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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 2022**

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Interim Results**”) together with the comparative information for the six months ended 30 June 2021. The Interim Results have been reviewed by the Audit Committee.

#### **FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Revenue	<b>204,481</b>	109,533
Profit for the period	<b>240,302</b>	30,429
Profit for the period attributable to owners of the Company	<b>240,401</b>	30,500

1. For the six months ended 30 June 2022, the Company recorded a total revenue amounted to approximately RMB204.5 million, representing an increase of approximately 86.7% as compared with the six months ended 30 June 2021.
2. For the six months ended 30 June 2022, the Company recorded a profit for the period attributable to owners of the Company amounted to approximately RMB240.4 million, representing an increase of approximately 688.2% as compared with the six months ended 30 June 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

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

In terms of the gaming business, according to the “2022 Global Games Market Report” released by Newzoo in 2022, the global games market size is estimated to be US\$196.8 billion in 2022, and the number of global games players is close to 3.2 billion, with a year-on-year increase of 2.1%. Among which, (i) mobile games are still the most important sector of the gaming industry, and the global mobile games market size is 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 would account 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) the console games would decline 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 global players base 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 the First Half of 2022” (二零二二年上半年中國遊戲產業報告) published by the Game Publishing Committee (GPC) of the China Audio-visual and Digital Publishing Committee, the China games market recorded an actual sales revenue of RMB147.789 billion from January to June 2022, representing a year-on-year decrease of 1.80%, which was a year-on-year decrease for the first time in recent years. The number of China’s game players totalled approximately 660 million, representing a year-on-year decrease of 0.13%. China mobile games market recorded an actual sales revenue of RMB110.475 billion, representing a year-on-year decrease of 3.74%. The client base games market recorded an actual sales revenue of RMB30.740 billion, representing a year-on-year increase of 2.85%, mainly due to the fact that the pandemic led to a decrease in user revenue, a decrease in desire to consume, and a continuous increase in operating costs for gaming enterprises. The overseas market for China’s proprietary developed games recorded an actual sales revenue of US\$8.989 billion from January to June 2022, representing a year-on-year growth of 6.16%. The United States of America and Japan are the main overseas markets for domestic mobile games, and the revenue from strategy, role-playing and shooting games accounted for more than 70% of the revenue of proprietary developed mobile games in overseas markets.

In addition, with the listing of Roblox Corporation (“**Roblox**”) and the renaming of Facebook, Inc. as Meta Platforms, Inc., the concept of metaverse gained worldwide attention and recognition in 2021, and global technology giants gradually prepared to develop in metaverse-related industries. The upgrade of communication and computing, virtual reality (VR) devices and artificial intelligence will bring about an upgrade of immersive experience and interaction, and the integration of the virtual world and the real world will contribute to the development of the metaverse industry. With the continuous breakthroughs of metaverse in game environment, ecology and character modeling, according to the “2022 China Metaverse Industry Market Outlook and Investment Research Report” (《2022年中國元宇宙產業市場前景及投資研究報告》) by China Commerce Industry Research Institute\* (中商產業研究院), it is expected that the market scale of metaverse in the PRC will maintain a continuous growth trend from 2022 to 2027, and the market scale is expected to reach RMB126.35 billion in 2027, with an average compound annual growth rate of 32.98%. Going forward, exploring technology breakthroughs and business models with games as application scenarios may become the long-term strategy of certain game enterprises, and the game industry is expected to gain new opportunities.

In terms of new businesses such as cloud computing, according to Markets and Markets, a research institution, the size of the global cloud computing market is expected to increase from US\$445.3 billion in 2021 to US\$947.3 billion in 2026, representing a compound annual growth rate (“CAGR”) of 16.3%. The global spread of the pandemic has increased the demand for digitalized office. The global cloud computing market has a large room for growth and will show a stable growth trend in the long run. The Asia Pacific region is expected to grow at the highest CAGR during the forecast period. According to the latest “China Cloud Computing Industry Development Report 2021–2022” (《2021–2022年中國雲計算行業發展報告》) released by iiMedia Research (艾媒諮詢), the scale of cloud computing market in the PRC has exceeded RMB230 billion in 2021 and is expected to exceed RMB300 billion in 2023. Under the influence of new infrastructure and other policies and the increasing demand for enterprise digital transformation, enterprises’ demand for cloud computing services continues to increase, which will accelerate the development of the cloud computing market in the PRC.

## **II. Business review — Overview of the Company’s principal activities**

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. Our revenue is derived from the global market and our games have been published in more than 100 countries and regions. We are also committed to bringing quality gameplay experience in various game formats to our users. In recent years, we have been strategically expanding our business focuses to develop and operate mobile games, which has enjoyed wide popularity among game players. Further, with the current development of technology in the PRC, the demand for cloud-related services in the Internet market will continue to grow in the foreseeable future. As such, the Group also commenced the provision of cloud computing and cloud related services in 2021.

In terms of the gaming business, during the first half of 2022, the Company's online game revenue was approximately RMB163.4 million, as compared to approximately RMB93.1 million during the first half of 2021, of which revenue from mobile game and web game accounted for 78.5% and 21.5%, respectively. Other revenue included IP licensing and sales of online game copyrights, sales of online game technology and publishing solutions services, etc. We continued to focus on game development and operation in response to the increasing competition in the gaming industry, and achieved remarkable results in the globalisation and independent development of IP games. We focused on the independent development of role-playing game (“RPG”) and large-scale multiplayer online games, and we will adopt a strategy of cooperating with high-quality publishers for the publishing of mid-core and hardcore games with a focus on the overseas market. Based on our existing user base, we relied on the social interaction nature of games to increase user value. Due to the Group's exceptional capabilities in operation and R&D, many of our games remained popular after their launches in previous years. The Group's online game revenue was mainly derived from several well-known games, including the “DDTank” (彈彈堂) series, the “Wartune” (神曲) series, the “Three Kingdoms” (三國) series, the “Legend” (傳奇) series and the Roblox sandbox game.

During the first half of 2022, the classic “DD Tank” (彈彈堂) series and “Wartune” (神曲) series games published by us maintained their outstanding performance, and the total domestic revenue continued to increase. The well-designed level-up system boosted players loyalty and their willingness to pay, while the data driven development of refined operation activities maintained the long life cycle of games and player activity. The core IP we have developed, namely “DDTank Classics” (彈彈堂復古版), recorded a good performance in revenue after its launch in Vietnam in April 2022. Further, after launching in Taiwan in July 2022, it peaked as No. 2 on Taiwan's iOS bestselling chart, and had continued to maintain in top 10 for a further week. In addition, the “Three Kingdom” (三國) series game is a strategic game we licensed, which covered a wide user group, and maintained strong appeal and competitiveness. The “Legend” (傳奇) series products we developed and operated were well received by players and highly rated by the industry. The sandbox game, in which a wholly-owned subsidiary of the Group had participated in the R&D, also performed well after it had launched on the overseas Roblox platform, in particular, the products which represented the “Concave-Convex World” continued to remain popular since its launch, and had increasing users. Several other products featuring original Chinese content were also well received by players and continued to generate revenue in the first half of 2022. Causal competitive games and massively multiplayer online role-playing game (MMORPG) games are the two important development focuses of the Group, and the Group will continue to engage in market competition with various flexible approaches and shift its advantageous resources towards them. While combining its resources as a global premium gaming company, source code accumulated over a decade, and R&D capabilities at the user level, the Group will identify quality products by means such as investing in R&D companies, customizing products and conducting resource collaboration. Leveraging on the Group's years of experience in the gaming industry, we will continue to innovate to enrich the Group's product lines, subsequently attracting more players and increase our gaming business revenue.

In terms of the cloud computing business, the development of the Group's cloud computing services and other cloud related services had developed steadily. For the first half of 2022, the Company's cloud business generated RMB39.4 million of revenue. 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 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, the cloud computing business has contributed sustainable revenue to the Group. In addition, the Group has also actively been expanding and investing in 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.

## OUTLOOK FOR THE SECOND HALF OF 2022

For the gaming business in the second half of 2022, the Group will continue to enhance the quality of games and strive to create superior gaming products. The Group will make full use of its existing IPs and its years of experience in game development to form a diversified IP product line consisting of original creations, anime adaptations and domestic licensing. Themes and gaming types will be expanded to enrich the Group's product portfolio. As the gaming industry brings joy to people, we pay attention to user needs with the aim of offering a reasonable and comfortable gaming experience. By establishing a number of R&D evaluation mechanisms, the Group understands the differentiated needs of players based on the evaluation results of the artwork, operation and plot, etc. To boost its revenue and performance, the Group will analyze users' favourite gameplay that will generate the most revenue, optimise functions and rules for better gaming quality, and actively explore the diversification of income streams.

For the game research and development business, the Group plans to promote the continuous R&D of "DDTank Adventure" (彈彈堂大冒險) and "Wartune H5" (神曲H5) in the second half of 2022, in which "DDTank Adventure" (彈彈堂大冒險), as the core IP that the Group is developing, will be promoted and published successively in mainland China in the second half of 2022. Meanwhile, "Wartune H5" (神曲H5), another classic IP of the Group, will also be tested and promoted in mainland China and overseas regions in the second half of 2022. In addition, the Group's preparations for the 2D arena is about to be unveiled, in which its studio is developing a well-known Japanese IP mobile game product, and plans to conduct the first test this year. The IP itself has a wide reputation and a huge audience group. With years of experience in the 2D arena, the team, focusing on high restoration of IP pictures and plots, strives to provide fans with an authentic IP game experience. In the second half of 2022, to capture more market opportunities, the Group will continue to make more attempts in other fields, including preparations for incubation of products such as playing cards and female-oriented products. The Group will continue to improve the 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 policy, which will help the Group to reach a new level of development.

For the game publishing business, the Group plans to launch several games in the second half of 2022. Among them, “Matrix Heroes” (方陣英雄), a magic-themed RPG mobile game, will be released in Hong Kong, Taiwan, South Korea, Europe and the United States of America in the third quarter of 2022. Using the fingertip turn-based and hero-matching strategic gameplay, it will bring players better experience. The female-oriented game, “Flowers & Dream” (花開易夢閣), has undergone data testing in the first half of 2022 with good results, which is expected to be launched in Taiwan in the second half of 2022. Moreover, the 3D playing card RPG mobile game “Douluo Continent” (斗羅大陸) was adapted from domestic novels and animation IP with widely recognized influence in the animation industry and is deeply loved by the vast number of fans. By restoring the IP plot and artistic effects, it gives players a strong sense of immersion, and is expected to be launched in South Korea in the second half of 2022.

In relation to business cooperations for the game business, a subsidiary of the Group had established a cooperative relationship with Roblox on a Chinese platform. Roblox is the world’s top sandbox game developer, and the 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 the first half of 2022, a game that adopts the popular medieval pirate theme was published by a well-known game developer, in which it has been recognized by more than 200,000 users in the first month since its launch. In the second half of 2022, the subsidiary will continue to participate in the R&D collaboration of three Roblox products, which are expected to be launched in overseas markets. The subsidiary will continue to strengthen the R&D collaboration of Roblox’s gaming products, while actively developing casual games with advertising billing and hybrid billing.

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 or excellent R&D and distribution companies in the industrial chain from third parties including popular literature, comics and social networks, 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, utilizing R&D capabilities, game products, market channels, operational and management advantages, as well as resources such as existing game players, so as to consolidate and integrate upstream and downstream industry chains and enhance the position in the industry. In addition to cultivating the domestic market, the Group will continue to focus on the global layout and seek high-quality distribution companies. The Company can expand its distribution business through strategic investment or acquisition, enhance the Group's independent distribution capabilities, and develop in concert with the R&D business to comprehensively enhance its competitiveness and position in the industry.

In terms of the cloud computing business, other than developing our current principal gaming business in the second half of 2022, we will proactively continue to explore and expand our cloud business into other potential areas such as our existing cloud computing services and other cloud related services. Leveraging on the good and established business relationships with major customers in the early stage, which enabled us to lay a solid foundation for our further cooperation with other customers and gain good reputation, it will continue to help generate revenue of the Group through further business cooperation. In addition, leveraging on our abundant game ecological resources and capabilities, we will share game development and operation experience with peers, and attempt to build a high-performance, high-quality game-specific cloud service platform to further enhance our long-term business sustainability and profitability, to adapt to an increasingly competitive industrial environment and ever-changing industry policies that may affect the Company's business operations, creating value for the Group and its shareholders. With the rapid development of information technology in the PRC and the huge demand for information technology data, we expect that the demand for cloud computing and other related cloud services will continue to grow rapidly in the foreseeable future. For the second half of 2022, the Group will continue to seek development opportunities in the cloud computing and cloud related service markets, and actively expand and invest in the upstream and downstream industry chains of the cloud business.

For the second half of 2022, the Company will continue to strengthen the R&D and distribution of core game products, promote our cloud business, continue our business expansion in the domestic and overseas markets and further improve our global presence in the gaming industry. We will also try to deploy resources in the development of game cloud computing services and discuss cooperation with cloud game manufacturers and overseas distribution companies. We will attempt to build a next-generation resilient computing power platform by providing high-quality game cloud computing services and graphics processing unit (GPU) computing services. The Group will continue to improve its overall competitiveness, resource control capabilities, follow-up development capabilities and anti-risk capabilities. In addition, we will actively seek appropriate investment and cooperation opportunities to consolidate, develop and enhance our position in the industry and create more value for our Shareholders.

## **CORONAVIRUS IMPACT**

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

After assessing the Group's business operations and capital investment, the Group's current liquidity position and working capital are sufficient. In view of the instability of the spread of COVID-19, in particular during the first half of 2022, the Group has taken a series of necessary health precautions to mitigate the potential impact of the COVID-19 pandemic, including the implementation of prevention and control policies handed down by competent government departments and the adoption of flexible work from home practices. Meanwhile, the Group has also adopted cost control measures to enhance its risk-averse capabilities. The Group will closely monitor the COVID-19 pandemic situation and, as the case may be, and continue to assess the impact of the pandemic on the Group's financial and business operations from time to time.

## FINANCIAL REVIEW

### OPERATIONAL INFORMATION

#### Game Business

##### *Our Games*

During the first half of 2022, we continued to focus on the R&D of games and the operations of high-quality games to cope with intensifying competition in the gaming industry. Due to the ongoing impact of COVID-19, the Group will continue to focus on its proprietary businesses of various studios, expand its global horizon with its operating publishing centers, maintain good performance on its main business, and make a great effort to become a world-renowned game developer integrated with research, operation and development capabilities. We continued to focus on game development and high-quality game operation in response to the increasing competition in the gaming industry. In the first half of 2022, the Group's online game revenue was mainly derived from several well-known games, including "DDTank" (彈彈堂) series, "Wartune" (神曲) series, "Legend" (傳奇) series, "Three Kingdoms" (三國) series and Roblox sandbox game. We will continue to develop and operate high-quality online games and leverage our years of experience in the gaming industry to maintain our momentum in innovation and launching new games to attract more players.

##### *Our Players*

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

For the six months ended 30 June 2022, our web games had (i) an average MAUs of approximately 0.6 million; (ii) an average MPUs of approximately 32,000; and (iii) an ARPPU of approximately RMB552, and our mobile games had (i) an average MAUs of approximately 1.5 million; (ii) an average MPUs of approximately 150,000; and (iii) an ARPPU of approximately RMB186.

## Cloud Business

During the first half of 2022, through the purchasing of server hosts, graphic cards, servers and other cloud computing equipment in 2021, the Group captured market opportunities in a timely manner, continued its business expansion, and strategically prioritized major customers. The Group had signed strategic cooperation resources agreements with well-known domestic companies to provide algorithms, cloud computing resources and professional software support services to customers. In addition, the Group has also actively been expanding and investing in upstream and downstream industry chain, in particular, as disclosed in the Company's announcement dated 24 May 2022, the Group had indirectly invested in Shanghai Silicon.

### The Six Months Ended 30 June 2022 Compared to The Six Months Ended 30 June 2021

The following table sets forth the comparative statements of profit or loss for the six months ended 30 June 2022 and the six months ended 30 June 2021:

	For the six months ended 30 June	
	2022 (RMB'000)	2021 (RMB'000)
<b>Revenue</b>	<b>204,481</b>	109,533
Cost of revenue	<u>(143,979)</u>	<u>(62,472)</u>
<b>Gross profit</b>	<b>60,502</b>	47,061
Research and development expenses	(44,779)	(35,161)
Selling and marketing expenses	(12,113)	(6,997)
Administrative expenses	(26,111)	(34,210)
Net reversal of impairment losses on financial assets under expected credit loss model	(6,595)	1,308
Other income	4,914	9,438
Other gains or losses, net	<u>330,215</u>	<u>3,526</u>
<b>Operating profit/(loss)</b>	<b>306,033</b>	(15,035)
Finance income	308	745
Finance costs	(5,246)	(1,898)
Finance costs, net	(4,938)	(1,153)
Share of results of associates	<u>(1,431)</u>	<u>37,237</u>
<b>Profit before income tax</b>	<b>299,664</b>	21,049
Income tax (expense)/credit	<u>(59,362)</u>	<u>9,380</u>
<b>Profit for the period</b>	<b><u>240,302</u></b>	<b><u>30,429</u></b>

## REVENUE

The following table sets forth the comparative breakdown of our revenue for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	(RMB'000)	(% of total revenue)	(RMB'000)	(% of total revenue)
<b>Types of goods or services</b>				
Online game revenue	163,363	79.9%	93,050	84.9%
— Self-development games				
published by the Group	27,709	13.6%	16,911	15.4%
published by other publishers	68,493	33.5%	65,375	59.7%
— Licensed games				
published by the Group	458	0.2%	9,580	8.7%
published by other publishers	66,703	32.6%	1,184	1.1%
Sales of game copyrights	75	0.0%	—	—
Sales of online game technology and publishing solutions services	94	0.0%	6,122	5.6%
Intellectual property licensing	1,557	0.8%	10,361	9.5%
Cloud computing and cloud related services	39,392	19.3%	—	—
<b>Total</b>	<b>204,481</b>	<b>100.0%</b>	<b>109,533</b>	<b>100.0%</b>

For the six months ended 30 June 2022, the Group's total revenue was approximately RMB204.5 million, representing an increase of approximately 86.7% as compared with the six months ended 30 June 2021. Such increase was mainly due to the launch of new licensed games towards the end of 2021, and an increase in revenue from the Group's cloud business for the six months ended 30 June 2022 as compared to the same period in 2021.

### Game Business

For the six months ended 30 June 2022, revenue of the Group's game business was RMB163.4 million, representing an increase of approximately 75.6% as compared with the six months ended 30 June 2021. This was as a result of the launch of new licensed games towards the end of 2021.

## **Cloud Business**

For the six months ended 30 June 2022, revenue of the Group's cloud business was RMB39.4 million (30 June 2021: Nil). Since commencing its cloud business in 2021, this business had generated revenue through the provision of cloud computing and cloud related services.

## **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 the cloud business, lease expenses and amortization of games IP. The cost of revenue amounted to approximately RMB144.0 million for the six months ended 30 June 2022, representing an increase of approximately 130.5% as compared to approximately RMB62.5 million for the six months ended 30 June 2021. Such increase was mainly due to the commencement of the Group's cloud business in 2021 and the launch of new licensed games, which resulted in the increase in depreciation costs and lease expenses of the Group's cloud business and the increase in game licensing costs, respectively.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

Our gross profit amounted to approximately RMB60.5 million for the six months ended 30 June 2022, representing an increase of approximately 28.6% as compared to approximately RMB47.1 million for the six months ended 30 June 2021. The increase was mainly due to the increase in revenue for the six months ended 30 June 2022.

Our gross profit margin was approximately 29.6% for the six months ended 30 June 2022. For the six months ended 30 June 2021, our gross profit margin was approximately 43.0%. Such decrease was mainly because the gross profit margin of our cloud business was lower than that of our game business, which led to a higher increase in costs relatively 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 RMB44.8 million for the six months ended 30 June 2022, representing an increase of approximately 27.4% as compared to approximately RMB35.2 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in our R&D investment expenses.

### ***Administrative Expenses***

Our administrative expenses mainly comprise employee salary and benefit expenses, office expenses, professional consulting service fees and miscellaneous management fees. The administrative expenses amounted to approximately RMB26.1 million for the six months ended 30 June 2022, representing a decrease of 23.7% as compared to approximately RMB34.2 million for the six months ended 30 June 2021. Such decrease was mainly because the Group enhanced its cost management in administrative expenses during the first half of 2022.

### ***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 RMB12.1 million for the six months ended 30 June 2022, representing an increase of approximately 73.1% as compared to approximately RMB7.0 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in the promotion and marketing expenses from the launch of new games.

### ***Income Tax***

The income tax expenses increased for the six months ended 30 June 2022 as compared to the corresponding period in 2021, which was mainly due to increased profits from the Group's subsidiaries during the six months ended 30 June 2022. The estimated income tax rates applicable to the Group entities (excluding the entities that are currently tax exempted) for the six months ended 30 June 2022 varied from 12.5% to 25% (2021: 12.5%–25%).

## **PROFIT FOR THE PERIOD**

For the six months ended 30 June 2022, our profit attributable to owners of the Company amounted to approximately RMB240.4 million, representing an increase of approximately 688.2% as compared with the six months ended 30 June 2021. Such increase in profit 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 the operations with internally generated cash flow and equity or debt financing activities for its capital requirements. As at 30 June 2022, cash and bank balances amounted to RMB23.1 million (31 December 2021: RMB108.5 million), and restricted cash amounted to RMB0.1 million (31 December 2021: RMB0.1 million), which were denominated in Renminbi. During the six months ended 30 June 2022, the decrease in cash and bank balances was mainly due to the payment of consideration in relation to the acquisition of Shanghai Xinla and its subsidiaries and other new investments.

## INTEREST BEARING LOAN

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. As at 30 June 2022, our total borrowings amounted to approximately RMB160 million (30 June 2021: Nil), as we obtained bank loans and other borrowings towards the end of 2021 and during the first half of 2022. As at 30 June 2022, 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 financial statements.

## GEARING RATIO

As at 30 June 2022, the Group's gearing ratio was approximately 20.8%, which was at a similar level to approximately 19.3% as at 31 December 2021. The gearing ratio is calculated as total debt divided by total assets of the Group as at 30 June 2022.

## CAPITAL EXPENDITURE

	Six months ended 30 June		Change %
	2022 (RMB'000)	2021 (RMB'000)	
Servers and other equipment	179,446	221,417	-19.0%
Office furniture and leasehold improvements	34	707	-95.2%
<b>Total</b>	<b>179,480</b>	<b>222,124</b>	<b>-19.2%</b>

Our capital expenditure includes servers and other equipment, office furniture and leasehold improvements. The total capital expenditure for the six months ended 30 June 2022 and 2021 was approximately RMB179.5 million and RMB222.1 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 2022, as compared to the first half of 2021.

## FOREIGN EXCHANGE RISK

The Group operates in the overseas markets through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US 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 2022, the Group did not have policies to hedge any foreign currency fluctuations.

## **CHARGE ON ASSETS**

As of 30 June 2022, we pledged our self-owned server hosts, graphics cards and servers as securities for borrowings in March 2022. For further details, please refer to note 14 to the financial statements.

Save as disclosed above, as of 30 June 2022, there was no other material charge on the Group's assets.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As of 30 June 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.

## **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 of the date of this announcement.

## **SIGNIFICANT INVESTMENTS HELD**

As at 30 June 2022, the Group held financial assets at fair value through profit or loss of RMB504.6 million, accounting for more than 5% of the Group's total assets as of the same date. Such financial assets consisted of (i) listed shares in the PRC and Hong Kong; (ii) unlisted equity investments in the PRC; and (iii) unlisted trust and fund in the PRC.

Among such financial assets, as disclosed in the Company's announcement dated 24 May 2022, the Group effectively invested in approximately 2.10% of Shanghai Silicon at a total capital commitment of RMB330 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 (CPUs), graphic processing units (GPUs) and various semi-conductor components.

As of 30 June 2022, (i) the fair value of the investment in Shanghai Silicon was RMB330 million; and (ii) 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 2022 was approximately 13.69% and therefore classified as a significant investment of the Group.

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 for the investment in Shanghai Silicon, the fair value of each of the Group's investment through profit or loss did not reach 5% of the Group's total assets as of 30 June 2022, and the Group did not have any other significant investments held as of 30 June 2022.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

On 3 April 2022, Shanghai Xinla, entered into an equity transfer agreement with Shaoxing Shangyu Saihe Equity Investment Co., Ltd. (紹興上虞賽赫股權投資有限公司) (the "Purchaser"), pursuant to which Shanghai Xinla agreed to sell 49% equity interest in Wuxi Shouxin at a post adjustment consideration of RMB350.35 million. The Shouxin Disposal was completed on 14 June 2022 and the Group ceased to hold any interest in Wuxi Shouxin. As at the date of this announcement, all the consideration payments of the Shouxin Disposal have been received.

For further details of the Shouxin Disposal, please refer to the Company's announcements dated 3 April 2022 and 14 June 2022 and the Company's circular dated 29 April 2022.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2022.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, we had 453 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 2022:

<b>Function</b>	<b>Number of Employees</b>	<b>% of total</b>
R&D	292	64.5%
Operation	89	19.6%
Administration	72	15.9%
<b>Total</b>	<b>453</b>	<b>100.0%</b>

For the six months ended 30 June 2022, our employee remuneration amounted to approximately RMB60.2 million (including wages and salaries, 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, RSUs, allowances and state-managed retirement benefit schemes for employees in the PRC. The Group also provides customized training to its staff to enhance their technical and product knowledge.

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

## **MATERIAL LEGAL PROCEEDINGS**

### **(i) Legal proceedings commenced by 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 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), 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 in the stage of appeal.

**(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 monetary claims made by Qianhai Huanjing in relation to the March 2021 Lawsuit was approximately RMB69.6 million. On 30 June 2022, the court made a preliminary judgement, subject to appeal, which held that PCL shall pay Qianhai Huanjing partial payment and post contract termination revenue of approximately RMB29 million plus interest. As at the date of this announcement, both parties have submitted an application for appeal.

Further details of the March 2021 Lawsuit are set out in the announcement of the Company 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 its response against PCL’s claims in relation to the August 2022 Lawsuit.

Despite that the abovementioned legal proceedings are still ongoing as at the date of this announcement, the Directors are of the opinion that the legal proceedings are not expected to affect the normal business operations of the Group.

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

**SIGNIFICANT SUBSEQUENT EVENTS**

Save as disclosed in this announcement, the Group did not have any significant subsequent events after 30 June 2022.

## FINANCIAL INFORMATION

### Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>204,481</b>	109,533
Cost of revenue	7	<b>(143,979)</b>	(62,472)
<b>Gross profit</b>		<b>60,502</b>	47,061
Research and development expenses	7	<b>(44,779)</b>	(35,161)
Selling and marketing expenses	7	<b>(12,113)</b>	(6,997)
Administrative expenses	7	<b>(26,111)</b>	(34,210)
Net reversal of impairment losses on financial assets under expected credit loss model		<b>(6,595)</b>	1,308
Other income	5	<b>4,914</b>	9,438
Other gains or losses, net	6	<b>330,215</b>	3,526
<b>Operating profit/(loss)</b>		<b>306,033</b>	(15,035)
Finance income		<b>308</b>	745
Finance costs		<b>(5,246)</b>	(1,898)
Finance costs, net		<b>(4,938)</b>	(1,153)
Share of results of associates	11	<b>(1,431)</b>	37,237
<b>Profit before income tax</b>		<b>299,664</b>	21,049
Income tax (expense)/credit	8	<b>(59,362)</b>	9,380
<b>Profit for the period</b>		<b>240,302</b>	30,429
<b>Profit/(loss) attributable to:</b>			
— Owners of the Company		<b>240,401</b>	30,500
— Non-controlling interests		<b>(99)</b>	(71)
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share):</b>	9		
Basic and diluted		<b>0.093</b>	0.012

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 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>240,302</b>	30,429
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>2,350</u>	<u>4,468</u>
Other comprehensive income, net of tax	<u>2,350</u>	<u>4,468</u>
<b>Total comprehensive income for the period</b>	<b><u>242,652</u></b>	<b><u>34,897</u></b>
<b>Total comprehensive income/(loss) attributable to:</b>		
— Owners of the Company	242,751	34,968
— Non-controlling interests	<u>(99)</u>	<u>(71)</u>
	<b><u>242,652</u></b>	<b><u>34,897</u></b>

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	<i>Notes</i>	As at <b>30 June 2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> <b>(Audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		395,857	286,736
Right-of-use assets		83,631	83,796
Intangible assets		695,011	722,440
Interests in associates	11	25,063	133,454
Financial assets at fair value through other comprehensive income		2,697	2,697
Financial assets at fair value through profit or loss	13	460,662	138,474
Prepayment and other receivables		90,954	117,338
Restricted cash		139	138
Deferred income tax assets		49,167	50,141
		<u>1,803,181</u>	<u>1,535,214</u>
<b>Current assets</b>			
Inventories		2,019	2,019
Trade receivables	12	281,659	234,980
Prepayment and other receivables		256,370	84,409
Financial assets at fair value through profit or loss	13	43,982	43,682
Restricted cash		1	1
Cash and cash equivalents		23,087	108,500
		<u>607,118</u>	<u>473,591</u>
<b>Current liabilities</b>			
Trade and other payables	15	114,451	203,430
Lease liabilities		76,693	51,860
Borrowings	14	38,666	10,000
Current income tax liabilities		69,385	9,275
Contract liabilities		72,731	69,442
		<u>371,926</u>	<u>344,007</u>
<b>Net current assets</b>		<u>235,192</u>	<u>129,584</u>
<b>Total assets less current liabilities</b>		<u><u>2,038,373</u></u>	<u><u>1,664,798</u></u>

		As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2021 <i>RMB'000</i> <b>(Audited)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>824</b>	27,527
Borrowings	14	<b>121,334</b>	—
Deferred tax liabilities		<b>7,879</b>	15,587
		<hr/> <b>130,037</b> <hr/>	<hr/> 43,114 <hr/>
<b>Net assets</b>		<b><u>1,908,336</u></b>	<b><u>1,621,684</u></b>
<b>Equity</b>			
Share capital		<b>90</b>	90
Share premium		<b>4,083,085</b>	4,083,085
Other reserves		<b>(2,961,586)</b>	(2,963,936)
Retained earnings		<b>735,626</b>	495,225
		<hr/> <b>1,857,215</b> <hr/>	<hr/> 1,614,464 <hr/>
<b>Total equity attributable to owners of the Company</b>		<b><u>1,857,215</u></b>	<b><u>1,614,464</u></b>
<b>Non-controlling interests</b>		<b><u>51,121</u></b>	<b><u>7,220</u></b>
<b>Total equity</b>		<b><u>1,908,336</u></b>	<b><u>1,621,684</u></b>

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 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, 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 of Directors on 30 August 2022. 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 2021, as set out in the 2021 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 2022 are the same as those presented in the annual consolidated financial statements for the year ended 31 December 2021, as set out in the 2021 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 2022 and 2021 are as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Types of goods or services</b>		
Online game revenue	163,363	93,050
— Self-development games		
<i>published by the Group</i>	27,709	16,911
<i>published by other publishers</i>	68,493	65,375
— Licensed games		
<i>published by the Group</i>	458	9,580
<i>published by other publishers</i>	66,703	1,184
Sales of game copyrights	75	—
Sales of online game technology and publishing solutions services	94	6,122
Intellectual property licensing	1,557	10,361
Cloud computing and cloud related services	39,392	—
	<u>204,481</u>	<u>109,533</u>

## 5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants ( <i>note</i> )	3,365	8,257
Value added tax (“VAT”) refunds ( <i>note</i> )	1,463	848
Others	86	333
	<u>4,914</u>	<u>9,438</u>

*Note:* There is 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of an associate	306,200	—
Gain on fair value change of financial assets at fair value through profit or loss ( <i>Note 13</i> )	22,761	13,822
Fair value change on contingent consideration payable for acquisition of a subsidiary	(1,429)	(8,650)
Gain/(loss) on disposal of property, plant and equipment	3,368	(50)
Gains on disposal of intangible assets	—	3,047
Foreign exchange gains/(losses), net	2,640	(615)
Others	(3,325)	(4,028)
	<u>330,215</u>	<u>3,526</u>

## 7. EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Payroll and employee benefit expense	60,236	54,808
Share-based compensation	—	204
Channel service fee and cost of licensing	29,823	7,882
Professional and consulting fees	3,966	5,129
Outsourced technical services	10,722	4,711
Promotion and advertising expenses	12,055	9,746
Utilities and office expenses	2,083	5,136
Depreciation of property, plant and equipment	36,630	1,650
Depreciation of right-of-use assets	32,826	1,953
Amortisation of intangible assets	27,429	33,398
Travelling and entertainment expenses	2,584	5,317
Bandwidth and servers custody fee	5,861	3,981
Audit services	2,152	657
Tax and levies	—	3,177
Others	615	1,091
	<u>226,982</u>	<u>138,840</u>

## 8. INCOME TAX

The income tax of the Group for the six months ended 30 June 2022 and 2021 is analysed as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	66,357	730
Deferred income tax	(6,995)	(10,110)
	<u>59,362</u>	<u>(9,380)</u>

## 9. 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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Profit attributable to equity holders of the Company	240,401	30,500
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>0.093</u>	<u>0.012</u>

### (b) Diluted

Diluted earnings per share for the six months ended 30 June 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 2022.

Diluted earnings per share for the six months ended 30 June 2021 is the same as basic earnings per share as those contingently vesting shares in respect of the RSUs are not included in the computation of diluted earnings per share for the six months ended 30 June 2021, due to the fact that the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period.

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2022 (2021: Nil). The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022.

## 11. INTERESTS IN ASSOCIATES

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
At beginning of the period	<b>133,454</b>	—
Addition	<b>20,000</b>	78,600
Disposal	<b>(44,150)</b>	—
Share of (loss)/profit and other comprehensive (loss)/income for the period	<b>(1,431)</b>	54,854
Dividend	<b>(82,810)</b>	—
	<hr/>	<hr/>
At end of the period	<b><u>25,063</u></b>	<b><u>133,454</u></b>

Set out below are the associates of the Group as at 30 June 2022 and 31 December 2021.

Name of associates	Place of incorporation/ establishment	Principal activities and place of operation	Equity interest held as at		Note
			30 June 2022	31 December 2021	
Wuxi Shouxin Network Technology Co., Ltd.* (“Wuxi Shouxin”)	The PRC	Development, operations and publishing of web games and mobile games	—	49%	(a)
Jiangsu Liehuo Software Technology Co., Ltd.* (“Jiangsu Liehuo”)	The PRC	Development, operations and publishing of web games and mobile games	34%	34%	(b)
Wuxi Jiucheng Second Hand Car Market Co., Ltd.* (“Wuxi Jiucheng”)	The PRC	Provision of second hand car transactions related service	4.76%	—	(c)

Notes:

- (a) On 13 January 2021, the Group entered into an equity transfer agreement with the shareholders of Wuxi Shouxin, pursuant to which the Group purchased 49% equity interest in Wuxi Shouxin at a cash consideration of RMB73,500,000 and the investment was accounted for as interests in an associate.

On 3 April 2022, the Group entered into an equity transfer agreement with Shaoxing Shangyu Saihe Equity Investment Co., Ltd.\* (紹興上虞賽赫股權投資有限公司) (the “**Purchaser**”), a company established in the PRC with limited liability, to dispose of 49% equity interest in Wuxi Shouxin for a cash consideration of RMB359,660,000, subject to adjustments for any further dividend payable by Wuxi Shouxin to the Group prior to the completion of the disposal (the “**Disposal**”). The Purchaser is an indirect wholly-owned subsidiary of Zhejiang Century Huatong Group Co., Ltd\* (浙江世紀華通集團股份有限公司), a shareholder of the Company and a company listed on the Shenzhen Stock Exchange.

On 19 April 2022, Wuxi Shouxin declared a dividend of RMB19,000,000 to its shareholder, and amount of RMB9,310,000 was payable to the Group. Accordingly, the consideration was adjusted to RMB350,350,000. The Disposal was completed on 26 May 2022, on which date Wuxi Shouxin ceased to be an associate of the Group. As at 30 June 2022, the consideration of RMB297,950,000 was received and the remaining consideration of RMB52,400,000 was included in the prepayment and other receivables.

During the six months ended 30 June 2022, the Group recognised an aggregate amount of RMB82,810,000 as dividend income from Wuxi Shouxin in the share of post-acquisition profit and other comprehensive income and recognised a gain of approximately RMB306,200,000 from the Disposal in other gains or losses.

- (b) On 29 January 2021, the Group entered into an agreement with two collaborators in relation to the establishment of Jiangsu Liehuo at a cash consideration of RMB5,100,000, in which the Group has a 34% equity interest in Jiangsu Liehuo. The investment was accounted for as interest in an associate.
- (c) On 12 January 2022, the Group entered into an agreement to acquire 4.76% equity interest in Wuxi Jiucheng with a cash consideration of RMB20,000,000. According to the shareholders agreement between the Group and other shareholders of Wuxi Jiucheng, the Group has a right to appoint one out of five directors of Wuxi Jiucheng. Therefore, the Group is able to exercise significant influence over Wuxi Jiucheng. Accordingly, the investment was accounted for as interest in an associate.

## 12. TRADE RECEIVABLES

	<b>At 30 June 2022</b>	At 31 December 2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>300,311</b>	251,040
Less: provision for impairment	<b>(18,652)</b>	(16,060)
Trade receivables, net	<b><u>281,659</u></b>	<u>234,980</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:

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Within 3 months	95,729	132,687
3 to 6 months	62,912	72,456
6 months to 1 year	95,604	29,792
1 to 2 years	29,194	—
Over 2 years	16,872	16,105
	<u>300,311</u>	<u>251,040</u>

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

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
<b>Current</b>		
Listed shares in Hong Kong	<u>43,982</u>	<u>43,682</u>
<b>Non-current</b>		
Listed shares in the PRC	52	52
Unlisted equity investments in the PRC	390,422	20,422
Unlisted trust and fund in the PRC	<u>70,188</u>	<u>118,000</u>
	<u>460,662</u>	<u>138,474</u>
	<u>504,644</u>	<u>182,156</u>

Movements in financial assets at fair value through profit or loss during the six months ended 30 June 2022 and 2021 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
At beginning of the period	<b>182,156</b>	248,583
Addition	<b>419,492</b>	28,068
Disposal	<b>(121,842)</b>	(215,547)
Realised and unrealised gains ( <i>Note 6</i> )	<b>22,761</b>	13,822
Exchange realignment	<b>2,077</b>	(101)
	<hr/>	<hr/>
At end of the period	<b>504,644</b>	74,825
	<hr/> <hr/>	<hr/> <hr/>

#### 14. BORROWINGS

	<b>At 30 June</b>	At 31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Unsecured and guaranteed bank borrowings</b>		
— RMB loan ( <i>note a</i> )	<b>10,000</b>	10,000
<b>Secured and unguaranteed other borrowings</b>		
— RMB loan ( <i>note b</i> )	<b>150,000</b>	—
	<hr/>	<hr/>
	<b>160,000</b>	10,000
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) On 14 December 2021, the Group was granted with a loan from a bank of RMB10,000,000 at an interest rate of RMB Loan Prime Rate plus 0.1% per annum for a period of 1 year. The outstanding bank borrowing was guaranteed by the director of the Company.

- (b) 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**”), 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**”). 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 of 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 with the principal amount of RMB150,000,000.

The effective interest rate of the borrowing of RMB150,000,000 was 8.42% per annum. The borrowing was secured by the property, plant and equipment with carrying amount of approximately RMB186,915,000.

At 30 June 2022 and 31 December 2021, the Group’s borrowings were repayable as follows:

	<b>At 30 June 2022 RMB’000 (Unaudited)</b>	At 31 December 2021 RMB’000 (Audited)
Within 1 year	<b>38,666</b>	10,000
1 to 2 years	<b>41,031</b>	—
2 to 5 years	<b>80,303</b>	—
	<b><u>160,000</u></b>	<b><u>10,000</u></b>

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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	66,693	13,779
Payroll liabilities	22,001	36,288
Other tax payables	7,943	10,624
Dividend payables	1	1
Government grants	139	138
Accrued expenses	4,090	3,171
Listing expense	7,844	7,452
Contingent consideration payable for acquisition of a subsidiary	—	131,741
Others	5,740	236
	<u>114,451</u>	<u>203,430</u>

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
0 to 30 days	14,265	4,210
31 to 60 days	31,590	5,019
61 to 90 days	4,920	518
91 to 180 days	13,030	2,143
181 to 365 days	468	250
Over 1 year	2,420	1,639
	<u>66,693</u>	<u>13,779</u>

## **OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2022, 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 2022.

### **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 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 six months ended 30 June 2022. 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 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 unaudited Interim Results of the Group for the six months ended 30 June 2022.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT**

This announcement was published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.7road.com](http://www.7road.com)). The interim report of the Group for the six months ended 30 June 2022 will be despatched to the Shareholders and available on the above websites in September 2022.

### **DEFINITIONS**

“ARPPU”	the total revenue generated by the paying users for a particular game, a particular type of games or all of our games, as applicable, during a certain period divided by the number of paying users of such game, such type of games or all of our games, as applicable, during such period
“Audit Committee”	the audit committee of the Board
“average MPUs”	the average number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
“Board”	the board of Directors
“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)
“COVID-19”	the Coronavirus disease (2019)
“Director(s)”	the director(s) of the Company

“Group”, “we”, “our” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the contractual arrangements 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)
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	the International Financial Reporting Standards
“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 of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, refers to the number of paying users in the relevant calendar month
“online game(s)”	video game(s) that is/are played over some form of computer or mobile network

“paying users”	in any given period, (i) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (ii) paying users of a particular type or all of our game refers to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme adopted by 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 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 by Shanghai Xinla, the details of which are set out in the circular of the Company dated 29 April 2022
“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
“Wuxi Shouxin”	Wuxi Shouxin Network Technology Co., Ltd.* (無錫手心網絡科技有限公司)
“%”	per cent

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

Wuxi, the PRC  
30 August 2022

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

\* *For identification purpose only*