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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)**

### **(1) FULFILLMENT OF THE RESUMPTION GUIDANCE; AND (2) RESUMPTION OF TRADING**

#### **FULFILLMENT OF THE RESUMPTION GUIDANCE**

Reference is made to the Company's announcement dated 21 May 2021 in relation to the resumption guidance ("**Resumption Guidance**") imposed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the Company in respect of the resumption of trading in the shares of the Company (the "**Shares**") on the Stock Exchange. As at the date of this announcement, the Company has fulfilled all the guidance in the Resumption Guidance (the "**Resumption Guidance**").

#### **RESUMPTION OF TRADING**

At the Company's request, trading in the Shares has been suspended on the Stock Exchange from 10:54 a.m. on 29 March 2021. Since all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 8 October 2021.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the announcements of the Company dated 28 March 2021, 30 March 2021, 12 April 2021, 26 April 2021, 13 May 2021, 21 May 2021, 30 June 2021, 17 August 2021, 31 August 2021 and 29 September 2021.

# FULFILLMENT OF THE RESUMPTION GUIDANCE

## Background

At the Company's request, trading in the Shares has been suspended on the Stock Exchange from 10:54 a.m. on 29 March 2021.

On 21 May 2021, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares:

1. Conduct an appropriate independent investigation into the audit issues identified by Moore Stephens CPA Limited (the former auditor of the Company which resigned with effect from 12 May 2021) ("**Moore Stephens**"), announce the findings and take appropriate remedial actions (the "**First Resumption Guidance**");
2. Publish all outstanding financial results and address any audit modifications (the "**Second Resumption Guidance**");
3. Demonstrate compliance with Rule 13.24 of the Listing Rules (the "**Third Resumption Guidance**"); and
4. Inform the market of all material information for shareholders and investors to appraise the Company's position, including the implications of the audit issues identified by Moore Stephens to the Group's assets, financial and operational position (the "**Fourth Resumption Guidance**").

The Company is pleased to announce that as of the date of this announcement, the Company has fulfilled all the Resumption Guidance.

## First Resumption Guidance

References are made to the announcement of the Company dated 16 August 2021 in relation to the Independent Investigation.

As disclosed in the announcement dated 16 August 2021, the Board established the Independent Committee, comprising the independent non-executive Directors, to investigate the Relevant Matters on 12 April 2021. The Independent Committee appointed the Independent Investigator on 26 April 2021.

The Independent Investigator conducted an Independent Investigation in respect of the Relevant Matters. On 16 August 2021, the Independent Investigator issued the Independent Investigation Report. The Independent Committee has carefully considered the findings and recommendations of the Independent Investigator and endorsed the same.

The Independent Committee reported the findings of the Independent Investigation to the Board. The following key findings of the Independent Investigation in respect of the Relevant Matters have been disclosed in the announcement of the Company dated 16 August 2021.

***The First Relevant Matter***

1. The first Relevant Matter relates to an equity acquisition of Shenzhen 7Road Technology Co., Ltd. (“**Shenzhen 7Road**”), a wholly-owned subsidiary of the Company, at a consideration of RMB180 million in July 2020.
2. Counterparty A is the seller of the 2% Target Company to Shenzhen 7Road. Prior to the signing of the Equity Transfer Agreement by Shenzhen 7Road and Counterparty A, Counterparty A held 30% equity interest in the Target Company.
3. According to the agreement entered into between Shenzhen 7Road and Counterparty A, before the Counterparty A made its outstanding paid-in capital contribution, the consideration of the relevant equity transfer should be adjusted to RMB160 million. Shenzhen 7Road paid the relevant consideration to Counterparty A after obtaining the internal approval. The Company has obtained a PRC legal opinion confirming that Counterparty has the right to receive the consideration of the relevant equity transfer notwithstanding the fact that it has yet to make its outstanding paid-in capital contribution.
4. In relation to Mr. A’s relationship with other parties:
  - a. Relationship between Mr. A and the Company: Mr. A was the legal representative, executive director and general manager of Hangzhou Shengfeng Network Technology Co., Ltd. (“**Hangzhou Shengfeng**”) from 5 June, 2017 to 24 April, 2021. The Company completed the acquisition of Osmanthus Vale Holdings Limited (“**Osmanthus Vale**”) and its subsidiaries (including Hangzhou Shengfeng) on 22 October 2019, and Hangzhou Shengfeng became a subsidiary of the Company. Since the completion of the acquisition by the Company on 22 October 2019, Mr. A has not actually participated in any business and operation of Hangzhou Shengfeng, thus he has not signed any employment contract with the Company or any of its subsidiaries and has not received any salary paid by the Company, Hangzhou Shengfeng or other subsidiaries of the Company. However, the Company did not, insofar as it is reasonably practicable, replace the original legal representative and/or directors of the relevant companies in a timely manner after the completion of the acquisition of Osmanthus Vale and its subsidiaries.

- b. Relationship between Mr. A and Counterparty A: Mr. A was not a partner or a shareholder of Counterparty A and did not hold any statutory position in Counterparty A. Mr. A only acted as the authorized representative of the executive partner of Counterparty A.
  - c. Relationship between Mr. A and the Target Company: Mr. A was the legal representative and director of the Target Company on 3 April 2020 to 12 August 2020 and was subsequently appointed as the chief executive officer.
5. Counterparty A is not a connected person of the Company. Hence, the acquisition of 2% equity interest in the Target Company does not require any confirmation of the non-executive directors and independent non-executive directors and the approval of the independent shareholders at the general meeting under Chapter 14A and/or Chapter 14 of the Listing Rules.
  6. The Independent Investigator did not find that the consideration at the time of the acquisition deviated from the internal valuation of the Company, the valuation by a third-party valuer and the deal price that was disclosed in the public market information approximately one month prior to the transaction. Furthermore, the 2% equity interest in the Target Company was subsequently sold to a third party at a consideration of RMB207.42 million by way of an equity transfer agreement dated 24 March 2021, making an investment profit of RMB27.742 million.
  7. The Independent Investigator has not identified any material issues with respect to the accuracy and completeness of the information disclosed by the Company.

### ***The Second Relevant Matter***

8. The second Relevant Matter relates to the game product co-development project of Wuxi 7Road Technology Co., Ltd. (“**Wuxi 7Road**”), a wholly-owned subsidiary of the Company, at a consideration cap of RMB195 million in December 2019.
9. The Independent Investigator reviewed the relevant Computer Software Copyright Registration Certificate of the mobile game software and did not find any non-compliance in the information and record.
10. 《代號：遠征》 is an internal code for the development of the game, while 《遺忘者之旅》 is the official name for the applications of the game and the obtaining of publication numbers. Both names refer to the same game (the “**Subject Game**”).

11. Given that the Company owns half of the copyright of version V1.1 of the Subject Game, the Company wishes to protect the copyright of the original version V1.0 of the Subject Game. The Company therefore arranged for registration of both versions. After taking into consideration of factors such as the tax burden of corporate income tax and value-added tax, as well as the support from different local governments to enterprises, the Company arranges for registration of different versions of software copyright by different companies within the Group.
12. In response to the former auditor's request for information and explanations on decision-making and game development progress, the Company has provided the documents and information about decision-making and game development progress and explained the relevant decision-making procedures and the status of the co-development of the Subject Game to the Independent Investigator.
13. Regarding the payment of the development costs for the Subject Games, Wuxi 7Road had the experience and expertise in self-developed games in estimating the development costs and revenue of similar games in the market at that time, and it assessed the development costs of self-developed Subject Games based on the financial information provided by Counterparty B in order to evaluate the accuracy and reasonableness of the information provided by Counterparty B in relation to their research and development costs. As the payment schedule as set out in the Game Co-Development Agreement is not linked with the game development progress and the major development costs requested by Counterparty B had already been incurred before signing of the agreement, Wuxi 7Road did not obtain such information on a regular basis (or before each payment to Counterparty B) to verify its authenticity.
14. The Subject Game was then expected to be launched in August 2020, but was delayed mainly due to the COVID-19 pandemic and technology. The installment payment under the Game Co-development Agreement did not stipulate for any linkage with the progress of game development and release, and thus, in the event that there was a delay in the game development, Wuxi 7Road was required to make payments under the agreement.
15. According to the information provided by Counterparty B, the cumulative pre-tax development costs for the Subject Game as of 31 December 2020 was RMB313.84 million. Pursuant the Game Co-development Agreement, Wuxi 7Road was required to bear 65% of the development costs of the Subject Game up to a maximum amount of RMB195 million, of which RMB180 million shall be paid to Counterparty B according to a payment schedule and a final installment of no more than RMB15 million shall be paid to Counterparty B within 10 working days after the Subject Game is launched.

16. The transaction in relation to the entering into of the Game Co-development Agreement does not constitute a connected transaction under Chapter 14A of the Listing Rules and/or a notifiable transaction under Chapter 14 of the Listing Rules.
17. The Independent Investigator is of the view that the Company has internal procedures in place to ensure the Company's compliance with terms under the agreement and to protect the Group's assets from any losses.

***The Third Relevant Matter***

18. The third Relevant Matter relates to the Company's trade receivables aged over its credit period, including receivable from one company with an amount of RMB131 million.
19. The Group acquired Shanghai Xinla Networks Technology Co., Ltd. ("**Shanghai Xinla**"), a subsidiary of Osmanthus Vale in 2019. The credit period granted by Shanghai Xinla to Counterparty C was consistent with industry practice, and the actual age of receivables far exceeding its credit period was mainly due to the impact of the pandemic.
20. Shanghai Xinla entered into three mobile game publishing agreements with Counterparty C from 1 January 2018 to 3 June 2019 (hereinafter referred to as the "**Three Original Agreements for Game Publishing**"). The Three Original Agreements for Game Publishing were entered into between Shanghai Xinla and Counterparty C prior to the acquisition of Osmanthus Vale and its subsidiaries by the Company on 22 October, 2019.
21. The Independent Investigator obtained the background and other relevant materials in relation to the entering into of the Three Original Agreements for Game Publishing with Counterparty C.
22. The Independent Investigator also obtained information about the Company's system of reconciliation, settlement and collection for operators and the relevant supporting documents for collection.
23. Save for the fact that the age of receivables of Counterparty C has exceeded its credit period, the Independent Investigator did not find that the business cooperation between the Company and Counterparty C was unreasonable.

24. All of the trade receivables as at 31 December 2020 had been fully settled by Counterparty C on 25 March 2021. The Independent Investigator did not find that relevant subsidiaries of the Group suffered any impairment loss of assets due to the delay in the repayment by Counterparty C. As a result, the Independent Investigator considered that the question of whether any impairment on the relevant trade receivables under the expected credit losses model was needed could have been determined. In addition, the Independent Investigator does not consider that the relevant circumstances relating to such trade receivables will have any material impact on the 2020 financial statements of the Company.

As discussed in the announcement of the Company dated 16 August 2020, the Board considered and endorsed the findings of the Independent Investigation and the recommendations of the Independent Committee. Also, the Board has confirmed that the Company has implemented all remedial measures proposed by the Independent Committee.

In the circumstances and on the above basis, the Company considers that the First Resumption Guidance has been fulfilled.

### **Second Resumption Guidance**

The Company has published all the outstanding financial results.

On 31 August 2021, the Company published its audited annual results announcement for the year ended 31 December 2020 and its interim results announcement for the six months ended 30 June 2021.

On 9 September 2021, the Company published its annual report for the year ended 31 December 2020 (“**Annual Report 2020**”).

On 14 September 2021, the Company published its interim report for the six months ended 30 June 2021 (“**Interim Report 2021**”).

As disclosed in the annual results announcement dated 31 August 2021, the auditor of the Company was satisfied that the Relevant Matters identified by Moore Stephens have been addressed.

Also, as disclosed in the Annual Report 2020, the auditor of the Company has opined in its auditor's report for the year ended 31 December 2020 that the consolidated financial statements of the Group for the year ended 31 December 2020 give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards, and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

Accordingly, the Company considers that the Second Resumption Guidance has been fulfilled.

### **Third Resumption Guidance**

As disclosed in the announcements of the Company dated 31 August 2021 regarding its audited annual results announcement for the year ended 31 December 2020 and its interim results announcement for the six months ended 30 June 2021 and in the Annual Report 2020:

1. The Group is a leading game developer and operator in China with a global reach, and has been engaging in the R&D, operation and licensing of a number of popular games. In recent years, the Group has been strategically expanding its business focuses to develop and operate mobile games. The Group also commenced providing cloud computing services and cloud storage services.
2. The total revenue of the Group for the year ended 31 December 2020 amounted to approximately RMB424.3 million, representing an increase of approximately 27.3% as compared with the year ended 31 December 2019.
3. The gross profit of the Group for the year ended 31 December 2020 amounted to RMB313.5 million, representing an increase of approximately 6.9% as compared to approximately RMB293.1 million for the year ended 31 December 2019.
4. The total assets and the net assets of the Group for the year ended 31 December 2020 are RMB2,114,344,000 and RMB1,511,897,000.

For details of the Group's business model, review of its business, its financial results for the year ended 31 December 2020, its operation information, an overview of the outlook for 2021, its management profile, its corporate governance and its internal controls and risk management function, please refer to the Annual Report 2020.



The Company considers that it has been operating a business of substance that is viable and sustainable in compliance with Rule 13.24 of the Listing Rules, and hence, the Third Resumption Guidance has been satisfied.

#### **Fourth Resumption Guidance**

Since the suspension of trading of the Shares, the Company has informed its shareholders and investors of all material information to appraise the Company's position by way of publication of announcements on the website of the Stock Exchange and the Company ([www.7road.com](http://www.7road.com)). The publication dates and the published information were as follows:

<b>Date</b>	<b>Information published by the Company</b>
28 March 2021	(1) Delay in publication of 2020 annual reports; (2) Possible delay in despatch of 2020 annual report; (3) Postponement of board meeting; and (4) Suspension of Trading.
30 March 2021	Inside Information announcement
12 April 2021	Formation of the Independent Committee
26 April 2021	Appointment of the Independent Investigator
13 May 2021	Change of Auditor
21 May 2021	Resumption Guidance
30 June 2021	Quarterly update on status of resumption
17 August 2021	Key findings of the Independent Investigation and update on recent developments of suspension of trading
31 August 2021	Annual results announcement for the year ended 31 December 2020 and continued suspension of trading
31 August 2021	Interim results announcement for the six months ended 30 June 2021 and continued suspension of trading
9 September 2021	Annual Report 2020
14 September 2021	Interim Report 2021
29 September 2021	Quarterly update on status of resumption

In light of the above, the Company has fulfilled all the Resumption Guidance.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:54 a.m. on 29 March 2021. Since the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 8 October 2021.

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

Wuxi, the PRC  
7 October 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.*