invest in and acquire high-quality companies in the industry and strengthen our synergic strategy.

According to the Group's development strategy, the Group will selectively acquire or invest in potential IP or high-quality R&D and publishing companies in the industry chain from third parties such as popular literature, comics and social networks, and will also seek close cooperation with outstanding game developers or publishers to strengthen the Group's business. As disclosed in the announcement of the Company dated 26 April 2021, the Group completed the acquisition of 100% equity interest in Beijing Meimai, which has established a cooperative relationship with the Roblox Platform in China. Roblox is the world's top sandbox game development company, and Beijing Meimai is primarily responsible for the content review, developer community maintenance and new media operations business of the Roblox Platform in China. The Group will continue to improve its gaming portfolio and further enhance its gaming development capabilities and performance, so as to bring the Group to an all-new level of development. At the same time, the Group will strive to integrate, coordinate and optimize existing business resources with other resources such as the R&D capabilities, game products, marketing channels, operation and management, and existing game players of businesses acquired or to be acquired.

IP licensing will remain an important part of our long-term strategy. In 2021, we will continue to focus on IP R&D through IP licensing or cooperation with other quality vendors. We will continue to recruit more talents and retain existing talents with attractive remuneration policies to strengthen our IP R&D capabilities. At the same time, we will actively seek appropriate investment and cooperation opportunities.

Leveraging on our current principal gaming business, we shall proactively explore and expand our business into other areas with potential such as cloud computing, clouding storage and other gaming-related areas. This 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 Group, creating values for the Group and the Shareholders. As disclosed in a Company's announcement dated 9 May 2021, the Board resolved on 1 April 2021 that the Group will commence the provision of cloud computing services as a new business activity of the Group, in order to expand its income streams and create better returns for Shareholders as well as diversify its income streams. The services will be provided in areas including anime, artificial intelligence, big data supercomputing and blockchain technology-related services. In addition, the global cloud storage market size is expected to grow from US$50.1 billion in 2020 to US$137.3 billion by 2025, according to MarketsandMarkets, a research institution, and the CAGR is expected to be 22.3% during the forecast period. In this regard, based on the feasibility analysis and a resolution of the Board, the Group also started to introduce relevant partners to purchase relevant cloud storage equipment and proposed to enter into the provision of cloud storage services as another new business activity.

With the current rapid information technology development in China and the significant demand for information data, the demand for cloud computing, clouding storage and other cloud-related services will experience continuous and rapid growth in the foreseeable future. Therefore, the Board believes that this will be a good opportunity for the Group to commence the provision of cloud computing services and clouding storage services, respectively. The Group will continue to seek investment and development opportunities in the cloud computing, clouding storage and cloud-related market.

We are fully looking forward to 2021 and will expect to continue to expand our business in the overseas markets and further improve our global layout in the gaming industry and proactively explore development opportunities in cloud computing, cloud storage and cloud-related services markets. We will further enhance our comprehensive competitiveness, resource control ability, subsequent development ability and risk resistance ability, so as to consolidate, develop and enhance our position in the industry and create more value for Shareholders.

CORONAVIRUS IMPACT

Since 2020, COVID-19 has continued to spread around the world. China has implemented and continued to implement a number of preventive and control measures, including restricting and regulating people's travel and transportation arrangements to some extent, vaccination and the isolation of some residents, while strengthening health and pandemic prevention requirements in factories and offices, whilst encouraging social isolation.

After assessing the Group's business operations and capital investment, the Group's current liquidity position and working capital are sufficient. In view of the instability of the spread of COVID-19, the Group has taken a series of necessary health precaution to mitigate the potential impact of the COVID-19 pandemic, including the implementation of prevention and control policies released by the relevant government authorities and adopting flexible work-from-home practices. Meanwhile, the Group has also adopted cost control policies in order to improve its risk averse capabilities. The Group will closely monitor the COVID-19 pandemic situation and, as the case may be, continue to assess the impact of the pandemic on the Group's financial and business operations from time to time.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

Our Games

As of 2020, we continued to focus on game development and high-quality game operation in response to the increasing competition in the gaming industry. We have established various studios with a focus on research and development and an operation and publishing center with a global vision to manage game development, operation and publishing. During the year ended 31 December 2020, the Group's online game revenue was mainly derived from several well-known games, including "DDTank" (彈彈堂) series, "Wartune" (神曲) series and "Shengshi" (盛世) series. In the fourth quarter of 2020, we tested a game popular among females, "Alice's Closet" (愛麗絲的衣櫥). The game was well received by users in Hong Kong, Macau and Taiwan, and was nominated for "The Key Projects for National Cultural Export 2021–2022" (二零二一至二零二二年度國家文化出口重點項目), which sparked our further moves into the area of female-oriented products. We will continue to develop and operate high-quality online games and leverage our years of experience in the game industry to maintain our momentum in innovation and launching new games to attract more players.

Our Players

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

For the year ended 31 December 2020, our web games had (i) an average MAUs of approximately 1.1 million; (ii) an average MPUs of approximately 54,000; (iii) an ARPPU of approximately RMB399.4; and our mobile games had (i) an average MAUs of approximately 0.7 million; (ii) an average MPUs of approximately 60,300; (iii) an ARPPU of approximately RMB117.6.

YEAR ENDED 31 DECEMBER 2020 COMPARED TO THE YEAR ENDED 31 DECEMBER 2019

The following table sets forth the comparative statements of profit or loss for the years ended 31 December 2020 and 2019:

	Year ended 31 December		
	2020	2019	Year-on-year change
	(RMB'000)	*(RMB'000)*	%
Revenue	**424,313**	333,379	27.3%
Cost of revenue	**(110,835)**	(40,248)	175.4%
Gross profit	**313,478**	293,131	6.9%
Research and development expenses	**(107,570)**	(112,407)	-4.3%
Selling and marketing expenses	**(28,858)**	(20,997)	37.4%
Administrative expenses	**(72,374)**	(58,733)	23.2%
Net reversal/(provision) of impairment losses on financial assets under expected credit loss model	**5,791**	(36,626)	-115.8%
Other income	**15,771**	21,394	-26.3%
Other losses, net	**(68,059)**	(77,562)	-12.3%
Operating profit	**58,179**	8,200	609.5%
Finance income	**804**	813	-1.1%
Finance costs	**(3,868)**	(3,100)	24.8%
Finance costs, net	**(3,064)**	(2,287)	34.0%
Share of results of joint ventures	**(3,216)**	(784)	310.2%
Profit before income tax	**51,899**	5,129	911.9%
Income tax credit	**28,102**	8,776	220.2%
Profit for the year	**80,001**	13,905	475.3%

REVENUE

The following table sets forth the breakdown of our revenue for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)	***(% of total revenue)***	*(RMB'000)*	*(% of total revenue)*
Types of goods or services				
Online game revenue	**278,461**	**65.6%**	285,819	85.7%
— Self-development games				
published by the Group	**24,369**	**5.7%**	5,797	1.7%
published by other publishers	**240,210**	**56.6%**	262,351	78.7%
— Licensed games				
published by the Group	**7,904**	**1.9%**	565	0.2%
published by other publishers	**5,978**	**1.4%**	17,106	5.1%
Sales of customization game software	**8,585**	**2.0%**	13,302	4.0%
Sales of game copyrights	**35,000**	**8.2%**	22,453	6.7%
Sales of online game technology and publishing solutions services	**45,333**	**10.7%**	1,382	0.5%
Intellectual property licensing	**56,934**	**13.5%**	10,423	3.1%
Total	**424,313**	**100.0%**	333,379	100.0%

For the year ended 31 December 2020, total revenue was approximately RMB424.3 million, representing an increase of approximately 27.3% as compared with 2019. This was mainly attributable to the completion of the Group's acquisition of Xinla Group in the second half of 2019, and the revenue and profit for 2020 of which have been consolidated into the Group's account for the year ended 31 December 2020.

COST OF REVENUE

Our cost of revenue mainly comprises employee salary and benefit expense incurred by our R&D and operations departments, advertising and promotion fee and cost of game licensing. The cost of revenue amounted to approximately RMB110.8 million for the year ended 31 December 2020, representing an increase of approximately 175.4% as compared to approximately RMB40.2 million in 2019, mainly due to the rise in amortization of intangible asset as a result of the acquisition of the Xinla Group.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit amounted to approximately RMB313.5 million for the year ended 31 December 2020, representing an increase of approximately 6.9% as compared to approximately RMB293.1 million for the year ended 31 December 2019.

Our gross profit margin was approximately 73.9% for the year ended 31 December 2020. For the year ended 31 December 2019, our gross profit margin was approximately 87.9%. Such decrease was mainly because of the consolidation of Xinla Group's costs into the Group's accounts after the completion of its acquisition in October 2019.

EXPENSES

Research and Development Expenses

Our R&D expenses mainly comprise employee salary and benefit expenses incurred by our R&D department and outsourcing expenses. The R&D expenses amounted to approximately RMB107.6 million for the year ended 31 December 2020, representing a decrease of approximately 4.3% as compared to approximately RMB112.4 million in 2019. Such decrease was mainly because the Group had spent great effort to enhance its cost management in R&D in the year of 2020.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses and professional consulting fees. The administrative expenses were approximately RMB72.4 million for the year ended 31 December 2020, representing an increase of 23.2% as compared to approximately RMB58.7 million in 2019. Such increase was mainly because of the consolidation of Xinla Group's staff salaries into the Group's accounts after the completion of its acquisition in October 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 RMB28.9 million for the year ended 31 December 2020, representing an increase of approximately 37.4% as compared to RMB21.0 million for the year ended 31 December 2019. Such increase was mainly because of the selling and marketing expenses of the Xinla Group were included in the Group's accounts upon completion of its acquisition in October 2019.

Income Tax

The income tax credit increased for the year ended 31 December 2020, which was as a result of certain subsidiaries being expected an offset of income tax to their profit in the future. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the year ended 31 December 2020 varied from 12.5% to 25% (2019: 12.5%–25%).

PROFIT FOR THE PERIOD

For the year ended 31 December 2020, our profit attributable to owners of the Company amounted to approximately RMB81.3 million, representing an increase of approximately 653.5% as compared with the year ended 31 December 2019. Such increase was mainly attributable to the profit contribution of the Xinla Group, which was consolidated into the accounts of the Group after the completion of its acquisition in October 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances the operations with internally generated cash flow and equity or debt financing activities for its capital requirements. As at 31 December 2020, cash and bank balances amounted to RMB379.3 million (2019: RMB45.9 million), which were denominated in Renminbi. During the year ended 31 December 2020, the increase in cash and bank balances was mainly due to the Company's allotment of Shares to DianDian Interactive Holding, an independent third party, in December 2020. For details of the share subscription, please refer to the announcements of the Company dated 16 December 2020 and 29 December 2020, respectively.

INTEREST BEARING LOAN

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. As at 31 December 2020, our total borrowings amounted to approximately RMB56.5 million (2019: RMB44.4 million), representing an increase of 27.5% year-on-year, mainly due to bank borrowings received during the year ended 31 December 2020. As at 31 December 2020, our bank borrowings were mainly denominated in Renminbi, of which approximately RMB56.5 million were bank borrowings payable within one year. Details of the Group's bank borrowings, including maturities, currencies and interest rates, are set out in note 16 to the consolidated financial statements.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was approximately 28.5% (2019: 42.6%). The decrease was mainly due to the increase in total assets and net assets resulting from the Company's allotment of Shares to DianDian Interactive Holding in December 2020. The gearing ratio is calculated as total debt divided by total assets of the Group as at 31 December 2020.

CAPITAL EXPENDITURE

	For the year ended 31 December		
	2020	2019	Year-on-year change
	(RMB'000)	*(RMB'000)*	%
Office computer and electronic equipment	**498**	165	201.8
Office furniture and leasehold improvement	**1,507**	2,403	(37.3)
Vehicles	**333**	—	—
Houses and buildings	**—**	509	(100.0)
Total	**2,338**	3,077	(24.0)

Our capital expenditure includes office computers, electronic equipment, software and constructions in progress. The total capital expenditure for the years ended 31 December 2020 and 2019 was approximately RMB2.34 million and RMB3.07 million, respectively.

FOREIGN EXCHANGE RISK

The Group operates in the overseas markets through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from recognised assets and liabilities when foreign currency is or will be received from overseas counterparties. For the year ended 31 December 2020, the Group did not have policies to hedge any foreign currency fluctuations.

SIGNIFICANT INVESTMENTS HELD

Since July 2020, the Group had acquired 2% equity interest in Shanghai Longrui Information Technology Co., Ltd. (上海瓏睿信息科技有限公司) ("**Shanghai Longrui**"), at an initial investment cost of RMB180,000,000 (the "**Investment**"). The equity interest held by the Group in Shanghai Longrui was subsequently diluted to 1.4% in August 2020. Shanghai Longrui is principally engaged in the construction and operation of Internet data centre and related infrastructures.

The Investment was accounted for as a financial asset at fair value through profit or loss. During the year ended 31 December 2020, (i) the fair value change of the Investment was an increase of approximately RMB27.4 million; and (ii) there was no realized or unrealized gain or loss as a result of the Investment, nor was any dividend received. As at 31 December 2020, the fair value of the Investment through profit and loss and its change was accounted for investment gains amounted to approximately RMB207.4 million. Accordingly, the fair value of the Investment compared to the Group's total assets as at 31 December 2020 was approximately 9.81% and therefore classified as a significant investment of the Group.

Subsequent to the year ended 31 December 2020, the Investment was disposed of at a consideration of approximately RMB207.4 million and was fully settled in April 2021.

Save as disclosed above, the Group did not have any other significant investments held as of 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Company did not have other future plans for material investments or capital assets as of 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed in this announcement, the Company did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2020.

CHARGE ON ASSETS

As of 31 December 2020, save as disclosed in note 16 of the financial statements, there was no other material charge on the Group's assets as at 31 December 2020.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2020, save as disclosed in note 19 of the financial statements, we did not have any other unrecorded significant contingent liabilities, guarantees or any material litigation against us.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2020, we had 346 full-time employees, mostly based in Shenzhen, Wuxi and Shanghai, the PRC. The following table sets out the number of our employees by function as at 31 December 2020:

Function	**Number of Employees**	**% of total**
R&D	186	53.76%
Operation	89	25.72%
Administration	71	20.52%
Total	346	100.0%

For the year ended 31 December 2020, our employee remuneration amounted to approximately RMB117.1 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 Group also provides customized training to its staff to enhance their technical and product knowledge.

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

MATERIAL LEGAL PROCEEDINGS

(i) Legal proceedings of Shenzhen 7Road

On 23 October 2020, Shenzhen 7Road Technology Co., Ltd.*（深圳第七大道科技有限公司） (“**Shenzhen 7Road**”), a wholly-owned subsidiary of the Company, received a notice (not being served with legal procedures) from Proficient City Limited, a wholly-owned subsidiary of Digital Hollywood Interactive Limited (“**Digital Hollywood**”, stock code: 2022), where Proficient City Limited, as the plaintiff, filed a temporary restraining order against Shenzhen 7Road, as the defendant, with the United States District Court of Dallas County, Texas (the “**Texas Court**”). On 12 November 2020, Shenzhen 7Road received from the Texas Court an order that the claims of Proficient City Limited against Shenzhen 7Road were dismissed and the temporary restraining order against Shenzhen 7Road was invalidated immediately. Since then, the legal proceedings in relation to the temporary restraining order had ceased to continue and there was no impact on the ordinary business operation of the Group.

Details of the legal proceedings are set out in the announcements of the Company dated 23 October 2020 and 12 November 2020, respectively.

(ii) Legal proceedings commenced by Qianhai Huanjing in March 2021

On 3 March 2021, the Company was informed by a subsidiary, Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (“**Qianhai Huanjing**”) that Qianhai Huanjing, as the plaintiff, filed a lawsuit (the “**March 2021 Lawsuit**”) with the Shenzhen Intermediate People’s Court (the “**Shenzhen Intermediate Court**”) against Proficient City Limited, as the defendant, in relation to intellectual property rights dispute over the online game Wartune (神曲), and has received the Notice of Case Acceptance from the Shenzhen Intermediate Court. As at the date of this announcement, the March 2021 Lawsuit has not yet been heard and the March 2021 Lawsuit is not expected to affect the normal business operation of the Group.

Details of the legal proceedings are set out in the announcement of the Company dated 3 March 2021.

(iii) Legal proceedings commenced by Qianhai Huanjing in April 2021

On 28 April 2021, the Company was informed by Qianhai Huanjing that Qianhai Huanjing, as the plaintiff, has filed a lawsuit (the "**April 2021 Lawsuit**") with the Shenzhen Intermediate Court against Guangzhou Zhang Ying Kong Information Technology Company Limited (廣州掌贏控信息科技有限公司) and Angame Inc., as the defendants, in relation to the intellectual property rights contractual dispute over the mobile game version of the online game DDTank (mobile) (彈彈堂(手遊)), and has received the Notice of Case Acceptance from the Shenzhen Intermediate Court. As at the date of this announcement, the April 2021 Lawsuit has not yet been heard and the April 2021 Lawsuit is not expected to affect the normal business operation of the Group.

Details of the legal proceedings are set out in the announcement of the Company dated 28 April 2021.

SUBSEQUENT EVENTS

On 7 November 2020, the Company and certain vendors (collectively, the "**Vendors**"), each an independent third party, entered into a conditional sales and purchase agreement (the "**SPA**") in relation to the acquisition of the entire issued share capital of Locojoy HongKong International Limited and Beijing Locojoy Technology Co., Ltd.* (北京樂動卓越科技有限公司) for an aggregate consideration of RMB1,183,650,100, which would be satisfied by cash and the allotment and issuance of consideration shares subject to the terms of the SPA. On 28 February 2021, the Company and the Vendors entered into a supplemental agreement to the SPA, pursuant to which the initial long stop date was extended from 28 February 2021 to 31 March 2021. On or around 9 July 2021, the Company received a written notice from the Vendors to terminate the SPA and the consideration of RMB20 million paid by the Company to the Vendors was returned to the Company pursuant to the SPA. Accordingly, the SPA has been terminated as at the date of this announcement. Details of the SPA and its termination are set out in the announcements of the Company dated 9 November 2020, 11 November 2020, 30 November 2020, 30 December 2020, 1 March 2021 and 9 July 2021, respectively.

Save as disclosed under the sections headed "Outlook for 2021", "Significant Investments Held", "Material Legal Proceedings", "Response to Audit Issues Raised by Former Auditors" and the notes of the financial statements in this announcement, the Company had no other subsequent events after the year ended 31 December 2020.

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**424,313**	333,379
Cost of revenue	*6*	**(110,835)**	(40,248)
Gross profit		**313,478**	293,131
Research and development expenses	*6*	**(107,570)**	(112,407)
Selling and marketing expenses	*6*	**(28,858)**	(20,997)
Administrative expenses	*6*	**(72,374)**	(58,733)
Net reversal/(provision) of impairment losses on financial assets under expected credit loss model		**5,791**	(36,626)
Other income	*4*	**15,771**	21,394
Other losses, net	*5*	**(68,059)**	(77,562)
Operating profit		**58,179**	8,200
Finance income	*7*	**804**	813
Finance costs	*7*	**(3,868)**	(3,100)
Finance costs, net	*7*	**(3,064)**	(2,287)
Share of results of joint ventures		**(3,216)**	(784)
Profit before income tax		**51,899**	5,129
Income tax credit	*8*	**28,102**	8,776
Profit for the year		**80,001**	13,905

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Profit attributable to:			
— Owners of the Company		**81,309**	10,791
— Non-controlling interests		**(1,308)**	3,114
		80,001	13,905
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	*9*	**0.0333**	0.0044

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**80,001**	13,905
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	**1,563**	(4,085)
Item that may be reclassified to profit or loss		
Currency translation differences of foreign operations	**20,254**	13,062
Other comprehensive income, net of tax	**21,817**	8,977
Total comprehensive income for the year	**101,818**	22,882
Total comprehensive income attributable to:		
— Owners of the Company	**103,126**	19,768
— Non-controlling interests	**(1,308)**	3,114
	101,818	22,882

Consolidated Statement of Financial Position

At 31 December 2020

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,019**	17,630
Right-of-use assets		**7,854**	83,087
Intangible assets		**958,450**	856,188
Interests in joint ventures		**—**	3,216
Financial assets at fair value through other comprehensive income		**2,357**	794
Financial assets at fair value through profit or loss	*11*	**208,044**	2,357
Prepayment and other receivables	*12*	**3,409**	113,059
Restricted cash		**1,946**	1,935
Deferred income tax assets		**57,071**	18,741
		1,243,150	1,097,007
Current assets			
Trade receivables	*13*	**290,503**	229,673
Prepayment and other receivables	*12*	**162,518**	442,483
Income tax recoverable		**327**	17,317
Financial assets at fair value through profit or loss	*11*	**40,539**	111,469
Restricted cash		**1**	1
Cash and cash equivalents		**377,306**	44,011
		871,194	844,954
Total assets		**2,114,344**	1,941,961

		As at 31 December	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Current liabilities			
Trade and other payables	*17*	**309,612**	332,459
Lease liabilities		**5,026**	5,093
Bank and other borrowings	*16*	**56,546**	9,058
Current income tax liabilities		**29,713**	53,052
Contract liabilities		**73,794**	61,910
		474,691	461,572
Net current assets		**396,503**	383,382
Total assets less current liabilities		**1,639,653**	1,480,389
Non-current liabilities			
Other payables	*17*	**92,291**	273,750
Lease liabilities		**3,312**	7,895
Bank and other borrowings	*16*	**—**	35,296
Deferred income tax liabilities		**32,153**	48,614
		127,756	365,555
Net assets		**1,511,897**	1,114,834
EQUITY			
Share capital	*14*	**90**	86
Share premium	*14*	**4,083,085**	3,791,696
Other reserves		**(2,952,776)**	(2,977,334)
Retained earnings		**383,123**	301,814
Total equity attributable to owners of the Company		**1,513,522**	1,116,262
Non-controlling interests		**(1,625)**	(1,428)
Total equity		**1,511,897**	1,114,834

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 (collectively referred to as 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 Board of Directors of the Company on 31 August 2021.

1.2 Reorganisation of the Group

Prior to the incorporation of the Company and completion of the Group's reorganisation on 1 March 2018 for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Reorganisation**"), the Group's Business was carried out through Shenzhen 7Road Technology Co., Ltd. (深圳第七大道科技有限公司) ("**Shenzhen 7Road**"), a limited liability company and its subsidiaries. Details of the Reorganisation have been disclosed in the Group's annual report for the year ended 31 December 2018.

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

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Immediately prior to and after the Reorganisation, the Group's Business was carried out by Shenzhen 7Road and its subsidiaries. Pursuant to the Reorganisation, the Group's Business are effectively controlled by Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司) ("**Qianhai Huanjing**"), and ultimately controlled by the Company, through direct equity holding and the Contractual Arrangements. The Company and those companies newly set up during the Reorganisation have not been involved in any other businesses prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a reorganisation 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 ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the disclosure requirement of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for 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, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the consolidated 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 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendments to IFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the "Amendments to References to the Conceptual Framework in IFRS Standards" and the amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(a) Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(b) Impacts on application of Amendments to IFRS 3 "Definition of a Business"

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred income tax assets, and goodwill resulting from the effects of deferred income tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

(c) Impacts on early application of Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

The Group has applied the amendments for the first time in the current year. The amendments introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

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

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from two months waivers of lease payments on certain leases in an office premise. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB210,000, which has been recognised as variable lease payments in profit or loss for the current year.

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 managed as a single segment and no segment information is presented, accordingly.

As at 31 December 2020 and 2019, the majority of the non-current assets of the Group were located in the PRC.

The Group's revenue for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
Online game revenue		
— Self-development games		
published by the Group	**24,369**	5,797
published by other publishers	**240,210**	262,351
— Licensed games		
published by the Group	**7,904**	565
published by other publishers	**5,978**	17,106
	278,461	285,819
Sales of customisation game software	**8,585**	13,302
Sales of game copyrights	**35,000**	22,453
Sales of online game technology and publishing solutions services	**45,333**	1,382
Intellectual property licensing	**56,934**	10,423
	424,313	333,379
Timing of revenue recognition		
— At a point in time	**152,929**	103,906
— Over time	**271,384**	229,473
	424,313	333,379

4 Other Income

	2020	2019
	RMB'000	*RMB'000*
Government grants *(Note a)*	**4,263**	2,874
Refunds of the PRC value-added tax	**3,580**	5,911
Investment income	**2,800**	—
Compensation income	**1,772**	8,893
Interest income on receivable from disposals of investments	**2,735**	2,279
Rent concession income	**210**	—
Others	**411**	1,437
	15,771	21,394

Note:

(a) There is no unfulfilled condition or contingency in respect of the aforementioned government grants.

5 Other Losses, Net

	2020	2019
	RMB'000	*RMB'000*
Fair value change on financial assets at fair value through profit or loss	**(23,791)**	(67,992)
Fair value change on contingent consideration payable for acquisition of a subsidiary	**(46,397)**	(12,652)
Gains/(losses) on disposals of property, plant and equipment and right-of-use assets	**66**	(149)
Foreign exchange gains, net	**467**	821
Others	**1,596**	2,410
	(68,059)	(77,562)

6 Expenses by Nature

	2020	2019
	RMB'000	*RMB'000*
Employee benefit expenses	**114,399**	83,266
Share-based compensation *(Note 15)*	**2,741**	10,644
Promotion and advertising expenses	**28,770**	29,067
Utilities and office expenses	**4,276**	3,592
Outsourced technical service fees	**37,579**	29,788
Bandwidth and server custody fees	**4,337**	6,269
Travelling and entertainment expenses	**6,242**	2,580
Other professional consulting fees	**21,743**	18,054
Depreciation of property, plant and equipment	**2,643**	3,132
Depreciation of right-of-use assets	**6,834**	5,498
Amortisation of intangible assets	**68,917**	16,590
Short-term lease expenses	**667**	2,305
Auditors' remuneration		
— Audit services *(Note)*	**10,200**	13,384
— Audit-related services	**—**	776
Tax and levies	**2,925**	2,161
Others	**7,364**	5,279
	319,637	232,385

Note: In 2020, audit services under auditors' remuneration amounted to RMB10,200,000, which included Elite Partners CPA Limited's annual audit fee of RMB3,500,000 and Moore Stephens CPA Limited's audit and audit-related services fee (including annual audit, interim audit, audit of major transaction and advisory for tax and compliance services) of RMB6,700,000.

7 Finance Costs, Net

	2020	2019
	RMB'000	*RMB'000*
Finance income		
Interest income on bank balances	**341**	810
Others	**463**	3
	804	813
Finance costs		
Interest expenses on bank and other borrowings	**(3,134)**	(2,606)
Interest expenses on lease liabilities	**(517)**	(488)
Others	**(217)**	(6)
	(3,868)	(3,100)
Finance costs, net	**(3,064)**	(2,287)

8 Income Tax

The Group's income tax for year is analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
— Income tax for the current year	**(8,214)**	(7,234)
— (Under)/over-provision in prior years	**(18,767)**	6,271
	(26,981)	(963)
Deferred income tax	**55,083**	9,739
Income tax credit	**28,102**	8,776

9 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.

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**81,309**	10,791
Weighted average number of ordinary shares in issue (in thousands)	**2,441,664**	2,464,093
Basic earnings per share for profit attributable to owners of the Company	**0.0333**	0.0044

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as those contingently vesting shares in respect of the RSUs are not included in the computation of diluted earnings per share for the years ended 31 December 2020 and 2019, due to the fact that the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period.

10 Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11 Financial Assets at Fair Value through Profit or Loss

	2020	2019
	RMB'000	*RMB'000*
Non-current		
Listed shares in the PRC	**51**	867
Unlisted equity investments in the PRC *(Note)*	**207,993**	1,490
	208,044	2,357
Current		
Listed shares in Hong Kong	**40,539**	111,469
	248,583	113,826

Note:

Included in the balance as at 31 December 2020 was an equity investment in Shanghai Longrui Information Technology Co., Ltd. (上海瓏睿信息科技有限公司) ("**Shanghai Longrui**") of RMB207,420,000. On 28 July 2020, the Group entered into a sale and purchase agreement with an independent third party. Pursuant to the sale and purchase agreement, the Group acquired 2% equity interest of Shanghai Longrui at a consideration of RMB180,000,000. The equity interest held by the Group was subsequently diluted to 1.4% due to additional capital injections from other shareholders of Shanghai Longrui subsequently. The investment in Shanghai Longrui is accounted for as a financial asset at fair value through profit or loss since the Group does not have any significant influence on Shanghai Longrui. The investment was subsequently disposed of in April 2021 at a consideration of RMB207,420,000, which was fully received by the Group on 28 April 2021.

12 Prepayment and Other Receivables

	2020 RMB'000	2019 RMB'000
Non-current		
Loans to third parties	—	4,394
Prepayments for investments *(Note a)*	—	80,000
Prepayments for a joint mobile game development contract *(Note b)*	—	28,302
Prepayments for technology services	**2,358**	2,358
Rental deposits	**1,433**	1,140
Loan to a joint venture	**2,000**	—
Less: provision for impairment	**(2,382)**	(3,135)
	3,409	113,059
Current		
Loans to third parties	**7,420**	3,022
Loan to a related party	**2,581**	2,747
Housing loans to employee	**2,235**	1,601
Prepayments for advertisement and marketing	**6,277**	38,642
Prepayments for advisory services	**228**	523
Prepayments for copyright loyalty	**705**	681
Prepayments to game developers	**8,786**	22,837
Prepayments for investments *(Note c)*	**23,638**	66,810
Prepayments for technology services	**26,253**	24,429
Receivable from disposals of investments *(Note d)*	**20,299**	113,439
Receivable from a mobile game cooperation contract *(Note e)*	—	104,477
Receivable from refund for a terminated mobile game cooperation contract	—	106,387
Receivable from refund for undelivered technology services	**1,300**	3,000
Receivable from disposal of property, plant and equipment and right-of-use assets	**80,000**	—
Value-added tax recoverable	**16,572**	9,511
Others *(Note f)*	**30,090**	9,140
Less: provision for impairment	**(63,866)**	(64,763)
	162,518	442,483
	165,927	555,542

Notes:

(a) On 18 December 2019, 20 January 2020 and 26 March 2020, the Group, as the potential investor, entered into a letter of intent, a framework agreement and a supplementary framework agreement, respectively, with Shanghai Municipal Government, a state-owned enterprise under Shanghai Municipal Government, and the local government for the proposed acquisition of the project company, a company principally engaged in the construction and operation of internet data centre and related infrastructures. Pursuant to the relevant agreement, refundable down prepayments amounted to RMB80,000,000 and RMB50,000,000. The aforesaid RMB130,000,000 had been fully refunded in August 2020 due to the restructure of investment arrangement.

(b) On 20 December 2019, the Group entered into a joint mobile game development contract with a well-known game developer. Pursuant to the joint mobile game development contract, the Group and the cooperation party agreed to jointly develop a new mobile game. The cooperation party was mainly responsible for the visual design, text writing, game content design, software programming and technology support etc., while the Group was mainly responsible for assisting the cooperation party in certain areas, including text writing, game content design and software programming. In addition, the Group is obligated to pay the cooperation party 65% of the total costs incurred in developing the mobile game, limited to a maximum amount of RMB195,000,000. As of 31 December 2020, the Group has paid an accumulated amount of RMB180,000,000 (2019: RMB30,000,000) as the joint development cost to the cooperation party. During the year ended 31 December 2020, the prepayment for joint mobile game development contract was transferred to intangible assets.

(c) On 1 July 2019, the Group, as the potential investor, entered into a letter of intent with an investment management company, an independent third party of the Group, for the proposed acquisition of not more than 12% equity interest of a company principally engaged in the development and operations of web games and mobile games. During the year ended 31 December 2020, it was confirmed by both parties that the potential acquisition could not be completed. The earnest money of RMB60,000,000 was fully refunded to the Group.

On 7 November 2020, the Group entered into a sale and purchase agreement with Shanghai Guanzhao Investment Centre (Limited Partnership) (上海冠兆投資中心(有限合夥)), Shanghai Chengpei Investment Centre (Limited Partnership) (上海成沛投資中心(有限合夥)), Shanghai Yinrong Investment Centre (Limited Partnership) (上海銀榮投資中心(有限合夥)) and Joyful Time Global Ltd. (collectively referred to as the "**Vendors**") for the purpose of acquiring Locojoy HongKong International Limited ("**Locojoy HongKong**"). Pursuant to the sale and purchase agreement, the Group conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire issued share capital of Locojoy HongKong at a total consideration of RMB1,183,650,000, subject to certain adjustments. Pursuant to the sale and purchase agreement, the Group had made prepayments of RMB20,000,000 to the Vendors on 11 November 2020. Subsequent to the financial year end, the acquisition was terminated and the prepayment was fully refunded.

(d) On 12 June 2018, the Group, entered into a series of agreements with Shenzhen Longyoutianxia Internet Technology Co., Ltd. (深圳市龍遊天下網絡科技有限公司) ("**Shenzhen Longyoutianxia**"), an independent third-party of the Group. Pursuant to the series of agreements, the Group disposed of certain equity investments to Shenzhen Longyoutianxia at a consideration of RMB27,149,000. However, due to the financial difficulty of Shenzhen Longyoutianxia, only RMB6,850,000 of the consideration was settled and full impairment on the remaining RMB20,299,000 was provided during the year ended 31 December 2018. There is no repayment from Shenzhen Longyoutianxia during the years ended 31 December 2019 and 2020.

On 10 October 2019, the Group entered into a share transfer agreement with an independent third party (the "**Transferee**"), to dispose of its investment in Ningbo Jiujing Investment Partnership Enterprise (Limited Partnership) (寧波九晉投資合夥企業(有限合夥)). The investment in Ningbo Jiujing Investment Partnership Enterprise (Limited Partnership) was accounted for as a financial asset at fair value through profit or loss with carrying amount of RMB90,860,000 as of the date of disposal. During the year ended 31 December 2020, the Group recognised gain from disposals of investments of RMB2,735,000 (2019: RMB2,279,000). As at 31 December 2020, the consideration of RMB90,860,000 of such investment, together with the gain from disposals of investments of RMB5,014,000, had been fully received on 4 June 2020.

(e) On 31 January 2019, the Group entered into a cooperation contract with an independent third party mobile game publisher (the "**Publisher**"). Pursuant to the cooperation contract, the Group agreed to cooperate in the advertising and promotion of a mobile game in certain overseas markets and the initial amount borne by the Group was HK$100,000,000 (equivalent to approximately RMB88,843,000) (the "**Cooperation Amount**") for the period from 1 March 2019 to 30 November 2019 (the "**Cooperation Period**"). The cooperation contract was accounted for as a financial asset at fair value through profit or loss during the Cooperation Period and was transferred to other receivables upon the end of the Cooperation Period. The return on the cooperation contract amounted to RMB15,634,000 was recognised as fair value change on financial assets at fair value through profit or loss. The Cooperation Amount of RMB88,843,000, together with the return on the cooperation contract of RMB15,634,000, were fully received on 28 May 2020.

(f) On 17 August 2020, the Group entered into a joint television drama investment agreement with two independent third parties. Pursuant to the joint television drama investment agreement, the Group was required to invest RMB14,000,000 in the production of the underlying television drama, which represented 10% of the total production costs (i.e. RMB14,000,000), and the Group was guaranteed to receive its investment sum together with a 20% return from the investment by 31 December 2020. As at 31 December 2020, the Group has invested a total of RMB14,000,000. The production of television drama was completed, and is scheduled to be broadcasted soon, which was delayed due to COVID-19 pandemic. Subsequent to the financial year end, the related 20% return of RMB2,800,000 was fully received on 24 May 2021.

13 Trade Receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**307,019**	253,977
Less: provision for impairment	**(16,516)**	(24,304)
	290,503	229,673

The Group allows a credit period of 30 to 120 days to its customers. The ageing analysis of trade receivables presented based on the dates of delivery of goods and services is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**164,190**	130,020
3 to 6 months	**32,292**	61,883
6 months to 1 year	**57,091**	39,841
1 to 2 years	**48,121**	19,246
Over 2 years	**5,325**	2,987
	307,019	253,977

14 Share Capital and Share Premium

	Number of shares	**Share capital**	**Share premium**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	2,666,680,000	88	3,854,742	3,854,830
Repurchase and cancellation of shares	(47,180,000)	(2)	(63,046)	(63,048)
As at 31 December 2019	2,619,500,000	86	3,791,696	3,791,782
Issue of shares	133,700,000	4	291,620	291,624
Transaction costs attributable to issue of shares	—	—	(231)	(231)
As at 31 December 2020	2,753,200,000	90	4,083,085	4,083,175

15 Equity-settled share-based compensation

Movement of the RSU Scheme for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
At beginning of the year	**19,547,500**	88,825,000
Granted	**—**	—
Forfeited or lapsed	**(11,807,500)**	(47,640,000)
Vested and settled *(Note a)*	**—**	(21,637,500)
At end of the year	**7,740,000**	19,547,500

Note:

(a) On 31 March 2019, 30% of the RSUs granted on 31 March 2018, representing 21,637,500 ordinary shares of the Company, were vested. On the same date, the Company made amendments to the grant letter of all grantees according to the terms of the RSU Scheme. Pursuant to the amendments, (i) the aforesaid vested RSUs, representing 21,637,500 ordinary shares of the Company, were settled by cash at HK$1.5 per share, representing RMB27,731,000 in aggregate, and (ii) certain non-market performance conditions for the vesting of the remaining 70% of the RSUs granted ("**Additional Vesting Conditions**") were added.

The excess of the cash settlement of RMB27,731,000 over the fair value of 21,637,500 ordinary shares of the Company, amounted to RMB924,000, represents additional benefits provided to the grantees and was charged to profit or loss during the year ended 31 December 2019.

The Additional Vesting Conditions do not indicate any additional benefits provided to the grantees. Accordingly, the RSUs granted shall be accounted for in the same way as if there is no inclusion of such Additional Vesting Conditions.

Expenses arising from the share-based compensation have been charged to the consolidated statement of profit or loss as follows:

	2020	2019
	RMB'000	*RMB'000*
Share-based compensation	**2,741**	10,644

16 Bank and other borrowings

	2020	2019
	RMB'000	*RMB'000*
Secured bank and other borrowings		
— RMB loan *(Note a)*	**56,546**	41,434
— HK$ loan *(Note b)*	**—**	2,920
	56,546	44,354

Notes:

(a) On 12 September 2016, the Group was granted with a loan from a bank of RMB61,600,000 at an interest rate of RMB Loan Prime Rate plus 1.09% per annum for a period of 10 years. The outstanding bank borrowing was fully settled subsequently on 21 January 2021.

On 4 March 2020, the Group was granted with a loan from a bank of RMB15,000,000 at an interest rate of RMB Loan Prime Rate plus 1.3875% per annum for a period of 1 year. The outstanding bank borrowing was fully settled on 18 January 2021.

On 6 July 2020, the Group was granted with a loan from a bank of RMB15,000,000 at an interest rate of RMB Loan Prime Rate plus 1.5875% per annum for a period of 1 year. The outstanding bank borrowing was fully settled on 18 January 2021.

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

At the end of the reporting period, the Group's bank and other borrowings were repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**56,546**	9,058
1 to 2 years	**—**	6,138
2 to 5 years	**—**	18,415
Over 5 years	**—**	10,743
	56,546	44,354

17 Trade and other payables

	2020	2019
	RMB'000	*RMB'000*
Non-current		
Contingent consideration payable for acquisition of a subsidiary	**92,291**	273,750
Current		
Trade payables	**9,199**	34,936
Payroll liabilities	**35,108**	36,124
Other tax payables	**15,624**	15,576
Dividend payables	**1**	1
Listing expenses payable	**7,626**	8,543
Government grants	**1,935**	1,935
Accrued expenses	**11,211**	8,811
Contingent consideration payable for acquisition of a subsidiary	**195,709**	223,959
Payable for financial assets at fair value through profit or loss	**20,000**	—
Others	**13,199**	2,574
	309,612	332,459
	401,903	606,209

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

	2020	2019
	RMB'000	*RMB'000*
0 to 30 days	**961**	13,211
31 to 60 days	**1,294**	6,449
61 to 90 days	**459**	16
91 to 180 days	**1,390**	476
181 to 365 days	**1,352**	1,279
Over 1 year	**3,743**	13,505
	9,199	34,936

18 Acquisition of a subsidiary

On 22 October 2019, the Group acquired 100% equity interest in Osmanthus Vale. Osmanthus Vale and its subsidiaries are principally engaged in the development and publishing of web games and mobile games in the PRC. The acquisition has been accounted for as an acquisition of business using the acquisition method. The primary reasons for the acquisition were to expand the Group's business and to increase the returns to its shareholders.

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

	RMB'000
Consideration transferred	
— Prepayment for the acquisition made prior to the date of acquisition	371,555
— Fair value of contingent consideration payable as at the date of acquisition *(Note a)*	544,791
	916,346
Non-controlling interests *(Note b)*	(4,542)
Fair value of net identifiable assets acquired (See below)	(244,770)
Goodwill arising from the acquisition	667,034

Notes:

(a) The contingent consideration payable of RMB544,791,000 represents the gross amount of contingent consideration payable of RMB590,840,000, 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 for historical reasons of the acquiree in accordance with the sale and purchase agreement. The contingent consideration payable and the amount due from the vendor were offset as there is a legally enforceable right to offset the amounts, and the Group will settle the amounts on a net basis.

(b) The non-controlling interests recognised at the date of acquisition were measured by reference to the proportionate share of fair values of net identifiable assets of two subsidiaries of Osmanthus Vale's subsidiaries, Shanghai Yingling Network Technology Co., Ltd. (上海螢鈴網絡科技有限公司) ("**Shanghai Yingling**") and Shanghai Nongyou Network Technology Co., Ltd. (上海儂遊網絡科技有限公司) ("**Shanghai Nongyou**"), at the date of acquisition. The amount is debit side of RMB4,542,000 since Shanghai Yingling and Shanghai Nongyou had net liabilities at the date of acquisition.

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

	RMB'000
Property, plant and equipment	579
Right-of-use assets	3,528
Intangible assets — Intellectual properties	176,161
Financial assets at fair value through profit or loss	228
Deferred income tax assets	1,052
Trade receivables	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)
Net identifiable assets acquired by the Group	244,770

19 Contingencies

On 27 April 2020, Guangzhou Zhang Ying Kong Information Technology Company Limited ("**Zhang Ying Kong**"), a subsidiary of Digital Hollywood Interactive Limited ("**Digital Hollywood**") litigated against Qianhai Huanjing and Shenzhen 7Road, both subsidiaries of the Group, concerning a game cooperation agreement (the "**Litigation**"). The Litigation was filed to the People's Court of Haizhu District, Guangzhou, the PRC on 18 May 2020 and was subsequently transferred to the Guangzhou Intellectual Property Court on 30 June 2020. The first trial of the Litigation was on 2 April 2021 and no judgment has been made yet. The Group has already engaged lawyers to act for its defense in respect of the Litigation. 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 results of the Litigation will not have any material adverse effect on the consolidated financial statement. Subject to any further development of the Litigation, the actual effect might differ from above expectations.

20 Events after the reporting period

On 7 November 2020, the Company and certain vendors (collectively, the "**Vendors**"), each an independent third party, entered into a conditional sales and purchase agreement (the "**SPA**") in relation to the acquisition of the entire issued share capital of Locojoy HongKong for an aggregate consideration of RMB1,183,650,100, which would be satisfied by cash and the allotment and issuance of consideration shares subject to the terms of the SPA. On 28 February 2021, the Company and the Vendors entered into a supplemental agreement to the SPA, pursuant to which the long stop date was extended from 28 February 2021 to 31 March 2021. On or around 9 July 2021, the Company received a written notice from the Vendors to terminate the SPA and the consideration of RMB20 million paid by the Company to the Vendors pursuant to the SPA was returned to the Company. Accordingly, the SPA has been terminated as at the date of this announcement. Details of the SPA and its termination are set out in the announcements of the Company dated 9 November 2020, 11 November 2020, 30 November 2020, 30 December 2020, 1 March 2021 and 9 July 2021, respectively.

On 1 April 2021, the Board resolved that the Group will start to enter into the business of provision of cloud computing services as an additional business activity of the Group. During the period from 1 April to 23 April 2021, Shanghai Lingsu Network Technology Co., Ltd. (上海凌素網絡科技有限公司) (an indirect wholly-owned subsidiary of the Company) purchased 4,010 sets of display cards, 200 pieces of server accessories and 531 sets of host from Shanghai Buxiong Industrial Co., Ltd. (上海布雄實業有限公司) at a total consideration of approximately RMB80 million; On May 9, 2021, Wuxi 7Road (an indirect wholly-owned subsidiary of the Company) purchased 5,500 sets of VIP cards and 1,800 sets of host units from Shanghai Buxiong Industrial Co., Ltd. at a total consideration of approximately RMB127 million. Details of the asset acquisitions are set out in the announcement dated 9 May 2021.

On 26 April 2021, Shanghai Xinla Network Technology Co., Ltd. (上海辛辣網絡科技有限公司) (an indirect wholly-owned subsidiary of the Company) entered into an agreement with Cloud Live Technology Group Co., Ltd. (中科雲網科技集團有限公司) to acquire the entire equity interest in Beijing Meimai from Cloud Live Technology Group Co., Ltd. at a consideration of RMB10 million. Beijing Meimai is established in the PRC and is principally engaged in the development of sandbox games. Details of the acquisition are set out in the announcement dated 26 April 2021.

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 expected to be held on 13 October 2021. 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 to Shareholders in September 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares.

FINAL DIVIDEND

The Board did not recommend to declare a final dividend for the year ended 31 December 2020.

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 for the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees who, because of their office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiry of all Directors, they have all confirmed that they have complied with the Model Code for the year ended 31 December 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the relevant employees during the year ended 31 December 2020.

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 2020 as set out in this annual results announcement have been confirmed by the Company's auditor, Elite Partners CPA Limited ("**Elite Partners**"), to be the same amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2020 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 2020 will be despatched to the Shareholders and available on the above websites in September 2021.

RESPONSE TO AUDIT ISSUES RAISED BY FORMER AUDITORS

References are made to the Company's announcements dated 30 March 2021, 26 April 2021, 13 May 2021, 21 May 2021, 30 June 2021 and 16 August 2021, respectively (collectively, the "**Announcements**").

On 28 March 2021, Moore Stephens CPA Limited (the "**Former Auditors**") issued a letter to the Audit Committee, requesting the Audit Committee to establish an independent investigation committee to investigate certain matters, involving (i) the equity acquisition of Shenzhen 7Road in July 2020 at a consideration of RMB180 million (the "**First Relevant Matter**"); (ii) the game product co-development project of Wuxi 7Road Technology Co., Ltd. (無錫第七大道科技有限公司), a wholly-owned subsidiary of the Company, in December 2019 at a consideration cap of RMB195 million (the "**Second Relevant Matter**"); and (iii) the age of certain trade receivables of the Company exceeded their credit period, among which one of the receivables amounted to RMB131 million (the "**Third Relevant Matter**").

Set out below is a summary of (i) details on the relevant matters issues raised by the Former Auditors; (ii) the details of audit procedures/factors considered/additional audit procedures performed by Elite Partners to arrive at its view that the relevant matters are properly addressed; and (iii) pursuant to a meeting dated 31 August 2021, the Audit Committee's view on how the relevant matters are properly addressed:

The First Relevant Matter

For further details of the First Relevant Matter, please refer to the Announcements.

In accordance with the communication with the Audit Committee, Elite Partners has performed the following major audit procedures:

(i) performed company search to verify the identity of a counterparty ("**Counterparty A**") and Shanghai Longrui (the "**Target Company**") in the acquisition and considered their independence with the Company;

(ii) obtained legal opinion on the Listing Rules implications of the transactions;

(iii) considered the results of an independent investigation report prepared by an independent investigator (the "**Independent Investigation Report**");

(iv) checked the statutory record of the Target Company to verify the ownership of the Group as at 31 December 2020;

(v) considered the disposal of the Target Company with profit subsequent to the financial period, including the amount of the consideration and the independence of the buyer to the disposal; and

(vi) checked the proceeds from the disposal and obtained confirmation from buyer that the disposal was completed and the consideration was finalized.

Based on the audit procedures performed, Elite Partners noted that the Group had the rights and ownership of the Target Company as at 31 December 2020 and the fair value of the investment in the Target Company is properly supported considering the result of subsequent disposal with profit. Elite Partners is also satisfied that the Counterparty A is not a related party or a connected person to the Group and the disclosures in the consolidated financial statement are noted to be appropriate. Accordingly, Elite Partners was satisfied that the First Relevant Matter has been addressed.

The Audit Committee agreed that the audit procedures performed by Elite Partners are adequate to address the matter raised by the Former Auditors in relation to the First Relevant Matter. The Audit Committee also agreed with Elite Partners that the First Relevant Matter has been addressed. The Audit Committee noted that no qualification in relation to the First Relevant Matter is included in the consolidated financial statements for the year ended 31 December 2020.

The Second Relevant Matter

For further details of the Second Relevant Matter, please refer to the Announcements.

In accordance with the communication with the Audit Committee, Elite Partners has performed the following major audit procedures:

(i) performed company search to verify the identity of a counterparty ("**Counterparty B**") and considered its independence with the Company;

(ii) obtained legal opinion on the Listing Rules implications of the transactions;

(iii) considered the results of the Independent Investigation Report;

(iv) checked the related copyright registration certificate to verify the ownership of the intellectual properties of the Group as at 31 December 2020;

(v) checked the payments to Counterparty B regarding the development cost as of 31 December 2020;

(vi) considered the disposal of the intellectual properties with profit subsequent to the financial period, including the amount of the consideration and the independence of the buyer to the disposal;

(vii) checked the proceeds from the disposal and the payment schedule according to the disposal agreement; and

(viii) considered the valuation result of the intellectual properties performed by an independent valuer.

Based on the audit procedures performed, Elite Partners noted that the costs of intangible assets recognized at 31 December 2020 are appropriate, and there are no material impairment issues in regards the intangible assets considering the subsequent disposals and the results of the valuation performed by the independent valuers. Elite Partners is also satisfied that the Counterparty B is not a related party or a connected person to the Group and the disclosures in the consolidated financial statement are noted to be appropriate. Accordingly, Elite Partners was satisfied that the Second Relevant Matter has been addressed.

The Audit Committee agreed that the audit procedures performed by Elite Partners are adequate to address the matter raised by the Former Auditors in relation to the Second Relevant Matter. The Audit Committee also agreed with Elite Partners that the Second Relevant Matter has been addressed. The Audit Committee noted that no qualification in relation to the Second Relevant Matter is included in the consolidated financial statements for the year ended 31 December 2020.

The Third Relevant Matter

For further details of the Third Relevant Matter, please refer to the Announcements.

In accordance with the communication with the Audit Committee, Elite Partners has performed the following major audit procedures:

(i) performed company search to verify the identity of a counterparty ("**Counterparty C**") and considered its independence with the Company;

(ii) considered the results of the Independent Investigation Report;

(iii) obtained audit confirmation from Counterparty C regarding the trade receivable balances at 31 December 2020;

(iv) checked the subsequent settlement records for the trade receivables at 31 December 2020; and

(v) considered the adequacy of the provision of expected credit loss in accordance with International Financial Standards 9.

Based on the audit procedures performed, Elite Partners noted that all the related trade receivables are settled on or before 25 March 2021. Elite Partners considered there would not be any significant impact to the impairment assessment for the year ended 31 December 2020. Accordingly, Elite Partners was satisfied that the Third Relevant Matter has been addressed.

The Audit Committee agreed that the audit procedures performed by Elite Partners are adequate to address the matter raised by the Former Auditors in relation to the Third Relevant Matter. The Audit Committee also agreed with Elite Partners that the Third Relevant Matter has been addressed. The Audit Committee noted that no qualification in relation to the Third Relevant Matter is included in the consolidated financial statements for the year ended 31 December 2020.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 10:54 a.m. on 29 March 2021 and will continue to be suspended until the Company fulfils the resumption guidance as set out in the Company's announcement dated 21 May 2021.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

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
"Beijing Meimai"	Beijing Meimai Technology Co. Ltd. (北京美麥科技有限公司), a limited company established in the PRC
"Board"	the board of Directors of the Company
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan herein
"Contractual Arrangements"	certain contractual arrangements entered into on 13 April 2018 by us

"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
"COVID-19"	the Coronavirus disease (2019)
"Director(s)"	the director(s) of the Company
"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 the Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, 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 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
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by the 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
"Xinla Group"	Shanghai Xinla Network Technology Co., Ltd.* (上海辛辣網絡科技有限公司) and its subsidiaries
"%"	per cent

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

Wuxi, the PRC
31 August 2021

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.

* *For identification purposes only*