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第七大道
7ROAD.COM

7Road Holdings Limited

第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board announces the audited consolidated annual results of the Group (the “**Annual Results**”) for the year ended 31 December 2022 together with the comparative information for the year ended 31 December 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended	
	31 December	
	2022	2021
	(RMB'000)	(RMB'000)
Revenue	540,630	420,543
Profit for the year	279,606	97,990
Profit for the year attributable to owners of the Company	282,499	94,236

1. For the year ended 31 December 2022, the total revenue amounted to approximately RMB540.6 million, representing an increase of approximately 28.6% as compared with the year ended 31 December 2021.
2. For the year ended 31 December 2022, the Company recorded a profit attributable to owners of the Company amounted to approximately RMB282.5 million, representing an increase of approximately 199.8% as compared with the year ended 31 December 2021.

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. The Group also commenced the provision of cloud computing and cloud-related services in 2021.

Overview of the industries in which the Company operates in

In terms of the gaming business, according to the “2022 Global Games Market Report” (2022全球遊戲市場報告) released by Newzoo in 2022, the global games market size was estimated to be US\$196.8 billion in 2022, and the number of game players around the world was close to 3.2 billion, with a year-on-year increase of 2.1%. Among which, (i) mobile games still represented the most important sector of the gaming industry, and the global mobile games market size was estimated to be US\$103.5 billion in 2022, accounting for 53% of the total revenue of the industry, with a year-on-year increase of 5.1%; (ii) the PC games market size accounted for 21% of the total revenue of the industry, reaching US\$40.4 billion with a year-on-year increase of 1.6%; and (iii) console games declined year-on-year by 2.2% to US\$52.9 billion, accounting for 27% of the total revenue of the games market. The report concluded that, in light of the lifting of social distancing measures, the short and medium-term prospects of the gaming industry remain bright and the games market is expected to continue to grow in the next few years. It is estimated that the number of players around the world would increase from the current 3.2 billion to 3.5 billion by 2025, with the market size reaching US\$225.7 billion.

According to the “Report on China’s Game Industry for 2022” (2022年中國遊戲產業報告) jointly published by the Game Publishing Committee (GPC) of the China Audio-visual and Digital Publishing Committee (中國音數協遊戲工委) and the China Game Industry Research Institute (中國遊戲產業研究院), the actual sales revenue of China’s games market amounted to RMB265.884 billion in 2022, representing a year-on-year decrease of RMB30.629 billion, or 10.33%. Such decrease was mainly due to the fact that: firstly, the macro economy was in the recovery stage from the effects of complex and critical local and overseas situations; and secondly, game companies faced many challenges as affected by the COVID-19 pandemic in China. In 2022, the actual sales revenue of China’s mobile games accounted for 72.61% of the overall game market, decreasing for the first time in nearly a decade. In addition to the impact of the COVID-19 pandemic and the decline in user numbers, the lack of new game products was also an important reason. Proprietarily developed games are the main revenue stream of China’s game market. In 2022, the actual sales revenue of China’s proprietarily developed mobile games in overseas markets accounted for 32.31% in the United States market, 17.12% in the Japanese market and 6.97% in the South Korean market. These three countries are still the main overseas target markets for Chinese game enterprises, accounting for 56.40% in total.

In terms of cloud computing and other businesses, according to the “2022 Cloud Computing White Paper” (《雲計算白皮書(2022年)》) published by the China Academy of Information and Communications Technology (中國信通院), China’s cloud computing market continued to grow rapidly. In 2021, China’s overall cloud computing was in a stage of rapid development, with the market size reaching RMB322.9 billion, representing an increase of 54.4% as compared with 2020. Specifically, the public cloud market continued to increase significantly by 70.8% to RMB218.1 billion, which is expected to become the main driving force for the growth of China’s cloud computing market in the next few years. Meanwhile, the size of the private cloud market exceeded the RMB100 billion ceiling, representing a year-on-year increase of 28.7% to RMB104.8 billion. Enterprises affected by policies such as digital economy and new infrastructure, as well as the increasing demands for digital transformation of enterprises, continue to increase their demand for cloud computing services, which will accelerate the development of the cloud computing market in China.

OUTLOOK FOR 2023

In 2023, in terms of our gaming business, the Group will continue to delve into the pain points of users, enhance the quality of games and strive to create high quality popular gaming products.

In terms of our gaming research and development business, in 2023, the Group will continue to promote the development of overseas versions of “DDTank Adventure” (彈彈堂大冒險) and “Wartune H5” (神曲H5). As the “DDTank” (彈彈堂) series is the core R&D IP projects of the Group, we will continue to update “DDTank Adventure” (彈彈堂大冒險) with new versions, timely launch related competitions and add new gameplay to maintain the popularity of the IP, attract the attention and participation of users and expand our user market. “DDTank Adventure” (彈彈堂大冒險) is expected to be successively launched in other overseas regions. In the second half of the year, the Group also plans to launch a mini program version and an overseas mobile game version of “Wartune H5” (神曲H5), another classic IP of the Group, which will be tested around mid-2023. In the 2D arena, the Group’s studio is developing a mobile game product based on a well-known Japanese IP, the first test of which is expected to be conducted in the third quarter of 2023 and the game itself is expected to be unveiled in the second half of 2023. The IP itself has a wide reputation, a huge audience group and was developed with a focus on high restoration of IP images and plots, with an aim to provide fans with an authentic IP gaming experience. The Group will continue to improve its game portfolio, further enhance its game development and performance income and attract more R&D and technical talents to join the Group with attractive talent policies to help the Group reach new development heights.

In terms of our game publishing business, the Group expects to launch several games in 2023. Among them, “Heroic Fantasy” (英靈幻想), a magic-themed RPG mobile game, will be released in South Korea, Europe and the United States in 2023. It involves the fingertip turn-based and hero-matching strategic gameplay and will bring players a better experience. A well-known IP game, “Douluo Continent” (斗羅大陸), had undergone data testing in 2022 with good results, and is expected to be launched in South Korea in 2023. In addition, the Group is currently contracting to publish a famous IP game, which is expected to be launched in 2023.

In relation to business cooperation for our gaming business, a subsidiary of the Group continues to maintain a cooperative relationship with Roblox on Chinese platforms. Roblox is the world’s top sandbox game developer, and our subsidiary is mainly responsible for the R&D collaboration and developer space maintenance of Roblox’s gaming business on Chinese platforms. Focusing on sandbox games and casual games, it has launched a Roblox adventure product in 2022. Published by a well-known game developer, the game adopts popular medieval pirate themes and has been recognized by more than 200,000 users in the first month of its launch. In addition, an education simulation fighting game, a common type of simulation game on the Roblox platform, had undergone technical testing in December 2022. The game includes rich growth paths with light-strategy fighting experience, and is expected to be commercially available in 2023. In 2023, our subsidiary will continue to participate in the R&D collaboration of Roblox products and several products will be launched in overseas markets. At the same time, our subsidiary will actively experiment in the development and launch of casual games with hybrid billing outside the Roblox platform. The first light tower-defense product published by the Group is expected to be launched in overseas markets in the first half of 2023.

In terms of IP game licensing and investment, we will continue to work on the R&D of high-quality IP through IP licensing or cooperation with other high-quality manufacturers, and the R&D of high-quality IP remains an important part of our long-term business strategy. Moreover, we will actively seek appropriate investment and cooperation opportunities. Following the business development strategy of the Group, we will selectively acquire and invest in potential IPs, including popular literature, comics and social networks, or excellent R&D and distribution companies in the industrial chain from third parties. We will actively look for elite R&D teams and potential blockbuster games, and look forward to delivering high-quality products to the Group through game licensing, investment and merger and acquisitions, or cooperating with them to strengthen business synergy, integrating R&D capabilities, game products, market channels, operational and management advantages, as well as resources such as existing game players, so as to consolidate upstream and downstream industry chains and enhance our position in the industry.

In terms of our cloud computing business, in 2023, we will proactively continue to operate and expand our cloud business including our existing cloud computing services and other cloud-related services. Through establishing good and stable business relationships with our major customers at an early stage, we were able to lay a solid foundation for our further cooperation with other customers and gain a good reputation, which is conducive to increasing the cloud proportion of existing customers' IT infrastructures and achieving further penetration into the key industries of graphics rendering and AI supercomputing. Leveraging high-end AI supercomputer capabilities provided by high-performance supercomputer servers and optimising computing cache with storage servers to improve computing performance, the Group is able to meet our customers' increasing need for computing resources, thus achieving long-term sustainable revenue. In line with the trend of the demand for innovation in the traditional broadband business industry gradually shifting to "cloud broadband", the Company is also exploring cloud network businesses through the deep integration of cloud applications and broadband access networks. Through our deployment in the cloud computing industry, the Company also extends and explores its upstream and downstream industry chains, including high-performance chips of integrated circuits from upstream industry chains and proprietary cloud service platforms for the gaming industry, etc. to further enhance our long-term business sustainability and profitability, and to adapt to an increasingly competitive industrial environment and ever-changing market trend that may affect the Company's business operations, creating value for the Group and its Shareholders. With the publishing of Overall Layout Planning for Digital China (《數字中國建設整體佈局規劃》) by the PRC government, it is expected that digital infrastructure and data resource systems will continue to grow rapidly in the foreseeable future. In 2023, the Group will continue to seek development opportunities in the cloud computing and cloud-related service markets as well as the upstream and downstream industry chains related to the cloud business.

In 2023, in response to changes, the Group will continue to improve its overall competitiveness, resource control capabilities, follow-up development capabilities and anti-risk capabilities to consolidate, develop and enhance our position in the industry and create more value for our Shareholders.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

During the year ended 31 December 2022, we continued to focus on the R&D of games and the operations of high-quality games to cope with the intensifying competition in the gaming industry. We have established various specialized studios for R&D as well as operation and publishing centers targeted at establishing a global presence for the R&D, operation and publishing of games. For the year ended 31 December 2022, the Group's online game revenue was mainly derived from several well-known games, including "DDTank" (彈彈堂) series, "Three Kingdoms" (三國) series and "Wartune" (神曲) series.

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

For the year ended 31 December 2022, our web games had (i) an average MAUs of approximately 0.6 million; (ii) an average MPUs of approximately 36,000; and (iii) an ARPPU of approximately RMB522.1; and our mobile games had (a) an average MAUs of approximately 3.6 million; (b) an average MPUs of approximately 482,000; and (c) an ARPPU of approximately RMB289.6.

The Group commenced the provision of cloud computing services and other cloud-related services as new business activities of the Group in 2021 in order to expand its income streams and create better returns for Shareholders as well as diversify its income streams.

For the year ended 31 December 2022, the Company's cloud business generated a revenue of approximately RMB106.4 million.

The Group had entered into a series of agreements, allowing the Group to provide cloud-related services to its customers and create value for Shareholders through purchasing server hosts, graphic cards, servers and other cloud computing equipment. Such services would be used for rendering, artificial intelligence, big data supercomputing and blockchain technology-related services. Since such equipment commenced operations in 2021, the Group captured market opportunities in a timely manner, continued its business expansion, and strategically prioritized major customers. The Group had successively signed strategic cooperation resources agreements with well-known domestic companies to provide algorithms, cloud computing resources and professional software support services to

customers. In light of the Group’s stable operation resources, and having established long-term services cooperation agreements with major customers and maintaining good cooperations, currently the cloud computing business has contributed sustainable revenue to the Group. In addition, the Group has also actively been expanding and investing in the upstream and downstream industry chain. As disclosed in the Company’s announcement dated 24 May 2022, the Group indirectly invested in Shanghai Advanced Silicon Technology Co., Ltd. (“**Shanghai Silicon**”). Shanghai Silicon is a market-leading domestic PRC manufacturer of large-scale semiconductor silicon chips. Its products are widely used in the production of memory chips, central processing units (CPUs), graphic processing units (GPUs) and various semi-conductor components, and it is expected to have broad market prospects in the future, and has the potential to create business synergies with the Group.

YEAR ENDED 31 DECEMBER 2022 COMPARED TO THE YEAR ENDED 31 DECEMBER 2021

The following table sets forth the comparative statements of profit or loss for the years ended 31 December 2022 and 2021:

	Year ended 31 December		Year-on-year
	2022	2021	change
	(RMB’000)	(RMB’000)	%
Revenue	540,630	420,543	28.6
Cost of revenue	(279,427)	(196,072)	42.5
Gross profit	261,203	224,471	16.4
Research and development expenses	(129,482)	(79,923)	62.0
Selling and marketing expenses	(115,563)	(13,092)	782.7
Administrative expenses	(60,554)	(74,580)	-18.8
Net (provision)/reversal of impairment losses on financial assets under expected credit loss model	(11,446)	4,475	-355.8
Other income	10,056	17,549	-42.7
Other losses, net	353,160	(41,176)	-957.7
Operating profit	307,374	37,724	714.8
Finance income	642	1,686	-61.9
Finance costs	(20,820)	(3,134)	564.3
Finance costs, net	(20,178)	(1,448)	1,293.5
Share of results of an associate	(3,807)	54,854	-106.9
Profit before income tax	283,389	91,130	211.0
Income tax credit	(3,783)	6,860	-155.1
Profit for the year	<u>279,606</u>	<u>97,990</u>	<u>185.3</u>

REVENUE

The following table sets forth the breakdown of our revenue for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	(RMB'000)	(% of total revenue)	(RMB'000)	(% of total revenue)
Types of goods or services	426,054	78.7%	253,628	60.3%
Online game revenue				
— Self-development games				
published by the Group	165,569	30.6%	39,259	9.4%
published by other publishers	151,949	28.1%	187,719	44.6%
— Licensed games				
published by the Group	1,283	0.2%	8,592	2.0%
published by other publishers	107,253	19.8%	18,058	4.3%
Sales of game copyrights	1,458	0.3%	47,171	11.2%
Sales of online game technology and publishing solutions services	82	0.0%	42,791	10.2%
Intellectual property licensing	6,669	1.2%	27,999	6.7%
Cloud computing and cloud related services	106,367	19.8%	48,954	11.6%
Total	540,630	100.0%	420,543	100.0%

For the year ended 31 December 2022, total revenue was approximately RMB540.6 million, representing an increase of approximately 28.6% as compared with the year ended 31 December 2021. This was mainly due to the higher revenue from our new game, “DDTank Adventure” (彈彈堂大冒險), which was released at the end of the year.

For the year ended 31 December 2022, revenue of the Group’s game business was RMB426.1 million, representing an increase of approximately 68.0% as compared with the year ended 31 December 2021. This was mainly due to the higher revenue from our new game, “DDTank Adventure” (彈彈堂大冒險), which was released at the end of the year. For the year ended 31 December 2022, revenue of the Group’s cloud business was approximately RMB106.4 million, representing an increase of approximately 117.3% as compared with the year ended 31 December 2021. This was mainly due to the Group’s newly commenced cloud business in 2021 and the gradual expansion of the business this year.

COST OF REVENUE

Our cost of revenue mainly comprises employee salary and benefit expenses incurred by our operations departments, cost of game licensing and cloud business depreciation cost and lease expenses. The cost of revenue amounted to approximately RMB279.4 million for the year ended 31 December 2022, representing an increase of approximately 42.5% as compared to approximately RMB196.1 million for the year ended 31 December 2021, mainly due to the increase in game sharing cost and server rental cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit amounted to approximately RMB261.2 million for the year ended 31 December 2022, representing an increase of approximately 16.4% as compared to approximately RMB224.5 million for the year ended 31 December 2021, which is mainly due to an increase in gross profit due to better performance of our new games released at the end of the year.

Our gross profit margin was approximately 48.3% for the year ended 31 December 2022, representing a slight decrease as compared to approximately 53.4% for the year ended 31 December 2021, mainly due to a higher increase in cost of revenue relative to our revenue.

Expenses

Research and Development Expenses

Our R&D expenses mainly comprise employee salary and benefit expenses incurred by our R&D department and outsourcing expenses. The R&D expenses amounted to approximately RMB129.5 million for the year ended 31 December 2022, representing an increase of approximately 62.0% as compared to approximately RMB79.9 million for the year ended 31 December 2021. Such increase was mainly because we increased research and development investment for the year which led to an increase in employee salary expenses and outsourcing expenses.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses and professional consulting fees. The administrative expenses were approximately RMB60.6 million for the year ended 31 December 2022, representing a decrease of 18.8% as compared to approximately RMB74.6 million for the year ended 31 December 2021. Such decrease was mainly because the Group enhanced its management in administrative expenses in 2022.

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 RMB115.6 million for the year ended 31 December 2022, representing an increase of approximately 782.7% as compared to RMB13.1 million for the year ended 31 December 2021. Such increase was mainly due to the increase in marketing expenses from the launch of new games.

Income Tax

The income tax expenses increased for the year ended 31 December 2022 as compared to the corresponding period in 2021, which was mainly a result of an increase in profits for the year as compared with the prior year. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the year ended 31 December 2022 varied from 12.5% to 25% (2021: 5%–25%).

PROFIT FOR THE YEAR

For the year ended 31 December 2022, our profit attributable to owners of the Company amounted to approximately RMB282.5 million, representing an increase of approximately 199.8% as compared with the year ended 31 December 2021. This was mainly attributable to the gain generated from the Shouxin Disposal, which had been completed on 14 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and equity or debt financing activities for its capital requirements. As at 31 December 2022, cash and bank balances amounted to RMB104.7 million (2021: RMB108.5 million), which were denominated in RMB. During the year ended 31 December 2022, cash and bank balances decreased slightly.

INTEREST BEARING LOAN

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. As at 31 December 2022, our borrowings balance amounted to approximately RMB206.9 million (2021: RMB10.0 million), mainly as we obtained new loans in 2022. As at 31 December 2022, our borrowings were denominated in RMB. Details of the Group's borrowings, including maturities, currencies and interest rates, are set out in note 15 of the consolidated financial statements.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio was approximately 28.2% (2021: 19.3%). The increase was mainly due to an increase in liabilities resulting from new loans obtained for the year ended 31 December 2022, as well as a higher increase in total liabilities relatively to total assets. The gearing ratio is calculated as total debt divided by total assets of the Group as at 31 December 2022.

CAPITAL EXPENDITURE

	Year ended 31 December		Year-on-year
	2022	2021	change
	(RMB'000)	(RMB'000)	%
Servers and other equipment	183,176	309,212	-40.8%
Office furniture and leasehold improvement	639	1,370	-53.4%
Vehicles	—	341	-100.0%
Total	183,815	310,923	-40.9%

Our capital expenditure includes servers and other equipment, office furniture and leasehold improvement and vehicles. The total capital expenditure for the years ended 31 December 2022 and 2021 was approximately RMB183.8 million and RMB310.9 million, respectively. The decrease was mainly due to the decrease in purchases of servers and other equipment for the year.

FOREIGN EXCHANGE RISK

The Group operates in 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 recognized assets and liabilities when foreign currency is or will be received from overseas counterparties. For the year ended 31 December 2022, the Group did not have policies to hedge any foreign currency fluctuations.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, (i) the fair value of the investment in Shanghai Silicon was approximately RMB384.4 million; (ii) an unrealised fair value gain on the Group's investment in Shanghai Silicon of approximately RMB4.4 million was recognised for the year ended 31 December 2022; and (iii) no dividend/income distribution was received. Accordingly, the fair value of the investment in Shanghai Silicon compared to the Group's total assets as at 31 December 2022 was approximately 14.5% and therefore classified as a significant investment of the Group.

As at 31 December 2022, the Group effectively invested in approximately 2.2% of Shanghai Silicon (effectively held approximately 23,150,000 shares in Shanghai Silicon) at a total capital commitment of RMB380 million. Shanghai Silicon is a market-leading domestic PRC manufacturer of large-scale semiconductor silicon chips, and is expected to have broad market prospects in the future. Shanghai Silicon's products are widely used in the production of memory chips, central processing units, graphic processing units and various semiconductor components.

The investment in Shanghai Silicon is expected to be for long-term purposes. The Directors are of the view that Shanghai Silicon is positioned as an upstream company of the Group's cloud business, and given the future prospects of large-scale semiconductor silicon chips and the Group's prospects in further developing its cloud business in high technology industries, it has the potential to create business synergies with the Group and the Group would also be able to generate investment returns from the investment in Shanghai Silicon.

Save as disclosed above, the Group did not have any other significant investments held as of 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other future plans for material investments or capital assets as of 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Disposal of Wuxi Shouxin Network Technology Co., Ltd.* (無錫手心網絡科技有限公司) (“Wuxi Shouxin”)

On 3 April 2022, Shanghai Xinla and Shaoxing Shangyu Saihe Equity Investment Co., Ltd.* (紹興上虞賽赫股權投資有限公司) (“**Shaoxing Shangyu**”), an independent third party, entered into an equity transfer agreement, pursuant to which Shanghai Xinla had conditionally agreed to sell, and Shaoxing Shangyu had conditionally agreed to acquire, 49% equity interest in Wuxi Shouxin, an associate of the Company at that time, at a consideration of RMB359.66 million (subject to adjustments).

On 14 June 2022, the Company has completed the disposal of Wuxi Shouxin and the Company ceased to hold any interest in Wuxi Shouxin, and Wuxi Shouxin ceased to be accounted for as an associate of the Company.

For details of the disposal of Wuxi Shouxin, please refer to the announcement of the Company dated 3 April 2022, the circular of the Company dated 29 April 2022 and the announcement of the Company dated 14 June 2022.

Entering into of the partnership agreement and subscription of interest in Shanghai Chengying Management Consulting Partnership (Limited Partnership)* (上海誠英管理諮詢合夥企業(有限合夥)) (“Shanghai Chengying”)

On 24 May 2022, Wuxi 7Road Technology Co., Ltd.* (無錫第七大道科技有限公司) (“**Wuxi 7Road**”), an indirect wholly-owned subsidiary of the Company, entered into the partnership agreement with Shanghai Yunxi Investment Management Consulting Co., Ltd* (上海韻禧投資管理諮詢有限公司), Ms. Huang Yu and Shanghai Chengying, each of them being an independent third party, pursuant to which Wuxi 7Road agreed to act as a limited partner of Shanghai Chengying and subscribed for interests in Shanghai Chengying with a total capital commitment of RMB330 million.

Given that key matters relating to the management and operation of Shanghai Chengying are subject to the unanimous consent of all the partners of Shanghai Chengying, and Wuxi 7Road, as a limited partner, shall take no part in the management nor control of Shanghai Chengying’s business, the Group has no control over Shanghai Chengying, and the financial results of Shanghai Chengying will therefore not be consolidated into the financial statements of the Group.

For details of the entering into of the partnership agreement and subscription of interest in Shanghai Chengying, please refer to the announcement of the Company dated 24 May 2022.

Disposal of Hangzhou Shengfeng Network Technology Co., Ltd.* (杭州盛鋒網絡科技有限公司) (“Hangzhou Shengfeng”)

On 23 December 2022, Shanghai Xinla and Anhui Youxin Network Technology Co., Ltd.* (安徽遊昕網絡科技有限公司) (“**Anhui Youxin**”), an independent third party, entered into an equity transfer agreement, pursuant to which Shanghai Xinla had agreed to sell, and Anhui Youxin had agreed to buy, 100% of the registered capital of Hangzhou Shengfeng, a subsidiary of the Company at the time, for a consideration of RMB93 million, subject to the terms and conditions thereunder. Upon completion of the disposal, the Company ceased to hold any interest in Hangzhou Shengfeng, and Hangzhou Shengfeng ceased to be accounted for as a subsidiary of the Company.

For details of the disposal of Hangzhou Shengfeng, please refer to the announcement of the Company dated 23 December 2022.

Save as disclosed in this announcement, the Company did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2022.

CHARGE ON ASSETS

As of 31 December 2022, we pledged our self-owned server hosts, graphics cards and servers as security for loans of RMB220 million. For further details, please refer to note 15 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2022, there was no other material charge on the Group’s assets.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2022, save as disclosed in the section headed “Material Legal Proceedings” below, we did not have any other unrecorded significant contingent liabilities, guarantees or any material litigation against us.

MATERIAL LEGAL PROCEEDINGS

(i) Legal proceedings commenced by Digital Hollywood Interactive Limited against Qianhai Huanjing and Shenzhen 7Road in April 2020

On 27 April 2020, Guangzhou Zhang Ying Kong Information Technology Company Limited (廣州掌贏控信息科技有限公司) (“**Zhang Ying Kong**”), a subsidiary of Digital Hollywood Interactive Limited (a company listed on the Stock Exchange, stock code: 2022), as plaintiff, litigated against Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司) (“**Qianhai Huanjing**”) and Shenzhen 7Road Technology Co., Ltd. (深圳第七大道科技有限公司) (“**Shenzhen 7Road**”), each a subsidiary of the Company, as defendants, concerning a game cooperative development agreement (the “**April 2020 Lawsuit**”). The amount of the claims made by Zhang Ying Kong in relation to the April 2020 Lawsuit was approximately RMB11.7 million. The April 2020 Lawsuit 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. On 25 March 2022, the court made a preliminary judgement, subject to appeal, which held that Qianhai Huanjing shall refund usage fees of approximately RMB6.6 million to Zhang Ying Kong. As at the date of this announcement, the case is at the stage of appeal.

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

On 3 March 2021, the Company was informed by Qianhai Huanjing that it, 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 (“**PCL**”), 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. On 10 March 2022, Qianhai Huanjiang received notice that the hearing of the March 2021 Lawsuit will be held on 30 March 2022. As at the date of this announcement, the March 2021 Lawsuit is still ongoing but is not expected to affect the normal business operation of the Group. Details of the above legal proceedings are set out in the Company’s announcement dated 3 March 2021.

(iii) Legal proceedings commenced by PCL against Qianhai Huanjing and Shenzhen 7Road in August 2022

On 8 December 2021, PCL, as plaintiff, filed a lawsuit with the Guangdong Higher People's Court (the "**Guangdong Higher Court**") against Shenzhen 7Road and Qianhai Huanjing, as defendants, in relation to a dispute on infringement of trade secret over the online game Wartune (神曲), and Shenzhen 7Road and Qianhai Huanjing had received the Notice to Respond from the Guangdong Higher Court in July and August 2022, respectively (the "**August 2022 Lawsuit**"). The amount of the monetary claims made by PCL in relation to the August 2022 Lawsuit was RMB25 million. Shenzhen 7Road and Qianhai Huanjing had already engaged legal advisors, and the legal advisors had advised that there is insufficient factual and legal basis for PCL's claims. As at the date of this announcement, Shenzhen 7Road, Qianhai Huanjing and their respective legal advisors are in the process of actively preparing their responses against PCL's claims in relation to the August 2022 Lawsuit.

Save as disclosed above, the Group was not involved in any other material legal proceedings during the year ended 31 December 2022.

SUBSEQUENT EVENTS

(a) Entering into a finance lease agreement

On 7 February 2023, the Group entered into a finance lease agreement, pursuant to which the Group agreed to sell certain servers and other equipment to an independent third-party's financial leasing company at an aggregate consideration of RMB36 million, the Group leased back those servers and other equipment for a term of 48 months.

(b) Possible investment in a company engaged in the construction and operation of data centres

On 10 February 2023, the Group entered into a non-legally binding letter of intent to invest in a company principally engaged in the construction and operation of data centres. At the date of this announcement, no formal agreement has been entered into between the parties in relation to the possible investment and a refundable deposit of RMB60 million was paid by the Group.

Save as disclosed in this announcement, the Group did not have any other significant subsequent events after the year ended 31 December 2022.

FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	3	540,630	420,543
Cost of revenue	7	(279,427)	(196,072)
Gross profit		261,203	224,471
Research and development expenses	7	(129,482)	(79,923)
Selling and marketing expenses	7	(115,563)	(13,092)
Administrative expenses	7	(60,554)	(74,580)
Net (provision)/reversal of impairment losses on financial assets under expected credit loss model	4	(11,446)	4,475
Other income	5	10,056	17,549
Other gains or loss, net	6	353,160	(41,176)
Operating profit		307,374	37,724
Finance income	8	642	1,686
Finance costs	8	(20,820)	(3,134)
Finance costs, net	8	(20,178)	(1,448)
Share of results of associates		(3,807)	54,854
Profit before income tax		283,389	91,130
Income tax credit	9	(3,783)	6,860
Profit for the year		279,606	97,990
Profit/(loss) attributable to:			
— Owners of the Company		282,499	94,236
— Non-controlling interests		(2,893)	3,754
		279,606	97,990
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):			
Basic and diluted	10	0.1097	0.0366

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year	279,606	97,990
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value changes on financial assets at fair value through other comprehensive income, net of tax	(526)	340
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences of foreign operations	<u>6,549</u>	<u>4,525</u>
Other comprehensive income, net of tax	<u>6,023</u>	<u>4,865</u>
Total comprehensive income for the year	<u>285,629</u>	<u>102,855</u>
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	288,522	99,101
— Non-controlling interests	<u>(2,893)</u>	<u>3,754</u>
	<u>285,629</u>	<u>102,855</u>

Consolidated Statement of Financial Position

At 31 December 2022

		As at 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		355,190	286,736
Right-of-use assets		211,461	83,796
Intangible assets		626,778	722,440
Interests in associates		16,265	133,454
Financial assets at fair value through other comprehensive income		2,171	2,697
Financial assets at fair value through profit or loss	12	600,733	138,474
Prepayment and other receivables		92,872	117,338
Restricted cash		139	138
Deferred income tax assets		49,603	50,141
		<u>1,955,212</u>	<u>1,535,214</u>
Current assets			
Inventories		2,019	2,019
Trade receivables	13	368,329	234,980
Prepayment and other receivables		120,204	84,409
Financial assets at fair value through profit or loss	12	95,626	43,682
Restricted cash		1	1
Cash and cash equivalents		104,747	108,500
		<u>690,926</u>	<u>473,591</u>
Current liabilities			
Trade and other payables	14	239,241	203,430
Lease liabilities		70,913	51,860
Bank and other borrowings	15	55,250	10,000
Current income tax liabilities		15,814	9,275
Contract liabilities		73,609	69,442
		<u>454,827</u>	<u>344,007</u>
Net current assets		<u>236,099</u>	<u>129,584</u>
Total assets less current liabilities		<u>2,191,311</u>	<u>1,664,798</u>

		As at 31 December	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
Non-current liabilities			
Lease liabilities		130,607	27,527
Bank and other borrowings	15	151,627	—
Deferred income tax liabilities		8,230	15,587
		<u>290,464</u>	<u>43,114</u>
Net assets		<u>1,900,847</u>	<u>1,621,684</u>
EQUITY			
Share capital		90	90
Share premium		4,083,085	4,083,085
Other reserves		(2,963,174)	(2,963,936)
Retained earnings		780,608	495,225
		<u>1,900,609</u>	<u>1,614,464</u>
Non-controlling interests		<u>238</u>	<u>7,220</u>
Total equity		<u>1,900,847</u>	<u>1,621,684</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the development and distribution of web games and mobile games in the People’s Republic of China (the “**PRC**”) and other countries and regions (the “**Business**”) as well as the provision of cloud computing services and other cloud-related services in the PRC.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 30 March 2023.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and contingent consideration payable for acquisition of a subsidiary, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRSs 2018–2020

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

3 Segment information and revenue

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

As at 31 December 2022 and 2021, the majority of the non-current assets of the Group were located in the PRC.

The Group's revenue for the years ended 31 December 2022 and 2021 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or services		
Online game revenue		
— Self-development games		
<i>published by the Group</i>	165,569	39,259
<i>published by other publishers</i>	151,949	187,719
— Licensed games		
<i>published by the Group</i>	1,283	8,592
<i>published by other publishers</i>	107,253	18,058
	426,054	253,628
Sales of game copyrights	1,458	47,171
Sales of online game technology and publishing solutions services	82	42,791
Intellectual property licensing	6,669	27,999
Cloud computing and related cloud service	106,367	48,954
	540,630	420,543
Timing of revenue recognition		
— At a point in time	8,209	126,351
— Over time	532,421	294,192
	540,630	420,543
4 Net (provision)/reversal of impairment losses on financial assets under expected credit loss model		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses (recognised)/reversed on:		
— Trade receivables	(5,051)	239
— Other receivables	(6,395)	4,236
	(11,446)	4,475

5 Other income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants (<i>Note a</i>)	6,312	13,190
Refunds of the PRC value-added tax	3,621	3,961
Investment income	17	171
Others	106	227
	<u>10,056</u>	<u>17,549</u>

Note:

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

6 Other gains or loss, net

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fair value changes on financial assets at fair value through profit or loss	31,096	3,450
Fair value change on contingent consideration payable for acquisition of a subsidiary	(1,429)	(48,330)
Gains/(loss) on disposals of property, plant and equipment and right-of-use assets	6,381	(48)
Gain on disposal of intangible assets	—	3,047
Gain on disposal of subsidiaries	13,083	5,426
Gain on disposal of an associate	306,200	—
Impairment losses of an associate	(6,421)	—
Foreign exchange (loss)/gains, net	4,187	(2,567)
Others	63	(2,154)
	<u>353,160</u>	<u>(41,176)</u>

7 Expenses by nature

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	—	8,259
Employee benefit expenses	158,704	125,184
Share-based compensation	—	204
Promotion and advertising expenses (<i>Note a</i>)	115,408	19,493
Channel service fee and cost of licensing	48,523	21,289
Utilities and office expenses	4,110	7,480
Outsourced technical service fees	29,652	14,436
Bandwidth and server custody fees	20,879	8,313
Travelling and entertainment expenses	6,799	10,366
Other professional consulting fees	8,481	11,717
Depreciation of property, plant and equipment	81,514	27,087
Depreciation of right-of-use assets	75,158	31,561
Amortisation of intangible assets	28,020	66,335
Short-term lease expenses	1,131	1,907
Auditors' remuneration		
— Audit services	3,300	3,300
— Audit-related services	430	739
Tax and levies	2,380	5,233
Others	537	764
	<u>585,026</u>	<u>363,667</u>

Note:

- (a) Promotion and advertising expenses include sales of games and marketing expenses, publishing solution advertising service costs

8 Finance costs, net

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income		
Interest income on bank balances	194	1,254
Others	448	432
	<u>642</u>	<u>1,686</u>
Finance costs		
Interest expenses on bank and other borrowings	(10,785)	(322)
Interest expenses on lease liabilities	(9,393)	(2,010)
Others	(642)	(802)
	<u>(20,820)</u>	<u>(3,134)</u>
Finance costs, net	<u>(20,178)</u>	<u>(1,448)</u>

9 Income tax credit

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
— Income tax for the current year	(11,132)	(2,609)
— Under-provision in prior years	—	—
	<u>(11,132)</u>	<u>(2,609)</u>
Deferred income tax	7,349	9,469
	<u>7,349</u>	<u>9,469</u>
Income tax credit	<u>(3,783)</u>	<u>6,860</u>

10 Earnings per share

(a) Basic

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit attributable to owners of the Company	282,499	94,236
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>2,574,268</u>	<u>2,574,268</u>
Basic earnings per share for profit attributable to owners of the Company	<u><u>0.1097</u></u>	<u><u>0.0366</u></u>

(b) Diluted

For the year ended 31 December 2022, no diluted earnings per share were presented as there were no potential ordinary shares in issue.

For the year ended 31 December 2021, 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, due to the fact that the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period.

11 Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

12 Financial assets at fair value through profit or loss

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current		
Listed shares and unlisted equity investments in the PRC	85,569	474
Unlisted limited partnerships in the PRC	515,164	20,000
Unlisted trust and fund in the PRC	—	118,000
	600,733	138,474
Current		
Listed shares in Hong Kong	25,099	43,682
Unlisted trust and fund in the PRC	70,527	—
	95,626	43,682
	696,359	182,156

13 Trade receivables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	389,435	251,040
Less: provision for impairment	(21,106)	(16,060)
	368,329	234,980

The Group's trade receivables were denominated in the following currencies:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	289,367	145,354
US\$	98,179	66,429
Others	1,889	39,257
	<u>389,435</u>	<u>251,040</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	178,786	132,687
3 to 6 months	45,368	72,456
6 months to 1 year	76,932	29,792
1 to 2 years	69,789	—
Over 2 years	18,560	16,105
	<u>389,435</u>	<u>251,040</u>

14 Trade and other payables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables (<i>Note a</i>)	121,005	13,779
Payroll liabilities	54,413	36,288
Other tax payables	11,629	10,624
Dividend payables	1	1
Listing fee payable	8,140	7,452
Government grants	139	138
Accrued expenses	2,988	3,171
Contingent consideration payable for acquisition of a subsidiary	—	131,741
Amounts due to former subsidiaries	38,450	—
Others	2,476	236
	<u>239,241</u>	<u>203,430</u>

Notes:

(a) Trade payables

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 30 days	63,572	4,210
31 to 60 days	5,087	5,019
61 to 90 days	4,823	518
91 to 180 days	12,103	2,143
181 to 365 days	26,854	250
Over 1 year	8,566	1,639
	<u>121,005</u>	<u>13,779</u>

15 Bank and other borrowings

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Secured and unguaranteed other borrowings		
— RMB loan (<i>Note a</i>)	206,877	—
Unsecured and guaranteed bank borrowings		
— RMB loan	—	10,000
	<u>206,877</u>	<u>10,000</u>

Notes:

- (a) On 16 March 2022, the Group entered into a finance lease agreement with Shanghai Yuncheng Financial Leasing Co., Ltd.* (上海雲城融資租賃有限公司) (the “**Lessor 1**”), a company established in the PRC with limited liability and an independent third party to the Group, to transfer of ownership and lease back of certain servers and other equipment of the Group at a cash consideration of RMB150,000,000 (the “**Finance Lease Agreement 1**”). Pursuant to the Finance Lease Agreement 1, the ownership of certain servers and other equipment of the Group was transferred to the Lessor 1 and the Group leased back those servers and other equipment from the Lessor 1 for a term of 48 months. At the end of lease term, the Lessor, subject to the settlement of all outstanding amounts due under the Finance Lease Agreement, agreed to transfer the ownership of those servers and other equipment to the Group at a purchase price of RMB10,000.

On 5 September 2022, the Group entered into another finance lease agreement with Jiangsu Financial Leasing Co., Ltd.* (江蘇金融租賃股份有限公司) (the “**Lessor 2**”), a company established in the PRC with limited liability and an independent third party to the Group, to transfer of ownership and lease back of certain servers and other equipment of the Group at a cash consideration of RMB70,000,000 (the “**Finance Lease Agreement 2**”). Pursuant to the Finance Lease Agreement 2, the ownership of certain servers and other equipment of the Group was transferred to the Lessor 2 and the Group leased back those servers and other equipment from the Lessor 1 for a term of 48 months. At the end of lease term, the Lessor, subject to the settlement of all outstanding amounts due under the Finance Lease Agreement, agreed to transfer the ownership of those servers and other equipment to the Group at a purchase price of RMB100.

The Finance Lease Agreement 1 and 2 were not accounted for as a sale in accordance with IFRS 15 since the Group is able to repurchase those servers and other equipment at a price which is significantly lower than its original selling price; and the Finance Lease Agreement 1 and 2 was not accounted for as a sale and leaseback transaction in accordance with IFRS 16. Accordingly, the Finance Lease Agreement 1 and 2 were accounted for as the Group’s borrowing in accordance with IFRS 9 with the aggregate principal amount of RMB220,000,000. The effective interest rate of the borrowings were ranged from 8.00% to 8.42% per annum. As at 31 December 2022, the borrowings were secured by the property, plant and equipment with carrying amount of approximately RMB228,585,000.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) is expected to be held on Tuesday, 23 May 2023. A notice containing the details of convening the AGM and the book closure of register of members, for the purpose of ascertaining Shareholders’ entitlement to attend the AGM, will be published and despatched to Shareholders by the end of April 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares.

FINAL DIVIDEND

The Board did not recommend to declare a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

COMPLIANCE WITH CG CODE

The Company has complied with all the applicable code provisions of the CG Code, as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, they have all confirmed that they have complied with the Model Code for the year ended 31 December 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the relevant employees during the year ended 31 December 2022.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Xue Jun, Ms. Li Yiqing and Mr. Lui Chi Ho. Mr. Xue Jun is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been confirmed by the Company’s auditor, Elite Partners CPA Limited, to be the same amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT

This announcement was published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.7road.com). The annual report of the Group for the year ended 31 December 2022 will be despatched to the Shareholders and available on the above websites in the end of April 2023.

DEFINITIONS

“ARPPU”	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of the game, the type of games or all of our games, as applicable, during such period
“Audit Committee”	the audit committee of the Board
“average MPUs”	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region and Taiwan herein
“Company”	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 6 September 2017 and the Shares of which are listed on the Main Board of the Stock Exchange on 18 July 2018 (Stock Code: 797)

“Contractual Arrangements”	certain contractual arrangements entered into on 13 April 2018 by us
“COVID-19”	the Coronavirus disease (2019)
“Director(s)”	the director(s) of the Company
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MAUs”	monthly active users, refers to the number of people logged in to specific game(s) in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“mobile game(s)”	game(s) that is/are played on mobile devices
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, refers to the number of paying users in the relevant calendar month

“online game(s)”	video game(s) that is/are played over some form of computer or mobile network
“paying users”	in any given period, (i) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (ii) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share units granted pursuant to the restricted share unit scheme adopted by the Company on 6 March 2018
“Shanghai Xinla”	Shanghai Xinla Networks Technology Co., Ltd.* (上海辛辣網絡科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary 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
“Shouxin Disposal”	the disposal of 49% equity interest in Wuxi Shouxin Network Technology Co., Ltd.* (無錫手心網絡科技有限公司) by Shanghai Xinla, the details of which are set out in the announcement of the Company dated 3 April 2022, the circular of the Company dated 29 April 2022 and the announcement of the Company dated 14 June 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States

“web game(s)”

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

“%”

per cent

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

Wuxi, the PRC
30 March 2023

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

* *For identification purposes only*