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**第七大道**  
7ROAD.COM

## **7Road Holdings Limited**

**第七大道控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 797)**

### **DISCLOSEABLE TRANSACTIONS**

#### **(1) DISPOSAL OF A SUBSIDIARY; AND**

#### **(2) FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

#### **THE DISPOSAL**

On 28 March 2024 (after trading hours), Shenzhen 7Road entered into the Disposal Agreement with the Purchaser, pursuant to which Shenzhen 7Road agreed to sell, and the Purchaser agreed to buy, the Sale Shares for a consideration of RMB14.85 million, subject to the terms and conditions under the Disposal Agreement. The Sale Shares represent 100% of the registered capital of the Target Company.

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.

#### **THE FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

Prior to the completion of the Disposal, the Target Company had taken out the Borrowings from certain financial institutions that were secured by the Group through providing the Guarantees in favour of the Guarantee Beneficiaries. The Borrowings will not be settled upon or before the completion of the Disposal and the Group will continue to provide the Guarantees for the Target Company for a certain period after the Disposal has been completed. The Guarantees constitute financial assistance provided by the Company to the Target Company.

As at the Signing Date, the Target Company owes the Group the Amounts Owed. The Amounts Owed will not be repaid to the Group before the Disposal has been completed and will constitute financial assistance provided by the Group to the Target Company.

Pursuant to the Disposal Agreement, the Purchaser has agreed to provide the Purchaser's Undertakings and has entered into the Purchaser's Guarantee Agreement and Purchaser's Counter-guarantee Agreement.

## **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.

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

As the asset ratio defined under Rule 14.07(1) of the Listing Rules in respect of the Guarantees and the Amounts Owed in aggregate exceeds 8%, the provision of the Guarantees and the Amounts Owed are subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

## **THE DISPOSAL**

On 28 March 2024 (after trading hours), Shenzhen 7Road entered into the Disposal Agreement with the Purchaser, pursuant to which Shenzhen 7Road agreed to sell, and the Purchaser agreed to buy, the Sale Shares for a consideration of RMB14.85 million, subject to the terms and conditions under the Disposal Agreement. The Sale Shares represent 100% of the registered capital of the Target Company.

Set out below are the salient terms of the Disposal Agreement:

## THE DISPOSAL AGREEMENT

Date: 28 March 2024 (after trading hours)

Purchaser: Shanghai Canghuo Network Technology Co., Ltd.\* (上海蒼火網絡科技有限公司), a limited liability company established under the laws of the PRC

Vendor: Shenzhen 7Road

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

### Subject matter

Shenzhen 7Road 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.

The transaction reference date of the Disposal is 31 December 2023 (the “**Transaction Reference Date**”). The profit or loss of the Target Company recorded shall be enjoyed or borne by the Purchaser from the Transaction Reference Date to the date on which the Registration Changes (defined below) are complete.

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.

### Consideration

The consideration for the Disposal is RMB14.85 million, which was determined after arm's length negotiations between the parties with reference to the valuation of the Target Company's entire shareholders' equity as at 20 December 2023 as indicated in the valuation report (the “**Valuation Report**”) prepared by China United Assets Appraisal Group (Zhejiang) Co., Ltd.\* (中聯資產評估集團 (浙江) 有限公司), an independent valuer (the “**Valuer**”).

The consideration shall be paid by the Purchaser to Shenzhen 7Road in cash within ten (10) working days from the day upon which the conditions precedent under the Disposal Agreement have been satisfied or waived in writing.

## Conditions precedent

The Disposal is conditional upon and subject to the following conditions precedent being fulfilled or waived on or before the Closing Date (inclusive):

- (1) all representations and warranties made by the parties under the Disposal Agreement are (and remains to be) true, accurate, complete and not misleading as at the Signing Date and the Closing Date;
- (2) the undertakings and obligations that the parties must abide by before the Closing Date have all been complied with and fulfilled;
- (3) no event has occurred that have or could have a material adverse impact on the assets, business, finance or operation of the Target Company from the Signing Date to the Closing Date,
- (4) the Target Company's shareholders have passed resolutions approving the following matters:
  - (a) the Disposal;
  - (b) the signing and performance of the transaction documents related to the Disposal;
  - (c) the revised articles of association of the Target Company; and
  - (d) the removal of directors, supervisors, legal representatives and other senior managers of the Target Company appointed by Shenzhen 7Road and the appointment of directors, supervisors, legal representatives and other senior managers of the Target Company nominated by the Purchaser in accordance with the provisions of the Target Company's articles of association;
- (5) each member of the Target Group shall remove their directors, supervisors, legal representatives and other senior managers appointed by Shenzhen 7Road, and appoint the directors, supervisors, legal representatives and senior managers nominated by the Purchaser in accordance with each of their respective articles of association;
- (6) Shenzhen 7Road and the Company have obtained the Company's internal authorization (including the approval of the board of directors and/or general meeting of shareholders), completed the information disclosure procedures for the Disposal, as well as complied with Shenzhen 7Road's internal authorization procedures as stipulated in the relevant regulatory requirement and the constitutional document of Shenzhen 7Road;

- (7) the Purchaser has not raised any written inquiries regarding the results of the due diligence on the Target Company's business, finance, legal matters, technology, intellectual property and management or has not discovered any major issues that are detrimental to the Disposal during its due diligence investigation;
- (8) the Purchaser has obtained internal approval regarding the Disposal and such approval remains valid on the Closing Date;
- (9) all consents, approvals, registrations and filings from relevant government regulatory authorities, as well as the required notifications, consents or waivers from relevant third parties have been obtained for the Disposal; and
- (10) both parties confirm that each of the above conditions precedent have been met or have been waived.

## **Completion**

Both parties shall cooperate and use their best efforts to have the Target Company complete the registration and filing of changes in relation to the Disposal with the relevant market supervision and administration authority within 20 working days after the Closing Date, that is, the ownership of the Target Company will be updated and registered under the name of the Purchaser ("**Registration Changes**").

## **THE FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

### **Guarantees provided by the Group**

Prior to the completion of the Disposal, the Target Company had taken out a loan and obtained three finance leases (collectively, the "**Borrowings**") from certain financial institutions. The Borrowings were secured by the Group ("**Guarantor(s)**") through providing guarantees ("**Guarantee(s)**") in favour of such financial institutions ("**Guarantee Beneficiary(ies)**"). The Borrowings will not be settled upon or before the completion of the Disposal and the Group could not reach an agreement with the Guarantee Beneficiaries to release the Guarantors from the Guarantees before the completion of the Disposal. As such, the Group will continue to provide the Guarantees for the Target Company for a certain period after the completion of the Disposal. The Guarantees constitute financial assistance provided by the Company in favour of the Target Company, which would cease to be a subsidiary of the Company upon completion of the Disposal.

According to the relevant Guarantees and the relevant agreements, details of the subsisting Guarantees are as follows:

Date of the Guarantee(s)	Guarantee Beneficiary	Guarantor(s)	Nature of the Guarantee	Maximum liability under the Guarantee	Expected release day
16 March 2022	Shanghai Yuncheng Financial Leasing Co., Ltd.* (上海雲城融資租賃有限公司) (“SYFL”)	The Company, Wuxi 7Road and Shanghai Zhuiman (collectively, the “Finance Lease Guarantors”)	The Guarantors are jointly liable for the Target Company’s obligation to repay SYFL a total amount of RMB178,894,060 and all other amounts due under the relevant finance lease agreement between the Target Company and SYFL (“Guarantee 1”). As at the Signing Date, the outstanding rental payment payable by the Target Company under the relevant finance lease is RMB98,753,272.48	RMB130,000,000 <sup>1</sup>	The completion date of the Registration Changes <sup>3</sup>
5 September 2022	Jiangsu Financial Leasing Co., Ltd.* (江蘇金融租賃股份有限公司) (“JFL”)	The Finance Lease Guarantors	The Guarantors are jointly liable for the Target Company’s obligation to repay JFL a total amount of RMB81,590,404 and all other amounts due under the relevant finance lease agreement between the Target Company and JFL (“Guarantee 2”). As at the Signing Date, the outstanding rental payment payable by the Target Company under the relevant finance lease is RMB50,994,040		The final payment date under the relevant finance lease is 15 September 2026, with a guarantee period of three years from the date of expiry of the guaranteed liability
7 February 2023 and 8 February 2023	JFL	The Finance Lease Guarantors	The Guarantors are jointly liable for the Target Company’s obligation to repay JFL a total amount of RMB41,962,132 and all other amounts due under the relevant finance lease agreement between the Target Company and JFL (“Guarantee 3”). As at the Signing Date, the outstanding rental payment payable by the Target Company under the relevant finance lease is RMB30,597,415	RMB120,000,000 <sup>2</sup>	The final payment date under the relevant finance lease is 25 February 2027, with a guarantee period of three years from the date of expiry of the guaranteed liability
6 July 2023	Bank of Beijing Co., Ltd. Shanghai Branch* (北京銀行股份有限公司上海分行) (“BOJ Shanghai”)	Shanghai Xinla	The Guarantor is liable for the Target Company’s obligation to repay BOJ Shanghai a total loan amount of RMB10,000,000 for a term of 12 months (“Guarantee 4”)	RMB20,000,000	The due date of the final payment under the loan agreement is 5 July 2024, with a guarantee period of three years from the date of expiry of the guaranteed liability

*Note:*

1. On 9 January 2024, SYFL issued an explanation (情況說明), confirming that the maximum liability to be jointly borne by the Finance Lease Guarantors under Guarantee 1 shall be RMB130,000,000.
2. On 29 January 2024, the JFL issued an explanation letter (說明函), confirming that as at 29 January 2024, the total maximum liability to be jointly borne by the Finance Lease Guarantors under Guarantee 2 and Guarantee 3 combined shall be RMB120,000,000.
3. On 28 March 2024, each of the Finance Lease Guarantors respectively signed a termination agreement with SYFL, pursuant to which, each of the Finance Lease Guarantors' liability under Guarantee 1 will be terminated upon the completion of the Registration Changes and SYFL and an entity designated by the Purchaser, recognized by SYFL, enter into a joint and several guarantee agreement. As at the date of this announcement, the Purchaser and an entity recognized by SYFL have already entered into a guarantee agreement with SYFL regarding the performance of the relevant finance lease underlying Guarantee 1.

The Borrowings were made mainly as additional liquidity for the purposes of the Group's operations and the then expansion of the Group's cloud computing business. According to the provisions under the relevant finance lease agreement with JFL and SYFL, JFL and SYFL would respectively transfer the ownership of the servers and other equipment to the Target Company for an insignificant purchase price ranging from RMB100 to RMB10,000 after all outstanding amounts under the finance leases are settled by the Target Company.

### **Purchaser's Undertakings**

In consideration of the continuation of the Guarantees after the completion of the Disposal, and pursuant to the Disposal Agreement, the Purchaser has made the following undertakings ("**Purchaser's Undertakings**"):

- (1) undertakes (a) within two (2) days from the Signing Date, in accordance with the requirements of SYFL, the Purchaser or another entity approved by SYFL shall enter into a legal and effective guarantee agreement with SYFL regarding the performance of the relevant financial lease between the Target Company and SYFL underlying Guarantee 1; (b) Guarantee 1 Agreements are terminated no later than the completion of the Registration Changes and, at the time of such termination, the Finance Lease Guarantors will be released from their obligations under Guarantee 1 without any legal liabilities; and (c) if, during the period from the Signing Date to the date the Guarantee 1 Agreements are terminated, Shenzhen 7Road and its affiliates (including, but not limited to, the Finance Lease Guarantors) assume any obligations or suffer any losses due to Guarantee 1, the Purchaser will bear and be responsible for such obligations or losses;

- (2) ensure (a) the Target Company fully performs each of its obligations under the finance lease agreements between the Target Company and JFL underlying Guarantee 2 and Guarantee 3; (b) provide counter-guarantee(s) covering the liability of the Finance Lease Guarantors under Guarantee 2 and Guarantee 3; and (c) before the Signing Date, sign relevant legal documents giving effect to the counter-guarantee(s) and complete registration procedures (if necessary) in accordance with relevant laws and regulations; and
- (3) ensure the Target Company either repays the outstanding loan amount owed to BOJ Shanghai in accordance with the relevant loan agreement between the Target Company and BOJ Shanghai or executes relevant legal documents with BOJ Shanghai to release the Group from its obligations under Guarantee 4 on the basis that there would be no legal liabilities on part of the Group on or before the expiry of the loan term. If the Purchaser fails to ensure timely repayment of the loan and the release of Guarantee 4, the Purchaser shall pay the Group a penalty of 0.05% of the loan amount owed by the Target Company for each day overdue until Guarantee 4 is released in full.

### **Amounts Owed to the Group by the Target Company**

As at the Signing Date, the Target Company owed the Group a total of RMB24.4 million in balances (“**Amounts Owed**”). The Amounts Owed will not be settled on or before the completion of the Disposal as the Target Company, being loss-making, has insufficient funds to repay the Amounts Owed. As at the date of this announcement, the Amounts Owed are not subject to interest rates, are repayable on demand and there are no collaterals in relation to the Amounts Owed save for the joint liability guarantee and equity pledges more particularly set out below.

Pursuant to the Disposal Agreement, the Purchaser (a) shall ensure that the Target Company repays all Amounts Owed to the Group within sixty working days after the completion of the Registration Changes; and (b) agrees to provide the Group with satisfactory third-party joint liability guarantee(s) and equity pledges, and, before the Signing Date, sign relevant legal documents with the Group as well as complete the registration procedures (if necessary) in accordance with relevant laws, regulations and relevant legal documents.

### **The Purchaser’s guarantee and counter-guarantee**

On 28 March 2024, the Group, the Purchaser and Beihai entered into a guarantee agreement (“**Purchaser’s Guarantee Agreement**”), pursuant to which, the Purchaser and Beihai agree to jointly provide an unconditional and irrevocable joint liability guarantee to the Group for (a) the full performance of the Purchaser’s obligations under the Disposal Agreement (including representations, undertakings and guarantees made by the Purchaser); (b) repayment of the Amounts Owed; and (c) any interests, damages, compensation, expenses and any other amounts the Target Company and/or the Purchaser is liable for arising from the failure of the Target Company and/or the Purchaser to perform the Disposal Agreement and/or repay debts.



Pursuant to the Purchaser's Guarantee Agreement, the Purchaser shall pledge 100% of the registered capital of the Target Company in favour of Shenzhen 7Road. The Purchaser agrees that if one of the following circumstances occurs, Shenzhen 7Road has the right to immediately exercise the rights related to the Equity Pledge and/or transfer part or all of the rights related to the Equity Pledge to a company designated by it as appropriate:

- (1) the Target Company and/or the Purchaser fail to perform the Disposal Agreement and/or repay debts as agreed; or
- (2) the occurrence of other events where the Purchaser and Beihai endanger or damage the rights or interests of the Group or of their respective related parties.

The joint guarantee period under the Purchaser's Guarantee Agreement shall commence from the date the Purchaser's Guarantee Agreement comes into force and shall end three years after the expiration of the performance period for each obligation under the Disposal Agreement.

On 28 March 2024, the Target Company, the Finance Lease Guarantors, the Purchaser and Beihai entered into a counter-guarantee agreement (the "**Purchaser's Counter-guarantee Agreement**"), pursuant to which, the Purchaser and Beihai agree to provide counter-guarantees to the Finance Lease Guarantors, respectively, for any of their rights of debt recovery against the Target Company arising from fulfilling their obligations under Guarantee 2 and Guarantee 3 covering all amounts paid by the Finance Lease Guarantors, including (but not limited to) the finance lease amount, corresponding interest (including penalty interest), direct or indirect damages and expenses incurred by the Finance Lease Guarantors in exercising their rights under the Purchaser's Counter-guarantee Agreement.

Pursuant to the Purchaser's Counter-guarantee Agreement, if one of the following circumstances occurs, Shenzhen 7Road has the right to transfer part or all of its rights related to the Equity Pledge to any of the Finance Lease Guarantors it designates:

- (1) the Finance Lease Guarantors assumes guarantee liability due to the Target Company's default;
- (2) the Purchaser has any adverse effects such as disputes, major litigation or arbitration cases that affect or may affect the interests of the Finance Lease Guarantors and fails to take reasonable measures as required by the Finance Lease Guarantors; or
- (3) other events occur to the Purchaser that endanger or damage the rights or interests of the Finance Lease Guarantors.

The counter-guarantee period under the Purchaser's Counter-guarantee Agreement shall be from the date of signing the Purchaser's Counter-guarantee Agreement to three years from the date when the Finance Lease Guarantors assumes the guaranteed liability for the last instalment of the finance lease amount under the relevant finance lease agreements between the Target Company and JFL underlying Guarantee 2 and Guarantee 3.

## **BASIS OF CONSIDERATION OF THE DISPOSAL**

### **Selection of valuation method**

The Valuer has adopted the asset-based approach in preparing the Valuation Report. The asset-based approach considers the amount of investment required to re-establish a company or an independent profit-making entity that is the same as the appraisal target (i.e. the Target Company) on the valuation date as the basis for judging the overall asset value of the appraisal target. Specifically, this approach derives the value of the appraisal target by adding up the appraised value of various assets that constitute the appraisal target then subtracting such amount by the estimated value of its liabilities.

The Valuer selected the asset-based method after taking into consideration that (1) the Disposal is an equity transfer transaction; (2) the asset-based method reflects the value of the appraised target from the perspective of acquisition; and (3) this valuation method provided a basis for the operation, management and assessment of the appraisal target. The Valuer considered that the adoption of the income approach was not appropriate as the management of the Target Company cannot not make a reasonable profit forecast for the Target Company due to it being historically loss-making and the fluctuations in the market that the Target Company operated in.

The market approach was not adopted since (1) there are limitations in accessing information on the PRC property right transactions market; and (2) companies similar to the Target Company have large differences in their product structures and major business composition. All these above made it difficult to select market references to apply the market approach.

Given the above reasons, the Directors concur with the Valuer and consider it fair and reasonable to use the asset-based approach to appraise the Target Company.

### **Scope of work performed by the Valuer**

According to the Valuation Report, the Valuer appraised the Target Company's total assets and liabilities as at 20 December 2023 ("**Valuation Date**") to derive the value of the Target Company's entire shareholders' equity as at the Valuation Date.

## **Nature and source of information**

The Valuer mainly obtained the following information from the Target Company to conduct its valuation:

- (1) asset declaration forms filled in by the Target Company, which were independently reviewed by the Valuer;
- (2) property rights certification documents of the assets to be assessed; and
- (3) information regarding the economic behaviour of the Target Company.

## **Key assumptions**

Key assumptions adopted by the Valuer in determining the Target Company's entire shareholders' equity are set out as follows:

- (1) *transaction assumption*: all assets to be valued are already in the process of trading and valuations are conducted based on comparable market conditions such as the trading conditions of the assets to be valued;
- (2) *open market assumption*: assets can be bought and sold publicly in the market and, for assets traded or to be traded in the market, parties to the asset transaction are of equal status and have the opportunity and time to obtain sufficient market information to reasonably understand the function, use and prices of the assets; and
- (3) *going concern assumption*: assets to be valued continue to be used according to their current purpose, scale, frequency, environment of use, or on a changed basis upon which they would be used.

## **Appraised value**

According to the Valuation Report, as at the Valuation Date, (1) the book value and the appraised value of the total assets of the Target Company were RMB465.8 million and RMB361.5 million respectively, representing a valuation impairment of RMB104.3 million and an impairment percentage of 22.4%; (2) the book value and the appraised value of the total liabilities of the Target Company were RMB346.7 million and RMB346.7 million, respectively, representing no valuation impairment; and (3) the book value and the appraised value of the Target Company's entire shareholders' equity were RMB119.1 million and RMB14.8 million, respectively. The appraised value is lower than the book value mainly because of the rapid iteration of equipment and the decrease in demand for the equipment owned by the Target Company in recent years, leading to a fall in the replacement cost.

## Identity, qualification and independence of the Valuer

The Valuer is China United Assets Appraisal Group (Zhejiang) Co., Ltd.\* (中聯資產評估集團(浙江)有限公司), a limited liability company established in the PRC, and employs asset valuation experts recognised by the China Appraisal Society (中國資產評估協會) as official practicing members (正式執業會員).

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

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in 2018 and is principally engaged in cloud computing and other related services.

The unaudited total asset and unaudited net asset of the Target Company as at 31 December 2023 were approximately RMB362.5 million and RMB14.8 million respectively. According to the Valuation Report, the appraised market value of the Target Company's entire shareholders' equity as at 20 December 2023 was RMB14.8 million. The unaudited financial results of the Target Company for the years ended 31 December 2022 and 2023 are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net loss before taxation	148,115.4	62,871.2
Net loss after taxation	148,115.4	62,874.9

The expected gain on Disposal of approximately RMB3.5 million is calculated by reference to the unaudited net asset of the Target Company as at 29 February 2024 (being RMB11.3 million) 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 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 AND THE GUARANTEES**

### **The Disposal**

The Target Company mainly operates the Group's cloud computing and other related services business. From 2022 onwards, rapid technological advancements in computing graphics processing units (GPUs), the effect on the development of the Group's cloud computing business brought by the COVID-19 pandemic and the change in customer's demand of the Target Company's cloud computing business led to the continuous loss-making status of the Target Company. The Target Company has recorded net losses after taxation of approximately RMB62.9 million and RMB148.1 million for the years ended 31 December 2022 and 2023 respectively. Furthermore, the Target Company's assets, such as servers, have failed to keep up with technological advancements, diverging from the mainstream cloud computing market, and material impairment on relevant assets had been recorded. Although the Group's cloud computing operations team has made plans to reverse this unfavourable situation, the Group's management team believes that the continued loss-making status of the cloud computing business will persist without further devoting substantial resources to the Target Company and it is not the optimal choice for the Group to devote substantial resources to the Target Company for the loss-making cloud computing business. As such, the Company has concluded that it is more in the interests of the Company and the Shareholders as a whole to sell the Target Company entirely and avoid further losses.

Considering the above, the Company believes that it would be beneficial to the Group to dispose of the loss-making Target Company at its current valuation and concentrate resources that have been diverted to the cloud computing business back to the Group's profitable gaming business. This would provide the Group with additional capital for general working capital.

## **The Guarantees and the Amounts Owed**

While the Group will continue to provide the Guarantees after the completion of the Disposal to the Guarantee Beneficiaries and the provision of financial assistance in the form of the Amounts Owed, the Company considers the Guarantees and the Amounts Owed to be fair and reasonable to the Company because (1) negotiations with the Guarantee Beneficiaries to release the Group from the obligations under the Borrowings and Guarantees prior to the completion of the Disposal have been unsuccessful and would have hindered the Disposal; (2) requiring the repayment of the Amounts Owed prior to the completion of the Disposal would delay the Disposal; and (3) the risks assumed by the Group and the Guarantors are mitigated by the Purchaser's Undertakings, Purchaser's Guarantee Agreement, Purchaser's Counter-guarantee Agreement as well as the Equity Pledge which were agreed upon by both parties after arm's length negotiations.

Given the above, the Directors consider that the terms of the Disposal Agreement, the provision of the Guarantees and allowing the Amounts Owed to be repaid after the completion of the Disposal are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Group and Shenzhen 7Road**

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.

Shenzhen 7Road is a limited liability company established in the PRC and is accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements. It is principally engaged in the online game business.

### **The Purchaser**

The Purchaser is a limited liability company established in the PRC with a registered capital of RMB252 million and is principally engaged in technology services, development and consulting in the field of network technology, as well as software development and the wholesale of computer software, hardware and equipment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is ultimately controlled as to 59.44% by Shen Changze (沈昌則), 40.55% by Huang Yu (黃瑜) and 0.01% by Guo Baowei (郭保衛), and each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

## **Beihai**

Beihai is a limited liability company established under the laws of the PRC and is principally engaged in investment holding. According to the unaudited financial statements for the year ended 31 December 2023 provided by Beihai, the registered share capital of Beihai is RMB200 million and the net asset of Beihai amounts to RMB275 million as of 31 December 2023. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beihai is ultimately controlled by Huang Yu (黃瑜), and each of Beihai and Huang Yu (黃瑜) 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.

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

As the asset ratio defined under Rule 14.07(1) of the Listing Rules in respect of the Guarantees and the Amounts Owed in aggregate exceeds 8%, the provision of the Guarantees and the Amounts Owed are subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

## DEFINITIONS

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

“Beihai”	Beihai Hexi Investment Management Co., Ltd.* (北海和熙投資管理有限公司), a limited liability company established under the laws of the PRC, a company of one of the ultimate beneficial owners of the Purchaser with Huang Yu (黃瑜) as the ultimate beneficial owner
“Board”	the board of Directors
“Borrowings”	has the meaning ascribed to it in the section headed “The Financial Assistance and Advance to an Entity — Guarantees provided by the Group” of this announcement
“Closing Date”	the closing date of the Disposal, which is the date on which the Purchaser completes the payment of the consideration to Shenzhen 7Road
“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
“Contractual Arrangements”	certain contractual arrangements entered into on 13 April 2018 by the Group
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by Shenzhen 7Road to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the equity transfer agreement dated 28 March 2024 between Shenzhen 7Road and the Purchaser in relation to the Disposal



“Equity Pledge”	the pledge in favour of Shenzhen 7Road in respect of 100% registered share capital of the Target Company by the Purchaser
“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)
“Guarantee 1 Agreements”	the guarantee agreements entered into between SYFL and each of the Finance Lease Guarantors, respectively, dated 16 March 2022
“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”	the People’s Republic of China
“Purchaser”	Shanghai Canghuo Network Technology Co., Ltd.* (上海蒼火網絡科技有限公司), 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 company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shanghai Zhuiman”	Shanghai Zhuiman Huyu Technology Company Limited* (上海追漫互娛科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Shareholders”	the shareholders of the Company
“Shenzhen 7Road”	Shenzhen 7Road Technology Co., Ltd.* (深圳第七大道科技有限公司), a company incorporated under the laws of the PRC with limited liability and, by virtue of the Contractual Arrangements, is accounted for as our subsidiary
“Signing Date”	28 March 2024, being the date of signing of the Disposal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Lingsu Network Technology Co., Ltd.* (上海凌素網絡科技有限公司), company established under the laws of the PRC with limited liability
"Target Group"	the Target Company and its subsidiaries as at the Signing Date
“Wuxi 7Road”	Wuxi 7Road Technology Co., Ltd.* (無錫第七大道科技有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Wuxi, the PRC, 28 March 2024

*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*