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第七大道
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7Road Holdings Limited

第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

DISCLOSEABLE TRANSACTION

IN RELATION TO ACQUISITION OF ASSETS

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF ASSETS

In order to broaden the revenue streams and generate better shareholders' return, on 1 April 2021, the Board had resolved that the Group will commence providing services in the field of cloud computing as a new business activity of the Group.

PREVIOUS CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENTS

On 1 April 2021, Shanghai Lingsu entered into the First Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 2,400 units of graphics card from Vendor A at a consideration of RMB41.40 million.

On 12 April 2021, Shanghai Lingsu entered into the Second Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 410 units of graphics card from Vendor A at a consideration of RMB7.98 million.

On 22 April 2021, Shanghai Lingsu entered into the Third Cloud Computing Equipment Acquisition Agreement with Vendor B, pursuant to which Shanghai Lingsu purchased 200 units of server accessories from Vendor B at a consideration of approximately RMB5.01 million.

On 23 April 2021, Shanghai Lingsu entered into the Fourth Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 1,200 units of graphics card and 531 units of computer chassis from Vendor A at an aggregate consideration of approximately RMB25.43 million.

As none of the applicable percentage ratio(s) in respect of the Previous Cloud Computing Equipment Acquisition Agreements exceeded 5%, the entering into of the Previous Cloud Computing Equipment Acquisition Agreements, on an aggregate basis, did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

FIFTH CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENT

On 9 May 2021, Wuxi 7Road entered into the Fifth Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Wuxi 7Road purchased 5,500 units of graphics card and 1,800 units of computer chassis from Vendor A at an aggregate consideration of approximately RMB126.86 million.

LISTING RULES IMPLICATIONS

As the Group entered into the Previous Cloud Computing Equipment Acquisition Agreements within a 12-month period prior to and inclusive of the date of the Fifth Cloud Computing Equipment Acquisition Agreement and they together lead to substantial involvement by the Group in a business activity which did not previously form part of the Group's principal business activities, the transactions as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements and the Fifth Cloud Computing Equipment Acquisition Agreement shall be aggregated as a series of transaction for the Company pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions contemplated under the Fifth Cloud Computing Equipment Acquisition Agreement, on a stand-alone basis, or the Acquisitions, on an aggregate basis, exceeds 5% but are less than 25%, each of the transactions contemplated under the Fifth Cloud Computing Equipment Acquisition Agreement and the Acquisitions constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules, respectively.

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF ASSETS

In order to broaden the revenue streams and generate better shareholders' return, on 1 April 2021, the Board had resolved that the Group will commence providing services in the field of cloud computing as a new additional business activity of the Group.

PREVIOUS CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENTS

(i) First Cloud Computing Equipment Acquisition Agreement and Second Cloud Computing Equipment Acquisition Agreement

Date 1 April 2021 (First Cloud Computing Equipment Acquisition Agreement) and 12 April 2021 (Second Cloud Computing Equipment Acquisition Agreement)

Parties (i) Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司), being an indirect wholly-owned subsidiary of the Company, as the purchaser; and

(ii) Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司), as the vendor.

Subject matter

Pursuant to the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement, Shanghai Lingsu agreed to purchase and Vendor A agreed to sell 2,400 units and 410 units of graphics card, respectively.

Consideration and payment terms

Pursuant to the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement, the consideration payable by Shanghai Lingsu to Vendor A was RMB41.40 million and RMB7.98 million, respectively, which was settled in cash and payable to Vendor A within three business days after the signing of each of the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement.

The considerations pursuant to the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement were arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account, among others, the then market prices of similar products.

The considerations pursuant to the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement were financed by internal resources of the Group.

Completion

Completion shall take place within one month after the signing of the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement, respectively, pursuant to which, the assets pursuant to the First Cloud Computing Equipment Acquisition Agreement and the Second Cloud Computing Equipment Acquisition Agreement shall be delivered to Shanghai Lingsu by Vendor A, respectively.

(ii) Third Cloud Computing Equipment Acquisition Agreement

Date 22 April 2021

Parties (i) Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司), being an indirect wholly-owned subsidiary of the Company, as the purchaser; and

(ii) Shanghai Yunjiao Information Technology Co., Ltd.* (上海雲角信息技術有限公司), as the vendor.

Subject matter

Pursuant to the Third Cloud Computing Equipment Acquisition Agreement, Shanghai Lingsu agreed to purchase and Vendor B agreed to sell 200 units of server accessories.

Consideration and payment terms

Pursuant to the Third Cloud Computing Equipment Acquisition Agreement, the consideration payable by Shanghai Lingsu to Vendor B was approximately RMB5.01 million, which was settled in cash and payable to Vendor B within three natural days after the signing of the Third Cloud Computing Equipment Acquisition Agreement.

The consideration pursuant to the Third Cloud Computing Equipment Acquisition Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account, among others, the then market prices of similar products.

The consideration pursuant to the Third Cloud Computing Equipment Acquisition Agreement was financed by internal resources of the Group.

Completion

Completion shall take place within 30 natural days after the signing of the Third Cloud Computing Equipment Acquisition Agreement, pursuant to which, the assets pursuant to the Third Cloud Computing Equipment Acquisition Agreement shall be delivered to Shanghai Lingsu by Vendor B.

(iii) Fourth Cloud Computing Equipment Acquisition Agreement

Date 23 April 2021

Parties (i) Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司), being an indirect wholly-owned subsidiary of the Company, as the purchaser; and

(ii) Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司), as the vendor.

Subject matter

Pursuant to the Fourth Cloud Computing Equipment Acquisition Agreement, Shanghai Lingsu agreed to purchase and Vendor A agreed to sell 1,200 units of graphics card and 531 units of computer chassis.

Consideration and payment terms

Pursuant to the Fourth Cloud Computing Equipment Acquisition Agreement, the aggregate consideration payable by Shanghai Lingsu to Vendor A was approximately RMB25.43 million, which was settled in cash and payable to Vendor A within three business days after the signing of the Fourth Cloud Computing Equipment Acquisition Agreement.

The consideration pursuant to the Fourth Cloud Computing Equipment Acquisition Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account, among others, the then market prices of similar products.

The consideration pursuant to the Fourth Cloud Computing Equipment Acquisition Agreement was financed by internal resources of the Group.

Completion

Completion shall take place within one month after the signing of the Fourth Cloud Computing Equipment Acquisition Agreement, pursuant to which, the assets pursuant to the Fourth Cloud Computing Equipment Acquisition Agreement shall be delivered to Shanghai Lingsu by Vendor A.

FIFTH CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENT

Date 9 May 2021

Parties (i) Wuxi 7Road Technology Co., Ltd.* (無錫第七大道科技有限公司), being an indirect wholly-owned subsidiary of the Company, as the purchaser; and

(ii) Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司), as the vendor.

Subject matter

Pursuant to the Fifth Cloud Computing Equipment Acquisition Agreement, Wuxi 7Road agreed to purchase and Vendor A agreed to sell 5,500 units of graphics card and 1,800 units of computer chassis.

Consideration and payment terms

Pursuant to the Fifth Cloud Computing Equipment Acquisition Agreement, the aggregate consideration payable by Wuxi 7Road to Vendor A is approximately RMB126.86 million, which will be settled in cash and payable to Vendor A in the following manner:

- i. approximately RMB63.43 million shall be paid within three business days after the signing of the Fifth Cloud Computing Equipment Acquisition Agreement; and
- ii. the remaining balance shall be paid on 20 May 2021.

The consideration pursuant to the Fifth Cloud Computing Equipment Acquisition Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account, among others, the then market prices of similar products.

The consideration pursuant to the Fifth Cloud Computing Equipment Acquisition Agreement will be financed by internal resources of the Group.

Completion

Completion shall take place within one month after the signing of the Fifth Cloud Computing Equipment Acquisition Agreement, pursuant to which, the assets pursuant to the Fifth Cloud Computing Equipment Acquisition Agreement shall be delivered to Wuxi 7Road by Vendor A.

INFORMATION OF THE PARTIES

The Group and the Purchasers

The Group is principally engaged in the research and development, operation and publication of games.

Shanghai Lingsu is an indirect wholly-owned subsidiary of the Company and is principally engaged in technical services, technical development, technical consulting, retail and wholesale of computer software and hardware and auxiliary equipment.

Wuxi 7Road is an indirect wholly-owned subsidiary of the Company and is principally engaged in technology development, technology transfer, wholesale of computer software, hardware and auxiliary equipment, technical consultation and technical services of electronic products and communication products, sales of integrated circuit chips and products, animation design and production, advertising agency and investment.

The Vendors

Vendor A is a company principally engaged in sales of mechanical and electrical products and was established in the PRC with limited liability in October 2013. Vendor A is ultimately owned as to 40%, 25%, 20% and 15% by Mr. Liu Shuli (劉樹立), Mr. Shen Yu (沈鈺), Mr. Tang Zixiu (唐自修) and Mr. Liu Shucheng (劉樹成), respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Vendor A and its ultimate beneficial owners is an Independent Third Party.

Vendor B is a company principally engaged in providing technology development and consultancy services in the computer science and technology industry. It was established in the PRC with limited liability in March 2012, and is a wholly-owned subsidiary of Digital China Group Co., Ltd. (神州數碼集團股份有限公司) (“**Digital China**”), which is a company with its shares listed on Shenzhen Stock Exchange (stock code: 000034). As at the date of the announcement and based on public information available of Digital China, the de facto controller of Digital China is Mr. Guo Wei (郭為), who holds as to 23.47% of the shareholding in Digital China, and is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, an Independent Third Party.

Further, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Vendor B, Digital China and its other ultimate substantial beneficial owners as publicly disclosed is also an Independent Third Party.

REASONS FOR AND BENEFITS OF THE FIFTH CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENT AND THE ACQUISITIONS

Since 2020, the Group has been actively exploring investment opportunities to diversify its income streams in order to increase the revenue and improve the performance of the Company.

The entering into of the Previous Cloud Computing Equipment Acquisition Agreements and the Fifth Cloud Computing Equipment Acquisition Agreement involves the acquisition of various models of graphic cards, computer chassis and server accessories, which allows the Group to provide cloud computing services and create value to its shareholders. Such services will be used for, among others, animation, artificial intelligence, big data supercomputing and blockchain technology related services. Further, with the current development of technology in the PRC, the demand for cloud computing services in the Internet market will continue to grow in the foreseeable future. As such, the Board believes that the entering into of the Acquisitions will provide the Group with a good opportunity to commence the provision of cloud computing services business, enable the Group to enjoy the benefits of the industry's market developments, and provide the Company with sustainable and stable returns.

The Company will continue to seek investment and development opportunities in the cloud-related markets to better utilise the existing resources of the Group, thereby broaden revenue streams and improve the financial position of the Group, which in turn would maximise shareholders' return.

In light of the above, the Directors are of the view that the terms of the Fifth Cloud Computing Equipment Acquisition Agreement are fair and reasonable and the Acquisitions are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratio(s) in respect of the Previous Cloud Computing Equipment Acquisition Agreements exceeded 5%, the entering into of the Previous Cloud Computing Equipment Acquisition Agreements, on an aggregate basis, did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Nonetheless, as the Group entered into the Previous Cloud Computing Equipment Acquisition Agreements within a 12-month period prior to and inclusive of the date of the Fifth Cloud Computing Equipment Acquisition Agreement and they together lead to substantial involvement by the Group in a business activity which did not previously form part of the Group's principal business activities, the transactions as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements and the Fifth Cloud Computing Equipment Acquisition Agreement shall be aggregated as a series of transaction for the Company pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions contemplated under the Fifth Cloud Computing Equipment Acquisition Agreement, on a stand-alone basis, or the Acquisitions, on an aggregate basis, exceeds 5% but are less than 25%, each of the transactions contemplated under the Fifth Cloud Computing Equipment Acquisition Agreement and the Acquisitions constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules, respectively.

DEFINITIONS

“Acquisitions”	collectively, the acquisitions of certain cloud computing equipment as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements and the Fifth Cloud Computing Equipment Acquisition Agreement
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fifth Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 9 May 2021 entered into between Wuxi 7Road and Vendor A
“First Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 1 April 2021 entered into between Shanghai Lingsu and Vendor A
“Fourth Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 23 April 2021 entered into between Shanghai Lingsu and Vendor A

“Group”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of a series of contractual arrangement
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of the Company and is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Cloud Computing Equipment Acquisition Agreements”	collectively, the First Cloud Computing Equipment Acquisition Agreement, the Second Cloud Computing Equipment Acquisition Agreement, the Third Cloud Computing Equipment Acquisition Agreement and the Fourth Cloud Computing Equipment Acquisition Agreement
“Purchasers”	collectively, Shanghai Lingsu and Wuxi 7Road
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Second Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 12 April 2021 entered into between Shanghai Lingsu and Vendor A
“Shanghai Lingsu”	Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Cloud Computing Equipment Acquisition Agreement”	the sales agreement dated 22 April 2021 entered into between Shanghai Lingsu and Vendor B

“Vendor A”	Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司), a company established in the PRC with limited liability
“Vendor B”	Shanghai Yunjiao Information Technology Co., Ltd.* (上海雲角信息技術有限公司), a company established in the PRC with limited liability
“Vendors”	collectively, Vendor A and Vendor B
“Wuxi 7Road”	Wuxi 7Road Technology Co., Ltd.* (無錫第七大道科技有限公 司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Wuxi, the PRC, 9 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.

* *For identification purposes only*