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第七大道
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7Road Holdings Limited

第七大道控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 797)

DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

On 23 December 2022 (after trading hours), Shanghai Xinla, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which Shanghai Xinla agreed to sell, and the Purchaser agreed to buy, the Sale Shares for a consideration of RMB93 million, subject to the terms and conditions under the Disposal Agreement. The Sale Shares represent 100% of the registered capital of the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

Date: 23 December 2022 (after trading hours)

Purchaser: Anhui Youxin Network Technology Co., Ltd.* (安徽遊昕網絡科技有限公司), a limited liability company established under the laws of the PRC

Vendor: Shanghai Xinla

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

Subject matter

Shanghai Xinla agreed to sell, and the Purchaser agreed to buy, the Sale Shares, subject to the terms and conditions under the Disposal Agreement. The Sale Shares represent 100% of the registered capital of the Target Company.

Consideration

The consideration for the Disposal is RMB93 million.

The consideration was determined after arm's length negotiations between the parties with reference to (1) the unaudited net asset value of the Target Company as at 31 October 2022 and (2) the valuation of the Target Company as at 31 October 2022 as indicated in the valuation report prepared by an independent valuer ("**Valuation Report**").

The consideration shall be paid by the Purchaser to Shanghai Xinla in the following manner:

- (1) RMB50 million (the "**First Payment**") shall be paid within 5 business days from the day upon which the conditions precedent to the Disposal have been satisfied; and
- (2) RMB43 million (the "**Final Payment**") shall be paid within 40 business days from the day upon which all registration with the relevant market supervision department(s) in relation to the Disposal are completed.

Conditions precedent

The Disposal and the making of the First Payment is conditional upon and subject to the following conditions precedent being fulfilled:

- (1) the shareholder of the Target Company resolving to approve the transfer of the Sale Shares;
- (2) the relevant parties completing the signing of all necessary transaction documents in relation to the Disposal;
- (3) both parties having obtained their own internal approvals (such as approvals from their respective board of directors and shareholders) for the Disposal, and the approvals remain valid on the First Payment Date;
- (4) all representations and warranties made by the parties in the Disposal Agreement are (and remains to be) true, accurate, complete and not misleading as at the signing date of the Disposal Agreement and the First Payment Date; and
- (5) the undertakings made by both parties before the First Payment Date and the performance of obligations before the First Payment Date, as stipulated in the Disposal Agreement, having been complied with and fulfilled, and both parties have not violated any provisions of the Disposal Agreement.

As at the date of this announcement, all conditions precedent have been fulfilled.

Completion

Within 5 business days from the day upon which the conditions precedent to the Disposal have been satisfied, the First Payment shall be made by the Purchaser to Shanghai Xinla pursuant to the Disposal Agreement.

Within 3 business days from the First Payment Date, the parties to the Disposal Agreement shall execute all documents in relation to the change of registration of the Target Company as a result of the Disposal (including but not limited to the change of shareholder, legal representative, directors and supervisors), and Shanghai Xinla shall deliver the corporate documents of the Target Company to the Purchaser.

The Purchaser shall complete all registrations with the relevant market supervision department(s) in relation to the Disposal within 20 business days from the First Payment Date.

In the event that the payment of any part of the consideration becomes overdue for more than 30 days, Shanghai Xinla shall have the right to unilaterally terminate the Disposal Agreement. In such event, the parties to the Disposal Agreement agree to restore the Target Company to its original state as at the time of signing of the Disposal Agreement and the Purchaser shall indemnify Shanghai Xinla for any loss suffered by Shanghai Xinla due to the Purchaser's failure to settle the consideration.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in 2015 and is principally engaged in online game development, promotion and management.

The unaudited total asset value and unaudited net asset value of the Target Company as at 30 June 2022 were approximately RMB68.5 million and RMB13.1 million respectively. According to the Valuation Report, the value attributable to the equity holders of the parent company of the Target Company as at 31 October 2022 was approximately RMB92.8 million. The unaudited financial results of the Target Company for the years ended 31 December 2020 and 2021 are as follows:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before taxation	51,729.6	(5,363.3)
Net profit/(loss) after taxation	52,465.6	(6,459.1)

The expected direct gain on Disposal of approximately RMB11 million is calculated by reference to the unaudited carrying amount of the Target Company (including the net asset and goodwill of the Target Company) and the consideration of the Disposal.

Shareholders should note that the actual gain to be recorded by the Group from the Disposal shall depend on the Group's relevant financial data of the Target Company as at the date of completion of the Disposal, and therefore may differ from the above amount. The net proceeds from the Disposal are intended to be used by the Group as to approximately 70% for the promotion and publication of a game, and as to approximately 30% for general working capital purposes.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the interim report of the Company for the six months ended 30 June 2022, the Group will actively seek appropriate investment and cooperation opportunities to consolidate, develop and enhance the Group's position in the industry and create more value for the shareholders of the Company.

As at 31 December 2021, the Target Group consisted of the Target Company and twelve subsidiaries. The unaudited consolidated total asset value and net asset value of the Target Group as at 31 December 2021 was approximately RMB599.9 million and RMB21.9 million respectively.

During the first half of 2022, the Group carried out a corporate restructuring exercise in which the Target Company reorganized all its equity interest in certain subsidiaries of the Target Company to other members of the Group (other than any member of the Target Group prior to the corporate restructuring exercise) for the purpose of rationalizing the resources allocation of the Group as a whole.

Immediately prior to the date of the Disposal Agreement, the Target Group consisted of the Target Company and five subsidiaries of the Target Company, and the unaudited consolidated total asset value and net asset value of the Target Company as at 31 October 2022 (including the Target Company and its five subsidiaries) were approximately RMB67.3 million and RMB11.9 million respectively. Immediately prior to the date of the Disposal Agreement, the five subsidiaries of the Target Company have no game projects in operation.

The Target Company is engaged in the development of a web-based online role-playing game of the "Legend" (傳奇) series (the "**Game**"), and required a comparatively high expenses such as promotional expenses for the Game to enter into the commercialization stage. After considering the underlying benefits and risks of commercialization of the Game, estimated operating expense and other fees to be incurred by the promotion of the Game, uncertainties over the publication of the Game and the valuation of the Target Company, as well as the overall consideration of the Company's game business development, the Company would receive a better and guaranteed return if the Target Company is sold at the current valuation. This would be beneficial towards optimizing the Company's game business, acquiring additional capital for developing the Group's more advantageous game products and obtaining more general working capital.

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

INFORMATION ON THE PARTIES

The Group and Shanghai Xinla

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

Shanghai Xinla is an indirect wholly-owned subsidiary of the Company established in the PRC and is principally engaged in online game development, promotion and management.

The Purchaser

The Purchaser is a limited liability company established in the PRC and is principally engaged in online game development, promotion and management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is wholly-owned by Mr. Wu Yuchen (伍愈晨), who is engaged in the online game business, and each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

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

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by Shanghai Xinla
“Disposal Agreement”	the equity transfer agreement dated 23 December 2022 between Shanghai Xinla and the Purchaser in relation to the Disposal
“Final Payment”	has the meaning ascribed to it under the section headed “THE DISPOSAL AGREEMENT — Consideration” of this announcement
“First Payment”	has the meaning ascribed to it under the section headed “THE DISPOSAL AGREEMENT — Consideration” of this announcement
“First Payment Date”	the day on which the First Payment having been made by the Purchaser to Shanghai Xinla pursuant to the Disposal Agreement
“Group”	the Company and all its subsidiaries and companies whose financial results have been consolidated and accounted as subsidiaries of the Company by virtue of contractual arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macao Special Administrative Region and Taiwan

“Purchaser”	Anhui Youxin Network Technology Co., Ltd.* (安徽遊昕網絡科技有限公司), a limited liability company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% of the registered capital of the Target Company
“Shanghai Xinla”	Shanghai Xinla Network Technology Co., Ltd.* (上海辛辣網絡科技有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hangzhou Shengfeng Network Technology Co., Ltd.* (杭州盛鋒網絡科技有限公司), a limited liability company established under the laws of the PRC
“Target Group”	the Target Company and its subsidiaries from time to time
“%”	per cent

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

Wuxi, the PRC, 23 December 2022

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

* *For identification purposes only*