

# 2021 中報

I N T E R I M R E P O R T



**7Road Holdings Limited**  
**第七大道控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Stock Code : 797**



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# Corporate Profile

## BOARD OF DIRECTORS

### Executive Directors

Mr. Meng Shuqi (*Chairman*)  
Mr. Li Zhengquan  
Mr. Yang Cheng

### Independent Non-executive Directors

Mr. Xue Jun  
Ms. Li Yiqing  
Ms. Wang Ying

## AUDIT COMMITTEE

Mr. Xue Jun (*Chairman*)  
Ms. Li Yiqing  
Ms. Wang Ying

## REMUNERATION COMMITTEE

Ms. Li Yiqing (*Chairman*)  
Mr. Xue Jun  
Ms. Wang Ying  
Mr. Meng Shuqi

## NOMINATION COMMITTEE

Mr. Meng Shuqi (*Chairman*)  
Mr. Xue Jun  
Ms. Li Yiqing  
Ms. Wang Ying

## JOINT COMPANY SECRETARIES

Mr. Li Zhengquan  
Mr. Cheung Kai Cheong, Willie (*CPA, FCCA*)

## AUTHORIZED REPRESENTATIVES

Mr. Meng Shuqi  
Mr. Cheung Kai Cheong, Willie (*CPA, FCCA*)

## AUDITOR

Elite Partners CPA Limited  
*Certified Public Accountants and Registered Public  
Interest Entity Auditor*  
10/F., 8 Observatory Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

## HONG KONG LEGAL ADVISER

Miao & Co. (In association with Han Kun Law Offices)  
Rooms 3901-05, 39/F  
Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Hong Kong

## COMPANY WEBSITE

[www.7road.com](http://www.7road.com)

## STOCK CODE

797

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Suite #5-204, 23 Lime Tree Bay Avenue  
P.O. Box 2547  
Grand Cayman, KY1-1104  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Xin Wu District, Wuxi  
Jiangsu Province, PRC



## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Sertus Incorporations (Cayman) Limited  
Sertus Chambers, Governors Square  
Suite #5-204, 23 Lime Tree Bay Avenue  
P.O. Box 2547, Grand Cayman  
KY1-1104, Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKS

Hua Xia Bank  
Wuxi New District branch

Bank of China  
Shenzhen Yi Yuan Road branch



# Financial Performance Highlights

	For the six months ended 30 June	
	2021 (RMB'000)	2020 (RMB'000)
Revenue	<b>109,533</b>	198,325
Profit for the period	<b>30,429</b>	32,526
Profit for the period attributable to owners of the Company	<b>30,500</b>	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 RMB150.5 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 proprietary developed games recorded an actual sales revenue of RMB8.5 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 RMB72.1 billion, representing a year-on-year growth of 0.2%.

In the first half of 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 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. 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 female-oriented game developers in the PRC, 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 remains 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.

Leveraging on our current principal gaming business, we shall proactively explore and expand our business into other areas with potential such as cloud computing, cloud 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 development of information technology in China and the significant demand for information data, the demand for cloud computing, cloud 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 cloud storage services, respectively. The Group will continue to seek investment and development opportunities in the cloud computing, cloud storage and cloud-related market.

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. Due to the ongoing global impact of COVID-19, the Group will continue to focus on its proprietary businesses of various studios, expand its global horizon with its operating publishing centers, maintain good performance on its main business, and make a great effort to become a world-renowned game developer integrated with 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; and (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; and (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	
	2021	2020
	(RMB'000)	(RMB'000)
<b>Revenue</b>	<b>109,533</b>	198,325
Cost of revenue	(62,472)	(43,682)
<b>Gross profit</b>	<b>47,061</b>	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	3,526	(37,534)
<b>Operating (loss)/profit</b>	<b>(15,035)</b>	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	37,237	—
<b>Profit before income tax</b>	<b>21,049</b>	18,157
Income tax credit	9,380	14,369
<b>Profit for the period</b>	<b>30,429</b>	32,526

# Management Discussion and Analysis

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

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 expenses incurred by our R&D and operations departments, advertising and promotion fees 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% 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.



# Management Discussion and Analysis

## 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%
<b>Total</b>	<b>371,661</b>	<b>379,253</b>	<b>-2.0%</b>

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%
<b>Total</b>	<b>222,124</b>	<b>3,344</b>	<b>6,542.5%</b>

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.

## CONTINGENT LIABILITIES AND GUARANTEES

As of 30 June 2021, save as disclosed in note 32 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 interim report, the Company did not have other future plans for material investments or capital assets as of the date of this interim report.

## 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 interest 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 its 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.

Further, in July 2020, the Group had acquired 2% equity interest in Shanghai Longrui Information Technology Co., Ltd. (上海龍睿信息科技有限公司) ("**Shanghai Longrui**"), at an initial investment cost of RMB180,000,000 (the "**Disposed Investment**"). The equity interest held by the Group in Shanghai Longrui was subsequently diluted to 1.4% in August 2020. Shanghai Longrui was principally engaged in the construction and operation of Internet data centre and related infrastructures. During the six months ended 30 June 2021, the Disposed Investment was disposed of at a consideration of approximately RMB207.4 million, equivalent to its fair value as at 31 December 2020, and was fully settled in April 2021.



## Management Discussion and Analysis

The Disposed Investment was accounted for as a financial asset at fair value through profit or loss. The fair value of the Disposed 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 immediately prior to its disposal. From 1 January 2021 and up to the date of disposal, no dividend was received by the Group as a result from the Disposed Investment.

Save as disclosed in this interim report, 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%
<b>Total</b>	<b>321</b>	<b>100.0%</b>

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 interim report, 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 above 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 interim report, 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 above 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 (the “**Locojoy Transaction**”), 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 interim report. 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 interim report, the Company had no further subsequent events after 30 June 2021.





# Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### INTERESTS IN THE COMPANY

Name of Director/ Chief executive	Capacity/Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of issued share capital
Mr. Meng Shuqi <sup>(3)(4)</sup>	Interest in a controlled corporation	528,854,000	19.20%

Notes:

- (1) The calculation is based on the total number of 2,753,200,000 Shares in issue as at 30 June 2021.
- (2) All interest stated are long positions.
- (3) 429,922,000 Shares are registered under the name of Ben 7Road Holdings Limited, the issued share capital of which is wholly owned by Mr. Meng Shuqi. Accordingly, Mr. Meng Shuqi is deemed to be interested in all the Shares held by Ben 7Road Holdings Limited for the purpose of Part XV of the SFO.
- (4) 98,932,000 Shares are registered under the name of 7Road Elite Holdings Limited, the issued share capital of which is wholly owned by Ben 7Road Holdings Limited. Ben 7Road Holdings Limited is wholly-owned by Mr. Meng Shuqi. Accordingly, each of Mr. Meng Shuqi and Ben 7Road Holdings Limited is deemed to be interested in all the Shares held by 7Road Elite Holdings Limited for the purpose of Part XV of the SFO.

### INTERESTS IN OTHER MEMBERS OF THE GROUP

Name of Director/ Chief executive	Name of other members of the Group	Capacity/Nature of interest	Approximate percentage of registered capital <sup>(1)</sup>
Mr. Meng Shuqi	Shenzhen 7Road <sup>(2)</sup>	Beneficial owner	21.50%
	Shenzhen Qianqi <sup>(2)</sup>	Interest in a controlled corporation	21.50%
	Huoerguosi 7Road <sup>(2)</sup>	Interest in a controlled corporation	21.50%

Notes:

- (1) All interests stated are long positions.
- (2) Each of Shenzhen 7Road, Shenzhen Qianqi and Huoerguosi 7Road is accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements.

Save as disclosed above, as at 30 June 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors were aware, as at 30 June 2021, the following persons (other than the Directors and the chief executive of the Company) or corporations who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO; or as required to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO, were as follows:

Name	Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of interest <sup>(1)</sup>
Baohu Holdings Limited	Beneficial owner <sup>(3)</sup>	352,714,000	12.81%
Shanghai Bao Hu Investment Management Center (Limited Partnership)	Interest in a controlled corporation <sup>(3)</sup>	352,714,000	12.81%
Shanghai Bao Pu Investment Management Co., Ltd.	Interest in controlled corporations <sup>(3)</sup>	353,586,000	12.84%
Ningbo Hao Chu Investment Management Co., Ltd.	Interest in controlled corporations <sup>(3)</sup>	353,586,000	12.84%
Mr. Zhou Hao	Interest in controlled corporations <sup>(3)</sup>	353,586,000	12.84%
Zhejiang Century Huatong Group Co., Ltd.	Interest in controlled corporations <sup>(4)</sup>	274,366,000	9.97%
Shengqu Technology Korean Limited	Interest in controlled corporations <sup>(4)</sup> Beneficial owner <sup>(4)</sup>	88,764,000 51,902,000	3.22% 1.89%
Shangyulongcheng Holdings Limited	Beneficial owner <sup>(5)</sup>	174,410,000	6.33%
Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership)	Interest in a controlled corporation <sup>(5)</sup>	174,410,000	6.33%
Zhejiang Long Xin Equity Investment Management Co., Ltd.	Interest in a controlled corporation <sup>(5)</sup>	174,410,000	6.33%
Wolong Holding Group Co., Ltd.	Interest in a controlled corporation <sup>(5)</sup>	174,410,000	6.33%
Mr. Chen Jiancheng	Interest in a controlled corporation <sup>(5)</sup>	174,410,000	6.33%
Ms. Chen Yanni	Interest in a controlled corporation <sup>(5)</sup>	174,410,000	6.33%
Ben 7Road Holdings Limited	Beneficial owner <sup>(6)</sup> Interest in a controlled corporation <sup>(6)</sup>	429,922,000 98,932,000	15.62% 3.59%
World 7Road Holdings Limited	Beneficial owner <sup>(7)</sup> Interest in a controlled corporation <sup>(7)</sup>	331,130,000 80,000,000	12.03% 2.91%
Mr. Hu Min	Interest in a controlled corporation <sup>(7)</sup>	411,130,000	14.93%
Songshuxing Holdings Limited	Beneficial owner <sup>(8)</sup>	189,936,000	6.89%
Mr. Song Shuxing	Interest in a controlled corporation <sup>(8)</sup>	189,936,000	6.89%
Mr. Guan Jianzhong	Interest in a controlled corporation <sup>(9)</sup>	233,801,601	8.49%

## Other Information

Name	Nature of interest	Number of Shares or underlying Shares held <sup>(2)</sup>	Approximate percentage of interest <sup>(1)</sup>
Ms. Han Jianhong	Spousal interest <sup>(9)</sup>	233,801,601	8.49%
Hangzhou Haoming Investment Co., Ltd.	Interest in a controlled corporation <sup>(9)</sup>	233,801,601	8.49%
Zhejiang Jiahua Group Co., Ltd.	Interest in a controlled corporation <sup>(9)</sup>	233,801,601	8.49%
Shanghai Guanzhao Investment Center (L.P)	Beneficial owner <sup>(9)</sup>	175,409,856	6.37%

Notes:

- (1) The calculation is based on the total number of 2,753,200,000 Shares in issue as at 30 June 2021.
- (2) All interests stated are long positions.
- (3) 352,714,000 Shares are registered under the name of Baohu Holdings Limited, the entire issued share capital of which is directly owned by Shanghai Bao Hu Investment Management Center (Limited Partnership). Accordingly, Shanghai Bao Hu Investment Management Center (Limited Partnership) is deemed to be interested in such number of Shares held by Baohu Holdings Limited. In addition, the general partner of Shanghai Bao Hu Investment Management Center (Limited Partnership) is Shanghai Bao Pu Investment Management Co., Ltd., which is in turn owned by Ningbo Hao Chu Investment Co., Ltd. as to 40%; and Ningbo Hao Chu Investment Co., Ltd. is owned by Mr. Zhou Hao as to 70%. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Ningbo Hao Chu Investment Management Co., Ltd. and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baohu Holdings Limited. In addition, 872,000 Shares are registered under the name of Baopu Hong Kong Limited, the entire issued share capital of which is directly owned by Shanghai Bao Pu Investment Management Co., Ltd. Shanghai Bao Pu Investment Management Co., Ltd. is owned by Ningbo Hao Chu Investment Co., Ltd. as to 40%; and Ningbo Hao Chu Investment Co., Ltd. is owned by Mr. Zhou Hao as to 70%. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Ningbo Hao Chu Investment Co., Ltd. and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baopu Hong Kong Limited.
- (4) 88,764,000 Shares are registered under the name of Actoz Soft Hong Kong Limited, which is wholly owned by Actoz Soft Co. Ltd, which is owned as to 51.08% by Shengqu Technology Korean Limited. Accordingly, Shengqu Technology Korean Limited is deemed to be interested in such number of Shares held by Actoz Soft Hong Kong Limited. Together with the Shares directly owned by Shengqu Technology Korean Limited, Shengqu Technology Korean Limited is interested in approximately 5.11% of the issued share capital of the Company. In addition, 133,700,000 Shares are registered under the name of DianDian Interactive Holding. DianDian Interactive Holding and Shengqu Technology Korean Limited are indirectly wholly owned by Zhejiang Century Huatong Group Co., Ltd. Accordingly, Zhejiang Century Huatong Group Co., Ltd. is deemed to be interested in such number of Shares held or deemed to be held by DianDian Interactive Holding and Shengqu Technology Korean Limited.
- (5) 174,410,000 Shares are registered under the name of Shangyulongcheng Holdings Limited, the entire issued share capital of which is directly owned by Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership). Accordingly, Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited. In addition, the general partner of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is Zhejiang Long Xin Equity Investment Management Co., Ltd., which is directly owned by Wolong Holding Group Co., Ltd. Wolong Holding Group Co., Ltd. is owned directly as to 48.93% by Mr. Chen Jiancheng, 38.73% by Ms. Chen Yanni (daughter of Mr. Chen Jiancheng) and 12.34% by certain other shareholders. Accordingly, each of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership), Zhejiang Long Xin Equity Investment Management Co., Ltd., Wolong Holding Group Co., Ltd., Mr. Chen Jiancheng and Ms. Chen Yanni is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited.
- (6) The entire issued share capital of 7Road Elite Holdings Limited is directly owned by Ben 7Road Holdings Limited. Accordingly, Ben 7Road Holdings Limited is deemed to be interested in such number of Shares held by 7Road Elite Holdings Limited.
- (7) The entire issued share capital of 7Road Talent Holdings Limited is directly owned by World 7Road Holdings Limited. Accordingly, World 7Road Holdings Limited is deemed to be interested in such number of Shares held by 7Road Talent Holdings Limited. In addition, World 7Road Holdings Limited is wholly-owned by Mr. Hu Min. Accordingly, Mr. Hu Min is deemed to be interested in such number of Shares held by World 7Road Holdings Limited and 7Road Talent Holdings Limited.
- (8) The entire issued share capital of Songshuxing Holdings Limited is directly owned by Mr. Song Shuxing. Accordingly, Mr. Song Shuxing is deemed to be interested in such number of Shares held by Songshuxing Holdings Limited.
- (9) 175,409,856 Shares and 58,391,745 Shares are registered under the name of Shanghai Guanzhao Investment Center (L.P) and Shanghai Chengpei Investment Centre (L.P.), respectively, which are in turn owned as to 53.26% and 92.38% by Zhejiang Jiahua Group Co., Ltd., respectively. Zhejiang Jiahua Group Co., Ltd. is owned as to 68.82% by Hangzhou Haoming Investment Co., Ltd., which is in turn owned as to 75% by Mr. Guan Jianzhong. Ms. Han Jianhong is the spouse of Mr. Guan Jianzhong. Accordingly, each of Mr. Guan Jianzhong, Ms. Han Jianhong, Hangzhou Haoming Investment Co., Ltd. and Zhejiang Jiahua Group Co., Ltd. is deemed to be interested in such number of Shares held by Shanghai Guanzhao Investment Center (L.P) and Shanghai Chengpei Investment Centre (L.P.), respectively. Nonetheless, such interests had ceased in July 2021 upon the termination of the Locojoy Transaction.

Save as disclosed above, the Directors are not aware of any other persons (other than a director or chief executive of the Company) or corporation who, as at 30 June 2021, had an interest or short position in the Shares and underlying Shares of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## RSU SCHEME

On 6 March 2018, the RSU Scheme was approved and adopted by the Directors of our Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of our Group for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any member of our Group (the “**RSU Eligible Persons**”). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from 6 March 2018 (unless it is terminated earlier in accordance with its terms). As of 30 June 2021, the remaining life of the RSU Scheme was approximately six years. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

Our Company has appointed Mr. Meng Shuqi and Mr. Hu Min as the trustees (the “**RSU Trustees**”) to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue to the RSU Trustees the Shares to be held by the RSU Trustees and to be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustees to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustees by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustees to satisfy its obligations in connection with the administration of the RSU Scheme.

On 31 March 2018, RSUs representing 100,800,000 underlying Shares were granted to 66 participants in the RSU Scheme pursuant to the RSU Scheme. Please refer to note 24 to the consolidated financial statements on pages 48 to 49 of this interim report for details.

## Other Information

Details of the movements of the RSUs granted under the RSU Scheme during the six months ended 30 June 2021 are set out below:

Category of the RSU Grantees	Position held with our Group	Outstanding as at 31 December 2020	Granted during the six months ended 30 June 2021	Vested during the six months ended 30 June 2021	Lapsed during the six months ended 30 June 2021	Outstanding as at 30 June 2021	Date of grant	Approximate percentage of interest as at 30 June 2021 <sup>(1)</sup>
<b>Senior management members of our Company</b>								
Ms. Xu Jing	head of the data center	2,600,000	–	–	2,600,000	–	31 March 2018	0.09%
Ms. Guo Hua	head of the testing department	400,000	–	–	400,000	–	31 March 2018	0.01%
Mr. Shi Shuanghua	head of the arts department	500,000	–	–	500,000	–	31 March 2018	0.02%
<b>Others</b>	<i>Note (2)</i>	4,240,000	–	–	4,240,000	–	31 March 2018	0.15%
<b>Total</b>		<b>7,740,000</b>	<b>–</b>	<b>–</b>	<b>7,740,000</b>	<b>–</b>		

Notes:

- (1) The calculation is based on the total number of 2,753,200,000 Shares in issue as at 30 June 2021.
- (2) As at 30 June 2021, the other employees of the Group included 17 game development employees and three game operation employees.

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

The above RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares. Since the Listing Date, the Company did not have any share option schemes.

Further details of the movements in the outstanding RSUs are set out in note 24 to the consolidated financial statements on pages 48 to 49 of this interim report.

## MOVEMENTS IN SHARE CAPITAL

Details of the movements in share capital of the Company during the six months ended 30 June 2021 are set out in note 22 to the consolidated financial statements on page 47 of this interim report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2021.



## SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

To provide the Company with additional funds, enhance its financial strength and broaden its shareholder and capital base, as well as to enhance its capabilities in distributing games abroad through strategic co-operation, on 16 December 2020, the Company entered into a subscription agreement with DianDian Interactive Holding (“**DianDian Interactive**”), an independent third party, pursuant to which the Company conditionally agreed to allot and issue to DianDian Interactive 133,700,000 new Shares (the “**Subscription Shares**”) at a subscription price of HK\$2.59 per Share and a total price of HK\$346,283,000 (the “**Subscription**”). The Subscription Shares represented approximately 5.10% of the existing issued share capital of the Company as at the date of the announcement and approximately 4.86% of the Company’s issued share capital as enlarged by the issue of the Subscription Shares. The issuance was completed on 29 December 2020 and the Subscription Shares were issued under the general mandate granted to the Directors at the annual general meeting held on 31 July 2020. The net price per Subscription Share was approximately HK\$346.3 million and the net proceeds amounted to approximately HK\$345.9 million.

The intended and actual use of proceeds from the date of the Subscription up to 30 June 2021 are as follows:

Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 30 June 2021	Unutilised proceeds	Expected timeline for use of unutilised proceeds
Approximately HK\$345.9 million	(i) Payment of the 2020 and 2021 installments for the acquisition of the Xinla Group	Nil	HK\$240.36 million	By 2022
	(ii) General working capital purposes and the development of its gaming business	Approximately HK\$105.54 million had been applied towards the general working capital of the Group (i.e. remuneration of Directors and employees of the Group, game copyrights, operating expenses and equipments for cloud computing services and cloud storage services) and investments in high-quality domestic and overseas companies in the gaming industry	Nil	N/A

For details of the Subscription, please refer to the Company’s announcements dated 16 December 2020 and 29 December 2020, respectively.

## INTERIM DIVIDEND

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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



## Other Information

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the Group's 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 senior management and employees of the Group during the six months ended 30 June 2021.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to our Company and to the knowledge of the Directors, our Company has maintained public float as required under the Listing Rules as at the date of this interim report.

### CHANGES IN DIRECTORS' INFORMATION

The Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2020 annual report.

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### CHANGE IN AUDITOR

Moore Stephens CPA Limited has resigned as the Company's auditor, with effect from 12 May 2021. Elite Partners CPA Limited has been appointed as the Company's new auditor, with effect from 13 May 2021.

For further details of the above change in the Company's auditor, please refer to the Company's announcement dated 13 May 2021.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions in which the Group's subsidiaries operate and has kept a close watch on any new laws or regulatory changes.

During the performance of the audit works of the Company's consolidated financial statements for the year ended 31 December 2020, Moore Stephens CPA Limited, the Company's former auditor, identified certain unresolved audit issues in connection with the audit of the Company's consolidated financial statements as at and for the year ended 31 December 2020. The publication of the annual results and dispatch of the annual report for the year ended 31 December 2020 was therefore delayed. Accordingly, the Company was not able to comply with the financial reporting provisions under Rules 13.46 and 13.49 of the Listing Rules.

Save as disclosed above, during the six months ended 30 June 2021 and up to the date of this interim report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

### AUDIT COMMITTEE

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

### REVIEW OF THE INTERIM FINANCIAL INFORMATION AND THE INTERIM REPORT

The Audit Committee has reviewed the unaudited interim financial information and the interim report of the Group for the six months ended 30 June 2021.

### PUBLICATION OF THE INTERIM REPORT

This interim report of the Group for the six months ended 30 June 2021, which contains all the information required by the Listing Rules was published on the websites of the Company ([www.7road.com](http://www.7road.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and will be dispatched to the Shareholders in September 2021.



# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue</b>	6	<b>109,533</b>	198,325
Cost of revenue	9	(62,472)	(43,682)
<b>Gross profit</b>		<b>47,061</b>	154,643
Research and development expenses	9	(35,161)	(67,849)
Selling and marketing expenses	9	(6,997)	(15,891)
Administrative expenses	9	(34,210)	(37,405)
Net reversal of impairment losses on financial assets under expected credit loss model		1,308	14,225
Other income	7	9,438	11,065
Other gains or losses, net	8	3,526	(37,534)
<b>Operating (loss)/profit</b>		<b>(15,035)</b>	21,254
Finance income	10	745	462
Finance costs	10	(1,898)	(1,778)
Finance costs, net	10	(1,153)	(1,316)
Share of results of a joint venture	17	—	(1,781)
Share of results of associates	29	37,237	—
<b>Profit before income tax</b>		<b>21,049</b>	18,157
Income tax credit	11	9,380	14,369
<b>Profit for the period</b>		<b>30,429</b>	32,526
<b>Profit/(loss) attributable to:</b>			
— Owners of the Company		30,500	32,379
— Non-controlling interests		(71)	147
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):</b>			
Basic and diluted	12	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 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Profit for the period</b>	<b>30,429</b>	32,526
<b>Other comprehensive income/(loss):</b> <i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	4,468	(12,080)
Other comprehensive income/(loss), net of tax	4,468	(12,080)
<b>Total comprehensive income for the period</b>	<b>34,897</b>	20,446
<b>Total comprehensive income/(loss) attributable to:</b>		
— Owners of the Company	34,968	20,299
— Non-controlling interests	(71)	147
	<b>34,897</b>	20,446

The notes on pages 31 to 55 are integral parts of these consolidated financial statements.

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	224,491	4,019
Right-of-use assets	15	5,255	7,854
Intangible assets	16	755,245	958,450
Interests in joint ventures	17	—	—
Interests in associates	29	115,837	—
Financial assets at fair value through other comprehensive income	20	2,357	2,357
Financial assets at fair value through profit or loss	21	20,624	208,044
Prepayment and other receivables	19	112,426	3,409
Restricted cash		1,952	1,946
Deferred income tax assets		57,743	57,071
		<b>1,295,930</b>	<b>1,243,150</b>
<b>Current assets</b>			
Trade receivables	18	188,267	290,503
Prepayment and other receivables	19	110,618	162,518
Income tax recoverable		—	327
Financial assets at fair value through profit or loss	21	54,201	40,539
Restricted cash		1	1
Cash and cash equivalents		369,708	377,306
		<b>722,795</b>	<b>871,194</b>
<b>Total assets</b>		<b>2,018,725</b>	<b>2,114,344</b>
<b>Current liabilities</b>			
Trade and other payables	28	359,502	309,612
Lease liabilities	27	3,946	5,026
Borrowings	25	—	56,546
Current income tax liabilities		10,022	29,713
Contract liabilities	26	68,855	73,794
		<b>442,325</b>	<b>474,691</b>
<b>Net current assets</b>		<b>280,470</b>	<b>396,503</b>
<b>Total assets less current liabilities</b>		<b>1,576,400</b>	<b>1,639,653</b>

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other payables	28	—	92,291
Lease liabilities	27	1,752	3,312
Deferred tax liabilities		22,650	32,153
		24,402	127,756
<b>Net assets</b>			
		1,551,998	1,511,897
<b>Equity</b>			
Share capital	22	90	90
Share premium		4,083,085	4,083,085
Other reserves	23	(2,964,333)	(2,952,776)
Retained earnings		429,852	383,123
<b>Total equity attributable to owners of the Company</b>			
		1,548,694	1,513,522
<b>Non-controlling interests</b>			
		3,304	(1,625)
<b>Total equity</b>			
		1,551,998	1,511,897

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim Condensed Consolidated Financial Information on pages 24 to 55 were approved by the Board of Directors on 31 August 2021 and was signed on its behalf.

**Meng Shuqi**  
Director

**Li Zhengquan**  
Director

**Yang Cheng**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)		
<b>Balance at 1 January 2021</b>		90	4,083,085	(2,952,776)	383,123	1,513,522	(1,625)	1,511,897
<b>Comprehensive income</b>								
Profit for the period		–	–	–	30,500	30,500	(71)	30,429
Other comprehensive income								
Currency translation differences		–	–	4,468	–	4,468	–	4,468
<b>Total comprehensive income</b>		–	–	4,468	30,500	34,968	(71)	34,897
<b>Transactions with owners in their capacity as owners</b>								
Transfer of reserves		–	–	(16,229)	16,229	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	5,000	5,000
Share-based compensation – Value of employee services	24	–	–	204	–	204	–	204
<b>Balance at 30 June 2021</b>		90	4,083,085	(2,964,333)	429,852	1,548,694	3,304	1,551,998

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021



	Notes	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)		
<b>Balance at 1 January 2020</b>		86	3,791,696	(2,977,334)	301,814	1,116,262	(1,428)	1,114,834
<b>Comprehensive income</b>								
Profit for the period		—	—	—	32,379	32,379	147	32,526
Other comprehensive income								
Currency translation differences		—	—	(12,080)	—	(12,080)	—	(12,080)
Fair value changes on financial assets at fair value through other comprehensive income		—	—	—	—	—	—	—
<b>Total comprehensive income</b>		—	—	(12,080)	32,379	20,299	147	20,446
<b>Transactions with owners in their capacity as owners</b>								
Share-based compensation								
— Value of employee services	24	—	—	4,983	—	4,983	—	4,983
<b>Balance at 30 June 2020</b>		86	3,791,696	(2,984,431)	334,193	1,141,544	(1,281)	1,140,263

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	52,512	158,680
Interest received	745	462
Income tax paid	(20,159)	(1,409)
Net cash generated from operating activities	33,098	157,733
<b>Cash flows from investing activities</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	215,547	6,276
Proceeds from disposal of property, plant and equipment and right-of-use assets	80,052	2
Prepayments for potential investments	(40,000)	(50,000)
Refunds of prepayments for potential investments	—	60,000
Investments in associates	(78,600)	—
Payments for purchase of financial assets at fair value through profit or loss	(48,068)	(15,435)
Receipts from mobile game cooperation contract	—	104,477
Payments for purchases of property, plant and equipment	(286,756)	(1,844)
Payments for purchases of intangible assets	—	(1,500)
Proceeds from disposals of intangible assets	172,858	—
Net cash outflows from acquisition of a subsidiary	(2,196)	—
Payments for contingent consideration payable for acquisition of a subsidiary	—	(182,990)
Net cash generated from/(used in) investing activities	12,837	(81,014)
<b>Cash flows from financing activities</b>		
New bank borrowings raised	—	15,000
Repayments of bank and other borrowings	(56,546)	(4,949)
Payments for lease liabilities	(2,214)	(2,792)
Interest paid	(622)	(1,087)
Contributions from non-controlling interests	5,000	—
Net cash (used in)/generated from financing activities	(54,382)	6,172
Net (decrease)/increase in cash and cash equivalents	(8,447)	82,891
<b>Cash and cash equivalents at beginning of the period</b>	<b>377,306</b>	<b>44,011</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>849</b>	<b>3,488</b>
<b>Cash and cash equivalents at end of the period</b>	<b>369,708</b>	<b>130,390</b>

# 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.



# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended 31 December 2020.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risks (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

There have been no changes in the risk management policies since year ended 31 December 2020.

### 5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

The following table presents the Group's financial instruments that are measured at fair value using level 1, 2 and 3 inputs:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2021 (Unaudited)</b>				
Financial assets at fair value through other comprehensive income (Note 20)	—	—	2,357	2,357
Financial assets at fair value through profit or loss (Note 21)	54,201	—	20,624	74,825
	54,201	—	22,981	77,182
Contingent consideration payable for acquisition of a subsidiary (Note 28)	—	—	(292,930)	(292,930)
<b>As at 31 December 2020 (Audited)</b>				
Financial assets at fair value through other comprehensive income (Note 20)	—	—	2,357	2,357
Financial assets at fair value through profit or loss (Note 21)	40,539	—	208,044	248,583
	40,539	—	210,401	250,940
Contingent consideration payable for acquisition of a subsidiary (Note 28)	—	—	(288,000)	(288,000)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. The financial assets in level 1 include investments in listed companies in Hong Kong Stock Exchange.

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The components of the level 2 instruments include investments in bank wealth management products.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The changes in level 3 instruments of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and contingent consideration payable for acquisition of a subsidiary for the six months ended 30 June 2021 have been disclosed in Notes 20, 21 and 28 respectively.

The components of the level 3 instruments include investments in unlisted equity securities, and contingent consideration payable for acquisition of a subsidiary. As these instruments are not traded in an active market, their fair values have been determined using various applicable methodologies.

	Amount RMB'000	Valuation technique	Significant unobservable inputs	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity securities	22,981	Market approach	(a) Earnings multiples of comparable companies		
			i.) Enterprise value-to-sales	4.89	Note a
			ii.) Enterprise value-to-EBITDA	25.85	Note a
			(b) Discount for lack of marketability	15.80%	Note a
Contingent consideration payable for acquisition of a subsidiary	(292,930)	Discounted cash flow model	(a) Discount rate	5.44%	Note a

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 5. FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Fair value estimation (continued)

Notes:

- (a) The following table summarizes the quantitative information about the significant unobservable inputs used level 3 fair value measurements as at 30 June 2021.

Key unobservable inputs	Range of inputs	Change	Fair value change for the year ended 30 June 2021
Earnings multiples of comparable companies			
i.) Enterprise value-to-sales	4.89	+5%	693
	4.89	-5%	(693)
ii.) Enterprise value-to-EBITDA	25.85	+5%	576
	25.85	-5%	(576)
Discount for lack of marketability	15.80%	+5%	(275)
	15.80%	-5%	275
Discount rates	5.44%	+1%	1,139
	5.44%	-1%	(1,159)

The finance department of the Group performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the chief financial officer, the financial department and external valuer at least once every six months, in line with the Group's half-yearly reporting periods.

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's financial assets, including trade receivables, other receivables and cash and bank balances; and the Company's financial liabilities, including trade and other payables and bank and other borrowings approximate their fair values.

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

### 6. 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 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Types of goods or services</b>		
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
	<b>109,533</b>	198,325

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

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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 7. OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants (note)	8,257	3,525
Value added tax ("VAT") refunds (note)	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
	<b>9,438</b>	<b>11,065</b>

Note: There is no unfulfilled conditions or contingencies related to the above government grants or VAT refunds.

## 8. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Losses on financial assets at fair value through profit or loss (Note 21)	13,822	(35,522)
Provisional fair value change on contingent consideration payable for acquisition of a subsidiary (Note 28)	(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
	<b>3,526</b>	<b>(37,534)</b>

## Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

### 9. EXPENSES BY NATURE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Payroll and employee benefit expense	54,808	57,809
Share-based compensation (Note 24)	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 (Note 14)	1,650	1,464
Depreciation of right-of-use assets (Note 15)	1,953	3,356
Amortization of intangible assets (Note 16)	33,398	34,421
Travelling and entertainment expenses	5,317	2,153
Bandwidth and servers custody fee	3,981	—
Audit services	657	—
Tax and levies	3,177	2,621
Others	4,049	6,356
	<b>138,840</b>	<b>164,827</b>

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### 10. FINANCE COSTS, NET

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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 11. 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 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	730	6,894
Deferred income tax	(10,110)	(21,263)
	(9,380)	(14,369)

### Corporate Income Tax

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

Income tax expense is recognized based on management's best estimation of the annual income tax rate applicable to the respective group entities expected for the full financial year. The estimated income tax rates applicable to the group entities (excluding the entities that are currently tax exempted) for the year ending 30 June 2021 varies from 12.5% to 25% (2020: 12.5% to 25%).

### PRC Withholding Tax ("WHT")

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



# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 12. EARNINGS PER SHARE

### (a) Basic

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

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

### (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.

## 13. 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.

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Servers and other equipment RMB'000	Furniture & leasehold improvements RMB'000	Vehicles RMB'000	Total RMB'000
<b>Six months ended 30 June 2021 (Unaudited)</b>					
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 (Note 9)	—	(866)	(745)	(39)	(1,650)
At end of the period	—	222,060	1,956	475	224,491
<b>Six months ended 30 June 2020 (Unaudited)</b>					
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 (Note 9)	(244)	(248)	(942)	(30)	(1,464)
At end of the period	13,590	1,452	2,414	553	18,009

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## 15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Rented office premises RMB'000	Total RMB'000
<b>Six months ended 30 June 2021 (Unaudited)</b>			
At beginning of the period	—	7,854	7,854
Additions	—	475	475
Disposal	—	(1,121)	(1,121)
Depreciation charge (Note 9)	—	(1,953)	(1,953)
At end of the period	—	5,255	5,255
<b>Six months ended 30 June 2020 (Unaudited)</b>			
At beginning of the period	70,489	12,598	83,087
Additions	—	265	265
Depreciation charge (Note 9)	(642)	(2,714)	(3,356)
At end of the period	69,847	10,149	79,996

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 16. INTANGIBLE ASSETS

	Goodwill RMB'000	Game copyrights and intellectual property license contracts RMB'000	Computer software licenses RMB'000	Domain name RMB'000	Total RMB'000
<b>Six months ended 30 June 2021 (Unaudited)</b>					
At beginning of the period	693,065	263,773	108	1,504	958,450
Addition through acquisition of subsidiary	—	4	—	—	4
Disposals	—	(169,811)	—	—	(169,811)
Amortization charge (Note 9)	—	(33,166)	(68)	(164)	(33,398)
At end of the period	693,065	60,800	40	1,340	755,245
<b>Six months ended 30 June 2020 (Unaudited)</b>					
At beginning of the period	693,065	160,901	393	1,829	856,188
Additions	—	1,500	—	—	1,500
Amortization charge (Note 9)	—	(34,053)	(205)	(163)	(34,421)
At end of the period	693,065	128,348	188	1,666	823,267

### Impairment tests for goodwill

Goodwill acquired in a business combination is allocated to cash-generating units (“CGUs”) that are expected to benefit from that business combination. The management considers groups of subsidiaries operating in specific locations (the “Sub-group”), i.e. Shenzhen and Shanghai, the PRC, represents separate CGUs for the purpose of goodwill impairment testing. The CGUs are principally engaged in the development and distribution of web games and mobile games in the PRC. At the end of the reporting period, the carrying amount of goodwill allocated to these Sub-groups are as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Shanghai Sub-group	667,034	667,034
Shenzhen Sub-group	26,031	26,031
	693,065	693,065

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 16. INTANGIBLE ASSETS (continued)

### Impairment tests for goodwill (continued)

The goodwill amounted to RMB667,034,000 was resulted from the acquisition of Osmanthus Vale Holdings Limited (“**Osmanthus Vale**”) and was attributable to the CGU consisting of the Sub-group of which the operation is mainly based in Shanghai, the PRC.

The goodwill amounted to RMB26,031,000 was resulted from the acquisition of Shenzhen Qianqi Network Technology Co., Ltd. and was attributable to the CGU consisting of the Sub-group of which the operation is mainly based in Shenzhen, the PRC.

The Group determines whether goodwill is impaired at least on an annual basis. The latest impairment test was performed for 31 December 2020. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, i.e. the Shanghai Sub-group and the Shenzhen Sub-group. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews.

## 17. INTERESTS IN JOINT VENTURES

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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 18. TRADE RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (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 the dates of delivery of goods and services is as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 19. PREPAYMENT AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
<b>Included in non-current assets</b>		
Rental deposits	5,702	1,433
Prepayment for technology services	2,358	2,358
Prepayment for investment	40,000	—
Prepayment for property, plant and equipment	64,729	—
Loan to joint venture	2,000	2,000
Less: provision for impairment	(2,363)	(2,382)
	<b>112,426</b>	<b>3,409</b>
<b>Included in current assets</b>		
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 royalty	8,719	705
Prepayment for advertisement and marketing	34,861	6,277
Prepayment for advisory services	291	228
Receivable from disposal of investments (Note b)	20,299	20,299
Prepayment for investments (Note a)	20,000	23,638
Loans to third parties	6,813	7,420
Advances to a related party	6,070	2,581
Receivables from disposal of property, plant and equipment and right of use assets	—	80,000
Others (Note c)	20,366	30,090
Less: provision for impairment	(61,197)	(63,866)
	<b>110,618</b>	<b>162,518</b>
	<b>223,044</b>	<b>165,927</b>

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 19. PREPAYMENT AND OTHER RECEIVABLES (continued)

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 period 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. The related 20% return of RMB2,800,000 was fully received on 24 May 2021.

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## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Unlisted equity investments	2,357	2,357

Movements in financial assets at fair value through other comprehensive income during 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	2,357	794
Fair value change	—	—
At end of period	2,357	794

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Movements in financial assets at fair value through profit or loss during 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 (Note)	(215,547)	(6,276)
Realized and unrealized gains/(losses) (Note 8)	13,822	(35,522)
Exchange realignment	(101)	—
At end of the period	74,825	87,463

Note: Mainly comprises the disposal of the equity interest of Shanghai Longrui Information Technology Co., Ltd. (上海隴睿信息科技有限公司), at a consideration of RMB207,420,000, which was fully settled in April 2021.

## 22. 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	2,753,200	2,619,500	90	86



# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 23. OTHER RESERVES

	Shares held for RSU Scheme	Statutory surplus reserve	Shareholder contribution	Capital redemption reserve	Capital reserve	Share-based compensations reserve	Currency translation differences	Financial assets at fair value through other comprehensive income	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>At 1 January 2021</b>	(273,592)	5,000	273,592	2	(3,032,350)	21,286	54,929	(1,643)	(2,952,776)
Share-based compensations (Note 24)									
– value of employee services	–	–	–	–	–	204	–	–	204
Transfer of reserves	–	5,261	–	–	–	(21,490)	–	–	(16,229)
Currency translation differences	–	–	–	–	–	–	4,468	–	4,468
<b>At 30 June 2021</b>	(273,592)	10,261	273,592	2	(3,032,350)	–	59,397	(1,643)	(2,964,333)
<b>At 1 January 2020</b>	(273,592)	5,000	273,592	2	(3,032,350)	18,545	34,675	(3,206)	(2,977,334)
Share-based compensations (Note 24)									
– value of employee services	–	–	–	–	–	4,983	–	–	4,983
Currency translation differences	–	–	–	–	–	–	(12,080)	–	(12,080)
<b>At 30 June 2020</b>	(273,592)	5,000	273,592	2	(3,032,350)	23,528	22,595	(3,206)	(2,984,431)

## 24. 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.

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 24. EQUITY-SETTLED SHARE-BASED COMPENSATION (continued)

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	(11,127,500)
At 30 June 2020	8,420,000
At 1 January 2021	7,740,000
Forfeited/Lapsed	(7,740,000)
At 30 June 2021	—

Notes:

- (a) On 31 March 2019, RSUs representing 21,637,500 underlying Shares were vested, representing the first 30% of the underlying Shares represented by the RSUs. On the same day, the Company agreed an amendment to the grant letter with all participants in the RSU scheme ("**Amendment**"). According to the Amendment, (i) the Group and the participants in the RSU scheme mutually agreed a cash settlement of the vested RSUs at HK\$1.50 per underlying Shares, totaling RMB27,731,000, and (ii) certain performance conditions for the vesting of the remaining 2nd 30% and 3rd 40% was added ("**Additional Vesting Condition**").

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

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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 25. BORROWINGS

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

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
	—	56,546

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

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 26. 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	8,307	6,871
	<b>68,855</b>	73,794

Contract liabilities primarily represented the unamortized revenue derived from sale of virtual items in the Group's online game services and advance payments from third party publishers, which the Group continued to have obligations as at the reporting date.

## 27. LEASE LIABILITIES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 1 year	3,946	5,026
Over 1 year but within 2 years	1,752	3,300
2 to 5 years	—	12
	<b>5,698</b>	8,338
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(3,946)</b>	(5,026)
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,752</b>	3,312

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 28. TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
<b>Included in non-current liabilities</b>		
Contingent consideration payable for acquisition of a subsidiary	—	92,291
<b>Included in current liabilities</b>		
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
	<b>359,502</b>	309,612
	<b>359,502</b>	401,903

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

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (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
	<b>22,217</b>	9,199

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 29. INTERESTS IN ASSOCIATES

	At 30 June 2021 (RMB'000) (Unaudited)	At 31 December 2020 (RMB'000) (Audited)
At beginning of the period	—	—
Investment cost	78,600	—
Share of results and other comprehensive income for the period	37,237	—
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		Note
			30 June 2021	31 December 2020	
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 interest in an associate.

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 30. CAPITAL COMMITMENTS

As at 30 June 2021, the Group has no significant capital commitments (31 December 2020: RMB15 million).

## 31. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

### (a) Name and relationship with a related party

The following company is a related party of the Group that had balances and/or transactions with the Group during the six months ended 30 June 2021 and 2020.

<u>Company</u>	<u>Relationship</u>
Ben 7Road Holdings Limited	Shareholder

### (b) Key management compensation

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,653	2,763
Other social security costs and housing benefits and other employee benefits	165	49
Pension costs — defined contribution plans	135	117
Share-based compensation — value of employee services	—	1,723
Total	2,953	4,652

# Notes to the Interim Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

## 31. RELATED PARTY TRANSACTIONS (continued)

### (c) Loans to Ben 7Road Holdings Limited

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At beginning of the period	2,581	2,747
Exchange difference	(29)	48
At end of the period	2,552	2,795
Maximum outstanding during the period	2,581	2,795

## 32. 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.



# 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
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region and Taiwan herein
“Company” or “our Company”	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 6 September 2017 and listed on the Main Board of the Stock Exchange on 18 July 2018 (Stock Code: 797)
“Contractual Arrangements”	certain contractual arrangements entered into on 13 April 2018 by the Group
“Corporate Governance 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”, “our” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huoerguosi 7Road”	Huoerguosi 7th Road Network Technology Co., Ltd. (霍爾果斯第七大道網絡科技有限公司), a company established under the laws of the PRC with limited liability on 27 November 2015 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 18 July 2018

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MAUs”	monthly active users, refers to the number of people logged in to specific game(s) in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“mobile game(s)”	game(s) that is/are played on mobile devices
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, refers to the number of paying users in the relevant calendar month
“online game(s)”	video game(s) that is/are played over some form of computer or mobile network, including primarily client games, web games and mobile games
“paying users”	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
“Prospectus”	the prospectus issued by the Company dated 29 June 2018
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme adopted by our Company on 6 March 2018
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“senior management”	the senior management of the Company
“Share(s)”	ordinary share(s) of US\$0.000005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen 7Road”	Shenzhen 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability on 22 January 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary



## Definitions

“Shenzhen Qianqi”	Shenzhen Qianqi Network Technology Co., Ltd. (深圳市千奇網絡科技有限公司), a company incorporated under the laws of the PRC with limited liability on 28 November 2018 and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“%”	percent

\* For identification purpose only

