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第七大道
7ROAD.COM

7Road Holdings Limited

第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND CONTINUED SUSPENSION OF TRADING

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (the “**Interim Results**”) together with the comparative information for the six months ended 30 June 2020. The Interim Results have been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended	
	30 June	
	2021	2020
	(RMB'000)	(RMB'000)
Revenue	109,533	198,325
Profit for the period	30,429	32,526
Profit for the period attributable to owners of the Company	30,500	32,379

1. For the six months ended 30 June 2021, the Company recorded a total revenue amounted to approximately RMB109.5 million, representing a decrease of approximately 44.8% as compared with the six months ended 30 June 2020.
2. For the six months ended 30 June 2021, the Company recorded a profit for the period attributable to owners of the Company amounted to approximately RMB30.5 million, representing a decrease of approximately 5.8% as compared with the six months ended 30 June 2020.

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 quality gameplay experience in various game formats to our users. In recent years, we have been strategically expanding our business focuses to develop and operate mobile games, which enjoy wide popularity among game players. Further, with the current development of technology in the PRC, the demand for cloud-related services in the Internet market will continue to grow in the foreseeable future. As such, the Group commenced providing cloud computing services and cloud storage services as new additional business activities of the Group.

According to the “2021 Global Games Market Report” released by Newzoo in 2021, the global games market is expected to generate a revenue of US\$175.8 billion. It is expected that the mobile games market will generate a revenue of US\$90.7 billion, representing a year-on-year growth of 4.4%. This segment of revenue is equivalent to over half of the total income of the global games market. As for the PC and the console markets, its annual revenue is expected to fall by 2.8% and 8.9% year-on-year to US\$35.9 billion and US\$49.2 billion, respectively. Meanwhile, 2.8 billion of the world’s 3 billion players are expected to play games through mobile devices, compared with 1.4 billion and 900 million players on PC and console, respectively.

In 2021, the Asia-Pacific topped the world in terms of global game revenue with a market value of US\$88.2 billion, accounting for 50.2% of the global game revenue. Among them, the Chinese market has become a key contributor to the game revenue in the Asia-Pacific region with a revenue of US\$45.6 billion. Since most parts of the Asia-Pacific game market are dominated by mobile games, it was less impacted by the COVID-19 pandemic. In contrast, most of the North American players were console users, so the market was relatively more impacted by the COVID-19 pandemic. Nevertheless, the North America region still dominated the second place in the global game market revenue ranking in 2021, contributing as much as US\$42.6 billion in revenue (mainly from the United States). In the next few years, the Asia-Pacific and North America regions are expected to maintain a steady growth with a CAGR of about 8.7% and 7.9%, respectively.

According to the “Report on China’s Game Industry for the First Half of 2021” (二零二一年上半年中國遊戲產業報告) jointly published by the Game Publishing Committee of the China Audio-visual and Digital Publishing Committee and global data publisher IDC, the China game market recorded an actual sales revenue of RMB150.493 billion from January to June 2021, representing a year-on-year growth of 7.9%. From January to June 2021, the number of China’s game players totaled 670 million, representing a year-on-year growth of 1.4%. From January to June 2021, the overseas market for China’s proprietarily developed games recorded an actual sales revenue of RMB8.47 billion, representing a year-on-year growth of 11.6%. From January to June 2021, the China digital competition games market recorded an actual sales revenue of RMB72.06 billion, representing a year-on-year growth of 0.2%.

In the first half 2021, the Company generated a total revenue of approximately RMB109.5 million, representing a decrease of approximately 44.8% compared with the same period of 2020. In the first half of 2021, the gross profit and gross profit margin of the Company was RMB47.1 million and 43.0%, respectively. In the first half of 2021, the Company recorded a profit attributable to shareholders of approximately RMB30.5 million.

OUTLOOK FOR THE SECOND HALF OF 2021

In the second half of 2021, the Group will continue to strive to produce exquisite and high-quality game products. The Group will fully utilize the value of its existing intellectual properties (“IP”) and the experience accumulated over 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. Further, 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.

In the second half of 2021, 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 PRC 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 of "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 cooperations with outstanding game developers or publishers to strengthen the Group's business. As disclosed in the Company's announcement dated 26 April 2021, the Group completed the acquisition of 100% equity interest in Beijing Meimai Technology Co., Ltd.* (北京美麥科技有限公司) (the "**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 the second half of 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.

In the second half of 2021, the Company will continue to strengthen the R&D and distribution of its core products, while engage in new businesses such as the provision of cloud computing services and cloud storage services, so as to expand our businesses in the overseas markets and further overhaul our global layout in the gaming industry, and enhance our comprehensive competitiveness, resource control capabilities, follow-up development capabilities as well as risk-averse capabilities. In addition, we will actively seek appropriate investment and cooperation opportunities, 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, and 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 precautions to mitigate the potential impact of the COVID-19 pandemic, including the implementation of prevention and control policies handed down by competent government departments and the adoption of flexible work from home practices. Meanwhile, the Group has also adopted cost control measures to enhance its risk-averse capabilities. The Group will closely monitor the COVID-19 pandemic situation and, as the case may be, and 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

During the first half of 2021, we continued to focus on the R&D of games and the operations of high-quality games to cope with intensifying competition in the gaming industry. Although the world has been impacted by the COVID-19 pandemic, the Group still delivered a splendid performance in terms of its main businesses. We have established various studios focused on proprietary businesses and operation, and distribution centers with a global vision, in order to shift towards being a global integrated game manufacturer with integrated research, operation and development capabilities. We continued to focus on game development and high-quality game operation in response to the increasing competition in the gaming industry. In the first half of 2021, 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 gaming 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 game industry, so that we can implement better business strategies.

For the six months ended 30 June 2021, our web games had (i) an average MAUs of approximately 0.8 million; (ii) an average MPUs of approximately 36,000; (iii) an ARPPU of approximately RMB454, and our mobile games had (i) an average MAUs of approximately 1.5 million; (ii) an average MPUs of approximately 206,000; (iii) an ARPPU of approximately RMB227.

The six months ended 30 June 2021 compared to the six months ended 30 June 2020

The following table sets forth the comparative statements of profit or loss for the six months ended 30 June 2021 and the six months ended 30 June 2020.

	For the six months ended 30 June	
	2021	2020
	(RMB'000)	(RMB'000)
Revenue	109,533	198,325
Cost of revenue	<u>(62,472)</u>	<u>(43,682)</u>
Gross profit	47,061	154,643
Research and development expenses	(35,161)	(67,849)
Selling and marketing expenses	(6,997)	(15,891)
Administrative expenses	(34,210)	(37,405)
Net reversal of impairment losses on financial assets under expected credit loss model	1,308	14,225
Other income	9,438	11,065
Other gains or losses, net	<u>3,526</u>	<u>(37,534)</u>
Operating (loss)/profit	(15,035)	21,254
Finance income	745	462
Finance costs	(1,898)	(1,778)
Finance costs, net	(1,153)	(1,316)
Share of results of a joint venture	—	(1,781)
Share of results of associates	<u>37,237</u>	<u>—</u>
Profit before income tax	21,049	18,157
Income tax credit	<u>9,380</u>	<u>14,369</u>
Profit for the period	<u>30,429</u>	<u>32,526</u>

Revenue

The following table sets forth the comparative breakdown of our revenue for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	(RMB'000)	(% of total revenue)	(RMB'000)	(% of total revenue)
Types of goods or services				
Online game revenue	93,050	84.9%	189,213	95.4%
— Self-development games				
published by the Group	16,911	15.4%	11,156	5.6%
published by other publishers	65,375	59.7%	174,466	88.0%
— Licensed games				
published by the Group	9,580	8.7%	2,400	1.2%
published by other publishers	1,184	1.1%	1,191	0.6%
Sales of online game technology and publishing solutions services	6,122	5.6%	7,911	4.0%
Intellectual property licensing	10,361	9.5%	1,201	0.6%
Total	<u>109,533</u>	<u>100.0%</u>	<u>198,325</u>	<u>100.0%</u>

For the six months ended 30 June 2021, the Group recorded a total revenue amounted to approximately RMB109.5 million, representing a decrease of approximately 44.8% as compared with the six months ended 30 June 2020. Such decrease was mainly because the Group's revenue from self-developed games and games published through other publishers decreased and new games were still in the development stage during the first half of 2021.

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 amortization of game IP. The cost of revenue amounted to approximately RMB62.5 million for the six months ended 30 June 2021, representing an increase of approximately 43.0% as compared to approximately RMB43.7 million for the six months ended 30 June 2020. Such increase was mainly due to the re-classification of certain operating costs and R&D expenses during the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

Our gross profit amounted to approximately RMB47.1 million for the six months ended 30 June 2021, representing a decrease of approximately 69.6% as compared to approximately RMB154.6 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in revenue.

Our gross profit margin was approximately 43.0% for the six months ended 30 June 2021, representing a decrease of 35 percentage points as compared to approximately 78.0% for the six months ended 30 June 2020. Such decrease was mainly because the decrease in gross profit was greater than the decrease in revenue.

Expenses

R&D Expenses

Our R&D expenses mainly comprise employee salary and benefit expenses incurred by our R&D department, outsourcing expenses and amortization of game IP. The R&D expenses amounted to approximately RMB35.2 million for the six months ended 30 June 2021, representing a decrease of approximately 48.2% as compared to approximately RMB67.8 million for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in our outsourced technical services expenses.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses and professional consulting fees. The administrative expenses amounted to approximately RMB34.2 million for the six months ended 30 June 2021, representing a decrease of 8.5% as compared to approximately RMB37.4 million for the six months ended 30 June 2020. Such decrease was mainly because the Group had spent great effort to enhance its cost management in administrative expenses during the first half of 2021.

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 RMB7.0 million for the six months ended 30 June 2021, representing a decrease of approximately 56.0% as compared to approximately RMB15.9 million for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in advertising expenses in game operations during the first half of 2021.

Income Tax

The income tax credit decreased for the six months ended 30 June 2021, which was mainly due to decrease of recognized deferred income tax assets of certain subsidiaries. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the six months ended 30 June 2021 vary from 12.5% to 25% (2020: 12.5%-25%).

Profit for the Period

For the six months ended 30 June 2021, our profit attributable to owners of the Company amounted to approximately RMB30.5 million, representing a slight decrease of approximately 5.8% as compared with the six months ended 30 June 2020. The profit remained stable due to the increase in investment income, despite the decrease in revenue of the Group during the six months ended 30 June 2021.

Liquidity and Capital Resources

	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)	Change %
Cash at bank and on hand	369,708	377,306	-2.0%
Restricted cash	1,953	1,947	0.3%
Total	<u>371,661</u>	<u>379,253</u>	<u>-2.0%</u>

As at 30 June 2021, our cash at bank and on hand and restricted cash amounted to approximately RMB371.7 million, as compared with approximately RMB379.3 million as at 31 December 2020, representing a slight decrease of 2.0% and therefore remaining stable.

Gearing Ratio

As at 30 June 2021, our gearing ratio, which is calculated as total debt divided by total assets, was approximately 23.1%, as compared with approximately 28.5% as at 31 December 2020. The decrease was mainly due to the decrease in liabilities resulting from the full repayment of the outstanding bank borrowings in January 2021.

Capital Expenditure

	Six months ended 30 June		Change %
	2021 (RMB'000)	2020 (RMB'000)	
Office computer and electronic equipment	221,417	262	84,410.3%
Office furniture and leasehold improvement	707	1,250	-43.4%
Vehicles	—	332	-100.0%
Software	—	1,500	-100.0%
Total	222,124	3,344	6,542.5%

Our capital expenditure includes office computer and electronic equipment, office furniture and leasehold improvements, vehicles, houses and buildings and software. For the six months ended 30 June 2021 and 2020, total capital expenditure was approximately RMB222.1 million and RMB3.3 million, respectively. Such increase was mainly due to procurement in relation to cloud computing services and cloud storage services amounting to RMB182.7 million and RMB37.2 million, respectively, during the first half of 2021.

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 six months ended 30 June 2021, the Group does not have policies to hedge any foreign currency fluctuations.

CHARGE ON ASSETS

As of 30 June 2021, there was no material charge on the Group's assets as of 30 June 2021.

CONTINGENT LIABILITIES AND GUARANTEES

As of 30 June 2021, save as disclosed in note 26 of the financial statements, we did not have any other unrecorded significant contingent liabilities, guarantees or any material litigation against us.

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 the date of this announcement.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Since January 2021, the Group had acquired 49% equity interest in Wuxi Shouxin Network Technology Co., Ltd. (無錫手心網絡科技有限公司) (“**Wuxi Shouxin**”), at an initial investment cost of RMB73.5 million (the “**Investment**”). Wuxi Shouxin is principally engaged in the R&D of large-scale real-time role-playing mobile games (ARPG type).

The Investment was accounted for as interests in associates. As at 30 June 2021, (i) the share of results of the Investment was approximately RMB37.2 million; and (ii) no dividend was received. As at 30 June 2021, the carrying amount of the Investment amounted to approximately RMB110.7 million. Accordingly, the carrying amount of the Investment compared to the Group’s total assets as at 30 June 2021 was approximately 5.49% and therefore classified as a significant investment of the Group.

The Investment is for long-term purposes. In consideration of Wuxi Shouxin’s principal activity and having an experienced team, the Company believes that the Investment is in line with the Group’s overall business direction and is a good investment opportunity as it enables the Group to gain an advantage in large-scale mobile games, create good synergy in game development and enhance the Group’s ability to expand in the gaming industry.

Save as disclosed in this announcement, the Group did not have any other significant investments held as of 30 June 2021, and the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2021, we had 321 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 30 June 2021:

Function	Number of Employees	% of total
R&D	154	47.98%
Operation	107	33.33%
Administration	60	18.69%
Total	321	100.0%

For the six months ended 30 June 2021, our employee remuneration amounted to approximately RMB55 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 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.

(ii) 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 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.

Save as disclosed above and in this announcement, the Company had no further subsequent events after 30 June 2021.

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	109,533	198,325
Cost of revenue	7	(62,472)	(43,682)
Gross profit		47,061	154,643
Research and development expenses	7	(35,161)	(67,849)
Selling and marketing expenses	7	(6,997)	(15,891)
Administrative expenses	7	(34,210)	(37,405)
Net reversal of impairment losses on financial assets under expected credit loss model		1,308	14,225
Other income	5	9,438	11,065
Other gains or losses, net	6	3,526	(37,534)
Operating (loss)/profit		(15,035)	21,254
Finance income	8	745	462
Finance costs	8	(1,898)	(1,778)
Finance costs, net	8	(1,153)	(1,316)
Share of results of a joint venture	15	—	(1,781)
Share of results of associates		37,237	—
Profit before income tax		21,049	18,157
Income tax credit	9	9,380	14,369
Profit for the period		30,429	32,526
Profit/(loss) attributable to:			
— Owners of the Company		30,500	32,379
— Non-controlling interests		(71)	147
		30,429	32,526
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	10	0.012	0.013

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	30,429	32,526
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>4,468</u>	<u>(12,080)</u>
Other comprehensive income/(loss), net of tax	<u>4,468</u>	<u>(12,080)</u>
Total comprehensive income for the period	<u>34,897</u>	<u>20,446</u>
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	34,968	20,299
— Non-controlling interests	<u>(71)</u>	<u>147</u>
	<u>34,897</u>	<u>20,446</u>

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	12	224,491	4,019
Right-of-use assets	13	5,255	7,854
Intangible assets	14	755,245	958,450
Interests in joint ventures	15	—	—
Interests in associates	25	115,837	—
Financial assets at fair value through other comprehensive income		2,357	2,357
Financial assets at fair value through profit or loss	18	20,624	208,044
Prepayment and other receivables	17	112,426	3,409
Restricted cash		1,952	1,946
Deferred income tax assets		57,743	57,071
		<u>1,295,930</u>	<u>1,243,150</u>
Current assets			
Trade receivables	16	188,267	290,503
Prepayment and other receivables	17	110,618	162,518
Income tax recoverable		—	327
Financial assets at fair value through profit or loss	18	54,201	40,539
Restricted cash		1	1
Cash and cash equivalents		369,708	377,306
		<u>722,795</u>	<u>871,194</u>
Total assets		<u><u>2,018,725</u></u>	<u><u>2,114,344</u></u>
Current liabilities			
Trade and other payables	24	359,502	309,612
Lease liabilities		3,946	5,026
Borrowings	22	—	56,546
Current income tax liabilities		10,022	29,713
Contract liabilities	23	68,855	73,794
		<u>442,325</u>	<u>474,691</u>
Net current assets		<u>280,470</u>	<u>396,503</u>
Total assets less current liabilities		<u><u>1,576,400</u></u>	<u><u>1,639,653</u></u>

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Notes		
Liabilities			
Non-current liabilities			
Other payables	24	—	92,291
Lease liabilities		1,752	3,312
Deferred tax liabilities		22,650	32,153
		<u>24,402</u>	<u>127,756</u>
Net assets		<u>1,551,998</u>	<u>1,511,897</u>
Equity			
Share capital	19	90	90
Share premium		4,083,085	4,083,085
Other reserves	20	(2,964,333)	(2,952,776)
Retained earnings		429,852	383,123
		<u>1,548,694</u>	<u>1,513,522</u>
Total equity attributable to owners of the Company		<u>1,548,694</u>	<u>1,513,522</u>
Non-controlling interests		<u>3,304</u>	<u>(1,625)</u>
Total equity		<u>1,551,998</u>	<u>1,511,897</u>

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated, and is approved for issue by the Board of Directors on 31 August 2021. This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standards (“**IAS**”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, as set out in the 2020 annual report of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and contingent consideration payable for acquisition of a subsidiary, which are carried at fair value.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2021 are the same as those presented in the annual consolidated financial statements for the year ended 31 December 2020, as set out in the 2020 annual report of the Company.

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION AND REVENUE

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

Revenue for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Types of goods or services		
Online game revenue	93,050	189,213
— Self-development games		
<i>published by the Group</i>	16,911	11,156
<i>published by other publishers</i>	65,375	174,466
— Licensed games		
<i>published by the Group</i>	9,580	2,400
<i>published by other publishers</i>	1,184	1,191
Sales of online game technology and publishing solutions services	6,122	7,911
Intellectual property licensing	10,361	1,201
	109,533	198,325

For the six months ended 30 June 2021, revenue of approximately RMB59,404,000 was derived from the five largest single external customers (2020: RMB147,056,000).

For the six months ended 30 June 2021, revenue of approximately RMB19,453,000 and RMB12,593,000 were derived from two single external customers, which accounted for more than 10% of the total revenue (2020: RMB86,212,000 and RMB25,780,000 were derived from two single external customers, respectively).

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants (<i>note</i>)	8,257	3,525
Value added tax (“VAT”) refunds	848	1,401
Compensation income	—	1,772
Interest income on receivable from disposal of investments	—	2,735
Rent concession income	—	140
Others	333	1,492
	<u>9,438</u>	<u>11,065</u>

Note: There is no unfulfilled condition or contingency in respect of the government grants.

6. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value change on financial assets at fair value through profit or loss	13,822	(35,522)
Fair value change on contingent consideration payable for acquisition of a subsidiary	(8,650)	(6,709)
(Losses)/gains on disposal of property, plant and equipment	(50)	1
Gains on disposal of intangible assets	3,047	—
Foreign exchange (losses)/gains, net	(615)	4,694
Others	(4,028)	2
	<u>3,526</u>	<u>(37,534)</u>

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Payroll and employee benefit expenses	54,808	57,809
Share-based compensation	204	4,983
Professional and consulting fees	5,129	9,211
Outsourced technical services	4,711	19,045
Promotion and advertising expenses	14,670	21,038
Utilities and office expenses	5,136	2,370
Depreciation of property, plant and equipment (<i>Note 12</i>)	1,650	1,464
Depreciation of right-of-use assets (<i>Note 13</i>)	1,953	3,356
Amortization of intangible assets (<i>Note 14</i>)	33,398	34,421
Travelling and entertainment expenses	5,317	2,153
Tax and levies	3,177	2,621
Bandwidth and servers custody fee	3,981	—
Audit services	657	—
Others	4,049	6,356
	<u>138,840</u>	<u>164,827</u>

8. FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank balances	597	—
Others	148	462
	<u>745</u>	<u>462</u>
Finance costs		
Interest expenses on bank borrowings	(622)	(1,289)
Interest expenses on lease liabilities	(220)	—
Others	(1,056)	(489)
	<u>(1,898)</u>	<u>(1,778)</u>
Finance costs, net	<u>(1,153)</u>	<u>(1,316)</u>

9. INCOME TAX

The income tax of the Group for the six months ended 30 June 2021 and 2020 is analyzed as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	730	6,894
Deferred income tax	(10,110)	(21,263)
	<u>(9,380)</u>	<u>(14,369)</u>

10. 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.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	30,500	32,379
Weighted average number of ordinary shares in issue (in thousands)	<u>2,574,268</u>	<u>2,440,568</u>
Basic earnings per share for profit attributable to owners of the Company	<u>0.012</u>	<u>0.013</u>

(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 six months ended 30 June 2021 and 2020, due to the fact that the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2021 (2020: Nil). The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Servers and other equipment <i>RMB'000</i>	Furniture and leasehold improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2021 (Unaudited)					
At beginning of the period	—	1,511	1,994	514	4,019
Additions	—	221,324	703	—	222,027
Additions through acquisition of a subsidiary	—	93	4	—	97
Disposal	—	(2)	—	—	(2)
Depreciation charge (<i>Note 7</i>)	—	(866)	(745)	(39)	(1,650)
At end of the period	<u>—</u>	<u>222,060</u>	<u>1,956</u>	<u>475</u>	<u>224,491</u>
Six months ended 30 June 2020 (Unaudited)					
At beginning of the period	13,834	1,439	2,106	251	17,630
Additions	—	262	1,250	332	1,844
Disposal	—	(1)	—	—	(1)
Depreciation charge (<i>Note 7</i>)	(244)	(248)	(942)	(30)	(1,464)
At end of the period	<u>13,590</u>	<u>1,452</u>	<u>2,414</u>	<u>553</u>	<u>18,009</u>

13. RIGHT-OF-USE ASSETS

	Leasehold lands <i>RMB'000</i>	Rented office premises <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2021 (Unaudited)			
At beginning of the period	—	7,854	7,854
Additions	—	475	475
Disposal	—	(1,121)	(1,121)
Depreciation charge (<i>Note 7</i>)	—	(1,953)	(1,953)
At end of the period	<u>—</u>	<u>5,255</u>	<u>5,255</u>
Six months ended 30 June 2020 (Unaudited)			
At beginning of the period	70,489	12,598	83,087
Additions	—	265	265
Depreciation charge (<i>Note 7</i>)	(642)	(2,714)	(3,356)
At end of the period	<u>69,847</u>	<u>10,149</u>	<u>79,996</u>

14. INTANGIBLE ASSETS

	Goodwill <i>RMB'000</i>	Game copyrights and intellectual property license contracts <i>RMB'000</i>	Computer software licenses <i>RMB'000</i>	Domain name <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2021					
(Unaudited)					
At beginning of the period	693,065	263,773	108	1,504	958,450
Additions through acquisition of subsidiary	—	4	—	—	4
Disposals	—	(169,811)	—	—	(169,811)
Amortization charge (<i>Note 7</i>)	—	(33,166)	(68)	(164)	(33,398)
At end of the period	<u>693,065</u>	<u>60,800</u>	<u>40</u>	<u>1,340</u>	<u>755,245</u>
Six months ended 30 June 2020					
(Unaudited)					
At beginning of the period	693,065	160,901	393	1,829	856,188
Additions	—	1,500	—	—	1,500
Amortization charge (<i>Note 7</i>)	—	(34,053)	(205)	(163)	(34,421)
At end of the period	<u>693,065</u>	<u>128,348</u>	<u>188</u>	<u>1,666</u>	<u>823,267</u>

15. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At beginning of the period	—	3,216
Share of losses and other comprehensive loss for the period	—	(1,781)
At end of the period	<u>—</u>	<u>1,435</u>

16. TRADE RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	206,234	307,019
Less: provision for impairment	(17,967)	(16,516)
Trade receivables, net	188,267	290,503

The Group allows a credit period of 30–120 days to its customers. An ageing analysis of trade receivables based on invoice date is as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	135,085	164,190
3 to 6 months	17,178	32,292
6 months to 1 year	36,222	57,091
1 to 2 years	3,776	48,121
Over 2 years	13,973	5,325
	206,234	307,019

17. PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Included in non-current assets		
Rental deposits	5,702	1,433
Prepayment for technology services	2,358	2,358
Prepayment for investment	40,000	—
Payment of property, plant and equipment	64,729	—
Loan to a joint venture	2,000	2,000
Less: provision for impairment	(2,363)	(2,382)
	<u>112,426</u>	<u>3,409</u>
Included in current assets		
Housing loans to employee	1,510	2,235
Recoverable value-added tax	10,276	16,572
Prepayment to game developers	18,283	8,786
Prepayment for technology services	24,327	26,253
Receivable from refund for undelivered technology services	—	1,300
Prepayment for copyright loyalty	8,719	705
Prepayment for advertisement and marketing	34,861	6,277
Prepayment for advisory services	291	228
Receivable from disposal of investments (b)	20,299	20,299
Prepayment for investments (a)	20,000	23,638
Loans to third parties	6,813	7,420
Loan to a related party	6,070	2,581
Receivable from disposal of property, plant and equipment and right-of-use assets	—	80,000
Others (c)	20,366	30,090
Less: provision for impairment	(61,197)	(63,866)
	<u>110,618</u>	<u>162,518</u>
	<u>223,044</u>	<u>165,927</u>

Notes:

- (a) 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 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 in July 2021.

- (b) 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.
- (c) 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. RMB140,000,000), 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 expected 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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Current		
Listed shares in Hong Kong	<u>54,201</u>	<u>40,539</u>
Non-current		
Listed shares in the PRC	51	51
Unlisted investments in the PRC	<u>20,573</u>	<u>207,993</u>
	<u>20,624</u>	<u>208,044</u>
	<u>74,825</u>	<u>248,583</u>

Movements in financial assets at fair value through profit or loss for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At beginning of the period	248,583	113,826
Addition	28,068	15,435
Disposal	(215,547)	(6,276)
Realized and unrealized gains/(losses) (Note 6)	13,822	(35,522)
Exchange realignment	<u>(101)</u>	<u>—</u>
At end of the period	<u>74,825</u>	<u>87,463</u>

19. SHARE CAPITAL

	Unaudited			
	Six months ended 30 June			
	Number of shares		Share capital	
	2021 (thousands)	2020 (thousands)	2021 RMB'000	2020 RMB'000
As at 1 January and 30 June	<u>2,753,200</u>	<u>2,619,500</u>	<u>90</u>	<u>86</u>

20. OTHER RESERVES

	Shares held for RSU Scheme RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Shareholder contribution RMB'000 (Unaudited)	Capital redemption reserve RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Share-based compensations reserve RMB'000 (Unaudited)	Currency translation differences RMB'000 (Unaudited)	Financial assets at fair value through other comprehensive income RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2021	(273,592)	5,000	273,592	2	(3,032,350)	21,286	54,929	(1,643)	(2,952,776)
Share-based compensations									
— value of employee services	—	—	—	—	—	204	—	—	204
Transfer of reserves	—	5,261	—	—	—	(21,490)	—	—	(16,229)
Currency translation differences	—	—	—	—	—	—	4,468	—	4,468
At 30 June 2021	<u>(273,592)</u>	<u>10,261</u>	<u>273,592</u>	<u>2</u>	<u>(3,032,350)</u>	<u>—</u>	<u>59,397</u>	<u>(1,643)</u>	<u>(2,964,333)</u>
At 1 January 2020	(273,592)	5,000	273,592	2	(3,032,350)	18,545	34,675	(3,206)	(2,977,334)
Share-based compensations									
— value of employee services	—	—	—	—	—	4,983	—	—	4,983
— vested and settled									
Fair value changes on financial asset at fair value through other comprehensive income									
Currency translation differences	—	—	—	—	—	—	(12,080)	—	(12,080)
At 30 June 2020	<u>(273,592)</u>	<u>5,000</u>	<u>273,592</u>	<u>2</u>	<u>(3,032,350)</u>	<u>23,528</u>	<u>22,595</u>	<u>(3,206)</u>	<u>(2,984,431)</u>

21. EQUITY-SETTLED SHARE-BASED COMPENSATION

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

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

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

As a private company with no quoted market price of the Company's equity instruments at the date of grant, the Company needs to estimate the fair value of its equity interest at the grant date. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest of the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. As at 31 March 2018, the fair value of each RSU was valued at RMB27.6.

Movement of the RSU Scheme for the six months ended 30 June 2021 and 2020 is as follows:

	Number of underlying Shares represented by the RSUs (Unaudited)
At 1 January 2020	19,547,500
Forfeited/Lapsed	<u>(11,127,500)</u>
At 30 June 2020	<u><u>8,420,000</u></u>
At 1 January 2021	7,740,000
Forfeited/Lapsed	<u>(7,740,000)</u>
At 30 June 2021	<u><u>—</u></u>

22. BORROWINGS

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Secured bank borrowings		
— RMB loan (<i>note a</i>)	<u>—</u>	<u>56,546</u>
	<u><u>—</u></u>	<u><u>56,546</u></u>

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 as at 31 December 2020 was fully settled 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 as at 31 December 2020 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 as at 31 December 2020 was fully settled on 18 January 2021.

At 30 June 2021 and 31 December 2020, the Group's borrowings were repayable as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 1 year	—	56,546
	<u>—</u>	<u>56,546</u>

At the end of the reporting period, the carrying amounts of the Group's bank and other borrowings approximate to their fair values.

The fair values of non-current bank and other borrowings are based on discounted cash flows using a current borrowing rate.

23. CONTRACT LIABILITIES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Advance from customers	55,940	66,923
Game copyrights	4,608	—
Game revenue derived from game players	<u>8,307</u>	<u>6,871</u>
	<u>68,855</u>	<u>73,794</u>

Contract liabilities primarily represent the unamortised revenue derived from sale of in-game virtual items and advance payments from third-party game publishers, to which the Group continued to have obligations at the end of the reporting period.

24. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Included in non-current liabilities		
Contingent consideration payable for acquisition of a subsidiary	—	92,291
Included in current liabilities		
Trade payables	22,217	9,199
Payroll liabilities	27,252	35,108
Other tax payables	1,695	15,624
Dividend payables	1	1
Government grants	1,935	1,935
Accrued expenses	4,144	11,211
Listing expense	7,550	7,626
Contingent consideration payable for acquisition of a subsidiary	292,930	195,709
Payable for financial assets at fair value through profit or loss	—	20,000
Others	1,778	13,199
	<u>359,502</u>	<u>309,612</u>
	<u>359,502</u>	<u>401,903</u>

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0 to 30 days	17,945	961
31 to 60 days	529	1,294
61 to 90 days	—	459
91 to 180 days	910	1,390
181 to 365 days	2,214	1,352
Over 1 year	619	3,743
	<u>22,217</u>	<u>9,199</u>
	<u>22,217</u>	<u>9,199</u>

25. INTERESTS IN ASSOCIATES

	As at 30 June 2021 (RMB'000) (Unaudited)	As at 31 December 2020 (RMB'000) (Audited)
At beginning of the period	—	—
Investment cost	78,600	—
Share of results	37,237	—
	<hr/>	<hr/>
At end of the period	115,837	—

Set out below are the associates of the Group as at 30 June 2021 and 31 December 2020. The share capital owned by the following associates consists solely of ordinary shares.

Name of associates	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at		
			30 June 2021	31 December 2020	Note
Wuxi Shouxin Network Technology Co., Ltd. (無錫手心網絡科技有限公司) (“Wuxi Shouxin”)	The PRC	Development, operations and publishing of web games and mobile games	49%	—	(a)
Jiangsu Liehuo Software Technology Co., Ltd. (江蘇烈火軟件科技有限公司) (“Jiangsu Liehuo”)	The PRC	Development, operations and publishing of web games and mobile games	34%	—	(b)

Notes:

- (a) On 26 January 2021, the Group entered into an equity transfer agreement with the shareholders of Wuxi Shouxin, pursuant to which the Group purchased 49% equity interest in Wuxi Shouxin at a cash consideration of RMB73,500,000 and the investment was accounted for as interests in an associate.

As of 30 June 2021, the Group recognised a share of results of Wuxi Shouxin of RMB37,237,000. As at 30 June 2021, the carrying value of the investment was RMB110,737,000.

- (b) On 29 January 2021, the Group entered into an agreement with two collaborators in relation to the establishment of Jiangsu Liehuo at a cash consideration of RMB5,100,000, in which the Group has a 34% equity interest in Jiangsu Liehuo. The investment was accounted for as interests in an associate.

26. 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 Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司) and Shenzhen 7Road Technology Co., Ltd. (深圳第七大道科技有限公司), 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.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021.

COMPLIANCE WITH CG CODE

The Company has complied with all the applicable code provisions of the CG Code for the six months ended 30 June 2021.

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 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 to all Directors, they have all confirmed that they have complied with the Model Code and the code of conduct of the Company regarding securities transactions by Directors throughout the six months ended 30 June 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the relevant employees during the six months ended 30 June 2021.

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 unaudited Interim Results of the Group for the six months ended 30 June 2021.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT

This Interim Results announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.7road.com). The interim report of the Group for the six months ended 30 June 2021 will be despatched to Shareholders and available on the above websites in due course.

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 such game, such type of games or all of our games, as applicable, during such period
“Audit Committee”	the audit committee of the Board
“average MPUs”	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“China” or “PRC”	for purpose of this announcement only, the People's Republic of China, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region and Taiwan herein

“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)
“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 entered into on 13 April 2018, or, where the context so requires, in respect of the period before the Company became the holding company of our 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 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 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 of America

“web game(s)”

game(s) that is/are played in a web browser on personal computer without downloading any client base or application

“%”

per cent

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

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 purpose only*