

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)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

On 15 March 2022, Shanghai Lingsu entered into the Finance Lease Agreement, pursuant to which Shanghai Lingsu agreed to sell the Leased Assets to the Lessor at an aggregate consideration of RMB150 million, and the Lessor shall lease back the Leased Assets to Shanghai Lingsu for a term of 48 months.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but are less than 25%, the Finance Lease Arrangement 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.

FINANCE LEASE ARRANGEMENT

The principal terms of the Finance Lease Agreement and the Incidental Documentation are set out as follows:

Date

15 March 2022

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 lessee;
- (ii) Shanghai Yuncheng Financial Leasing Co., Ltd. * (上海雲城融資租賃有限公司), as the Lessor;
- (iii) the Company, as a guarantor;
- (iv) Wuxi 7Road, as a guarantor; and
- (v) Shanghai Zhuiman, as a guarantor.

Subject matter

The Leased Assets comprise 2,790 units of server hosts, 9,800 units of graphics card and 150 units of smart computing servers.

Sale of the Leased Assets and consideration

Pursuant to the Transfer Agreement, Shanghai Lingsu agreed to sell the Leased Assets to the Lessor for an aggregate consideration of RMB150 million, which will be settled in cash and payable to Shanghai Lingsu upon fulfilment of the following conditions:

- (i) the Finance Lease Agreement and the Incidental Documentation having been duly executed and become effective;
- (ii) the registration procedures under the Finance Lease Agreement and the Incidental Documentation having been completed; and
- (iii) Shanghai Lingsu has submitted the relevant ownership information relating to the Leased Assets to the Lessor.

Such consideration was arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account, among others, the unaudited net book value of the Leased Assets as at 31 December 2021 of RMB197.11 million and the market prices of similar products.

The Lessor shall obtain the ownership of the Leased Assets upon payment of the consideration for transfer of the Leased Assets under the Transfer Agreement.

Leaseback of the Leased Assets

Pursuant to the Finance Lease Agreement, the Lessor agreed to lease the Leased Assets back to Shanghai Lingsu for a term of 48 months. The total lease payment payable for the Leased Assets is approximately RMB178.89 million, which shall be payable by Shanghai Lingsu to the Lessor in 48 instalments on a monthly basis during the lease term in cash, of which (i) approximately RMB1.01 million shall be paid for each of the initial six instalments; and (ii) approximately RMB4.11 million shall be paid for each of the remaining instalments.

The lease payment payable pursuant to the Finance Lease Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties after taking into account the consideration for the Lease Assets under the Transfer Agreement, rents for similar finance lease arrangements with similar lease terms in the market and prevailing market interest rates.

Transferability of rights to the Lease Assets

Pursuant to the Finance Lease Agreement, without prejudice to Shanghai Lingsu's use of the Leased Assets during the lease term and its right to purchase the Leased Assets as detailed under the section headed "Termination and transfer of the Leased Assets" below, the Lessor may at its discretion transfer its ownership of the Lease Assets to any third party or create a security interest in the Leased Assets.

Termination and transfer of the Leased Assets

Upon the expiry of the lease term or in the event of an early termination of the Finance Lease Agreement, subject to the settlement of all outstanding amounts due under the Finance Lease Agreement and the Incidental Documentation, the Lessor agreed to transfer the Leased Asset to Shanghai Lingsu at a purchase price of RMB10,000, pursuant to which the Lessor shall transfer the title in the Leased Assets back to Shanghai Lingsu.

Guarantees

Pursuant to the Incidental Documentation, each of the Company, Wuxi 7Road and Shanghai Zhuiman, each a wholly-owned subsidiary of the Company, agreed to provide a guarantee in favour of the Lessor, on a joint and several basis, for the payment obligations of Shanghai Lingsu under the Finance Lease Agreement.

Pledges

Pursuant to the Incidental Documentation, Shanghai Lingsu agreed to pledge a part of its accounts receivables in the amount of RMB18.80 million as security of the payment obligations of Shanghai Lingsu under the Finance Lease Agreement.

Further, pursuant to the Incidental Documentation, Shanghai Lingsu had agreed to pledge its rights and interest in the Leased Assets as security of payment obligations of Shanghai Lingsu under the Finance Lease Agreement and Shanghai Lingsu may continue to utilise the Leased Assets during the lease term.

FURTHER INFORMATION OF THE LEASED ASSETS

The unaudited net book value of the Leased Assets as at 31 December 2021 was RMB197.11 million.

As the Leased Assets were initially new equipment which were acquired in April 2021, no financial information for the year ended 31 December 2020 in relation to the Leased Assets is presented in this announcement. For the year ended 31 December 2021, the net loss before taxation and after taxation attributable to the Leased Assets was RMB23.35 million and RMB23.35 million, respectively.

INFORMATION OF THE PARTIES

The Group, Shanghai Lingsu, Wuxi 7Road and Shanghai Zhuiman

The Company is an investment holding company and the Group is principally engaged in the research and development, operation and publication of games and the provision of other services such cloud computing.

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

Wuxi 7Road is an indirectly wholly-owned subsidiary of the Company established in the PRC and is principally engaged in online game development, promotion and management.

Shanghai Zhuiman is an indirectly wholly-owned subsidiary of the Company established in the PRC and is principally engaged in mobile game development and operation.

The Lessor

The Lessor is a limited liability company established in the PRC and is principally engaged in financial leasing. It is controlled by Shanghai Songjiang State-owned Assets Investment Management Group Co., Ltd.* (上海松江國有資產投資經營管理集團有限公司), which is in turn wholly owned by the Shanghai Municipal (Songjiang district) State-owned Assets Supervision and Administration Commission (上海市松江區國有資產監督管理委員會), a state-owned enterprise.

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

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

As disclosed in the Company's announcements dated 9 May 2021 and 20 December 2021, since the commencement of its cloud business in April 2021, the Group has purchased various models of graphic cards, computer chassis, servers and other cloud computing accessories, which has allowed the Group to provide cloud computing services and create value to its shareholders.

The Company is of the view that the Finance Lease Arrangement can provide the Group with additional working capital at a fair and reasonable financing cost, whilst the Group can also continue to use the Leased Assets for its existing cloud business, which is beneficial to the Company and is in the interests of its shareholders as a whole.

There will not be any gain or loss accrued to the Group in its consolidated financial statements as there was no actual transfer of assets under the Finance Lease Arrangement in accordance with International Financial Reporting Standards. It is expected that the consideration under the Transfer Agreement will be used as additional liquidity, for the purposes of the Group's operations, including but not limited to the research and development of gaming business operation and the expansion of the cloud computing business.

In light of the above, the Directors are of the view that the terms of the Finance Lease Arrangement, including the consideration under the Transfer Agreement and the lease payment under the Finance Lease Agreement, are fair and reasonable and is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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 Finance Lease Arrangement exceeds 5% but are less than 25%, the transactions contemplated under the Finance Lease Arrangement 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.

DEFINITIONS

| | |
|-----------------------------|---|
| “Board” | the board of Directors |
| “Company” | 7Road Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 797) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Finance Lease Agreement” | the finance lease agreement dated 15 March 2022 entered into between Shanghai Lingsu and the Lessor in relation to the transfer of ownership and lease back of the Leased Assets |
| “Finance Lease Arrangement” | the transactions as contemplated under the Finance Lease Agreement and the Incidental Documentation |
| “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 arrangements |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

| | |
|--------------------------------|--|
| “Incidental Documentation” | the agreements incidental to the Finance Lease Agreement, including (i) the Transfer Agreement; (ii) the guarantee agreements dated 15 March 2022 entered into between the Lessor, on the one hand, and each of the Company, Wuxi 7Road and Shanghai Zhuiman, respectively, on the other; (iii) an asset pledge agreement dated 15 March 2022 entered into between the Lessor and Shanghai Lingsu; and (iv) a receivables pledge agreement dated 15 March 2022 entered into between the Lessor and Shanghai Lingsu |
| “Independent Third Party(ies)” | a third party independent of the Company and is not a connected person of the Company |
| “Leased Assets” | subject leased assets under the Finance Lease Agreement, which comprises of server hosts, graphics cards and smart computing servers |
| “Lessor” | Shanghai Yuncheng Financial Leasing Co., Ltd. * (上海雲城融資租賃有限公司), a company established in the PRC with limited liability |
| “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 |
| “RMB” | Renminbi Yuan, the lawful currency of the PRC |
| “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 |
| “Shanghai Zhuiman” | Shanghai Zhuiman Huyu Technology Company Limited* (上海追漫互娛科技有限公司), 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 |

| | |
|----------------------|---|
| “Transfer Agreement” | the transfer agreement dated 15 March 2022 entered into between Shanghai Lingsu and the Lessor |
| “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, 15 March 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 purposes only*