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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)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN THE TARGET COMPANY

Financial adviser to the Company



THE DISPOSAL

On 3 April 2022, the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 49% equity interest in the Target Company at a Consideration of RMB359.66 million (subject to adjustments). As at the date of this announcement, the Target Company is owned as to 49% and 51% by the Vendor and the Purchaser, respectively, and the Target Company is accounted for as an associate of the Company in the financial statements of the Group. Upon Completion, the Company will cease to hold any interest in the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 27 April 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is subject to the fulfilment of the conditions precedent in the Equity Transfer Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

THE DISPOSAL

On 3 April 2022, the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 49% equity interest in the Target Company at a Consideration of RMB359.66 million (subject to adjustments).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set forth below.

Date

3 April 2022

Parties

- (i) The Vendor; and
- (ii) The Purchaser

Assets to be disposed

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 49% equity interest in the Target Company.

Consideration and payment terms

As at the date of this announcement, the Purchaser has paid earnest money in the amount of RMB100 million to the Vendor (the “**Earnest Money**”), and the Vendor has received the Final Dividend paid by the Target Company in the amount of RMB73.5 million.

Pursuant to the Equity Transfer Agreement, the Consideration of RMB359.66 million (subject to adjustments) shall be settled in cash by the Purchaser as follows:

- (i) the Purchaser shall pay to the Vendor a sum of RMB244,800,000 (inclusive of the Earnest Money already paid to the Vendor) within 15 business days after the signing of the Equity Transfer Agreement (the “**First Instalment**”);
- (ii) the Purchaser shall pay to the Vendor a sum of RMB62,460,000 (subject to adjustments) within 15 business days upon satisfaction of all the conditions precedent pursuant to the Equity Transfer Agreement (the “**Second Instalment**”); and
- (iii) the Purchaser shall pay to the Vendor a sum of RMB52,400,000 within 15 business days after the date on which the relevant filing procedures for the Disposal has been completed with the State Administration for Market Regulation of the PRC.

Adjustments

Pursuant to the Equity Transfer Agreement, the amount of the Second Instalment shall be deducted by any further dividend payable to the Vendor prior to Completion (if any).

Basis of the Consideration

The Consideration was determined between the Vendor and the Purchaser after arm’s length negotiations and on normal commercial terms, with reference to, among others, (i) a valuation consultation report made by an independent valuer based on market approach in respect of 100% equity interest of the Target Company as at 31 December 2021, which amounted to approximately RMB884 million; (ii) the historical financial performance of the Target Company, including its net profit after tax for the year ended 31 December 2021; (iii) the Final Dividend already received by the Vendor; and (iv) the benefits to be derived by the Group upon Completion as described under the section headed “Reasons for and benefits of the Disposal” in this announcement.

Based on the above, the Directors consider that the Consideration is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled, which include, among others:

- (a) the warranties and representations made by each of the Purchaser and the Vendor remaining true and accurate and not misleading as at the date of the Equity Transfer Agreement and on the date of Completion;
- (b) there is no occurrence of any material adverse changes to the Target Company's business, operations, assets and financial conditions from the date of the Equity Transfer Agreement and up to the date of Completion;
- (c) the signing of the Equity Transfer Agreement and necessary transaction documents; and
- (d) each of the Purchaser and the Vendor has obtained internal approval in respect of the Disposal and such approval remaining valid upon Completion.

Completion

Completion shall take place upon satisfaction of all the conditions precedent pursuant to the Equity Transfer Agreement and the receipt of payment of the Second Instalment by the Vendor, unless otherwise agreed by the parties in writing.

Termination

If at any time prior to Completion, any one of the following events take place, the Purchaser may by notice in writing to the Vendor forthwith terminate the Equity Transfer Agreement:

- (a) a material adverse change to the Target Company has occurred;
- (b) any representations or warranties provided by the Vendor is untrue, inaccurate, incomplete or misleading in any material respects;
- (c) any obligation or undertaking of the Vendor under the Equity Transfer Agreement has not been duly fulfilled, observed or performed in any material respects; or
- (d) the issuance of any order, decision, judgement or other rulings by governmental departments or regulators that may materially affect the Disposal.

If the conditions precedent to the Equity Transfer Agreement have not been fully satisfied by the 60th business day after the signing of the Equity Transfer Agreement, unless waived or extended by the parties, the Purchaser shall have the right to unilaterally terminate the Equity Transfer Agreement by written notice. If such non-satisfaction was due to the fault of the Vendor, the Purchaser shall have the right to require the Vendor for payment at a simple interest rate of 8% per annum on the amount of the First Instalment calculated from the date of receipt of the First Instalment.

In the event the Equity Transfer Agreement is terminated, each party's rights and obligations pursuant to the Equity Transfer Agreement shall cease immediately and both parties agree to restore their respective positions to prior to entering into the Equity Transfer Agreement.

INFORMATION ON THE PARTIES

The Group and the Vendor

The Group is principally engaged in the research and development, operation and publication of games and the provision of cloud computing services and other cloud-related services.

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in online game development, promotion and management.

The Purchaser

The Purchaser is an indirectly wholly-owned subsidiary of Zhejiang Century Huatong Group Co Ltd. (浙江世紀華通集團股份有限公司) (“**Century Huatong**”), a company listed on the Shenzhen Stock Exchange (stock code: 002602), which is a large-scale gaming company in China, and is principally engaged in the online gaming business and the manufacturing and sales of automotive parts and accessory systems. The Purchaser is principally engaged in equity investment management. As at the date of this announcement, the Purchaser is holding 51% equity interest in the Target Company and the holding company of the Target Company.

As at the date of this announcement and based on public information available of Century Huatong, there is no shareholder whom is interested in more than 30% of the issued share capital of Century Huatong.

Further, Shengqu Technology Korean Limited, DianDian Interactive Holding and Actoz Soft Hong Kong Limited are existing Shareholders and are on aggregate directly interested in approximately 9.97% of the issued Shares, and each of them is indirectly controlled by Century Huatong, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement and save as disclosed above, each of the Purchaser, Century Huatong and its other ultimate substantial beneficial owners as publicly disclosed is an Independent Third Party.

The Target Company

The Target Company was established in the PRC with limited liability on 13 May 2019 and is principally engaged in research and development of online games. As at the date of this announcement, the Target Company is owned as to 49% and 51% by the Vendor and the Purchaser, respectively.

The Vendor acquired 49% equity interest in the Target Company in January 2021 at an original acquisition cost of RMB73.5 million.

The Target Company is accounted for as an associate of the Company in the financial statements of the Group. Set out below is a summary of the unaudited financial information on the Target Company for the years ended 31 December 2020 and 2021:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	122,536	47,740
Profit after taxation	134,607	35,562

The unaudited net asset value of the Target Company as at 31 December 2021 amounted to approximately RMB168.19 million.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The Consideration of the Disposal is RMB359.66 million (subject to adjustments) and the audited carrying amount of the Group's interest in the Target Company as at 31 December 2021 was approximately RMB128.35 million. After receiving the Final Dividend paid by the Target Company in the amount of RMB73.5 million in 2022, the carrying amount of the Group's interest in the Target Company was approximately RMB54.85 million. Accordingly, assuming the Completion has taken place, the Group is expected to record a gain (before any tax and expenses) from the Disposal of not more than RMB304.81 million, representing the difference between the Consideration of the Disposal received under the Equity Transfer Agreement and the carrying amount of the Group's interest in the Target Company after receiving the Final Dividend paid by the Target Company. Shareholders should note that the actual gain from the Disposal to be recorded by the Company will depend on the carrying amount of the Group's interest in the Target Company as at the date of Completion, and therefore may be different from the amount mentioned above. In addition, assuming the Completion has taken place, the Group's total assets will be increased by approximately RMB304.81 million as a result of the Disposal, representing an increase in cash and cash equivalents by approximately RMB359.66 million as a result of the disposal of carrying amount of the Group's interest in the Target Company of approximately RMB54.85 million.

Upon Completion, the Company will cease to hold any interest in the Target Company, and the Target Company will cease to be accounted for as an associate of the Company.

Subject to any further adjustments to the Consideration, the net proceeds from the Disposal (after deducting transaction costs and professional expenses) will be approximately RMB358.59 million. Among which, the Group intends to use (i) approximately RMB200.00 million for general working capital purposes, including but not limited the operations and research and development of the game business as well as business development of the cloud business; and (ii) approximately RMB158.59 million in investing projects with growth potential. As at the date of this announcement, the Group entered into a non-legally binding letter of intent to invest in no more than 3% equity interest in a company principally engaged in the research and development and manufacturing of advanced silicon chip, pursuant to which no formal agreement has been entered into between the parties in relation to the possible investment. Save as disclosed, the Directors have not identified any further target for acquisitions or have any concrete investment plan as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the 2021 annual report of the Company, as part of the Group's development strategy to create better returns for the Shareholders, the Group intends to continue seeking investment and development opportunities.

The Target Company is a leading mobile online research and development game company in China, specializing in the research and development of large-scale real-time role-playing mobile games. In view of the fact that the Target Company has generated good returns since the Group's acquisition last year, and after comprehensively considering the benefits and risks of the life cycle and investment return cycle of games, the Disposal allows the Group to obtain a sizeable guaranteed return on its investment immediately in the Target Company, and enable the Group to improve its overall cash position and receive additional funding for general working purposes or investing in projects with growth potential.

Based on the above, the Directors consider that the Disposal contemplated by the Equity Transfer Agreement is on normal commercial terms and the terms of the Equity Transfer Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

According to the Listing Rules, any shareholder with a material interest in the proposed transaction and his/her/its close associates shall abstain from voting on the relevant resolutions approving the transaction at the general meeting. As at the date of this announcement, Shengqu Technology Korean Limited, DianDian Interactive Holding and Actoz Soft Hong Kong Limited on aggregate are directly interested in approximately 9.97% of the issued Shares, and each of them is indirectly controlled by Century Huatong, respectively. As such, each of Shengqu Technology Korean Limited, DianDian Interactive Holding and Actoz Soft Hong Kong Limited will be required to abstain from voting on the relevant resolutions at the EGM. Save for the aforesaid, as at the date of this announcement, since no other Shareholder is materially interested in the transactions contemplated under the Equity Transfer Agreement, no other Shareholder is therefore required to abstain from voting in respect of the proposed ordinary resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 27 April 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is subject to the fulfilment of the conditions precedent in the Equity Transfer Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	7Road Holdings Limited (第七大道控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 6 September 2017 and the Shares of which are listed on the Main Board of the Stock Exchange on 18 July 2018 (Stock Code: 797)
“Completion”	the completion of the Disposal and has the meaning ascribed to it under “Completion”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration of RMB359.66 million (subject to adjustments) payable by the Purchaser to the Vendor for the Disposal, being the total consideration of RMB433.16 million as provided under the Equity Transfer Agreement and after deducting the Final Dividend
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 49% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 3 April 2022 in respect of the transfer of 49% equity interest in the Target Company
“Final Dividend”	the final dividend for the financial year ended 31 December 2021 received by the Vendor from the Target Company in the amount of RMB73.5 million
“Group”	the Company and all its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of contractual arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Shaoxing Shangyu Saihe Equity Investment Co., Ltd.* (紹興上虞賽赫股權投資有限公司), a company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wuxi Shouxin Network Technology Co., Ltd.* (無錫手心網絡科技有限公司), a company established under the laws of the PRC and owned as to 49% and 51% by the Vendor and the Purchaser, respectively, as at the date of this announcement
“Vendor”	Shanghai Xinla Networks Technology Co., Ltd.* (上海辛辣網絡科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

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

Wuxi, the PRC, 3 April 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*