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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 TRANSACTIONS

IN RELATION TO ACQUISITION OF ASSETS

DISCLOSEABLE TRANSACTIONS IN RELATION TO ACQUISITION OF ASSETS

Reference is made to the Announcement dated 9 May 2021 in which it was disclosed that the Group entered into the Previous Cloud Computing Equipment Acquisition Agreements. On 20 October 2021, Shanghai Lingsu entered into the Sixth Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 150 units of smart computing servers from Vendor A at an aggregate consideration of RMB48 million. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As none of the applicable percentage ratio(s) in respect of the Sixth Cloud Computing Equipment Acquisition Agreement exceeded 5%, on a stand-alone basis, nor did the applicable percentage ratio(s) in respect of the transactions as contemplated under the Sixth Cloud Computing Equipment Acquisition Agreement and the Previous Cloud Computing Equipment Acquisition Agreements, on an aggregate basis, exceeded 25%, the entering into of the Sixth Cloud Computing Equipment Acquisition Agreement did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

THE SEVENTH CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENT

On 20 December 2021, Shanghai Lingsu entered into the Seventh Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 1,000 units of graphics cards, 500 units of server hosts, 81 units of smart computing servers and 360 units of storage servers from Vendor A at an aggregate consideration of approximately RMB99.9 million. Further, pursuant to the Seventh Cloud Computing Equipment Acquisition Agreement, Vendor A has agreed to provide Shanghai Lingsu an option to further purchase (in whole or in part) 5,100 units of graphic cards, 800 units of server hosts and 68 units of smart computing servers from Vendor A at an aggregate consideration of approximately RMB101.3 million. The Group expects to elect whether to exercise within three months after completion of the First Purchase.

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 Seventh Cloud Computing Equipment Acquisition Agreement, the transactions as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements, the Sixth Cloud Computing Equipment Acquisition Agreement and the Seventh 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 Seventh Cloud Computing Equipment Acquisition Agreement (including the Purchase Option), on a stand-alone basis, or the Acquisitions, on an aggregate basis, exceed 5% but are less than 25%, each of the transactions contemplated under the Seventh 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.

Further, the acquisition of the Purchase Option under the Seventh Cloud Computing Equipment Acquisition Agreement would be treated as a transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. The exercise of the Purchase Option is at the discretion of Shanghai Lingsu. According to Rule 14.75 of the Listing Rules, on the acquisition of an option, only the premium will be taken into consideration for calculating the percentage ratios. No premium is payable by Shanghai Lingsu for the acquisition of the Purchase Option. The Company will therefore comply with the relevant Listing Rules on the exercise of the Purchase Option (where required).

DISCLOSEABLE TRANSACTIONS IN RELATION TO ACQUISITION OF ASSETS

Reference is made to the Announcement dated 9 May 2021 in which it was disclosed that the Group entered into the Previous Cloud Computing Equipment Acquisition Agreements. On 20 October 2021, Shanghai Lingsu entered into the Sixth Cloud Computing Equipment Acquisition Agreement with Vendor A, pursuant to which Shanghai Lingsu purchased 150 units of smart computing servers from Vendor A at an aggregate consideration of RMB48 million. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As none of the applicable percentage ratio(s) in respect of the Sixth Cloud Computing Equipment Acquisition Agreement exceeded 5%, on a stand-alone basis, nor did the applicable percentage ratio(s) in respect of the transactions as contemplated under the Sixth Cloud Computing Equipment Acquisition Agreement and the Previous Cloud Computing Equipment Acquisition Agreements, on an aggregate basis, exceeded 25%, the entering into of the Sixth Cloud Computing Equipment Acquisition Agreement did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

THE SEVENTH CLOUD COMPUTING EQUIPMENT ACQUISITION AGREEMENT

Date 20 December 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 Vendor A.

Subject matter

Pursuant to the Seventh Cloud Computing Equipment Acquisition Agreement, Shanghai Lingsu agreed to purchase and Vendor A agreed to sell 1,000 units of graphics cards, 500 units of server hosts, 81 units of smart computing servers and 360 units of storage servers (the “**First Purchase**”). Further, pursuant to the Seventh Cloud Computing Equipment Acquisition Agreement, Vendor A has agreed to provide Shanghai Lingsu an option to further purchase (in whole or in part) 5,100 units of graphic cards, 800 units of server hosts and 68 units of smart computing servers from Vendor A (the “**Purchase Option**”). The Group expects to elect whether to exercise within three months after completion of the First Purchase.

Consideration and payment terms

Pursuant to the Seventh Cloud Computing Equipment Acquisition Agreement, the aggregate consideration payable by Shanghai Lingsu to Vendor A in relation to the First Purchase is approximately RMB99.9 million, which will be settled in cash and payable to Vendor A within three business days after the signing of the Seventh Cloud Computing Equipment Acquisition Agreement.

Further, upon Shanghai Lingsu electing to exercise the Purchase Option, the maximum consideration payable by Shanghai Lingsu to Vendor A pursuant to the Seventh Cloud Computing Equipment Acquisition Agreement in relation to the Purchase Option is approximately RMB101.3 million, which will be settled in cash and payable to Vendor A on the date of exercise.

The consideration pursuant to the Seventh 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 Seventh Cloud Computing Equipment Acquisition Agreement will be financed by internal resources of the Group and/or bank borrowings.

Completion

Completion in relation to the First Purchase shall take place within three months after the payment of the First Purchase, pursuant to which the assets under the First Purchase shall be delivered to Shanghai Lingsu by Vendor A.

Further, upon Shanghai Lingsu electing to exercise the Purchase Option, completion in relation to the Purchase Option shall take place within three months after the date of exercise, pursuant to which the assets under the Purchase Option shall be delivered to Shanghai Lingsu by Vendor A.

Guarantee

Personal guarantee

Mr. Liu Shucheng (劉樹成), the executive director and a shareholder of Vendor A, entered into a personal guarantee on 20 December 2021, pursuant to which he guarantees to Shanghai Lingsu the due performance of the obligations and liabilities of Vendor A under the Seventh Cloud Computing Equipment Acquisition Agreement in relation to the First Purchase.

Pledge of accounts receivable

Pursuant to a pledge agreement dated 20 December 2021 entered into between Shanghai Lingsu and Vendor A, Vendor A agreed to provide pledge of part of its accounts receivables to Shanghai Lingsu, and the amount of accounts receivables pledged is in the amount not exceeding the consideration of the First Purchase, which is used as security for the due performance of the obligations and liabilities of Vendor A under the Seventh Cloud Computing Equipment Acquisition Agreement in relation to the First Purchase.

In addition, upon Shanghai Lingsu electing to exercise the Purchase Option, each of Mr. Liu Shucheng (劉樹成) and Vendor A agreed to provide further security, as approved by Shanghai Lingsu, in order to secure the due performance of the obligations and liabilities of Vendor A under the Purchase Option.

INFORMATION OF THE PARTIES

The Group and the Shanghai Lingsu

The Group is principally engaged in the research and development, operation and publication of games and the provision of cloud computing and cloud storage businesses.

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.

Vendor A

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.

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

As disclosed in the Announcement and the 2021 interim report of the Company, in light of the current rapid development of information technology in China and the significant demand for information data, the demand for cloud computing, cloud storage and other cloud-related services is expected to experience continuous and rapid growth in the foreseeable future. As such, since commencing the provision of cloud computing services as a new business activity of the Group, the Board has been, and will continue to, seek investment and development opportunities in, among others, the cloud computing market and actively diversify its income streams in order to increase the revenue and improve the performance of the Group.

The entering into of the Previous Cloud Computing Equipment Acquisition Agreements, the Sixth Cloud Computing Equipment Acquisition Agreement and the Seventh Cloud Computing Equipment Acquisition Agreement involves the acquisition of various models of graphic cards, computer chassis, servers and other cloud computing 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. The Board believes that the entering into of the Acquisitions will provide the Group with a good opportunity to expand 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 Seventh 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 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 Seventh Cloud Computing Equipment Acquisition Agreement, the transactions as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements, the Sixth Cloud Computing Equipment Acquisition Agreement and the Seventh 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 Seventh Cloud Computing Equipment Acquisition Agreement (including the Purchase Option), on a stand-alone basis, or the Acquisitions, on an aggregate basis, exceed 5% but are less than 25%, each of the transactions contemplated under the Seventh 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.

Further, the acquisition of the Purchase Option under the Seventh Cloud Computing Equipment Acquisition Agreement would be treated as a transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. The exercise of the Purchase Option is at the discretion of Shanghai Lingsu. According to Rule 14.75 of the Listing Rules, on the acquisition of an option, only the premium will be taken into consideration for calculating the percentage ratios. No premium is payable by Shanghai Lingsu for the acquisition of the Purchase Option. The Company will therefore comply with the relevant Listing Rules on the exercise of the Purchase Option (where required).

DEFINITIONS

“Acquisitions”	collectively, the acquisitions of certain cloud computing equipment as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements, the Sixth Cloud Computing Equipment Acquisition Agreement and the Seventh Cloud Computing Equipment Acquisition Agreement
“Announcement”	the Company’s announcement dated 9 May 2021 in relation to, among others, the transactions as contemplated under the Previous Cloud Computing Equipment Acquisition Agreements
“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

“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, the Fourth Cloud Computing Equipment Acquisition Agreement and the Fifth Cloud Computing Equipment Acquisition Agreement (each as defined and detailed in the Announcement)
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Seventh Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 20 December 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
“Sixth Cloud Computing Equipment Acquisition Agreement”	the supply agreement dated 20 October 2021 entered into between Shanghai Lingsu and Vendor A

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司), a company established in the PRC with limited liability
“%”	per cent.

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

Wuxi, the PRC, 20 December 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 Mr. Lui Chi Ho.

* *For identification purposes only*