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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 7Road Holdings Limited you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other registered dealer in securities or other agent through whom the sale or transfer was affected for transmission to the purchaser or the transferee.

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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; AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A notice convening the EGM of the Company to be held on Monday, 23 May 2022 at 11 a.m. at the conference room of the Company at 4/F, Building 1-A, Tingwei Industrial Park, No. 6 Liufang Road, Baoan District, Shenzhen, the PRC is set out on pages 69 to 71 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. no later than 11 a.m. on Saturday, 21 May 2022). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES AT THE EGM

The Company will implement the following preventive measures at the EGM to prevent and control the spread of the Novel Coronavirus (COVID-19):

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue;
- every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
- no refreshment will be served; and
- no souvenir will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company wishes to remind all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the resolution at the EGM as an alternative to attending the EGM in person.

29 April 2022

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DEFINITIONS

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

“Board”	the board of Directors
“Century Huatong”	Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002602)
“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

DEFINITIONS

“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)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huoerguosi 7Road”	Huoerguosi 7th Road Network Technology Co., Ltd. (霍爾果斯第七大道網絡科技有限公司), a company established under the laws of the PRC with limited liability on 27 November 2015
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Independent Valuer”	Shandong Zhengyuan Hexin Assets Appraisal Limited* (山東正源和信資產評估有限公司), an independent professional valuer appointed to appraise the valuation of 100% equity interest of the Target Company as at 31 December 2021

DEFINITIONS

“Latest Practicable Date”	27 April 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 circular, 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen 7Road”	Shenzhen 7th Road Technology Co., Ltd.* (深圳第七大道科技有限公司), a company established under the laws of the PRC with limited liability on 22 January 2008
“Shenzhen Qianqi”	Shenzhen Qianqi Network Technology Co., Ltd.* (深圳千奇網絡科技有限公司), a company established under the laws of the PRC with limited liability on 28 November 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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 the Purchaser, respectively, as at the Latest Practicable Date
“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 Latest Practicable Date
“%”	per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Meng Shuqi (*Chairman*)

Mr. Li Zhengquan

Mr. Yang Cheng

Registered Office:

Sertus Chambers, Governors Square

Suite #5-204, 23 Lime Tree Bay Avenue

P.O. Box 2547

Grand Cayman, KY1-1104 Cayman Islands

Independent Non-executive Directors:

Mr. Xue Jun

Ms. Li Yiqing

Mr. Lui Chi Ho

Principal Place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

29 April 2022

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN
THE TARGET COMPANY; AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 3 April 2022 in relation to the Disposal.

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

The purpose of this circular is to provide the Shareholders with, among others, (i) further details of the Disposal, (ii) other information as required under the Listing Rules; and (iii) notice of the EGM.

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 Latest Practicable Date, 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**”);

LETTER FROM THE BOARD

- (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

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) the valuation consultation report (the “**Valuation Consultation Report**”) as set out in Appendix III to this circular prepared by the Independent Valuer based on market approach in respect of 100% equity interest of the Target Company as at the benchmark date, being 31 December 2021 (the “**Valuation**”), which amounted to approximately RMB884 million; (ii) the historical financial performance of the Target Company, including the improvement of its net profit after tax for the year ended 31 December 2021 as compared to the corresponding period in 2020, and the adjusted net profit of the Target Company for the year ended 31 December 2021 which was adopted to arrive at the Valuation using the adjusted price-to-earnings (“**P/E**”) ratio of the comparable companies (the “**Comparable Companies**”), details of which are set out below and in the Valuation Consultation Report; (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 circular.

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.

As confirmed by the Independent Valuer, the Valuation was conducted on the following basis:

Methodology

In arriving at the assessed value, the Independent Valuer had considered three typical valuation approaches used in China, namely, market approach, income approach and asset-based approach. In its opinion, the market approach was more appropriate than the income approach or

LETTER FROM THE BOARD

the asset-based approach for valuing the Target Company because (i) the income approach required a reliable future cash flow, which was unavailable in the case of the Target Company; and (ii) the asset-based approach could not reflect the value of unidentifiable intangible assets, such as operation models, research and development ability and customer relations, which is an important factor for valuing game companies.

Market approach determines the value of underlying assets based on comparable listed companies or comparable transaction cases. Given that there were numerous listed companies in the online game industry, and such financial information of listed companies are easily accessible (for example, via financial databases such as Wind Info), the Independent Valuer considered that valuing the Target Company based on comparable listed companies was more appropriate. Further, information on transactions of similar nature to the Disposal is not as readily available, therefore, valuing the Target Company based on comparable transaction cases was not adopted.

In this case, the Independent Valuer used an adjusted P/E multiple of the Comparable Companies, which was calculated based on the financial information as publicly disclosed, to determine the fair value of the Target Company, and then took into account of a liquidity discount as the Target Company is an unlisted company.

Assumptions

In determining the Valuation, the following general and special assumptions were adopted:

1. all assets subject to the Valuation were in the process of trading;
2. all assets subject to the Valuation were publicly traded in the market, and the market information associated with the assets were accessible and adequate, allowing trading parties to be well-informed over the usage and functions of the assets and its trading price;
3. all assets subject to the Valuation will continue to be used based on its current use, manner of use, scale, frequency and market environment;
4. there will be no material changes in existing national macroeconomic, financial and industrial policies;
5. there will be no material changes in the social and economic environment where the Target Company operates or in the tax policies implemented by the Target Company in the foreseeable future;

LETTER FROM THE BOARD

6. the management team of the Target Company will operate with due diligence, and there will be no material changes in its core employees. The Target Company will continue as a going concern in accordance to its existing operation and management model in the foreseeable future;
7. there will be no material changes to the production and business place of the Target Company; and
8. there will be no material changes to the main sources of income and costs, as well as business strategy of the Target Company in the foreseeable future. The profit or loss from the changes in the main business caused by future possible changes in management, business strategy or commercial environment were not considered.

Multiples of Comparable Companies as at the benchmark date

The Comparable Companies were selected based on similarity of business nature. In selecting the Comparable Companies, the Independent Valuer applied the following selection criteria:

1. given that the Target Company's operations and customers are located in the PRC, companies listed on the recognized stock exchanges in the PRC which were solely engaged in the game industry were selected;
2. companies which were categorized as "special treatment"¹ on the relevant stock exchanges were excluded; and
3. companies which had a negative P/E ratio or a P/E ratio excessively higher than the industry norm (i.e. a P/E ratio that is higher than 30) were excluded.

¹ "Special treatment" refers to those listed companies with abnormal financial conditions or other abnormal conditions which were thus given special treatment by the relevant stock exchanges in the PRC under the applicable listing rules.

LETTER FROM THE BOARD

Based on the above selection criteria, an exhaustive list of five companies, i.e. the Comparable Companies, were selected. The following table shows the net profit attributable to the parent company, market value, P/E multiple, the relevant adjustment factor and adjusted P/E multiple of each Comparable Companies:

Comparable Companies	Stock Code	Net profit attributable to the parent company (approximate RMB million) ⁽¹⁾	Market value (approximate RMB million) ⁽²⁾	P/E ⁽³⁾	Adjustment factor ⁽⁴⁾⁽⁵⁾	Adjusted P/E
Kaiying Network Co., Ltd. (愷英網絡股份有限公司)	SZ.002517	514.98	11,601.42	22.53	0.5346	12.0
Kunlun Wanwei Technology Co., Ltd. (崑崙萬維科技股份有限公司)	SZ.300418	3,063.29	26,499.33	8.65	0.5665	4.9
Giant Network Group Co., Ltd. (巨人網絡集團股份有限公司)	SZ.002558	1,065.69	22,193.28	20.83	0.5792	12.1
Hangzhou Electric Soul Network Technology Co., Ltd. (杭州電魂網絡科技股份有限公司)	SH.603258	370.20	7,125.41	19.25	0.6348	12.2
Xiamen G-bits Network Technology Co., Ltd. (廈門吉比特網絡技術股份有限公司)	SH.603444	1,457.22	27,592.79	18.94	0.4717	8.9

Notes:

1. Represents the net profit attributable to the parent company of the Comparable Companies for the 12-months period ended 30 September 2021, which was obtained from the database of Wind Info.
2. Being the market value of the Comparable Companies, which was calculated by multiplying the total share capital of the Comparable Companies as at 31 December 2021 by its monthly average trading price during December 2021. Information on the total share capital and the monthly average trading prices was obtained from the database of Wind Info.
3. The P/E multiple was calculated by dividing the market value of the Comparable Companies by the net profit attributable to the parent company.
4. The adjustment factor was calculated by multiplying an adjustment factor of financial indexes by an adjustment factor of scale indexes as further detailed in Appendix III to this circular.
5. As at the benchmark date of the Valuation, the Target Company's operating income was mainly generated from its existing game, League of Heroes (盟重英雄). In contrast, the Comparable Companies are greater in company size and generates higher operating income than the Target Company, with more product lines developed, and can thus enjoy better economies of scale. Accordingly, the adjustment factor of scale indexes was calculated due to the large discrepancy in the company size and operating income between the Target Company and the Comparable Companies. The adjustment factor of scale indexes was determined based on a scoring system by using a

LETTER FROM THE BOARD

commonly-used scale adjustment model (i.e. a natural logarithm model) with reference to the revenue of the Target Company and the Comparable Companies, and a constant value determined by the Independent Valuer after comprehensively considering the relevant companies' industry and company size.

Based on the above, the adjusted P/E multiples of the Comparable Companies were averaged to obtain a P/E multiple of 10.0 for the purposes of the Valuation.

The Independent Valuer conducted its market comparable analysis using the P/E ratio due to the following reasons:

1. companies in the game industry are asset-light businesses and the revenue is mainly associated to the company's personnel, technology and market development. As companies in the game industry generally have lesser investments in fixed assets and intangible assets, the amount of debt financing would be restricted and the asset-liability ratio is thus relatively low. Further, the impact of market depreciation, amortization policies and finance costs are limited as well. Accordingly, analysing the Comparable Companies based on EV/EBIT or EV/EBITDA ratios were deemed unsuitable; and
2. after selecting the Comparable Companies and assessing their respective financial information, the Independent Valuer identified that the correlation between the value of the Comparable Companies and net profit attributable to the parent company was much higher as opposed to revenue or equity attributable to the parent company. Accordingly, analysing the Comparable Companies based on the P/E ratio was more appropriate than using P/B or P/S ratios.

After assessing the factors in concluding the valuation approach as set out under the paragraph headed "Methodology" above, the Directors considered that the use of market approach was an appropriate method, as opposed to the income approach or the asset-based approach, to present a true and fair value of the Target Company for the purposes of determining the Consideration as:

1. the income approach quantifies and determines the present value of the expected profitability of assets as a whole, with an emphasis on the expected overall profitability of an enterprise. Since the Target Company's new gaming projects were still under development, neither a secured future cash flow nor profitability was made, and the income approach was not a preferred valuation method; and

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2. the asset-based approach determines the value of the subject company based on the assets and liabilities of an enterprise, which is more suitable for companies which are asset-heavy. Since companies in the game industry are generally asset-light businesses, the asset-based approach was not suitable for game companies as it does not consider fully the value of unidentifiable intangible assets.

In addition, the Valuation was conducted by the Independent Valuer, a qualified independent valuer and of sufficient reputation.

Having considered the above, the Directors considered that the Valuation, as well as the methodologies, assumptions and selection criteria of the Comparable Companies adopted for the preparation of the Valuation, were fair and reasonable.

For further details of the Valuation Consultation Report, see Appendix III to this circular.

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.

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.

LETTER FROM THE BOARD

Save for conditions (a) and (b) above, the remaining conditions precedent cannot be waived. It is the intention of the parties to have further discussions and negotiations if there occurs any incidents or events which render either of conditions (a) and/or (b) unsatisfied or not fulfilled and the parties shall determine if such conditions could be waived depending on the actual circumstances. Internal approval in respect of the Disposal as referred to in condition (d) includes the Shareholders' approval to be sought by the Company at the EGM. As at the Latest Practicable Date, only condition (c) has been fulfilled.

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.

Indemnification

In the event that any party breaches its obligations under the Equity Transfer Agreement or any representations or warranties provided by any party are untrue, inaccurate, incomplete or misleading in any material respects, the party in breach shall be liable for all actual and direct losses (including but not limited to loss of profits, professional fees and litigation fees) of the non-breaching party arising from such breach if upon receipt of a written notice of such breach from the non-breaching party and the breaching party does not rectify the breach within 10 days of the written notice.

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.

LETTER FROM THE BOARD

If the conditions precedent to the Equity Transfer Agreement as detailed under the paragraph headed “Conditions Precedent” above have not been fully satisfied by the 60th business day after the signing of the Equity Transfer Agreement 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. The Directors are of the view that such unilateral right to claim liquidated damages entitled by the Purchaser is fair and reasonable, as it was entered into after arm’s length negotiations between the parties upon taking into account the terms of the Equity Transfer Agreement as a whole and the fact that (i) the Purchaser has paid the Earnest Money prior to the signing of the Equity Transfer Agreement; and (ii) the First Instalment represents a substantial portion of the Consideration (representing approximately 68% of the Consideration), which is required to be paid by the Purchaser within 15 business days after the signing of Equity Transfer Agreement. On the other hand, the Vendor may sue for compensation under the general indemnification clause in case of any breach by the Purchaser as detailed under the paragraph headed “Indemnification” above.

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 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 Latest Practicable Date, the Purchaser is holding 51% equity interest in the Target Company and the holding company of the Target Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date 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 Latest Practicable Date and save as disclosed above, each of the Purchaser, Century Huatong and its 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 Latest Practicable Date, 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 from Wuxi Zhiqi Enterprise Management Partnership (L.P.)* (無錫致起企業管理合夥企業(有限合夥)) (“**Wuxi Zhiqi**”) in January 2021 at an original acquisition cost of RMB73.5 million. Wuxi Zhiqi was then controlled by its general partner, Liu Xin (劉欣). The limited partner of Wuxi Zhiqi was Minquan County Cool Information Technology Partnership (L.P.)* (民權縣酷炫信息技術合夥企業(有限合夥)), which was in turn owned as to 10% and 90% by Liu Xin and Huang Ji (黃戟) as general partner and limited partner, respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, each of Wuxi Zhiqi, its general partner, its limited partner and their respective ultimate beneficial owners (if any) is an Independent Third Party and are not related to the Purchaser, Century Huatong and its ultimate substantial beneficial owners as publicly disclosed.

LETTER FROM THE BOARD

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, the carrying amount of the Group's interest in the Target Group was approximately RMB54.85 million. Accordingly, assuming the Completion has taken place, the Group is expected to record a gain (before 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 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.

LETTER FROM THE BOARD

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, which is expected to be fully utilized by the end of 2023; and (ii) approximately RMB158.59 million in investing projects with growth potential, which is expected to be fully utilized by the end of 2022.

The Group intends to invest in projects from which the Group can maximize its expected return, and the key areas of the Group's investment focus will generally include:

- *In relation to the gaming industry* — companies with strong research and development capabilities and pipelines of game projects to be further developed such that the Company may jointly develop and publish games with these companies; and
- *In relation to the cloud industry* — upstream and downstream companies along the cloud industry chain which have potential to create business synergies with the Group's cloud business.

Save as disclosed below, the Directors have not identified any further target for acquisitions or have any concrete investment plan as at the Latest Practicable Date. Therefore, the expected investment timeline will be subject to the then nature and actual financial situation of the targets and market conditions.

As at the Latest Practicable Date, the Group entered into the following non-legally binding documents:

- 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 (“**Possible Investment**”). The target company is a market-leading domestic PRC manufacturer of large-scale semiconductor silicon chips which is currently considering to list its shares on a recognizable stock exchange, and its products are widely used in the production of memory chips, central processing units (CPUs), graphic processing units (GPUs) and various semi-conductor components. The Directors are of the view that given that the Possible Investment is positioned as an upstream company of the Group's cloud business, it has the potential to create business synergies with the Group and generate a healthy return for the Group. It is expected that, in the event a formal agreement is entered into, the Group's maximum investment amount in the Possible Investment will

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not exceed RMB400 million. Given that no formal agreement has been entered into yet, the Company does not have an expected investment timeline for the Possible Investment, which will be subject to the then nature and actual financial situation of the target company and market conditions; and

- the Group entered into a non-legally binding letter of intent to acquire no more than 12% equity interest in a company principally engaged in the development and publication of online games, pursuant to which no formal agreement has been entered into between the parties in relation to the possible acquisition (“**Possible Acquisition**”). The target company has extensive experience in the research and development and operation of online games. It also operates a diverse range of successful products in relation to large-scale simulation games. The Directors are of the view that given that the Possible Acquisition will allow the Group to acquire interest in a company with a well-established team which is related to the Group’s game business, it has the potential to create business synergies with the Group and generate a healthy return for the Group. It is expected that, in the event a formal agreement is entered into, the Group’s maximum consideration of the Possible Acquisition will not exceed RMB144 million. Given that no formal agreement has been entered into yet, the Company does not have an expected investment timeline for the Possible Acquisition, which will be subject to the then nature and actual financial situation of the target company and market conditions.

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 general, the revenue generated from game operations will tend to grow rapidly and reach its peak during the initial stages of the game life cycle after its launch, after which, it will then plateau and gradually decline starting from the maturity stage. The Group invested in the Target Company in 2021 during the initial stages of one of its game publication, to which the game received a positive market response and generated an immediate return. The Directors noted that the Target Company is currently developing a new game, namely, Fire Dragon Retro Legend (復古傳奇火龍版), as well as various new versions of its existing game, namely, League of Heroes (盟重英雄). However, there are uncertainties as to whether (i) such new games will be successfully developed and launched in the planned timeframe; (ii) the cooperation agreements to be entered into with game publishers in relation to such new games will be on good commercial terms; and

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(iii) such new games will be able to bring in the expected number of game players after its launch. Further, the Target Company's pipeline of games is currently quite concentrated, which may impact its short-term profitability as the Target Company may incur more costs on research and development in order to diversity its range of game products. All these may have a negative impact on the potential investment returns of the Target Company. In view of the fact that the Target Company has already generated good returns since the Group's investment, and after comprehensively considering the benefits and risks of the life cycle and investment return cycle of games, including but not limited to the return which the Group would receive on its investment and the uncertainties associated with market response to the new games and new versions of existing games to be launched in the future, the Disposal allows the Group to obtain a sizeable 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.

As at the Latest Practicable Date, the Company has no plans nor entered into any memorandum or agreement for any further disposals of its existing businesses.

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 resolution approving the transaction at the general meeting. As at the Latest Practicable Date, 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

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Limited, DianDian Interactive Holding and Actoz Soft Hong Kong Limited will be required to abstain from voting on the resolution at the EGM. Save for the aforesaid, as at the Latest Practicable Date, 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 to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of the Company on Monday, 23 May 2022 will be eligible to attend and vote at the EGM. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2022.

NOTICE OF EGM

Set out on pages 69 to 71 of this circular is the notice of EGM at which, inter alia, an ordinary resolution will be proposed to the Shareholders to consider and approve, among other matters, the Disposal and the transactions contemplated thereunder.

FORM OF PROXY

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.7road.com. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 11 a.m. on Saturday, 21 May 2022) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment if they so wish.

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VOTING BY WAY OF POLL

Pursuant to rule 13.39(4) of the Listing Rules and article 72 of the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of EGM will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each fully paid share registered in his/her/its name in the register. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

RECOMMENDATION

The Directors are of the opinion that the terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Disposal and the transactions contemplated thereunder.

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL SUMMARY

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.7road.com):

- (i) annual report of the Company for the year ended 31 December 2019 (pages 56 to 152) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0630/2020063001518.pdf>);
- (ii) annual report of the Company for the year ended 31 December 2020 (pages 62 to 166) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0909/2021090901203.pdf>); and
- (iii) annual report of the Company for the year ended 31 December 2021 (pages 93 to 253) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0325/2022032500493.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had unsecured bank borrowings of approximately RMB10.0 million and lease liabilities of approximately RMB57.8 million. The bank borrowings were unsecured but guaranteed by the director of the Company.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 28 February 2022.

The Board has confirmed that, save as disclosed in this circular, there has not been any material change in the indebtedness or contingent liabilities of the Group since 28 February 2022.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and in the absence of unforeseen circumstances, the Group has

sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation from its auditor as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that they are not aware of any material adverse change in the financial position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the Group recorded revenue of approximately RMB420.5 million, representing a decrease of approximately 0.9% as compared with the year ended 31 December 2020, which was mainly due to a slight decrease in revenue from the Group's game business and an increase in revenue from the Group's newly commenced cloud business during the year ended 31 December 2021. Further, the profit attributable to owners of the Company amounted to approximately RMB94.2 million, representing an increase of approximately 15.9% as compared with the year ended 31 December 2020, which was due to the profit contribution of the Target Company attributable to the Group during the year ended 31 December 2021.

Set out below are the business strategy and trading prospect of the Group's existing businesses:

Game Business

The Group will continue to enhance the quality of games and strive to create superior gaming products. The Group will make full use of its existing intellectual properties ("IP") and its years of experience in game development to form a diversified IP product line consisting of original creations, anime adaptations and domestic licensing. Themes and gaming types will be expanded to enrich the Group's product portfolio. To improve its revenue and performance, the Group will analyse its users' favourite gameplay that will generate the most revenue, optimise functions and rules for better gaming quality, and actively explore the diversification of income streams in the game industry.

Further, the Group will continue to strategically establish its global presence while focusing on the domestic and global market. Through seeking suitable opportunities for strategic investment, the Group will also actively identify distinguished research and development teams and potential hit games to introduce quality products to the Group by means of game licensing, investment, merger and acquisition. This will reinforce and consolidate the upstream and downstream industry chain, enhancing the Group's position in the industry.

Cloud Business

During the year ended 31 December 2021, in addition to its current principal game business, the Group commenced the provision of cloud computing services and other cloud-related services as new business activities of the Group, in order to diversify its income streams and create better returns for Shareholders.

With the current rapid development of information technology and the significant demand for data in China, the Group expects that the demand for cloud computing and other cloud-related services will experience continuous and rapid growth in the foreseeable future. Therefore, the Group will continue to seek investment and development opportunities in cloud-related industries to expand its current business.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN THE GROUP

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the Company

Name of Director	Capacity/Nature of interest	Number of Shares or underlying Shares held ⁽²⁾	Approximate percentage of issued share capital ⁽¹⁾
Mr. Meng Shuqi ⁽³⁾ ⁽⁴⁾	Interest in a controlled corporation	528,854,000	19.20%

Notes:

- (1) The calculation is based on the total number of 2,753,200,000 Shares in issue as at the Latest Practicable Date.
- (2) All interest stated are long positions.
- (3) 429,922,000 Shares are registered under the name of Ben 7Road Holdings Limited, the issued share capital of which is wholly owned by Mr. Meng Shuqi. Accordingly, Mr. Meng Shuqi is deemed to be interested in all the Shares held by Ben 7Road Holdings Limited for the purpose of Part XV of the SFO.

- (4) 98,932,000 Shares are registered under the name of 7Road Elite Holdings Limited, the issued share capital of which is wholly owned by Ben 7Road Holdings Limited. Ben 7Road Holdings Limited is wholly-owned by Mr. Meng Shuqi. Accordingly, each of Mr. Meng Shuqi and Ben 7Road Holdings Limited is deemed to be interested in all the Shares held by 7Road Elite Holdings Limited for the purpose of Part XV of the SFO.

Interests in other members of the Group

Name of Director	Name of other members of the Group	Capacity/Nature of interest	Approximate percentage of issued share capital ⁽¹⁾
Mr. Meng Shuqi	Shenzhen 7Road ⁽²⁾	Beneficial owner	21.50%
	Shenzhen Qianqi ⁽²⁾	Interest in a controlled corporation	21.50%
	Huoerguosi 7Road ⁽²⁾	Interest in a controlled corporation	21.50%

Notes:

- (1) All interests stated are long positions.
- (2) Each of Shenzhen 7Road, Shenzhen Qianqi and Huoerguosi 7Road is accounted for as a subsidiary of the Company by virtue of certain contractual arrangements entered into by the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or (c) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

So far as the Directors were aware, as at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) or corporations who had interests or short positions in the Shares or underlying Shares of the Company (a) as recorded in

the register required to be kept by the Company under section 336 of the SFO; or (b) which were required to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of part XV of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares held ⁽²⁾	Approximate percentage of issued share capital ⁽¹⁾
Baohu Holdings Limited	Beneficial owner ⁽³⁾	352,714,000	12.81%
Shanghai Bao Hu Investment Management Center (Limited Partnership)	Interest in a controlled corporation ⁽³⁾	352,714,000	12.81%
Shanghai Bao Pu Investment Management Co., Ltd.	Interest in a controlled corporation ⁽³⁾	353,586,000	12.84%
Ningbo Hao Chu Investment Management Co., Ltd.	Interest in a controlled corporation ⁽³⁾	353,586,000	12.84%
Mr. Zhou Hao	Interest in a controlled corporation ⁽³⁾	353,586,000	12.84%
Shengqu Technology Korean Limited	Beneficial owner ⁽⁴⁾	51,902,000	1.89%
	Interest in a controlled corporation ⁽⁴⁾	88,764,000	3.22%
Century Huatong	Interest in a controlled corporation ⁽⁴⁾	274,366,000	9.97%
Shangyulongcheng Holdings Limited	Beneficial owner ⁽⁵⁾	174,410,000	6.33%
Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership)	Interest in a controlled corporation ⁽⁵⁾	174,410,000	6.33%

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares held ⁽²⁾	Approximate percentage of issued share capital ⁽¹⁾
Zhejiang Long Xin Equity Investment Management Co., Ltd.	Interest in a controlled corporation ⁽⁵⁾	174,410,000	6.33%
Wolong Holding Group Co., Ltd.	Interest in a controlled corporation ⁽⁵⁾	174,410,000	6.33%
Mr. Chen Jiancheng	Interest in a controlled corporation ⁽⁵⁾	174,410,000	6.33%
Ms. Chen Yanni	Interest in a controlled corporation ⁽⁵⁾	174,410,000	6.33%
Ben 7Road Holdings Limited	Beneficial owner ⁽⁶⁾	429,922,000	15.62%
	Interest in a controlled corporation ⁽⁶⁾	98,932,000	3.59%
World 7Road Holdings Limited	Beneficial owner ⁽⁷⁾	331,130,000	12.03%
	Interest in a controlled corporation ⁽⁷⁾	80,000,000	2.91%
Mr. Hu Min	Interest in a controlled corporation ⁽⁷⁾	411,130,000	14.93%
Songshuxing Holdings Limited	Beneficial owner ⁽⁸⁾	189,936,000	6.89%
Mr. Song Shuxing	Interest in a controlled corporation ⁽⁸⁾	189,936,000	6.89%

Notes:

(1) The calculation is based on the total number of 2,753,200,000 Shares in issue as at the Latest Practicable Date.

(2) All interests stated are long positions.

- (3) 352,714,000 Shares are registered under the name of Baohu Holdings Limited, the entire issued share capital of which is directly owned by Shanghai Bao Hu Investment Management Center (Limited Partnership). Accordingly, Shanghai Bao Hu Investment Management Center (Limited Partnership) is deemed to be interested in such number of Shares held by Baohu Holdings Limited. In addition, the general partner of Shanghai Bao Hu Investment Management Center (Limited Partnership) is Shanghai Bao Pu Investment Management Co., Ltd., which is in turn owned by Ningbo Hao Chu Investment Co., Ltd. as to 40%; and Ningbo Hao Chu Investment Co., Ltd. is owned by Mr. Zhou Hao as to 70%. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Ningbo Hao Chu Investment Management Co., Ltd. and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baohu Holdings Limited. In addition, 872,000 Shares are registered under the name of Baopu Hong Kong Limited, the entire issued share capital of which is directly owned by Shanghai Bao Pu Investment Management Co., Ltd. Shanghai Bao Pu Investment Management Co., Ltd. is owned by Ningbo Hao Chu Investment Co., Ltd. as to 40%; and Ningbo Hao Chu Investment Co., Ltd. is owned by Mr. Zhou Hao as to 70%. Accordingly, each of Shanghai Bao Pu Investment Management Co., Ltd., Ningbo Hao Chu Investment Co., Ltd. and Mr. Zhou Hao is deemed to be interested in such number of Shares held by Baopu Hong Kong Limited.
- (4) 88,764,000 Shares are registered under the name of Actoz Soft Hong Kong Limited, which is wholly owned by Actoz Soft Co. Ltd, which is owned as to 51.08% by Shengqu Technology Korean Limited. Accordingly, Shengqu Technology Korean Limited is deemed to be interested in such number of Shares held by Actoz Soft Hong Kong Limited. Together with the Shares directly owned by Shengqu Technology Korean Limited, Shengqu Technology Korean Limited is interested in approximately 5.11% of the issued share capital of the Company. In addition, 133,700,000 Shares are registered under the name of DianDian Interactive Holding. DianDian Interactive Holding and Shengqu Technology Korean Limited are indirectly wholly owned by Century Huatong. Accordingly, Century Huatong is deemed to be interested in such number of Shares held or deemed to be held by DianDian Interactive Holding and Shengqu Technology Korean Limited.
- (5) 174,410,000 Shares are registered under the name of Shangyulongcheng Holdings Limited, the entire issued share capital of which is directly owned by Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership). Accordingly, Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited. In addition, the general partner of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership) is Zhejiang Long Xin Equity Investment Management Co., Ltd., which is directly owned by Wolong Holding Group Co., Ltd. Wolong Holding Group Co., Ltd. is owned directly as to 48.93% by Mr. Chen Jiancheng, 38.73% by Ms. Chen Yanni (daughter of Mr. Chen Jiancheng) and 12.34% by certain other shareholders. Accordingly, each of Shaoxing Shang Yu Long Cheng Capital Investment Fund (Limited Partnership), Zhejiang Long Xin Equity Investment Management Co., Ltd., Wolong Holding Group Co., Ltd., Mr. Chen Jiancheng and Ms. Chen Yanni is deemed to be interested in such number of Shares held by Shangyulongcheng Holdings Limited.
- (6) The entire issued share capital of 7Road Elite Holdings Limited is directly owned by Ben 7Road Holdings Limited. Accordingly, Ben 7Road Holdings Limited is deemed to be interested in such number of Shares held by 7Road Elite Holdings Limited.
- (7) The entire issued share capital of 7Road Talent Holdings Limited is directly owned by World 7Road Holdings Limited. Accordingly, World 7Road Holdings Limited is deemed to be interested in such number of Shares held by 7Road Talent Holdings Limited. In addition, World 7Road Holdings Limited is wholly-owned by Mr. Hu Min. Accordingly, Mr. Hu Min is deemed to be interested in such number of Shares held by World 7Road Holdings Limited and 7Road Talent Holdings Limited.
- (8) The entire issued share capital of Songshuxing Holdings Limited is directly owned by Mr. Song Shuxing. Accordingly, Mr. Song Shuxing is deemed to be interested in such number of Shares held by Songshuxing Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors confirm that neither themselves nor any of their respective close associates (as defined in the Listing Rules) were interested in any business apart from the business of the Group which competed, or was likely to compete, either directly or indirectly, with the business of the Group.

5. INTEREST IN ASSETS

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. INTEREST IN CONTRACT OR ARRANGEMENT

The Directors confirm that there was no contract or arrangement subsisting at the Latest Practicable Date in which they were materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

(i) Legal proceedings of Qianhai Huanjing and Shenzhen 7Road commenced by Digital Hollywood Interactive Limited in April 2020

On 27 April 2020, Guangzhou Zhang Ying Kong Information Technology Company Limited (廣州掌贏控信息科技有限公司) (“**Zhang Ying Kong**”), a subsidiary of Digital Hollywood Interactive Limited (a company listed on the Stock Exchange, stock code: 2022), as plaintiff, litigated against Shenzhen Qianhai Huanjing Network Technology Co., Ltd. (深圳市前海幻境網絡科技有限公司) (“**Qianhai Huanjing**”) and Shenzhen 7Road, each a subsidiary of the Company, as defendants, concerning a game cooperative development agreement (the “**April 2020 Lawsuit**”). The amount of the claims made by Zhang Ying Kong in relation to the April 2020 Lawsuit was approximately RMB11.7 million. The April 2020 Lawsuit was filed to the People’s Court of

Haizhu District, Guangzhou, the PRC on 18 May 2020 and was subsequently transferred to the Guangzhou Intellectual Property Court on 30 June 2020. On 25 March 2022, the court made a preliminary judgement which is subject to appeal. As at the Latest Practicable Date, Qianhai Huanjing is currently in discussion with its advisors on the next steps in relation to the April 2020 Lawsuit.

Despite that the April 2020 Lawsuit is still ongoing as at the Latest Practicable Date, the Directors are of the opinion that the April 2020 Lawsuit is not expected to affect the normal business operation of the Group.

(ii) Legal proceedings commenced by Qianhai Huanjing in March 2021

On 3 March 2021, Qianhai Huanjing, as plaintiff, filed a lawsuit (the “**March 2021 Lawsuit**”) with the Shenzhen Intermediate People’s Court (the “**Shenzhen Intermediate Court**”) against Proficient City Limited, as defendant, in relation to intellectual property rights dispute over the online game Wartune (神曲), and has received the Notice of Case Acceptance from the Shenzhen Intermediate Court. The amount of the claims made by Qianhai Huanjing in relation to the March 2021 Lawsuit was approximately RMB69.6 million. The hearing of the March 2021 Lawsuit was held on 30 March 2022 with the judgement currently pending as at the Latest Practicable Date. Despite that the March 2021 Lawsuit is still ongoing as at the Latest Practicable Date, the Directors are of the opinion that the March 2021 Lawsuit is not expected to affect the normal business operation of the Group.

Further details of the March 2021 Lawsuit are set out in the announcement of the Company dated 3 March 2021.

Save as disclosed above, the Directors confirm that none of the member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into in the ordinary course of business, and had been entered into by any members of Group within two years immediately preceding the Latest Practicable Date:

- (i) the conditional sale and purchase agreement dated 7 November 2020 (the “**Locojoy Acquisition Agreement**”) entered into between Shanghai Guanzhao Investment Centre (Limited Partnership)* (上海冠兆投資中心(有限合夥)); Shanghai Chengpei Investment Centre (Limited Partnership)* (上海成沛投資中心(有限合夥)), Shanghai Yinrong Investment Centre (Limited Partnership)* (上海銀榮投資中心(有限合夥)) and Joyful Time Global LTD, as vendors, and the Company, as purchaser, in relation to the acquisition of the entire issued share capital of Locojoy HongKong International Limited for a consideration of RMB1,183,650,000;
- (ii) the subscription agreement dated 16 December 2020 entered into between the Company, as issuer, and DianDian Interactive Holding, as subscriber, in relation to the subscription of 133,700,000 Shares at a subscription price of HK\$346,283,000;
- (iii) the supplemental agreement dated 28 February 2021 in relation to extending the long stop date of the Locojoy Acquisition Agreement;
- (iv) the equity transfer agreement dated 26 April 2021 entered into between the Vendor, as purchaser, and Cloud Live Technology Group Co., Ltd. (中科雲網科技集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002306), as seller, in relation to the acquisition of the entire equity interest in Beijing Meimai Technology Co., Ltd.* (北京美麥科技有限公司) at a consideration of RMB10,000,000;
- (v) the supply agreement dated 1 April 2021 entered into between Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司) (“**Shanghai Lingsu**”), an indirect wholly-owned subsidiary of the Company, as purchaser, and Shanghai Buxiong Industrial Co., Ltd.* (上海布雄實業有限公司) (“**Shanghai Buxiong**”) in relation to the purchase of 2,400 units of graphics card at a consideration of RMB41,400,000;
- (vi) the supply agreement dated 12 April 2021 entered into between Shanghai Lingsu, as purchaser, and Shanghai Buxiong, as vendor, in relation to the purchase of 410 units of graphics card at a consideration of RMB7,980,000;

- (vii) the sales agreement dated 22 April 2021 entered into between Shanghai Lingsu, as purchaser, and Shanghai Yunjiao Information Technology Co., Ltd.* (上海雲角信息技術有限公司), as vendor, in relation to the purchase of 200 units of server accessories at a consideration of approximately RMB5,010,000;
- (viii) the supply agreement dated 23 April 2021 entered into between Shanghai Lingsu, as purchaser, and Shanghai Buxiong, as vendor, in relation to the purchase of 1,200 units of graphics card and 531 units of computer chassis at an aggregate consideration of approximately RMB25,430,000;
- (ix) the supply agreement dated 9 May 2021 entered into between Wuxi 7Road Technology Co., Ltd.* (無錫第七大道科技有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, and Shanghai Buxiong, as vendor, in relation to the purchase of 5,500 units of graphics card and 1,800 units of computer chassis at an aggregate consideration of approximately RMB126,860,000;
- (x) the supply agreement dated 20 October 2021 entered into between Shanghai Lingsu, as purchaser, and Shanghai Buxiong, as vendor, in relation to the purchase of 150 units of smart computing servers at an aggregate consideration of RMB48,000,000;
- (xi) the supply agreement dated 20 December 2021 entered into between Shanghai Lingsu, as purchaser, and Shanghai Buxiong, as vendor, in relation to the purchase of 1,000 units of graphics cards, 500 units of server hosts, 81 units of smart computing servers and 360 units of storage servers at an aggregate consideration of approximately RMB99,900,000;
- (xii) the transfer agreement dated 15 March 2022 entered into between Shanghai Lingsu, as transferor, and Shanghai Yuncheng Financial Leasing Co., Ltd.* (上海雲城融資租賃有限公司) (the “**Lessor**”), as transferee, in relation to the transfer of 2,790 units of server hosts, 9,800 units of graphics card and 150 units of smart computing server (the “**Leased Assets**”) at an aggregate consideration of RMB150 million;
- (xiii) the finance lease agreement dated 15 March 2022 entered into between Shanghai Lingsu, as lessee, and the Lessor, as lessor, in relation to the transfer of ownership and lease back of the Leased Assets; and
- (xiv) the Equity Transfer Agreement.

Save as disclosed above, the Directors are not aware of any contract that is or may be material, not being contract entered into in the ordinary course of business, and had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date.

9. SERVICE CONTRACTS

The Directors confirm that as at the Latest Practicable Date, the Directors did not have any existing or proposed service contract with any member of the Group (excluding contracts to expire or may be terminated by the employer within a year without payment of any compensation (other than statutory compensation)).

10. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the Independent Valuer, being an expert who has given advice or opinion contained in this circular:

Name	Qualifications
Shandong Zhengyuan Hexin Assets Appraisal Limited (山東正源和信資產 評估有限公司)	Independent professional valuer

The Independent Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, opinions and/or advice and all references to its name in the form and context in which they appear.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Independent Valuer is an Independent Third Party. As at the Latest Practicable Date, the Independent Valuer (i) does not have any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) does not have any interest, direct or indirect, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Unless otherwise stated, the report, opinions and/or advice from the Independent Valuer is given as of the date of this circular for incorporation herein.

11. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Li Zhengquan and Mr. Cheung Kai Cheong, Willie. Mr. Cheung Kai Cheong, Willie is admitted as a certified accountant of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.
- (b) The principal place of business of the Company in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. The registered office of the Company is at Sertus Chambers, Governors Square Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The principal share registrar and transfer office of the Company in the Cayman Islands is Sertus Incorporations (Cayman) Limited Sertus Chambers, Governors Square at Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The Hong Kong share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistencies.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.7road.com) for 14 days from the date of this circular:

- (a) the valuation consultation report issued by the Independent Valuer, the text of which is set out on pages 36 to 68 of this circular;
- (b) the written consent of the Independent Valuer referred to in the paragraph headed "10. Qualification and Consent of Expert" in this Appendix; and
- (c) the Equity Transfer Agreement.

The following is the text of a valuation consultation report for the purpose of incorporation in this circular received from the Independent Valuer in connection with its valuation in respect of 100% equity interest of the Target Company as at 31 December 2021.

The English version of this valuation consultation report is for reference only. Should there be any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

VALUATION CONSULTATION REPORT IN RESPECT OF THE SHAREHOLDERS' EQUITY VALUE OF WUXI SHOUXIN NETWORK TECHNOLOGY CO., LTD.

A. BACKGROUND

In order to understand the shareholders' equity value of Wuxi Shouxin Network Technology Co., Ltd., Shaoxing Shangyu Saihe Equity Investment Co., Ltd. and Shanghai Xinla Network Technology Co., Ltd. appointed Shandong Zhengyuan Hexin Assets Appraisal Limited to estimate the shareholders' equity value of Wuxi Shouxin Network Technology Co., Ltd.

(I) Overview of the clients

Client 1

- Company name: Shaoxing Shangyu Saihe Equity Investment Co., Ltd.
- Registered address: Room 0923, Shibangwanxiang Office Building, Cao'e Street, Shangyu District, Shaoxing City, Zhejiang
- Legal Representative: XIE Fei
- Registered Capital: RMB100 million
- Date of incorporation: 27 October 2017
- Type: Limited liability company (a company with sole investment by a legal person that is a natural person who invests in or controls the company)
- Company's Uniform Social Credit Code: 91330604MA29EJ9JXH

- Scope of business: Equity investment, venture capital, equity investment management and related consulting services; corporate management consulting (excluding information regarding securities, financing and futures). (For projects subject to any approval in accordance with laws, business activities may be carried out only after such approval of relevant authorities has been obtained)

Client 2

- Company name: Shanghai Xinla Network Technology Co., Ltd.
- Registered address: Room 1039, East 3/F, 58 Xiangchun Road, Shuxin Town, Chongming District, Shanghai
- Legal representative: PENG Shuo
- Registered Capital: RMB501,000,000
- Date of incorporation: 6 January 2016
- Type: Limited liability company (Hong Kong/Macau/Taiwan legal person sole investment)
- Uniform Social Credit Code: 91310104MA1FR1FAXW
- Scope of business: Technology development, services, consultation and transfer in the field of computer network technology and hardware technology, cultural and artistic exchanges and planning (excluding show brokerage), computer system integration, computer network engineering construction, computer graphic design and production, design, production, agency and release of ads, and release of ads through self-owned media (For projects subject to any approval in accordance with laws, business activities may be carried out only after such approval of relevant authorities has been obtained).

(II) Overview of the target company

- Company name: Wuxi Shouxin Network Technology Co., Ltd.
- Registered address: 2114B-1, Building A3, 2009 Lihu Avenue, Wuxi City
- Uniform Social Credit Code: 91320211MA1YCTRC4E

- Registered capital: RMB1 million
- Legal representative: Huang Ji
- Date of incorporation: 13 May 2019
- Type: Limited liability company
- Scope of business: R&D of network technology; technology development, transfer, consultation, services and sales of computer software and hardware; self-operation and acting as an agency for goods and technologies import and export (excluding the goods and technologies whose import and export are restricted or prohibited by the state); design, production, agency and release of ads; computer processing picture services; marketing and planning; conference and exhibition services; Internet information services (For projects subject to any approval in accordance with laws, business activities may be carried out only after such approval of relevant authorities has been obtained).

1. Profile of the target company

Wuxi Shouxin Network Technology Co., Ltd. is a leading mobile online game research and development company in China, which engages in the research and development of ARPG, RPG, SLG, and will focus on the online games on PC and mobile in the future.

As of 31 December 2021, the target company had 80 employees in total, including 75 developers. League of Heroes (《盟重英雄》 in Chinese), which is a game currently being operated by the target company, has a monthly capital flow of RMB350 million at its peak. In the next five years, Wuxi Shouxin Network Technology Co., Ltd. will develop various new versions based on the current legend engine and exploit the legend IP market. As of the date of the report, the target company was developing a game called Fire Dragon Retro Legend (《復古傳奇火龍版》).

2. Shareholder structure

No. Shareholders	Shareholding (%)
1. Shaoxing Shangyu Saihe Equity Investment Co., Ltd.	51.00
2. Shanghai Xinla Network Technology Co., Ltd.	49.00

3. Assets, finance and operation conditions

As of 31 December 2021, the balance sheet and income sheet of Wuxi Shouxin Network Technology Co., Ltd. are as follows:

Balance sheet

Unit: (in RMB0,000)

Item	31 December 2021	31 December 2020	31 December 2019
Current assets:	—	—	—
Cash at bank and on hand	236.52	289.68	155.50
Held-for-trading financial assets	—	—	—
Financial assets at fair value through profit or loss	—	—	—
Derivative financial assets	—	—	—
Notes receivable	—	—	—
Accounts receivables	18,405.24	4,879.00	94.81
Receivable financing	—	—	—
Prepayments	18.91	—	1.66
Other receivables	5.38	1.61	0.89
Including: Interest receivable	—	—	—
Dividends receivable	—	—	—
Inventories	—	—	—
Contract assets	—	—	—
Held-for-sale assets	—	—	—
Non-current assets due within one year	—	—	—
Other current assets	—	—	—
Total current assets	18,666.04	5,170.29	252.86
Non-current Assets:	—	—	—
Available-for-sale financial assets	—	—	—
Other debt investments	—	—	—
Held-to-maturity investments	—	—	—
Long-term receivables	—	—	—
Long-term equity investments	—	23.87	—

Item	31 December 2021	31 December 2020	31 December 2019
Other investments in equity instruments	—	—	—
Other non-current financial assets	—	—	—
Investment properties	—	—	—
Fixed assets	22.83	11.26	14.79
Construction in progress	—	—	—
Bearer biological assets	—	—	—
Oil and gas assets	—	—	—
Use of right assets	—	—	—
Intangible assets	—	—	—
Development expenditure	—	—	—
Goodwill	—	—	—
Deferred expenses	—	—	—
Deferred income tax assets	—	—	—
Other non-current Assets	—	—	—
Total non-current assets	22.83	35.13	14.79
Total assets	18,688.87	5,205.42	267.64
Current liabilities:	—	—	—
Short-term borrowings	—	—	—
Held-for-trading financial liabilities	—	—	—
Financial liabilities at fair value through profit or loss	—	—	—
Derivative financial liabilities	—	—	—
Notes payable	—	—	—
Accounts payable	400.00	221.13	—
Advance from customers	—	—	500.00
Contract liabilities	—	—	—
Employee benefits payable	385.36	22.64	52.99
Taxes payable	972.48	1,521.56	6.35
Other payables	112.38	82.14	6.57
Including: Interest payable	—	—	—
Dividends payable	—	—	—
Held-for-sale liabilities	—	—	—
Non-current liabilities due within one year	—	—	—
Other current liabilities	—	—	—

Item	31 December 2021	31 December 2020	31 December 2019
Total current liabilities	1,870.22	1,847.47	565.90
Non-current liabilities:	—	—	—
Long-term borrowings	—	—	—
Lease liabilities	—	—	—
Long-term payables	—	—	—
Long-term employee benefits payable	—	—	—
Provisions	—	—	—
Deferred income	—	—	—
Deferred income tax liabilities	—	—	—
Other non-current liabilities	—	—	—
Total non-current liabilities	—	—	—
Total liabilities	1,870.22	1,847.47	565.90
Owner's equity:	—	—	—
Share capital	100.00	100.00	—
Other equity instruments	—	—	—
Including: Preferred shares	—	—	—
Perpetual bonds	—	—	—
Capital reserve	—	—	—
Less: Treasury stock	—	—	—
Other comprehensive income	—	—	—
Special reserve	—	—	—
Surplus reserve	50.00	—	—
Retained profits	16,668.65	3,257.95	-298.26
Total owners' equity	16,818.65	3,357.95	-298.26
Total liabilities and owners' Equity	18,688.87	5,205.42	267.64

*Income Statement**Unit: (in RMB0,000)*

Item	2021	2020	2019
I. Operating income	14,491.43	5,679.67	281.22
Less: Operating costs	229.39	235.01	32.03
Taxes and levies	132.84	5.01	1.29
Selling expenses	—	—	—
General and administrative expenses	37.58	35.87	40.46
Research and development expenses	1,601.16	638.74	504.64
Financial expenses	-1.62	-0.20	-0.41
Including: Interest expenses	—	—	—
Interest income	—	—	—
Add: Other income	8.22	10.07	0.00
Investment income	1.13	-1.13	0.00
Income from net exposure hedges	—	—	—
Gains from changes in fair values	—	—	—
Impairment losses of credit	-248.40	-1.87	-1.78
Impairment losses of assets	—	—	—
Gains on disposal of assets	—	—	—
II. Operating profit	12,253.02	4,772.32	-298.57
Add: Non-operating income	0.58	1.70	0.31
Less: Non-operating expenses	0.00	—	0.00
III. Total profits	12,253.60	4,774.02	-298.26
Less: Income tax expenses	-1,207.10	1,217.81	—
IV. Net profit	13,460.70	3,556.21	-298.26

B. VALUE TYPE AND DEFINITIONS

A market approach will be used for the purpose of this valuation.

Market value is the estimated value amount of the target company on the benchmark date, under the which the transaction is conducted under fair and normal circumstances made between a willing buyer and a willing seller who have acted rationally and are not coerced.

C. BENCHMARK DATE

The benchmark date of this valuation is 31 December 2021, which is determined by the clients by comprehensively taking into account relevant factors.

D. APPROACHES

The typical valuation approaches usually used in China includes the income approach, the market approach and the asset-based approach, each of which also contains certain subdivided and derivative valuation approaches. The income approach is to quantify and determine the present value of the expected profitability of assets as a whole, with an emphasis on the expected overall profitability of an enterprise. The market approach is to evaluate the current fair market value of the target company with reference to the real market. Under this approach, the valuation data is derived from the market and the result is thus persuasive. The asset-based approach is to determine the value of the target company based on the reasonably calculated assets and liabilities of an enterprise.

Wuxi Shouxin Network Technology Co., Ltd. is a leading mobile online game research and development company in China, which engages in the research and development of ARPG, RPG, SLG, and will focus on the online games on PC and mobile in the future.

As of 31 December 2021, the target company had 80 employees in total, including 75 developers. League of Heroes (《盟重英雄》 in Chinese), which is a game currently being operated by the target company, has a monthly capital flow of RMB350 million at its peak. In the next five years, Wuxi Shouxin Network Technology Co., Ltd. will develop various new versions based on the current legend engine and exploit the legend IP market. As of the date of the report, the target company was developing a game called Fire Dragon Retro Legend (《復古傳奇火龍版》).

The target company is principally engaged in games. Although newly added game research and development projects have been determined for 2022 and beyond, the relevant cooperation agreements have not yet been determined because the update and iteration cycle of games is short. The income distribution ratio needs to be fixed according to the future market environment. Further, the asset-based approach cannot reflect the value of unidentifiable intangible assets such as operation models, research and development ability and customer relations of game companies.

The target company pertains to the online game industry and scaled its operation in 2021. The financial data, share capital, stock price and relevant data of online game listed companies can be accessed at Wind and other professional databases and relevant channels publishing information, and the comparable listed company analysis was thus adopted in conducting valuation.

In light of the foregoing, we used the market approach to make relevant calculations.

(I) Definition and principle of the market approach

Market approach means that the value of the target company is determined by comparing the target company with comparable listed companies or comparable transaction cases.

Market approach is to evaluate the current fair market value of the target company with reference to the real market. Under this approach, the perspectives and channels of valuation are direct, the valuation process is intuitive, and the valuation data are derived from the market and the results are thus persuasive. Two specific methods usually used in the market approach include comparable listed company analysis and comparable transaction case analysis.

(II) Comparable listed company analysis

The comparable listed company analysis is a valuation method of analyzing the operating and financial data of listed companies in the industry similar to or same as the target company in the capital market, calculating the appropriate value ratio or economic index and comparing such value ratio or economic index with that of the target company to determine the value of the target company. Comparable listed companies should be those that normally conduct transactions on the open market, and the valuation conclusions should consider the effect of the liquidity on the value of the target company.

The indicators of the selected transaction cases in the comparable listed company analysis are of a public nature, so this analysis is relatively easy to be executed. The basic conditions for adopting the market approach are as follows: there is a relatively active capital or securities market; the comparable companies and the comparable indicators, parameters and other information between comparable companies and the target company should be fully available. Such companies are subject to strict supervision and regulation and are required to make full disclosure of information. Currently, there are many comparable listed companies on the Shanghai and Shenzhen stock markets, and the operating and financial data of comparable companies can be sufficiently and reliably obtained.

In general, the comparable listed company analysis is to select certain indicators such as price-to-book (P/B) ratio, price-to-earnings (P/E) ratio, price-to-sales (P/S) ratio, EV/EBIT, EV/EBITDA based on the market where the target company operates and then compare them with those of comparable listed companies. Through this comparison, the differences affecting the indicators are adjusted to determine the P/B, P/E, P/S, EV/EBIT, and EV/EBITDA of the target company, and based on this, the equity value of the target company is calculated.

Shareholders' total equity value = value ratio x value indicator

As Wuxi Shouxin Network Technology Co., Ltd. has achieved scaled operations, there are many similar listed companies in the online game industry where the target company operates, and the financial data and value data of listed companies can be easily accessed. Therefore, this valuation adopts the comparable listed company analysis based on market approach. Through analyzing companies from the Internet and related service industry, and assessing the relevance of other factors such as equity value and operating income, net profit attributable to the parent company, equity attributable to the parent company, the equity value is more related to the net profit attributable to the parent company, this valuation selects P/E indicator as the value ratio.

(III) Comparable transaction case analysis

The comparable transaction case analysis is a valuation methodology of obtaining and analysing transaction, acquisition and merger cases of comparable companies, calculating the appropriate value ratio and comparing such value ratio with that of the target company to determine the value of the target company.

Similar to the comparable listed company analysis, the comparable transaction case analysis is to select certain public indicators such as the P/B ratio and the P/E ratio based on market approach where the target company operates and then compare them with those of comparable listed companies. Through this comparison, the differences affecting the indicators are adjusted to determine the P/B ratio and the P/E ratio of the target company, and based on this, the equity value of the target company is calculated.

The target company pertains to the online game industry and has achieved scaled operations in 2021. Most of available-for-search cases involving online games in recent years are acquisition of companies in its infant stages, and there are few acquisitions of companies in its mature stages. Therefore, this valuation does not adopt the comparable transaction analysis of the market approach.

E. ASSUMPTIONS

In this valuation, the valuer worked under the assumptions as follows:

(I) General assumption**1. Transaction assumption**

It is assumed that all assets subject to the valuation have been in the process of trading, and the valuer make a valuation according to the trading conditions of the assets subject to the valuation and simulated market. The transaction assumption is an essential assumption for asset valuation.

2. Open market assumption

It is assumed that for the assets traded or to be traded in the market, the two trading parties have equal status and have the opportunity and time to access adequate market information, so that they can make a rational judgement over the functions and usage of assets and trading prices. The open market assumption is based on the fact that assets can be traded publicly in the market.

3. Assumption of going concern of assets

It is assumed that the assets subject to the valuation will continue to be used according to the current use, manner of use, scale, frequency and environment, or are used based on the changed use, manner of use, scale, frequency and environment, and based on this, the valuation methods, parameters and basis are determined accordingly.

(II) Special Assumptions

1. There will be no material changes in existing national macroeconomic, financial and industrial policies.
2. There will be no material changes in the social and economic environments where the target company operates or in the tax policies implemented by the target company during the future operating period.
3. The management team of the target company will work with due diligence, there will be no material changes in its core employees, and the target company will continue as a going concern according to its existing operation and management model during the future operating period.

4. The obtainment and use of the production and business place of the target company will keep in line with those on the benchmark date of valuation, without changes.
5. The main principle, composition of income and costs and business strategy of the target company during the future operating period will remain a continuation of its recent status without material changes. The profit or loss from the changes in the main business caused by the future possible changes in the management, business strategy and commercial environment is not considered.

If the abovementioned assumptions change, the valuation result will become null and void in general.

F. EXPLANATION OF VALUATION APPROACHES

(I) Macro and industrial analysis

1. Macro analysis

Facing the complex and grave international environment and the transmission of the pandemic in 2021, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping at its core, the regions and departments have earnestly implemented the decisions and plans of the Central Committee and the State Council, acted on the general principle of pursuing progress while ensuring stability, carried out COVID-19 prevention and control and pursued economic and social development in a more coordinated way, ensured stability on six key fronts and maintain security in six key areas, consolidated the cross-cycle adjustment to macro policies, increased supports for real economy, achieved recovery and growth of national economy, advocated the reform, openness and innovation, done more to meet people's living needs, made a new step toward creating a new development pattern, made further headway in pursuing high-quality development, and achieved a good start of the 14th Five-Year Plan.

GDP

Trough preliminary calculation, China's GDP was RMB114.367 trillion in 2021, up by 8.1% compared with the previous year at constant prices, with an average increase of 5.1% for two years. By quarters, China's GDP increased by 18.3% in the Q1, 7.9% in the Q2, 4.9% in the Q3 and 4.0% in the Q4. By industries, the added value of the primary industry was RMB8.3086 trillion, up by 7.1% compared with the previous year; the added value of the secondary industry was RMB45.0904 trillion, up by 8.2%; and the added value of the tertiary industry was RMB60.968 trillion, up by 8.2%.

The quarterly GDP growth rates in 2020 and 2021 were -10.5%, 11.6%, 3.4%, 2.6%, 0.3%, 1.3%, 0.7% and 1.6%, respectively.

Grain output registered a record high, and livestock production grew steadily

China's total grain output was 682,850,000 tons in 2021, an increase of 13,360,000 tons compared with the previous year, up by 2.0%. Among them, summer grain output was 145,960,000 tons, up by 2.2%; early rice output exceeded 28,020,000 tons, up by 2.7%, and the autumn grain output was 508,880,000 tons, up by 1.9%. By varieties, the rice output was 212,840,000 tons, up by 0.5%; the wheat output was 136,950,000 tons, up by 2.0%; the corn output was 272,550,000 tons, up by 4.6%; the soybean output was 16,400,000 tons, a decrease of 16.4%. The output of pork, beef, mutton and poultry was 88,870,000 tons in 2021, up by 16.3% compared with the previous year. Among them, the pork output was 52,960,000 tons, up by 28.8%, the beef output was 6,980,000 tons, up by 3.7%; the mutton output was 5,140,000 tons, up by 4.4%; the poultry output was 23,800,000 tons, up by 0.8%. The milk output was 36,830,000 tons, up by 7.1%; the output of poultry eggs was 34,090,000 tons, a decrease of 1.7%. At the end of 2021, the amount of raised live pigs and breeding sows increased by 10.5% and 4%, respectively compared with the end of the previous year.

The industrial production achieved sustainable development and the high-tech manufacturing and equipment manufacturing grew rapidly

The added value of industries above the designated size in China in 2021 increased by 9.6% compared with the previous year, with an average increase of 6.1% for two years. By categories, the added value of the mining industry increased by 5.3%, the added value of the manufacturing industry, 9.8%, and the added value of the electricity, heat, gas and water production and supply industries, 11.4%. The added value of high-tech manufacturing industry and of the equipment manufacturing industry increased by 18.2% and 12.9%, respectively, and the growth rate was 8.6 and 3.3 percentage points higher than the industries above the designated size. By products, the output of new energy vehicles, industrial robots, integrated circuits and microcomputers increased by 145.6%, 44.9%, 33.3% and 22.3%, respectively. By economic types, the added value of state-controlled enterprises increased by 8.0%, the added value of the joint-stock enterprises, 9.8%, the added value of enterprises funded by foreign investors and investors from Hong Kong, Macao and Taiwan, 8.9%, and the added value of private enterprises, 10.2%. In December, the added value of industries above the designated size increased by 4.3% year on year and 0.42% month on month. The manufacturing PMI was 50.3%, up by 0.2 percentage points month on month. In 2021, China's industrial capacity utilization rate was 77.5%, up by 3.0 percentage points compared with the previous year.

From January to November, 2021, the industrial enterprises above the designated size in China achieved total profit of RMB7.975 trillion, up by 38.0% year on year, with an average increase of 18.9% for two years. The margin of the industrial enterprises above the designated size was 6.98%, up by 0.9 percentage points year on year.

The service industry rebounded and the modern service industry gained a good growth momentum

The tertiary industry registered rapid growth. By industries, the added value of the information transmission, software and information technology service industry, of the accommodation and catering industry and of transportation, warehousing and postal service industry increased by 17.2%, 14.5% and 12.1%, respectively compared with the previous year, maintaining recovery growth. China's production index of the service industry in 2021 increased by 13.1% compared with the previous year, with an average increase of 6.0% for two years. In December, the production index of the service industry increased by 3.0% year on year. From January to November, the revenue of the service enterprises above the designated size increased by 20.7% year on year, with an average increase of 10.8% for two years. In December, the commercial activity index of the service industry was 52.0%, up by 0.9 percentage points month on month. Among them, the commercial activity index of the telecommunications, radio, television and satellite transmission industry, the monetary and financial service industry and the capital market service industry maintained at a relatively high range of more than 60.0%.

The sales scale expanded and the sales volume of basic living and upgraded products grew rapidly

The total retail sales of consumer goods were RMB44.0823 trillion in 2021, up by 12.5% compared with the previous year, with an average increase of 3.9% for two years. By the operation regions, the retail sales of urban consumer goods were RMB38.1558 trillion, up by 12.5%; the retail sales of rural consumer goods were RMB5.9265 trillion, up by 12.1%. By consumption categories, the retail sales of goods were RMB39.3928 trillion, up by 11.8%; the revenue from catering was RMB4.6895 trillion, up by 18.6%. The basic living consumption had a good growth momentum. The retail sales of beverages and of grain, oil and food products of enterprises above the designated size increased by 20.4% and 10.8%, respectively compared with the previous year. The demands for upgraded consumer goods kept stepping up. The retail sales of gold, silver and jewelry and of cultural and office supplies increased by 29.8% and 18.8%, respectively. In December, the total retail sales of social consumer goods achieved a year-on-year increase of 1.7% and a month-on-month decrease of 0.18%. The total online retail sales in China were RMB13.0884 trillion in 2021, up by 14.1% compared with the previous year. Among them, the online retail sales of physical goods were RMB10.8042 trillion, up by 12.0%, representing 24.5% of total retail sales of social consumer goods.

Investments in fixed assets continued to grow and the investments in manufacturing industry and high-tech industry maintained a good growth momentum

The investments in fixed assets (excluding rural land) in China was RMB54.4547 trillion in 2021, up by 4.9% compared with the previous year, with an average increase of 3.9% for two years. By fields, the investments in infrastructure investment increased by 0.4%, the investments in manufacturing investment, 13.5%, and investments in real estate development, 4.4%. The sales area of commodity housing in China was 1.79433 billion square meters, up by 1.9%; the sales of commodity housing were RMB18.193 trillion, up by 4.8%. By industries, the investments in the primary industry increased by 9.1%, the investments in the secondary industry, 11.3%, and the investments in the tertiary industry, 2.1%. Private investments were RMB30.7659 trillion, up by 7.0%, representing 56.5% of total investments. Investments in high-tech industries increased by 17.1%, which percentage of increase was 12.2 percentage points higher than total investments. The investment in high-tech manufacturing industry and in high-tech service industry increased by 22.2% and 7.9%, respectively. Among high-tech manufacturing industry, the investments in electronic and communication equipment manufacturing industry and in computer and office equipment manufacturing industry increased by 25.8% and 21.1%, respectively; among high-tech service industry, the investments in e-commerce service industry and in the service industry of transformation of technological achievements increased by 60.3% and 16.0%, respectively. The investments in social field increased by 10.7%. Among them, the investments in health and in education increased by 24.5% and 11.7%, respectively. In December, the investments in fixed assets increased by 0.22% month on month.

The import and export of goods grew rapidly and the trade structure continued to improve

The total export-import volume of goods was RMB39.1009 trillion, up by 21.4% compared with the previous year. Among them, the export volume was RMB21.7348 trillion, up by 21.2%; the import volume was RMB17.3661 trillion, up by 21.5%. The trade surplus was RMB4.3687 trillion after offsetting the export against the import. The export-import volume of general trade increased by 24.7%, representing 61.6% of total export-import volume, up by 1.6 percentage point compared with the previous year. The export-import volume for private enterprises increased by 26.7%, representing 48.6% of total export-import volume, up by 2 percentage points compared with the previous year. In December, the total export-import volume of goods was RMB3.7508 trillion, up by 16.7% year on year. Among them, the export volume was RMB2.1777 trillion, up by 17.3%; the import volume was RMB1.573 trillion, up by 16.0%. The trade surplus was RMB604.7 billion after offsetting the export against the import.

The consumer price rose moderately and industrial producer prices declined from high levels

The consumer price index (CPI) increased by 0.9% compared with the previous year. Among them, the CPI in cities increased by 1.0% and the CPI in rural area, 0.7%. By categories, the price of food, tobacco and liquor decreased by 0.3%, the price of clothing increased by 0.3%, the price of housing rent increased by 0.8%, the price of daily necessities and services increased by 0.4%, the price of transportation and communication increased by 4.1%, the price of education, culture and entertainment increased by 1.9%, the price of health care increased by 0.4%, and the price of other goods and services decreased by 1.3%. Among the price of food, tobacco and liquor, the price of grain increased by 1.1%, the price of fresh vegetables increased by 5.6% and the price of pork decreased by 30.3%. The core CPI, after deducting the prices of food and energy, increased by 0.8%. In December, the CPI increased by 1.5% year on year, 0.8 percentage points lower than last month, and decreased by 0.3% month on month. The industrial producer ex-factory price in 2021 increased by 8.1% compared with the previous year. In December, this price increased by 10.3% year on year, 2.6 percentage points lower than last month, and decreased by 1.2% month on month. The industrial producer purchase price in 2021 increased by 11.0% compared with the previous year. In December, this price increased by 14.2% year on year and decreased by 1.3% month on month.

The employment was stable as a whole and the urban unemployment rate reduced

12.69 million of urban jobs were additionally created in 2021, an increase of 830,000 jobs compared with the previous year. The surveyed urban unemployment rate in China averaged 5.1% in 2021, down 0.5 percentage points compared with the previous year. The surveyed urban unemployment rate in China was 5.1% in December, down 0.1 percentage points compared with December of the previous year. Among them, the local household population represented 5.1% and nonlocal household population, 4.9%. The population aged 16-24 represented 14.3% and the population aged 25-59, 4.4%. The surveyed urban unemployment rate in 31 cities was 5.1% in December. The average weekly working hours of employees from enterprises across the country were 47.8 hours. The total number of rural migrant workers throughout the year was 292.51 million, an increase of 6.91 million persons compared with the previous year, up by 2.4%. Among them, the number of local rural migrant workers was 120.79 million, up by 4.1%; and number of nonlocal rural migrant workers was 171.72 million, up by 1.3%. The average monthly income of rural migrant workers was RMB4,432, up by 8.8 compared with the previous year.

The personal income generally grew in step with economic growth, and the urban-rural per capita income ratio shrank

China's per capita disposable income in 2021 was RMB35,128, up by 9.1% compared with the previous year in nominal terms, with an average increase of 6.9% for two years in nominal terms; after price factors are excluded, its actual growth rate was 8.1%, with an average growth rate of 5.1% for two years, and was generally in step with economic growth. By permanent residences, urban per capita disposable income was RMB47,412, up by 8.2% compared with the previous year in nominal terms, and after price factors are excluded, its actual growth rate was 7.1%; rural per capita disposable income was RMB18,931, up by 10.5% compared with the previous year in nominal terms, and after price factors are excluded, its actual growth rate was 9.7%; The urban-rural per capital disposable income ratio was 2.50, down 0.06 compared with the previous year. China's median per capital disposable income was RMB29,975, up by 8.8 compared with the previous year in nominal terms. By dividing into five groups, the per capita disposable income of the low-income group was RMB8,333, the lower-middle-income group, RMB18,446, the middle-income group, RMB29,053, the upper-middle-income group, RMB44,949, and the high-income group, RMB85,836. China's per capita consumption expenditure in 2021 was RMB24,100, up by 13.6% compared with the previous year in nominal terms, with an average increase of 5.7% for two years in nominal terms; after price factors are excluded, its actual growth rate was 12.6%, with an average increase of 4.0% for two years.

The total population slightly increased and the urbanization rate continued to grow

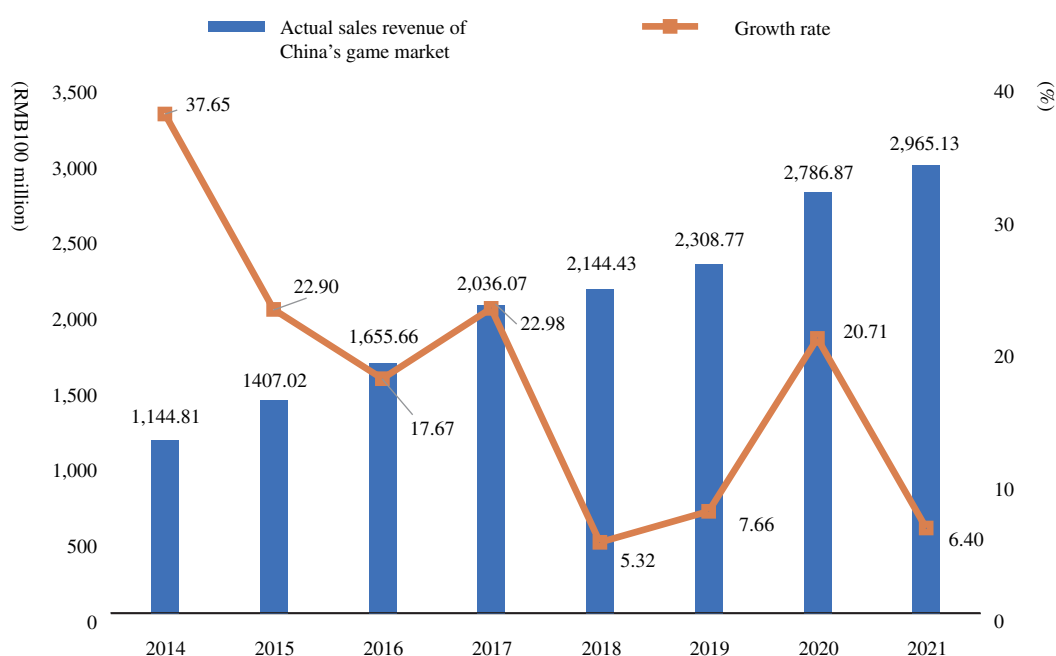
At the end of 2021, China's population (including the population in 31 provinces, autonomous regions, municipalities directly under the Central Government and active army, but excluding Hong Kong, Macao and Taiwan residents and foreigners residing in 31 provinces and autonomous regions) totaled 1.4126 billion, an increase of 480,000 persons compared with the end of the previous year. In 2021, the newly-born population was 10.62 million in 2021, with the birth rate of 7.52%; the death population was 10.14 million, with the human mortality of 7.18%; the natural population growth rate was 0.34%. In terms of gender, the male population was 723.11 million, and the female population, 689.49 million, with a male-female ratio of 104.88:100. In terms of age, the working-age (16-59) population was 882.22 million, representing 62.5% of the national population; the population aged 60 or more was 267.36 million, representing 18.9% of national population. Among them, there were 200.56 million of people aged 65 or more, representing 14.2% of national population. In terms of urban and rural areas, China's urban permanent population was 914.25 million, an increase of 12.05 million compared with the end of the previous year; the rural permanent population was 498.35 million, a decrease of 11.57 million; and the urban permanent population represented 64.72% of national population (i.e., urbanization rate), 0.83 percentage points higher than the end of the previous year. The population with separated registered and actual residences (i.e., their actual address of residence is inconsistent

with the registered residence and they have left the registered residence for half a year or more) was 504.29 million, an increase of 11.53 million compared with the previous year. Among them, the floating population was 384.67 million, an increase of 8.85 million persons compared with the previous year.

2. Overview and status of industry

In 2021, the actual sales revenue of China's game market registered RMB296.513 billion, a year-on-year increase of 6.40%, and the percentage increase was down clear to 15% compared with the previous year. The percentage increase in 2021 was only one percentage point higher than the growth rate (5.32%) in 2018 during which the game examination and approval was suspended for 9 months. The game industry in 2021 achieved an uptick, only slightly higher than the second lower point in 2018.

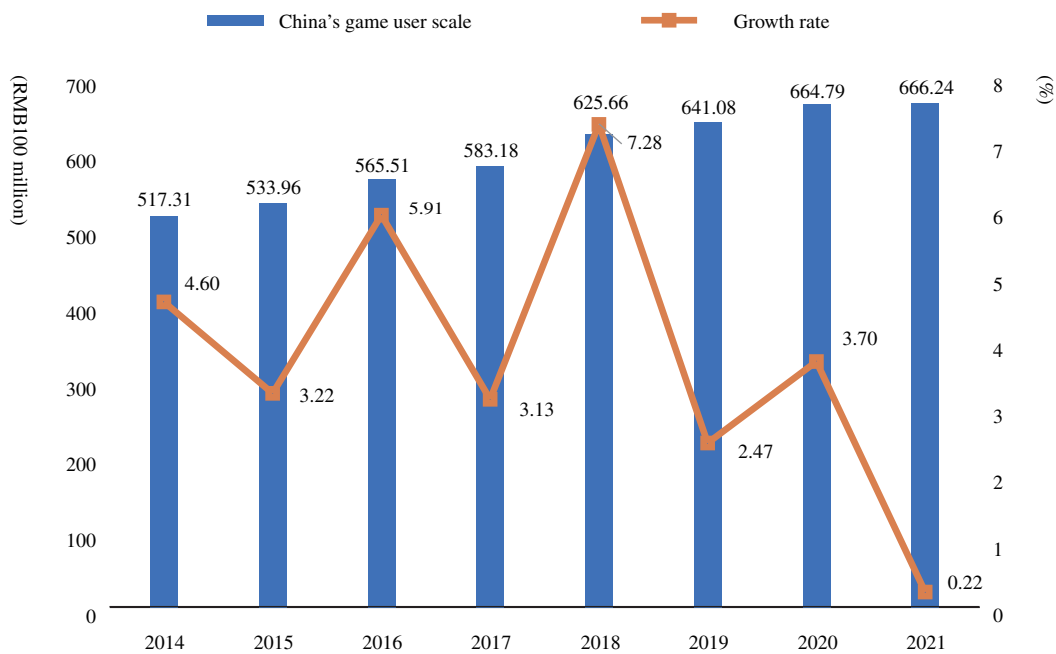
Actual sales revenue of China's game market and growth rate



Since August 2021, National Copyright Administration has not published the list of licensed games, breaking its tradition of publishing newly-licensed games in the middle or end of each month from May 2019. At present, the game examination and approval has suspended for 5 months, and the recovery of game examination and approval was not mentioned at the annual meeting of industry.

In 2021, China's game users registered 666 million, a year-on-year increase of 0.22%. The players grew slowly over the past years, but the scale of players increased by tens of millions. However, compared with the 2020, the growth rate in 2021 was small. The decrease in the user sale in the second half of 2021 compared with the first half of 2021 was primarily due to the promulgation of new anti-addiction game policies.

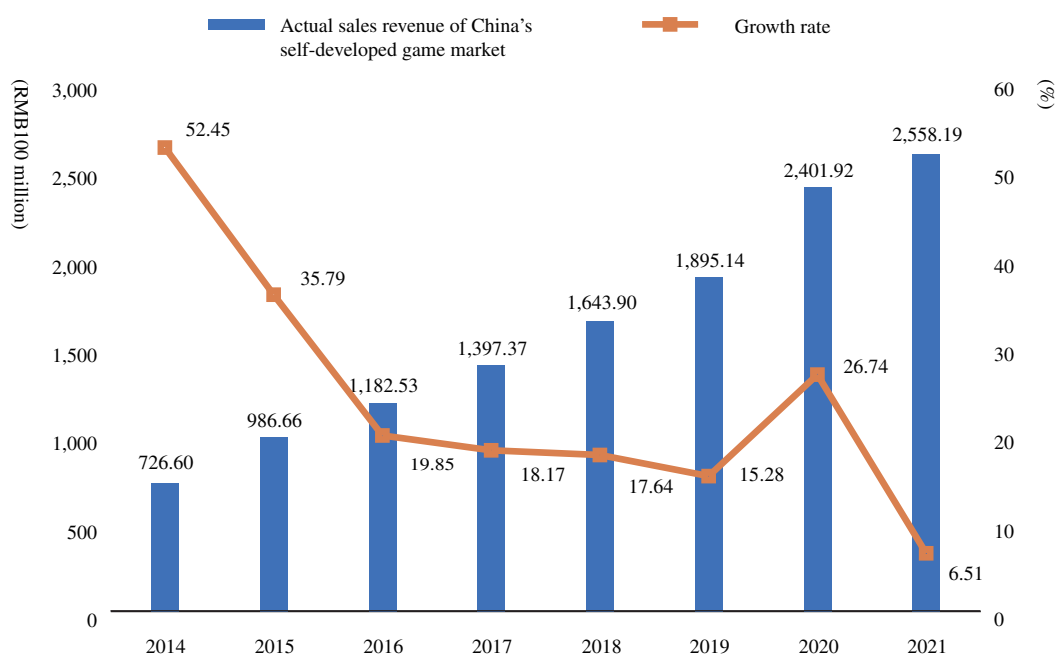
China's game user scale and growth rate



In the summer of 2021, the game industry witnessed the intensive monitor and public crisis. On August 30, the National Press and Publication Administration issued the Notice on Further Strict Management to Effectively Prevent Minors From Addiction to Online Games, which requires that all online game enterprises shall provide minors with only one-hour service from 20:00 to 21:00 on Friday, Saturday, Sunday and each of other statutory holidays, and no online game services may be provided to minors in any manner at other times. Meanwhile, the online game enterprises shall strictly implement the requirements on real-name registration and login for online game users, and shall not, in any manner, provide game services to the users who fail to register and log in under their real names.

In 2021, the actual domestic sales revenue of China's self-developed games achieved RMB255.819 billion, an increase of RMB15.627 billion compared with 2020, up by 6.51% year on year, but the percentage increase was about 20% lower than the previous year.

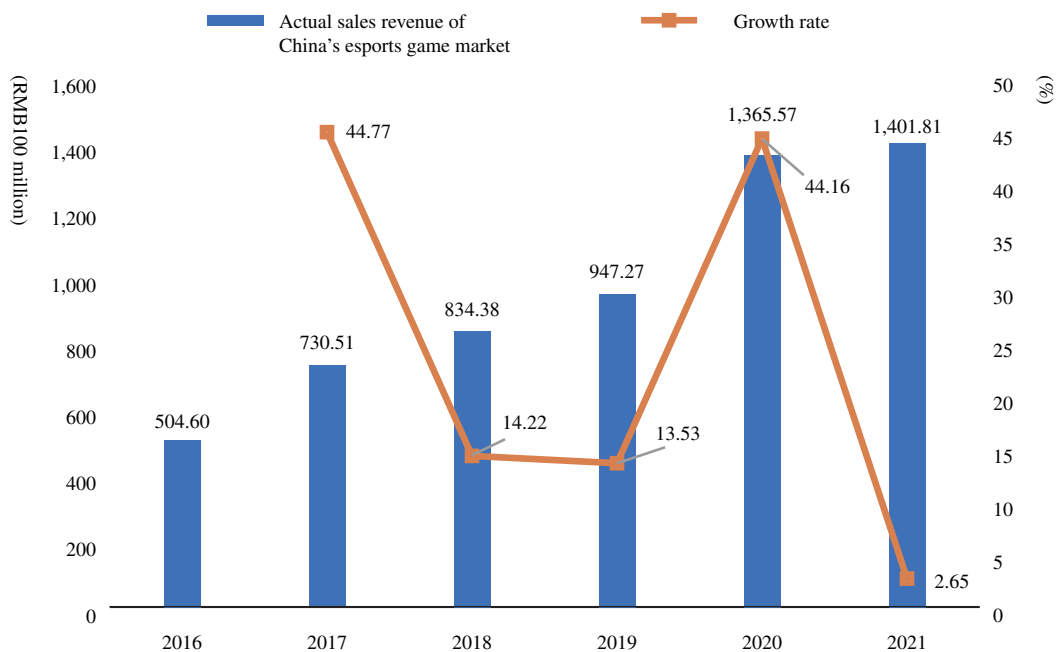
Actual sales revenue of China's self-developed game market and growth rate



China's self-developed games play a leading role in the business of domestic game enterprise. Few new products were launched in 2021, so the capital flows were mainly supported by old products. Since the old products' ability to drive consumption is on the wane, the paying players' willingness to consume was also reduced accordingly.

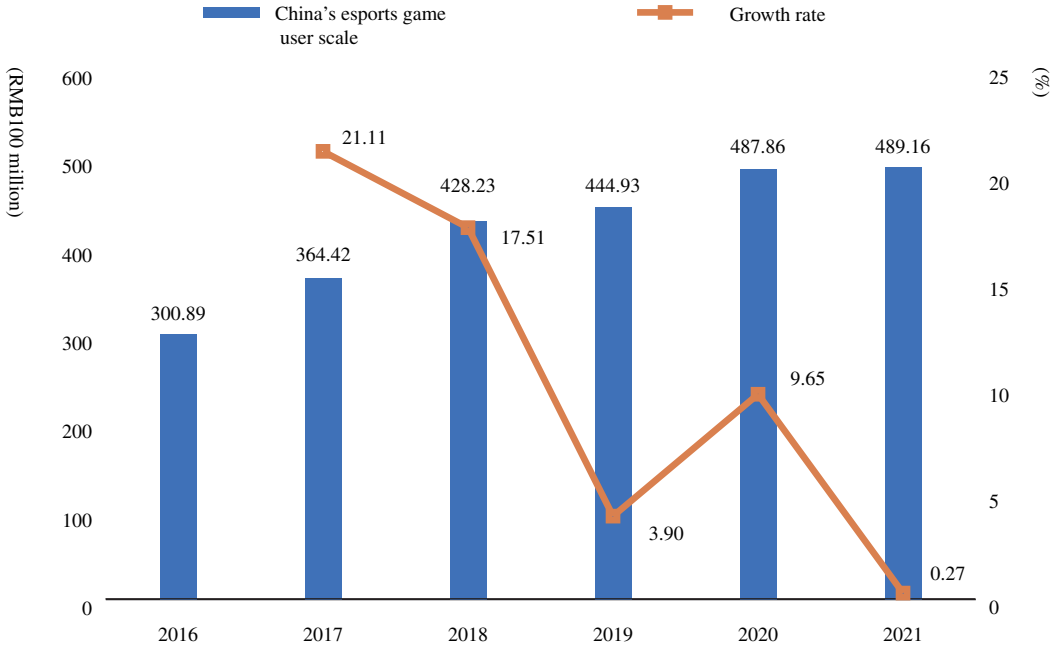
In 2021, the actual sales revenue of esports game market registered RMB140.181 billion, up by 2.65% year on year, and the percentage increase was about 42% lower than the previous year. The reasons are as follows: first, the overall game market resulted in the decline in the percentage increase of the esports market revenue; second, due to the impact of COVID-19, the offline activities decreased; last, the policies on preventing minors from addiction to online games had impact on the business operation of clubs and esports tournament.

Actual sales revenue of China's esports game market and growth rate



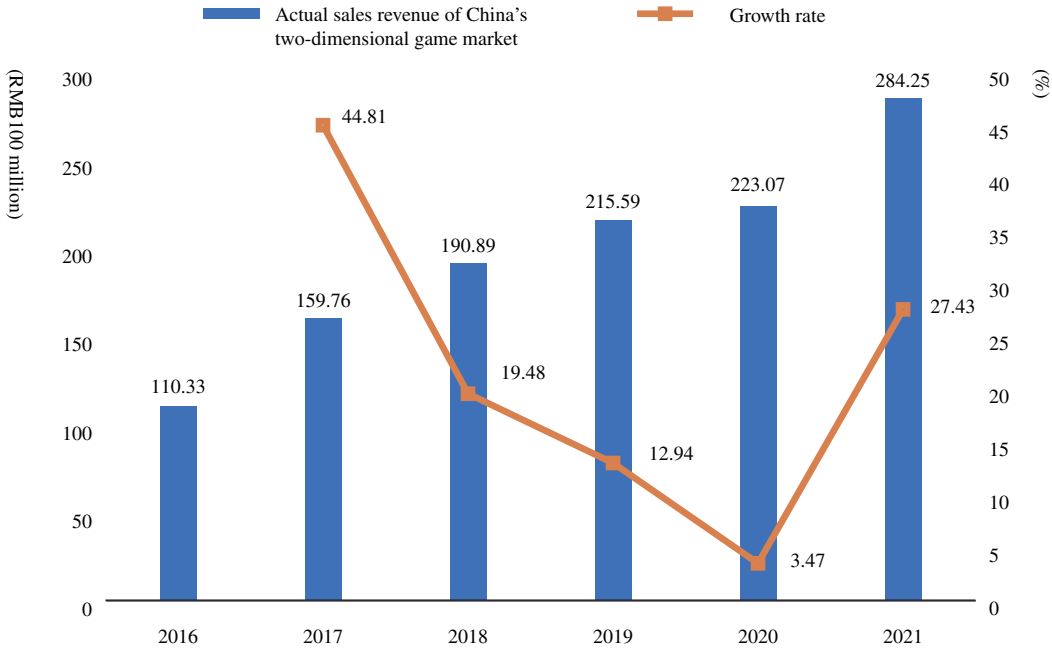
China’s esports game user scale reached 489 million, up by only 0.27% year on year.

China’s esports game user scale and growth rate



Only anime-themed game differentiated itself in the gloomy market environment. The actual sales revenue of China’s mobile anime-themed game registered RMB28.428 billion, up by 27.43% year on year, dramatically higher than 3.7% in the previous year. The significant increase in sales revenue was primarily due to the development and promotion efforts made by game enterprises over the past two years, and the top-tier anime-themed games showed stable performance.

Actual sales revenue of China’s anime-themed game market and growth rate



(II) Analysis of business of Wuxi Shouxin Network Technology Co., Ltd.

As of the benchmark date, Wuxi Shouxin Network Technology Co., Ltd. has been operating the game League of Heroes as its main product, a large-scale real-time role-playing mobile game (ARPG). Adhering to the user-oriented development idea, the development team sets the game in a magic world and reintroduces various innovative gameplay. After carrying out in-depth research in all kinds of user groups and knowing about what they want, the team adopts many gorgeous realistic scenes and magic wings, and provides unique gang battles, featured instances, top equipment system, hero attack system and rune system, striving to make players recall the memories of their youth and reproduce the battle scene of thousands of heroes.

(III) Technical description of valuation by comparing listed companies***1. Selection of comparable listed companies***

In this valuation, comparable listed companies in the online game industry were searched through using the WIND terminal, and five comparable listed companies that are relevant to the business of the target company were selected, including:

(1) Kaiying Network (愷英網絡)

Kaiying Network Co., Ltd. specializes in the development and operation of online games and the distribution of mobile application products. Main products of the company include mobile online games, web games etc. The company was selected as “2019–2020 National Key Cultural Export Companies” by the Ministry of Commerce.

(2) Kunlun (崑崙萬維)

Kunlun Tech Co., Ltd., which commences its business through the development and global publishing of web games, has released games such as Kunlun World, Beauty Dream Factory and Martial Arts World, and is one of the first Chinese companies entering into the overseas game market. It mainly provides comprehensive Internet value-added services, and the main products include online games. As a global Internet company, it has such platforms Kunlun Online, klyou, software portal Brothersoft.com, and phone portal Imobile.com. In 2019, the company won honors such as “ranking 24th in China’s Top 100 Internet Companies 2019” and “ranking 76th in Beijing Top 100 Private Enterprises 2018”.

(3) *Giant Network* (巨人網絡)

Giant Network Group Co., Ltd. is a comprehensive Internet company starting with online games. It is a A-share company (stock code: 002558.SZ). Currently, Giant Network positions itself as a comprehensive Internet company focusing on Internet culture and entertainment, which explores and actively participates in other Internet fields while consolidating its strengths in online games.

(4) *Electronic Soul* (電魂網絡)

Hangzhou Electronic Soul Network Technology Co., Ltd. specializes in the research & development, production and operation of online games. Its main products include client games and mobile games. Self-developed games currently operated by it include computer games, such as Dream Three Kingdoms and Towerdefence Of Threekingdom (TOT); mobile games, such as Dream Three Kingdoms Mobile Game (Remastered), My Knight, Gods, Towerdefence Of Threekingdom (TOT) Mobile Game and Barbarian Wars; virtual reality games, such as Hitomi; H5 games, such as Congcong Dream Three Kingdoms; platform products, such as H5 Shandw Platform and Pocket Dream Three Kingdoms. The company has won a number of honors such as National High-tech Companies, Key Software Companies in National Planning Layout, and National Key Cultural Export Companies.

(5) *G-bits*

G-bits Network Technology (Xiamen) Co., Ltd. is a national key software enterprise specializing in the creative planning, research & development, production and commercial operation of online games. It has successfully developed a number of games such as Asktao, Asktao Legend, Fairy Battle, Chaos, ElfWar, Galaxy Wars and One Hundred Thousand Tough Women, which are popular in many countries and regions, such as Chinese mainland, Vietnam, Indonesia, Malaysia, South Korea, the United States and Canada, and Taiwan, Hong Kong and Macao. The company has been rated as “Leading Enterprises of Little Giant of Science and Technology in Fujian Province”, “China’s Top 500 New Economy Companies 2020” and “Hurun China Top 500 Private Enterprises in 2020”.

2. Selection of value ratio

Through analyzing companies from the Internet and related service industry, and assessing the relevance of other factors such as equity value and operating income, net profit attributable to the parent company, equity attributable to the parent company, the equity value is more related to the net profit attributable to the parent company, this valuation selects P/E indicator as the value ratio.

Dependent variable	Equity value (EV)		
	Operating income	Net profit attributable to parent company	Equity attributable to parent company
Correlation	0.6832	0.7744	0.6546
Goodness-of-fit	0.4667	0.5997	0.4285

3. Calculation of value ratio

(1) Initial value ratio

According to the value information and financial information published by comparable listed companies, the P/E ratio of each comparable company is calculated, as shown in the following table:

Initial value ratios of comparable listed companies

Company Names	P/E ratio
Kaiying Network	22.53
Kunlun	8.65
Giant Network	20.83
Electronic Soul	19.25
G-bits	18.94

(2) Calculation of adjustment factor of financial indexes

This valuation mainly quantifies the differences between the target company and comparable companies in terms of the earning ability, asset quality, debt risk, operation growth and other aspects.

Six financial indexes, namely return on equity, return on total assets, total assets turnover, current assets turnover, debt-to-assets ratio and operating income growth rate, are selected as the factors to evaluate comparable companies and the target company. After calculation, financial indexes of the target company and comparable companies are shown as follows:

Financial indexes of the target company and comparable companies

Company Names	Earning quality		Operation		Debt paying	Growth	Total revenue (RMB million)
	Return on equity (%)	Return on total assets (%)	Total assets turnover (time)	Current assets turnover	ability	ability	
					Debt-to- assets ratio	Operating income growth rate	
Kaiying Network	15.5050	18.7048	0.5381	0.7565	13.9991	47.1671	2,063.36
Kunlun	28.5145	17.8378	0.2523	0.9233	26.8748	-18.6427	1,915.90
Giant Network	10.0749	9.2612	0.1917	0.4090	10.5757	-10.5690	2,005.18
Electronic Soul	15.5195	13.7412	0.3558	0.3668	20.9047	3.9005	1,042.88
G-bits	34.3530	32.1672	0.7244	0.9784	28.5823	70.0464	4,149.22
Shouxin Network	80.03	65.57	0.78	0.78	10.01	155.15	144.91

According to relevant regulations of the Interim Administrative Measures for Performance Appraisal of Central Enterprises (GZWL No. 14) promulgated by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and publicly disclosed data of listed companies, combined with the characteristics of Chinese listed companies and the industrial and scale factors, the evaluation criteria are further classified into five grades, namely excellent, good, mean, low and poor.

Reference table of five-grade scores of financial indexes

Item		Earning ability		Asset quality		Debt risk	Operation growth
		Return on equity (%)	Return on total assets (%)	Total assets turnover (time)	Current assets turnover	Debt-to-assets ratio	Operating income growth rate
Weight	100	15	15	15	15	20	20
Poor value	80	-3.70	-2.80	0.10	0.10	88.30	-2.90
Low value	85	3.50	0.50	0.20	0.30	73.30	2.40
Mean value	90	7.10	3.90	0.50	0.70	63.30	5.30
Good value	95	13.50	7.50	1.00	1.20	58.30	10.30
Excellent value	100	21.10	12.40	1.20	1.50	53.30	17.10

In accordance with the following formulae:

the single basic index score = basic score of this grade + adjusted score;

Adjusted score = [(actual value – standard value of this grade)/(standard value of the previous grade – standard value of this grade)]*(basic score of the previous grade – basic score of this grade);

The target company and comparable companies are scored according to the five grades (excellent, good, mean, low and poor) listed in the reference table. The scoring results are shown in the following table:

Scoring table of financial indexes of the target company and comparable companies

Company Names	Earning quality		Operation		Debt paying	Growth
	Return on equity (%)	Return on	Total assets	Current	ability	ability
		total assets (%)	turnover (time)	assets turnover	Debt-to-assets ratio	Operating income growth rate
Kaiying Network	96.3	100.0	90.4	90.6	100.0	100.0
Kunlun	100.0	100.0	85.9	92.2	100.0	80.0
Giant Network	92.3	96.8	84.6	86.4	100.0	80.0
Electronic Soul	96.3	100.0	87.6	85.8	100.0	87.6
G-bits	100.0	100.0	92.2	92.8	100.0	100.0
Shouxin Network	100.0	100.0	92.8	90.8	100.0	100.0

The above scoring results are multiplied by the weight, and the results are cumulated to obtain the scoring results of financial indexes, as shown in the following table:

Scoring results of financial indexes

Company Names	Score of financial indexes
Kaiying Network	97.0
Kunlun	93.0
Giant Network	90.0
Electronic Soul	93.0
G-bits	98.0
Shouxin Network	98.0

According to the total score of financial indexes of comparable companies and the target company calculated, the total score of financial indexes of the target company is divided by the total score of financial indexes of a comparable company to obtain the adjustment factor of financial indexes, as shown in the following table:

Table of adjustment factor of financial indexes

Company Names	Adjustment factor of financial indexes
Kaiying Network	1.0103
Kunlun	1.0538
Giant Network	1.0889
Electronic Soul	1.0538
G-bits	1.0000

(3) Calculation of adjustment factor of scale indexes

Due to the large difference in the operating income of the target company and comparable listed companies, large companies can obtain scale benefits, and then the scale factors are adjusted.

Scoring table of scale indexes

Company Names	Score of scale indexes
Kaiying Network	189
Kunlun	186
Giant Network	188
Electronic Soul	166
G-bits	212

According to the total score of scale indexes of comparable companies and the target company calculated, the total score of scale indexes of the target company is divided by the total score of scale indexes of a comparable company to obtain the adjustment factor of scale indexes, as shown in the following table:

Table of adjustment factor of scale indexes

Company Names	Adjustment factor of scale indexes
Kaiying Network	0.5291
Kunlun	0.5376
Giant Network	0.5319
Electronic Soul	0.6024
G-bits	0.4717

(4) Adjusted P/E

Adjustment factors of each comparable index in the above factor adjustment tables are multiplied to obtain the P/E adjustment factor of each comparable company; then, the result is multiplied by the corresponding P/E of each comparable company to obtain the adjusted P/E of each comparable company. Each P/E is averaged to obtain the P/E value (10.0) of the target company.

Table of P/E revision process

No.	Company Names	P/E	Adjustment factor	Revised P/E
1	Kaiying Network	22.53	0.5346	12.0
2	Kunlun	8.65	0.5665	4.9
3	Giant Network	20.83	0.5792	12.1
4	Electronic Soul	19.25	0.6348	12.2
5	G-bits	18.94	0.4717	8.9
			PE value	10.0

(5) *Liquidity discount*

The target company is an unlisted company, and thus lacks liquidity compared with listed companies. In this valuation, the corresponding mean value of liquidity discount is calculated to be 27.83% based on the average transaction price on the first day of listing and 360 days after listing of the Internet and related service listed companies in the China Securities Regulatory Commission, which is used as the liquidity discount of this evaluation.

4. Conclusion of valuation calculation

According to the above calculation process, the enterprise value is determined based on (i) the earning value ratio is calculated by the formula “total equity value = value index of target company × revised value ratio factor”; (ii) the specific P/E values of comparable transaction targets of the five companies are calculated by comprehensive adjustment factor; and (ii) the P/E value of the target company is determined to be 10.0 by arithmetic mean. Based on the financial data of the target company on the benchmark date, it can be obtained that:

Equity value of the target company = adjusted net profit in 2021 × specific price earnings ratio × (1 – liquidity discount)

$$= 12,253.60 \times 10.0 \times (1-27.83\%)$$

$$= \text{RMB}88,400.00 \text{ (Unit: in RMB0'000) (rounded)}$$

The influence of control premium has not been taken into account for the above valuation results.

G. CONCLUSION OF VALUATION

The market value of equity value of the target company was RMB884 million on the benchmark date (31 December 2021) of valuation.

H. IMPORTANT NOTES

1. The valuation method used in this valuation, namely the method of comparing with listed companies, is a practical application of the concept of relative valuation. Relative valuation reflects the value anchoring, by the relation between market supply and demand, of the valuation objects at a specific time. For market participants, relative valuation is a relatively effective reference for its transaction decision at each relatively specific time. However, due to the time difference, the relation between market supply

and demand will change, causing changes in relative valuation. Therefore, market participants should also comprehensively consider the possible change of the relation between supply and demand over time, and rationally use relative valuation as their decision reference.

Due to the difference of the relation between market supply and demand at different time points, there are differences in valuation multiple. We here notify the users of the report that possible future changes in the relation between market supply and demand may have effect on valuation on the future benchmark date, and thus may lead to corresponding risks for the decision-making behavior based on the conclusion of valuation in this report.

2. The value consultant performs asset valuation for the purpose of estimating valuation objects and giving professional opinions, without assuming the responsibility of the decisions made by relevant parties. The conclusion of valuation shall not be regarded as a guarantee of the realizable price of valuation objects.
3. The results of valuation in this report are valid for one year, from 31 December 2021, the benchmark date of valuation, to December 30, 2022.

Shandong Zhengyuan Hexin Assets Appraisal Limited
31 March 2022

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of 7Road Holdings Limited (the “Company”) will be held at the conference room of the Company at 4/F, Building 1-A, Tingwei Industrial Park, No. 6 Liufang Road, Baoan District, Shenzhen, the PRC on Monday, 23 May 2022 at 11 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution of the Company.

Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular dated 29 April 2022, a copy of which is marked “A” and tabled before the EGM and initialled by the chairman of the EGM for identification purpose.

ORDINARY RESOLUTION

“THAT:

- (a) the Equity Transfer Agreement entered into by the Purchaser and the Vendor (a copy of which is marked “B” and tabled before the EGM and initialled by the chairman of the EGM for identification purpose) and any other transaction documents in connection therewith and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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- (b) any Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Equity Transfer Agreement.”

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

Wuxi, the PRC, 29 April 2022

Registered office:
Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen’s Road East
Wanchai, Hong Kong

Notes:

1. The resolution set out in this notice of EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should they so wish. If the relevant member attends the EGM, the form of proxy shall be deemed to be revoked.
5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. no later than 11 a.m. on Saturday, 21 May 2022) or any adjourned meeting (as the case may be).
6. Whether or not you are able to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

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7. Where there are joint registered holders of any Share, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint registered holders are present at the EGM, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members of the Company in respect of the Shares shall be accepted to the exclusion of the votes of the other registered holders.
8. The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from Wednesday, 18 May 2022 to Monday, 23 May 2022, both days inclusive, during which period no transfers of shares will be affected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 17 May 2022. Shareholders whose names appear on the register of members of the Company on Monday, 23 May 2022 will be eligible to attend and vote at the EGM.

PRECAUTIONARY MEASURES AT THE EGM

The Company will implement the following preventive measures at the EGM to prevent and control the spread of the Novel Coronavirus (COVID-19):

- compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue;
- every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
- no refreshment will be served; and
- no souvenir will be distributed.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company wishes to remind all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the resolution at the EGM as an alternative to attending the EGM in person.

As at the date of this notice, the executive directors of the Company are Mr. Meng Shuqi, Mr. Li Zhengquan and Mr. Yang Cheng; and the independent non-executive directors of the Company are Mr. Xue Jun, Ms. Li Yiqing and Mr. Lui Chi Ho.