

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

### **CHANGE OF AUDITOR INSIDE INFORMATION**

This announcement is made by 7Road Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 28 March 2021, 30 March 2021, 12 April 2021 and 26 April 2021. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

### **RESIGNATION OF AUDITOR**

The Auditor (i.e. Moore Stephens CPA Limited) has tendered its resignation as the auditor of the Company with effect from 12 May 2021.

### **Circumstances leading to the resignation**

As stated in the announcement of the Company dated 30 March 2021, the Auditor issued a letter to the Audit Committee, requesting the establishment of an independent investigation committee to investigate the Relevant Matters and to engage an independent third party investigator to carry out the Independent Investigation.

Upon receipt of the letter from the Auditor, the Company has taken actions accordingly, including but not limited to the formation of the Independent Committee and appointment of the Independent Investigator.

In the meantime, the Company understands the necessity and intends to publish the 2020 Annual Results to its Shareholders and the market as soon as possible. The Auditor has informed the Company that the Auditor is unable to estimate the length of time that it would need to complete the audit works, as the Company has not been able to provide the Auditor with sufficient information to enable it to complete the audit works for the 2020 Annual Results.

### **Extract of the Resignation Letter**

The Relevant Matters and the Auditor's reasons for resignation as outlined in the resignation letter (the "**Resignation Letter**") of the Auditor dated 12 May 2021 are summarised below.

#### ***Relevant Matters***

##### ***(I) Equity acquisition by Shenzhen 7Road in July 2020***

On 28 July 2020, Shenzhen 7Road entered into an equity transfer agreement with a counterparty ("**Counterparty A**"), for the acquisition of 2% equity interest in a target company (the "**Target Company**"), at a consideration of RMB180 million.

The Auditor has doubts about the above matters. As of the date of the Resignation Letter, the Auditor has not been provided with adequate and reasonable explanation and relevant information of the above matters. Therefore, the Auditor could not complete the audit procedures for the transaction. The Auditor was unsure as to the relationship among certain individual of the Group, the Group, Counterparty A and the Target Company, whether any other approval would have been required as a result of such relationship (such as reporting to and informing the independent non-executive directors in advance order to seek their confirmation that there is no conflict of interest in the circumstances), whether the consideration at the time of the transaction departed from the market price, the contribution and the role of Counterparty A in the transaction, and the accuracy and completeness of disclosure about the transaction.

*(II) Game co-development project of Wuxi 7Road*

On 20 December 2019, Wuxi 7Road entered into a game co-development agreement (the “**Co-development Agreement**”) with a counterparty (“**Counterparty B**”). Wuxi 7Road and Counterparty B agreed to jointly develop a game product tentatively named 《代號：遠征》 (the “**Target Game**”). Pursuant to the Co-development Agreement, Wuxi 7Road shall bear a certain percentage of the total development costs of the Target Game and share a certain percentage of the total revenue of the Target Game. The required consideration to be paid is subject to a cap of RMB195 million. The Company indicated that the latest name of the Target Game has been changed to 《遺忘者之旅》.

The Auditor has doubts about the above matters, including but not limited to the identity of the Target Game, the reasons for the delay of over a year in the development of the Target Game, the reasons for the difference between the development progress of the Target Game and the progress of payment to Counterparty B, the accuracy of the total development costs of the Target Game, whether the co-development of the Target Game constituted a connected transaction under the Listing Rules, and how the management of the Company maintained effective internal control procedures to protect the assets of the Group in accordance with the terms of the Co-development Agreement and reasonable procedures, etc. As of the date of the Resignation Letter, the Auditor has not been provided with adequate and reasonable explanation and relevant information for the above matters. Therefore, the Auditor could not complete the audit procedures for the above matters, and was unable to determine the accuracy and completeness of its accounting treatment and disclosure.

*(III) Collection of trade receivables*

As of 31 December 2020, the trade receivables of the Group included the trade receivables of a counterparty (“**Counterparty C**”), in the amount of approximately RMB131 million, and the age of some of these receivables was as long as over a year. Counterparty C is a distributor of some of the game products developed by the Group. In 2020, the total revenue of the Group from game products distributed by Counterparty C was approximately RMB114 million.

As of the date of the Resignation Letter, the Auditor has not been provided with adequate and reasonable explanation and supporting information for the above matters. The Auditor was unsure as to whether the business between the Group and Counterparty C has been conducted on normal commercial terms, and the Auditor could not determine the accuracy of the impairment of the relevant trade receivables under the expected credit loss model. In addition, given that the above trade receivables were trade receivables of a subsidiary of Osmanthus Vale Holdings Limited (“**Osmanthus Vale**”) acquired by the Group in 2019, the accuracy of the

impairment may have a significant impact on the calculation and adjustment of the contingent consideration to be paid in respect of the Group's acquisition of Osmanthus Vale and on the end-of-period goodwill impairment test. It may also have a significant impact on the consolidated financial statements of the Group for the year 2020.

### ***Reasons for resignation***

As of the date of the Resignation Letter, the Auditor has not been provided with the required information and further explanation from the Company in relation to the Relevant Matters. On 7 May 2021, the Company informed the Auditor that the Company proposed the Auditor to consider resigning as the auditor of the Company. The Auditor was aware that the Independent Investigator engaged by the Independent Committee is still in the preparatory stage of implementing the scope of the Independent Investigation. Given that the Auditor has not yet obtained satisfactory explanation and evidence in relation to the above matters, that the Independent Investigation has not yet commenced substantively, and that there are some uncompleted general audit information other than the above matters, the Auditor is not able to perform the additional audit procedures which it believes are necessary for the audit of the Company's consolidated financial statements for the year ended 31 December 2020. Therefore, the Auditor agreed to resign as the auditor of the Company with effect from the date of the Resignation Letter.

### **Other matters that need to be brought to the attention of the Shareholders**

The Relevant Matters also represent those that the Auditor considers should be brought to the attention of the Company's members and creditors. The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board, there is no requirement under the laws of the Cayman Islands for the resigning auditors to confirm whether or not there is any circumstance connected with their resignation which they consider should be brought to the attention of the Company's members and creditors. The Auditor has therefore not issued any such confirmation under Rule 13.51(4) of the Listing Rules. The Board and the Audit Committee confirm that there are no other matters or circumstances in connection with the resignation of the Auditor that need to be brought to the attention of the Shareholders.

### **APPOINTMENT OF AUDITOR**

The Board hereby announces that Elite Partners CPA Limited has been appointed as the new auditor of the Company with effect from 13 May 2021 to fill the casual vacancy following the resignation of the Auditor and to hold office until the conclusion of the next annual general meeting of the Company.

## **CONTINUED SUSPENSION OF TRADING**

As requested by the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 10:54 a.m. on 29 March 2021 until further notice.

Further announcement(s) will be made by the Company to inform the Shareholders and potential investors of any material development relating to the captioned matters as and when appropriate.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Wuxi, the PRC  
13 May 2021

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