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第七大道
7ROAD.COM

7Road Holdings Limited

第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the “**Interim Results**”) together with the comparative information for the six months ended 30 June 2022. The Interim Results have been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

| | For the six months ended 30 June | |
|---|---|-----------------------|
| | 2023 | 2022 |
| | (RMB'000) | (RMB'000) |
| Revenue | 443,652 | 204,481 |
| Profit for the period | 130,446 | 240,302 |
| Profit for the period attributable to owners of the Company | <u>130,512</u> | <u>240,401</u> |

1. For the six months ended 30 June 2023, the Company recorded a total revenue of approximately RMB443.7 million, representing an increase of approximately 117.0% as compared with the six months ended 30 June 2022.
2. For the six months ended 30 June 2023, the Company recorded a profit for the period attributable to owners of the Company of approximately RMB130.5 million, representing a decrease of approximately 45.7% as compared with the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

I. Overview of the industries in which the Company operates in

According to the “2023 Global Games Market Report” (2023全球遊戲市場報告) released by Newzoo in 2023, the global gaming market size was estimated to be US\$187.7 billion in 2023, and the number of game players around the world was close to 3.4 billion, with a year-on-year increase of 6.3%. Among which, (i) mobile games still represented the most important sector of the gaming industry, and the global mobile gaming market size was estimated to be US\$92.6 billion in 2023, accounting for 49% of the total revenue of the industry, with a year-on-year increase of 0.8%; and (ii) the PC gaming market size accounted for 18.5% of the total revenue of the industry, reaching US\$37.9 billion with a year-on-year increase of 0.5%. According to the report, the gaming industry will continue to develop steadily. It is estimated that the number of players around the world will increase to nearly 3.8 billion by 2026, with the market size reaching US\$2,124.7 billion.

According to the “Report on China’s Gaming Industry from January to June 2023” (2023年1–6月中國遊戲產業報告) published by the Game Publishing Committee (GPC) of the China Audio-video and Digital Publishing Association, China’s gaming market recorded an actual sales revenue of RMB144.263 billion from January to June 2023, representing a year-on-year decrease of 2.39% and a period-to-period increase of 22.2%. The market recovered from the decline. The main reason for the year-on-year decline in revenue is that the willingness and ability of users to spend has not recovered between January and April 2023. From May 2023 onwards, the large increase in market revenue has not offset the previous decline. Based on this trend, it is expected that a certain growth trend will also be maintained in the second half of the year. From January to June 2023, the number of China’s game players reached a record high of approximately 668 million. China’s mobile gaming market recorded an actual sales revenue of RMB106.705 billion, representing a year-on-year decrease of 3.41%. The client-based gaming market recorded an actual sales revenue of RMB32.943 billion, representing a year-on-year increase of 7.17%. The overseas market for China’s proprietary developed games recorded an actual sales revenue of US\$8.206 billion from January to June 2023, representing a year-on-year decrease of 8.72%. The United States of America, Japan and South Korea are the main overseas markets for China’s domestic mobile games, and the revenue from the strategy and the role-playing categories in total accounted for more than 50% of the revenue of China’s proprietary developed mobile games in overseas markets, while shooting games and leisure games accounted for 8.79% and 8.44%, respectively.

The concept of the metaverse has gained worldwide attention and recognition since 2021, and global technology giants have been gradually preparing to develop metaverse-related industries to conduct related trials. At present, metaverse concept games are still in the early stage of development with the immature and unstable characteristics of emerging industries and need further development, improvement and maturity of the underlying technology and industry ecology. According to the forecast of Askei Industry Research Institute (中商產業研究機構), the average growth rate of the global metaverse may reach 50% in the next 10 years and it may form a market size of several trillion US dollars after 10 years. Looking ahead, technological breakthroughs and business models that explore game-based application scenarios may become the long-term strategies of some gaming companies and the gaming industry is expected to usher in new opportunities with competition and challenges.

According to data from iiMedia Research (艾媒諮詢), the year-on-year growth rate of China's cloud computing industry is expected to reach 19.7% in 2023 and it is expected that the scale of the cloud computing industry will exceed RMB300 billion in 2023. However, some enterprises are not yet fully aware of the potential of cloud computing to help them improve productivity and capture business value and have concerns over the security of their data, while the market is becoming increasingly competitive.

II. Business review — Overview of the Company's principal activities

In the first half of 2023, we focused on our core businesses, strengthened our operations and actively explored the sources of revenue for our businesses, resulting in better revenue growth.

In the first half of 2023, the Group generated revenue from online games of approximately RMB356.8 million, compared with approximately RMB163.4 million for the same period in 2022, representing a year-on-year increase of 118.4%. Among which, revenue from mobile games and web games accounted for 89.0% and 11.0%, respectively.

The revenue generated from the Group's cloud business in the first half of 2023 was approximately RMB79.4 million, compared with approximately RMB39.4 million for the same period in 2022, representing a year-on-year increase of 101.6%. We continued to focus on game development and operation in response to the increasing competition in the gaming industry, with role-playing games and large-scale multiplayer online games as our main self-development direction. Based on our existing user base, we endeavour to explore and enhance the value of our users by combining the interactive and social attributes of our games. We have set our aim on overseas markets, to support the international development of our business by virtue of our own advantages, and have made certain achievements in areas such as the globalization, independent development and distribution of IP games.

At the end of 2022, the newly launched “DDTank Adventure” (彈彈堂大冒險) performed well. The product revolved around our core IPs and expanded its brand influence. Through a carefully designed upgrade model, players’ stickiness and willingness to pay were enhanced. At the same time, driven by user data, refined operational activities were carried out to maintain the long life cycle of the game and the level of player activity. On the day of launch, the game outclassed a number of leading games and ranked top 3 on the App Store’s bestseller list, with the product’s turnover in the first month exceeding RMB150 million. In the second quarter of 2023, our core IP product “DDTank Classics” (彈彈堂復古版) was released by our partner in Thailand. “DDTank Adventure” (彈彈堂大冒險) (Portuguese version) has entered into the localization stage and is expected to be tested in the third quarter of this year. In addition, in the second quarter of 2023, “Wartune H5” (神曲H5) was tested in North America and the user data was promising. The overseas version is planned to be released to the world in the fourth quarter of 2023.

At the end of 2022, ChatGPT set off a new wave of AI. AIGC, referring to the use of AI technology to generate content, bringing in new challenges and opportunities to the gaming industry. Grasping the market trend and actively embracing technological changes, the Group has used AIGC technology in some stages of game development and distribution, used AIs to generate multi-modal content such as text, images and audio, and created innovative content in multiple application scenarios to enrich product content and improve R&D efficiency.

Causal competitive games and massively multiplayer online role-playing games (MMORPG) are the two important development focuses of the Group and the Group will continue to engage in market competition with various flexible approaches and try to shift its advantageous resources towards them. The Group will identify quality products by means of investing in R&D companies, customizing products and conducting resource collaboration, and continue to innovate to further enrich the Group’s product lines, subsequently attracting more players and increasing our gaming business revenue.

OUTLOOK FOR THE SECOND HALF OF 2023

In the second half of 2023, the Group will continue to improve the quality of games and strive to build high-quality gaming products. We will adhere to the strategies of IP-based, high-quality, integrated research and operation and global development, so as to bring happiness and create value to users through technology and creativity, and increase the Group's revenue.

The Group plans to launch several games in the second half of 2023. Among them, "DDTank Adventure" (彈彈堂大冒險) (Portuguese version) is planned to be officially launched after being tested in the third quarter of 2023. "DDTank Adventure H5" (彈彈堂大冒險H5) is expected to be tested at the end of the year, and "DDTank X" (彈彈堂X) is expected to be publicly tested in the first half of 2024. Another classic IP "Wartune H5" (神曲H5) overseas edition is expected to be released to the world in the fourth quarter of this year after being tested in North America in the second quarter. In addition, the Group's preparations for the 2D arena is about to be unveiled. A new IP mobile game that has a wide reputation and a huge audience group is expected to be externally tested in the fourth quarter of the second half of the year. The Group strives to provide fans with an authentic IP gaming experience and present the classic world of the IP. In addition, in the second half of 2023, the Group is negotiating to introduce a client-based blockbuster game and a mobile hit game, which are scheduled to be released in the future, while the Group will continue to make efforts in a number of sub-sectors, such as the layout of small games and shoot'em up games, to capture more market opportunities.

In terms of game IP 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 actively seek appropriate investment and cooperation opportunities. According to the Group's development strategy, the Group captures market opportunities, selectively acquires and invests in IPs with potential or excellent R&D and distribution companies in the industrial chain, or selectively disposes of some projects with a view to achieve better efficiency and effectiveness, as well as consolidate and enhance the Group's industry position.

In the second half of 2023, we will continue to expand and operate the Group's cloud business on the foundation of having established good and stable business partnerships with key customers at the early stage, while continuing to seek development opportunities in the market related to cloud business services and actively seize investment opportunities in the upstream and downstream industry chains of our cloud business.

The Group will continue to improve our game portfolio, continue to focus on our global layout, further enhance the Group's game development and operation capabilities and comprehensive revenue, attract more outstanding talents to join the Group with a more attractive talent policy and help the Group to reach a new level.

FINANCIAL REVIEW

OPERATIONAL INFORMATION

During the first half of 2023, we continued to perform well in the R&D of games and the operations of high-quality games to cope with intensifying competition in the gaming industry and endeavored to become a world-renowned game developer integrated with research, operation and development capabilities. In the first half of 2023, the Group's online game revenue was mainly derived from several well-known games, including our "DDTank" (彈彈堂) series and "Wartune" (神曲) series. 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 the innovation and launching new games to attract more 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 2023, our web games had (i) an average MAUs of approximately 0.65 million; (ii) an average MPUs of approximately 34,000; and (iii) an ARPPU of approximately RMB568, representing a year-on-year increase of 2.9%, and our mobile games had (i) an average MAUs of approximately 1.18 million; (ii) an average MPUs of approximately 99,600; and (iii) an ARPPU of approximately RMB811, representing a year-on-year increase of 336.0%.

During the first half of 2023, the Group provided algorithms, cloud computing resources and professional software support services to customers, gave priority to our major customer and actively captured opportunities related to the upstream and downstream industry chain of the cloud business.

The Six Months Ended 30 June 2023 Compared to the Six Months Ended 30 June 2022

The following table sets forth the comparative statements of profit or loss for the six months ended 30 June 2023 and the six months ended 30 June 2022:

| | For the six months ended 30 June | |
|---|-------------------------------------|-----------------------|
| | 2023 (RMB'000) | 2022 (RMB'000) |
| Revenue | 443,652 | 204,481 |
| Cost of revenue | <u>(121,174)</u> | <u>(143,979)</u> |
| Gross profit | 322,478 | 60,502 |
| Research and development expenses | (97,977) | (44,779) |
| Selling and marketing expenses | (24,633) | (12,113) |
| Administrative expenses | (35,024) | (26,111) |
| Net reversal of impairment losses on financial assets under expected credit loss model | (8,447) | (6,595) |
| Other income | 2,030 | 4,914 |
| Other gains or losses, net | <u>(12,833)</u> | <u>330,215</u> |
| Operating profit | 145,594 | 306,033 |
| Finance income | 696 | 308 |
| Finance costs | (12,955) | (5,246) |
| Finance costs, net | (12,259) | (4,938) |
| Share of results of associates | <u>(197)</u> | <u>(1,431)</u> |
| Profit before income tax | 133,138 | 299,664 |
| Income tax expense | <u>(2,692)</u> | <u>(59,362)</u> |
| Profit for the period | <u>130,446</u> | <u>240,302</u> |

REVENUE

The following table sets forth the comparative breakdown of our revenue for the six months ended 30 June 2023 and 2022:

| | For the six months ended 30 June | | 2022 | |
|---|----------------------------------|----------------------|-----------------------|----------------------|
| | 2023 | (% of total revenue) | (RMB'000) | (% of total revenue) |
| | (RMB'000) | | (RMB'000) | |
| Types of goods or services | | | | |
| Online game revenue | 356,808 | 80.5% | 163,363 | 79.9% |
| — Self-development games | | | | |
| published by the Group | 280,370 | 63.2% | 27,709 | 13.6% |
| published by other publishers | 74,686 | 16.8% | 68,493 | 33.5% |
| — Licensed games | | | | |
| published by the Group | 1,752 | 0.5% | 458 | 0.2% |
| published by other publishers | — | — | 66,703 | 32.6% |
| Sales of game copyrights | — | — | 75 | 0.0% |
| Sales of online game technology and publishing solutions services | 1,462 | 0.3% | 94 | 0.0% |
| Intellectual property licensing | 5,958 | 1.3% | 1,557 | 0.8% |
| Cloud computing and cloud related services | 79,424 | 17.9% | 39,392 | 19.3% |
| Total | <u>443,652</u> | <u>100.0%</u> | <u>204,481</u> | <u>100.0%</u> |

For the six months ended 30 June 2023, the Group's total revenue was approximately RMB443.7 million, representing an increase of approximately 117.0% as compared with the six months ended 30 June 2022. Such increase was mainly due to revenue growth in the first half of 2023 from our new game "DDTank Adventure" (彈彈堂大冒險), which was launched at the end of 2022. Meanwhile, the revenue of our cloud business increased by 101.6% from last year.

For the six months ended 30 June 2023, revenue of the Group's game business was approximately RMB356.8 million, representing an increase of approximately 118.4% as compared with the six months ended 30 June 2022. This was mainly due to the increased revenue generated from "DDTank Adventure" (彈彈堂大冒險) in the first half of 2023.

For the six months ended 30 June 2023, revenue of the Group's cloud business was approximately RMB79.4 million (30 June 2022: RMB39.4 million). Since commencing our cloud business in 2021, the scale of our cloud business has been gradually expanding and the revenue from our cloud business has been growing year by year.

COST OF REVENUE

Our cost of revenue mainly comprises employee salary and benefit expenses incurred by our operations departments, cost of game licensing, depreciation cost from our cloud business, lease expenses and amortization of game IPs. The cost of revenue amounted to approximately RMB121.2 million for the six months ended 30 June 2023, representing a decrease of approximately 15.8% as compared to approximately RMB144.0 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in the cost of game licensing and the cost of amortization of game IPs.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit amounted to approximately RMB322.5 million for the six months ended 30 June 2023, representing an increase of approximately 433.0% as compared to approximately RMB60.5 million for the six months ended 30 June 2022. The increase was mainly due to the increase in gross profit in the first half of 2023 as a result of our new game “DDTank Adventure”, which was launched at the end of 2022.

Our gross profit margin was approximately 72.7% for the six months ended 30 June 2023. For the six months ended 30 June 2022, our gross profit margin was approximately 29.6%. Such increase was mainly due to the significant increase in revenue for the six months ended 30 June 2023 as compared to the corresponding period in 2022 and the decrease in cost of revenue year-on-year.

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 RMB98.0 million for the six months ended 30 June 2023, representing an increase of approximately 118.8% as compared to approximately RMB44.8 million for the six months ended 30 June 2022. Such increase was mainly due to the increase of investment in R&D in the first half of 2023, which resulted in the increase of employee salary expenses and outsourcing expenses.

Administrative Expenses

Our administrative expenses mainly comprise employee salary and benefit expenses, office expenses, property rent expenses, professional consulting service fees and miscellaneous management fees. The administrative expenses amounted to approximately RMB35.0 million for the six months ended 30 June 2023, representing an increase of approximately 34.1% as compared to approximately RMB26.1 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in rent expenses of office property.

Selling and Marketing Expenses

Our selling and marketing expenses mainly comprise advertising expenses incurred by our businesses. The selling and marketing expenses amounted to approximately RMB24.6 million for the six months ended 30 June 2023, representing an increase of approximately 103.4% as compared to approximately RMB12.1 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in marketing expenses for game publishing and operation as compared to the corresponding period in 2022.

Income Tax

The income tax expenses decreased for the six months ended 30 June 2023 as compared to the corresponding period in 2022, which was mainly due to decreased profit before tax from the Group's subsidiaries during the six months ended 30 June 2023. The estimated income tax rates applicable to the Group's entities (excluding the entities that are currently tax exempted) for the six months ended 30 June 2023 varied from 12.5% to 25% (2022: 12.5%–25%).

PROFIT FOR THE PERIOD

For the six months ended 30 June 2023, our profit attributable to owners of the Company amounted to approximately RMB130.5 million, representing a decrease of approximately 45.7% as compared with the six months ended 30 June 2022. Such decrease was mainly attributable to a one-time gain of approximately RMB306.2 million resulting from the sale of a then associate of the Company in the first half of 2022 and such gain being not recorded for the first half of 2023. For details, please refer to the Company's announcement dated 3 April 2022, the Company's circular dated 29 April 2022 and the Company's announcement dated 14 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances our operations with internally generated cash flow and equity or debt financing activities for its capital requirements. As at 30 June 2023, cash and cash equivalents amounted to approximately RMB117.1 million (31 December 2022: approximately RMB104.7 million), and restricted cash amounted to approximately RMB0.1 million (31 December 2022: approximately RMB0.1 million), which were denominated in Renminbi. During the six months ended 30 June 2023, cash and cash equivalents increased slightly.

INTEREST BEARING LOAN

We adopt a prudent treasury management policy to ensure that the Group maintains a healthy financial position. As at 30 June 2023, our total borrowings amounted to approximately RMB253.2 million (31 December 2022: approximately RMB206.9 million), mainly due to the acquisition of new loans in the first half of 2023. As at 30 June 2023, our borrowings were denominated in Renminbi. Details of the Group's borrowings, including maturities, currencies and interest rates, are set out in note 14 to the interim condensed consolidated financial information.

GEARING RATIO

As at 30 June 2023, the Group's gearing ratio was approximately 23.2% (31 December 2022: approximately 28.2%), such decrease was mainly due to the decrease in total liabilities. The gearing ratio is calculated as total debt divided by total assets of the Group as at 30 June 2023.

CAPITAL EXPENDITURE

| | Six months ended 30 June | | Change % |
|---|--------------------------|-------------------|----------------|
| | 2023 (RMB'000) | 2022 (RMB'000) | |
| Servers and other equipment | 817 | 179,446 | (99.5%) |
| Office furniture and leasehold improvements | 134 | 34 | 294.1% |
| Buildings | 8,176 | — | — |
| Total | 9,127 | 179,480 | (94.9%) |

Our capital expenditure includes servers and other equipment, office furniture and leasehold improvements and buildings. The total capital expenditure for the six months ended 30 June 2023 and 2022 was approximately RMB9.1 million and RMB179.5 million, respectively. Such decrease was mainly due to the decrease in the purchases of servers and other equipment for the cloud business during the first half of 2023, as compared to the first half of 2022.

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 dollars. 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 2023, the Group did not have policies to hedge any foreign currency fluctuations.

CHARGE ON ASSETS

As at 30 June 2023, we pledged our property, plant and equipment and right-of-use assets as securities for borrowings. For further details, please refer to note 14 to the interim condensed consolidated financial information.

Save as disclosed above, as at 30 June 2023, there was no other material charge on the Group's assets.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2023, save as disclosed in the section headed "Material Legal Proceedings" in this announcement, we did not have any other material contingent liabilities, guarantees or any material litigation against us.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, we did not have other future plans for material investments or capital assets as at the date of this announcement.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2023, (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 accumulatively recognised for the six months ended 30 June 2023; 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 30 June 2023 was approximately 14.5% and therefore classified as a significant investment of the Group.

As of 30 June 2023, the Group effectively invested in approximately 2.2% of Shanghai Silicon (correspondingly held approximately 23,150,000 shares in Shanghai Silicon) at a total capital investment of RMB380 million. Shanghai Silicon is a market-leading domestic 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 in high technology industries, it has the potential to create business synergies with the Group and the Group may also generate investment returns from the investment in Shanghai Silicon.

Save as disclosed above, the Group did not have any other significant investments held as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, we had 442 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 2023:

| Function | Number of Employees | % of total |
|-----------------|--------------------------------|-------------------|
| R&D | 288 | 65% |
| Operation | 82 | 19% |
| Administration | 72 | 16% |
| Total | 442 | 100.0% |

For the six months ended 30 June 2023, our employee remuneration amounted to approximately RMB105.5 million (including wages and salaries, bonus interest, pension costs, social insurances, housing provident funds 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 interest, 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 the 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 interest, RSUs, and other allowances and benefits-in-kind, including the Group's contribution to their pension schemes.

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 still waiting a verdict in the second trial.

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

On 3 March 2021, Qianhai Huanjing, as 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 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. The amount of the claims made by Qianhai Huanjing in relation to the March 2021 Lawsuit amounted to approximately RMB69.6 million. On 30 June 2022, the court made a preliminary judgement requiring PCL to pay to Qianhai Huanjing the share of payment and income after the termination of the contract in the amount of approximately RMB29 million together with interest thereon. Both parties have lodged appeals against the judgement of the first trial, and the second trial is now in session. As at the date of this announcement, the March 2021 Lawsuit is still awaiting a verdict in the second trial 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 the infringement of trade secrets 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 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 them 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 response against PCL's claims in relation to the August 2022 Lawsuit.

Save as disclosed above, the Group did not have any other material legal proceedings as at the date of this announcement.

SIGNIFICANT SUBSEQUENT EVENTS

Potential Fair Value Loss on Investment

Reference is made to the announcement of the Company dated 14 August 2023. In July 2021, the Group, through its wholly-owned subsidiary Wuxi 7Road Technology Co., Ltd (無錫第七大道科技有限公司) (“**Wuxi 7Road**”), utilized its idle funds to invest in a trust (the “**Trust**”) with a principal amount of RMB70 million. Pursuant to the relevant agreements entered into by Wuxi 7Road with the administrator of the Trust (the “**Administrator**”), the term of the Trust shall be 24 months commencing from 29 July 2021 and upon expiry of such term the Administrator shall pay the return on the Trust within ten (10) business days based on a liquidation report on the value of the Trust to be provided by the Administrator. As at the date of this announcement, the said investment has been recorded in “Financial assets at fair value through profit or loss” with the amount of approximately RMB70.4 million.

Upon the expiry of the term of the Trust, no new investment agreement has been entered into between Wuxi 7Road and the Administrator. As at the date of this announcement, Wuxi 7Road has not received the liquidation report of the Trust nor received any principal amount of and/or return on the Trust within the time limit stipulated under the relevant agreements. The Board is seeking legal advice on this matter. The Board has also conducted a preliminary assessment and discussed with the Company’s auditors in relation to the potential impact on the Group’s financial performance. The Board is of the view that there may be potential loss on Wuxi 7Road’s investment in the Trust and, depending on the expected/actual extent to which the principal amount of and the return on the Trust that can be recovered, it is expected that the changes in fair value of the investment in the Trust may have an adverse effect on the Company’s 2023 financial results and the specific amount is subject to the final audit by the Company’s auditors.

Save as disclosed above, the Board is of the view that the potential loss on the investment in the Trust will not result in material adverse effect on the Group’s business operations in other aspects. The Group will continue to liaise with the Administrator and take all possible measures, including but not limited to litigation, to recover the relevant amounts as far as possible.

Save as disclosed above, the Group did not have any other significant subsequent events after 30 June 2023.

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue | 4 | 443,652 | 204,481 |
| Cost of revenue | 7 | (121,174) | (143,979) |
| Gross profit | | 322,478 | 60,502 |
| Research and development expenses | 7 | (97,977) | (44,779) |
| Selling and marketing expenses | 7 | (24,633) | (12,113) |
| Administrative expenses | 7 | (35,024) | (26,111) |
| Net reversal of impairment losses on financial assets under expected credit loss model | | (8,447) | (6,595) |
| Other income | 5 | 2,030 | 4,914 |
| Other gains or losses, net | 6 | (12,833) | 330,215 |
| Operating profit | | 145,594 | 306,033 |
| Finance income | 8 | 696 | 308 |
| Finance costs | 8 | (12,955) | (5,246) |
| Finance costs, net | 8 | (12,259) | (4,938) |
| Share of results of associates | | (197) | (1,431) |
| Profit before income tax | | 133,138 | 299,664 |
| Income tax expense | 9 | (2,692) | (59,362) |
| Profit for the period | | 130,446 | 240,302 |
| Profit/(loss) attributable to: | | | |
| — Owners of the Company | | 130,512 | 240,401 |
| — Non-controlling interests | | (66) | (99) |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share): | 10 | | |
| Basic and diluted | | 0.051 | 0.093 |

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 2023

| | Six months ended 30 June | |
|---|--------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | 130,446 | 240,302 |
| Other comprehensive income: | | |
| <i>Item that may be reclassified to profit or loss</i> | | |
| Currency translation differences | <u>742</u> | <u>2,350</u> |
| Other comprehensive income, net of tax | <u>742</u> | <u>2,350</u> |
| Total comprehensive income for the period | <u>131,188</u> | <u>242,652</u> |
| Total comprehensive income/(loss) attributable to: | | |
| — Owners of the Company | 131,254 | 242,751 |
| — Non-controlling interests | <u>(66)</u> | <u>(99)</u> |
| | <u>131,188</u> | <u>242,652</u> |

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

| | | As at 30 June 2023 | As at 31 December 2022 |
|--|--------------|-------------------------------|------------------------------|
| | <i>Notes</i> | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Audited) |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 319,010 | 355,190 |
| Right-of-use assets | | 207,500 | 211,461 |
| Intangible assets | | 626,370 | 626,778 |
| Interests in associates | | 16,068 | 16,265 |
| Financial assets at fair value through other comprehensive income | | 2,171 | 2,171 |
| Financial assets at fair value through profit or loss | 13 | 721,504 | 600,733 |
| Prepayment and other receivables | | 119,933 | 92,872 |
| Restricted cash | | 139 | 139 |
| Deferred income tax assets | | 49,087 | 49,603 |
| | | <u>2,061,782</u> | <u>1,955,212</u> |
| Current assets | | | |
| Inventories | | 2,019 | 2,019 |
| Trade receivables | 12 | 233,020 | 368,329 |
| Prepayment and other receivables | | 96,351 | 120,204 |
| Financial assets at fair value through profit or loss | 13 | 137,264 | 95,626 |
| Restricted cash | | 1 | 1 |
| Cash and cash equivalents | | 117,093 | 104,747 |
| | | <u>585,748</u> | <u>690,926</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 134,569 | 239,241 |
| Lease liabilities | | 83,822 | 70,913 |
| Borrowings | 14 | 105,687 | 55,250 |
| Current income tax liabilities | | 7,730 | 15,814 |
| Contract liabilities | | 39,108 | 73,609 |
| | | <u>370,916</u> | <u>454,827</u> |
| Net current assets | | <u>214,832</u> | <u>236,099</u> |
| Total assets less current liabilities | | <u><u>2,276,614</u></u> | <u><u>2,191,311</u></u> |

| | | As at 30 June 2023 | As at 31 December 2022 |
|----------------------------------|--------------|-----------------------------------|------------------------------|
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 88,123 | 130,607 |
| Borrowings | 14 | 147,508 | 151,627 |
| Deferred tax liabilities | | 8,495 | 8,230 |
| | | <u>244,126</u> | <u>290,464</u> |
| Net assets | | <u>2,032,488</u> | <u>1,900,847</u> |
| Equity | | | |
| Share capital | | 90 | 90 |
| Share premium | | 4,083,085 | 4,083,085 |
| Other reserves | | (2,962,432) | (2,963,174) |
| Retained earnings | | 911,120 | 780,608 |
| | | <u>2,031,863</u> | <u>1,900,609</u> |
| Non-controlling interests | | <u>625</u> | <u>238</u> |
| Total equity | | <u>2,032,488</u> | <u>1,900,847</u> |

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 and provision of cloud computing services and other cloud related services 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 on 29 August 2023. 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 2022, as set out in the 2022 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 2023 are the same as those presented in the annual consolidated financial statements for the year ended 31 December 2022, as set out in the 2022 annual report of the Company.

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

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

4. SEGMENT INFORMATION AND REVENUE

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

Revenue for the six months ended 30 June 2023 and 2022 are as follows:

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Types of goods or services | | |
| Online game revenue | 356,808 | 163,363 |
| — Self-development games | | |
| <i>published by the Group</i> | 280,370 | 27,709 |
| <i>published by other publishers</i> | 74,686 | 68,493 |
| — Licensed games | | |
| <i>published by the Group</i> | 1,752 | 458 |
| <i>published by other publishers</i> | — | 66,703 |
| Sales of game copyrights | — | 75 |
| Sales of online game technology and publishing solutions services | 1,462 | 94 |
| Intellectual property licensing | 5,958 | 1,557 |
| Cloud computing and cloud related services | 79,424 | 39,392 |
| | <u>443,652</u> | <u>204,481</u> |

5. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Government grants (<i>note</i>) | 462 | 3,365 |
| Value added tax (“VAT”) refunds (<i>note</i>) | 1,568 | 1,463 |
| Others | — | 86 |
| | <u>2,030</u> | <u>4,914</u> |

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

6. OTHER GAINS OR LOSSES, NET

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Gain on disposal of an associate | — | 306,200 |
| (Loss)/Gain on fair value change of financial assets at fair value through profit or loss (<i>Note 13</i>) | (15,423) | 22,761 |
| Fair value change on contingent consideration payable for acquisition of a subsidiary | — | (1,429) |
| (Loss)/Gain on disposal of property, plant and equipment | (355) | 3,368 |
| Gains on disposal of subsidiaries | 13 | — |
| Foreign exchange gains, net | 2,330 | 2,640 |
| Others | 602 | (3,325) |
| | <u>(12,833)</u> | <u>330,215</u> |

7. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Payroll and employee benefit expense | 105,473 | 60,236 |
| Channel service fee and cost of licensing | 5,238 | 29,823 |
| Professional and consulting fees | 5,555 | 3,966 |
| Outsourced technical services | 17,770 | 10,722 |
| Promotion and advertising expenses | 24,178 | 12,055 |
| Utilities and office expenses | 2,041 | 2,083 |
| Depreciation of property, plant and equipment | 44,500 | 36,630 |
| Depreciation of right-of-use assets | 49,255 | 32,826 |
| Amortisation of intangible assets | 503 | 27,429 |
| Travelling and entertainment expenses | 3,666 | 2,584 |
| Bandwidth and servers custody fee | 14,359 | 5,861 |
| Audit services | 2,180 | 2,152 |
| Tax and levies | 2,435 | — |
| Others | 1,655 | 615 |
| | <u>278,808</u> | <u>226,982</u> |

8. FINANCE COSTS, NET

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Finance income | | |
| Interest income on bank balances | 471 | 93 |
| Others | 225 | 215 |
| | <u>696</u> | <u>308</u> |
| Finance costs | | |
| Interest expenses on bank and other borrowings | (8,860) | (3,238) |
| Interest expenses on lease liabilities | (3,811) | (1,465) |
| Others | (284) | (543) |
| | <u>(12,955)</u> | <u>(5,246)</u> |
| Finance costs, net | <u>(12,259)</u> | <u>(4,938)</u> |

9. INCOME TAX

The income tax of the Group for the six months ended 30 June 2023 and 2022 is analysed as follows:

| | Six months ended 30 June | |
|---------------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current income tax | 2,111 | 66,357 |
| Deferred income tax | 581 | (6,995) |
| | <u>2,692</u> | <u>59,362</u> |

10. 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 | |
|--|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit attributable to equity holders of the Company | 130,512 | 240,401 |
| Weighted average number of ordinary shares in issue (<i>in thousands</i>) | 2,574,268 | 2,574,268 |
| Basic earnings per share for profit attributable to equity holders of the Company | <u>0.051</u> | <u>0.093</u> |

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2023 and 2022 is the same as basic earnings per share as there were no potential ordinary shares in issue for the six months ended 30 June 2023 and 2022.

11. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2023 (2022: Nil). The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023.

12. TRADE RECEIVABLES

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|--------------------------------|--|--|
| Trade receivables | 260,783 | 389,435 |
| Less: provision for impairment | (27,763) | (21,106) |
| | <hr/> | <hr/> |
| Trade receivables, net | <u>233,020</u> | <u>368,329</u> |

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 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|--------------------|--|--|
| Within 3 months | 63,667 | 178,786 |
| 3 to 6 months | 40,828 | 45,368 |
| 6 months to 1 year | 44,407 | 76,932 |
| 1 to 2 years | 84,919 | 69,789 |
| Over 2 years | 26,962 | 18,560 |
| | <hr/> | <hr/> |
| | <u>260,783</u> | <u>389,435</u> |

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Current | | |
| Listed shares in Hong Kong | 27,182 | 25,099 |
| Unlisted trust and fund in the PRC | <u>110,082</u> | <u>70,527</u> |
| | <u>137,264</u> | <u>95,626</u> |
| Non-current | | |
| Listed shares and unlisted equity investments in the PRC | 189,340 | 85,569 |
| Unlisted limited partnerships in the PRC | <u>532,164</u> | <u>515,164</u> |
| | <u>721,504</u> | <u>600,733</u> |
| | <u>858,768</u> | <u>696,359</u> |

Movements in financial assets at fair value through profit or loss during the six months ended 30 June 2023 and 2022 are as follows:

| | Six months ended 30 June | |
|---|---|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| At beginning of the period | 696,359 | 182,156 |
| Addition | 177,400 | 419,492 |
| Disposal | (625) | (121,842) |
| Realised and unrealised (losses)/gains (Note 6) | (15,423) | 22,761 |
| Exchange realignment | <u>1,057</u> | <u>2,077</u> |
| At end of the period | <u>858,768</u> | <u>504,644</u> |

14. BORROWINGS

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Secured and unguaranteed other borrowings | | |
| — RMB loan (<i>note a</i>) | 213,195 | 206,877 |
| Secured and unguaranteed bank borrowings | | |
| — RMB loan (<i>note b</i>) | 40,000 | — |
| | <u>253,195</u> | <u>206,877</u> |

Notes:

- (a) The Group entered into various finance lease agreements with two companies established in the PRC with limited liability who are both independent third parties of the Group (“**Lessors**”), to transfer the ownership and lease back of certain servers and other equipment of the Group at a cash consideration of RMB256,000,000 (the “**Finance Lease Agreements**”). Pursuant to the Finance Lease Agreement, the ownership of certain servers and other equipment of the Group was transferred to the Lessor and the Group leased back those servers and other equipment from the Lessor 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 ranging from RMB100 to RMB10,000.

The Finance Lease Agreement was 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 was not accounted for as a sale and leaseback transaction in accordance with IFRS 16. Accordingly, the Finance Lease Agreement was accounted for as the Group’s borrowing in accordance with IFRS 9.

The effective interest rate of the other borrowings were ranged from 8.00% to 8.42% per annum. The other borrowings were secured by the property, plant and equipment with carrying amount of approximately RMB234,640,000 (31 December 2022: RMB228,585,000) and trade receivables of RMB6,605,000.

- (b) During the six months ended 30 June 2023, the Group received a bank borrowing of RMB40,000,000 at an interest rate of 3.80% per annum. The bank borrowing was secured by the Group’s property, plant and equipment of RMB8,014,000 and right-of-use assets of RMB33,623,000.

At 30 June 2023 and 31 December 2022, the Group's borrowings were repayable as follows:

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|---------------|--|--|
| Within 1 year | 105,687 | 55,250 |
| 1 to 2 years | 71,114 | 59,833 |
| 2 to 5 years | 76,394 | 91,794 |
| | <u>253,195</u> | <u>206,877</u> |

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

15. TRADE AND OTHER PAYABLES

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|------------------------------------|--|--|
| Trade payables | 54,620 | 121,005 |
| Payroll liabilities | 60,075 | 54,413 |
| Other tax payables | 5,603 | 11,629 |
| Dividend payables | 1 | 1 |
| Government grants | 139 | 139 |
| Accrued expenses | 3,323 | 2,988 |
| Listing expense | 8,445 | 8,140 |
| Amounts due to former subsidiaries | — | 38,450 |
| Others | 2,363 | 2,476 |
| | <u>134,569</u> | <u>239,241</u> |

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

| | At 30 June 2023 RMB'000 (Unaudited) | As 31 December 2022 RMB'000 (Audited) |
|-----------------|--|--|
| 0 to 30 days | 14,508 | 63,572 |
| 31 to 60 days | 1,460 | 5,087 |
| 61 to 90 days | — | 4,823 |
| 91 to 180 days | 11 | 12,103 |
| 181 to 365 days | 7 | 26,854 |
| Over 1 year | 38,634 | 8,566 |
| | <u>54,620</u> | <u>121,005</u> |

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares.

INTERIM DIVIDEND

The Board did not recommend to declare an interim dividend for the six months ended 30 June 2023.

COMPLIANCE WITH THE CG CODE

The Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2023.

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 six months ended 30 June 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the relevant employees during the six months ended 30 June 2023.

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 unaudited Interim Results of the Group for the six months ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2023 INTERIM REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.7road.com). The interim report of the Group for the six months ended 30 June 2023 will be despatched to the Shareholders and available on the above websites in September 2023.

DEFINITIONS

| | |
|----------------------------|--|
| “ARPPU” | the total revenue generated by the paying users for a particular game, a particular type of game 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 |
| “CG Code” | the Corporate Governance Code as set out in Appendix 14 of the Listing Rules |
| “China” or “PRC” | for purpose of this announcement only, the People’s Republic of China, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region and Taiwan herein |
| “Company” or “our Company” | 7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 6 September 2017 and the Shares of which are listed on the Main Board of the Stock Exchange on 18 July 2018 (Stock Code: 797) |
| “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 entered into on 13 April 2018, 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) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IP” | intellectual property |
| “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 for Securities Transactions by Directors of 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 games 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 user that purchased virtual items for two or more games in such period is counted as two or more paying users in such period |
| “R&D” | research and development |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “RSU Scheme” | the restricted share unit scheme adopted by 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 |
| “Shanghai Silicon” | Shanghai Advanced Silicon Technology Co., Ltd. (上海超矽半導體股份有限公司), a company established under the laws of the PRC |
| “Share(s)” | ordinary share(s) of US\$0.000005 each in the issued share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States of America |

“web game(s)”

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

“%”

per cent

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

Wuxi, the PRC
29 August 2023

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