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Neo Telemedia Limited
中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8167)

MAJOR TRANSACTION – FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board hereby announces that on 27 August 2021, Guangzhou Yizi (an indirect non-wholly owned subsidiary of the Company) and the Lessor entered into the Finance Lease Arrangement pursuant to which the Lessor agreed to purchase the Equipment from Guangzhou Yizi for a total consideration of RMB80 million (equivalent to approximately HK\$96 million), which would then be leased back to Guangzhou Yizi for a term of five years.

GEM LISTING RULES IMPLICATIONS

Since the Previous Finance Lease Arrangement and the Finance Lease Arrangement were entered into with the Lessor within 12 months, the transactions contemplated under the Finance Lease Arrangement shall be aggregated with the transactions under the Previous Finance Lease Arrangement under Rule 19.22 of the GEM Listing Rules.

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Finance Lease Arrangement on aggregate basis exceeds 25%, the Finance Lease Arrangement constitutes a major transaction of the Company under the GEM Listing Rules.

SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the Finance Lease Arrangement and as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Arrangement. As at the date of this announcement, Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong are a closely allied group of Shareholders who together beneficially holds 4,826,965,357 Shares, representing approximately 50.69% of the entire issued share capital of the Company. Written approval of the Finance Lease Arrangement has been obtained from Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong. Pursuant to Rule 19.44 of the GEM Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Finance Lease Arrangement.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Finance Lease Arrangement and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 17 September 2021.

Shareholders and potential investors of the Company should be aware that the Finance Lease Arrangement is subject to a number of conditions being satisfied, and consequently the Finance Lease Arrangement may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Company.

INTRODUCTION

The Board hereby announces that on 27 August 2021, Guangzhou Yizi (an indirect non-wholly owned subsidiary of the Company) and the Lessor entered into the Finance Lease Arrangement pursuant to which the Lessor agreed to purchase the Equipment from Guangzhou Yizi for a total consideration of RMB80 million (equivalent to approximately HK\$96 million), which would then be leased back to Guangzhou Yizi for a term of five years.

(A) Finance Lease Agreement

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

- Date:** 27 August 2021
- Parties:**
- (1) the Lessor. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Lessor was principally engaged in the provision of finance leasing services and was a wholly owned subsidiary of Guangzhou Rural Commercial Bank Co., Ltd., a company established in the PRC with limited liability which was listed on the the Stock Exchange (stock code: 1551), and the Lessor and the ultimate beneficial owner of the Lessor were Independent Third Parties; and
 - (2) Guangzhou Yizi, a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company which was principally engaged in the provision of data centre services.
- Subject assets:** The Equipment
- Finance lease arrangement:** Pursuant to the Finance Lease Agreement, the Lessor agreed to purchase the Equipment from Guangzhou Yizi for a total consideration of RMB80 million (equivalent to approximately HK\$96 million), representing the principal amount under the Finance Lease Agreement, and the Lessor agreed to lease back the Equipment to Guangzhou Yizi.
- Period of the lease:** Five years
- Conditions precedent:** Subject to the fulfilment of certain conditions including, among other things, the Finance Lease Agreement and the Security Agreements having been duly executed and the Lessor having received the security deposit payable pursuant to the Finance Lease Agreement, the Lessor shall pay to Guangzhou Yizi the full amount of the consideration of the Equipment in accordance to the Finance Lease Agreement.
- Lease payment:**
- (1) The first four lease payments consist of the lease interest only; and
 - (2) the remaining sixteen lease payments consist of the finance lease principal amount of RMB80 million (approximately HK\$96 million) and the lease interest.

Guangzhou Yizi shall pay the lease interest during the term of the lease quarterly at an interest rate (the “**Lease Interest Rate**”) being calculated at a floating rate and would be adjusted with reference to the benchmark interest rate for RMB loans with a maturity of one year as promulgated by the People’s Bank of China from time to time (the “**Benchmark Interest Rate**”) plus a premium of 2.25%. As at the date of this announcement, the Benchmark Interest Rate was approximately 3.85% per annum and the Lease Interest Rate was 6.10% per annum.

Basis of determination of the consideration and the lease payment:

The consideration and the total lease payment of the Equipment were determined based on arm’s length negotiation between the Lessor and Guangzhou Yizi with reference to the net book value of the Equipment of approximately RMB80,366,000 (equivalent to approximately HK\$96,439,000) and the prevailing market interest rate of comparable equipment finance leases.

Security deposit:

Guangzhou Yizi shall pay RMB4.8 million as security deposit to the Lessor before the Lessor pays for the Consideration to Guangzhou Yizi. If there is default by Guangzhou Yizi, the Lessor may deduct the principal and interest which falls due, the default interest and other cost arising from the default from the security deposit. If there is no default throughout the term of the lease, Guangzhou Yizi may use the security deposit to set off the last payment(s) under the Finance Lease Agreement.

Buy-back of the Equipment:

The legal ownership of the Equipment will be vested in the Lessor throughout the lease term. Upon the end of the lease term, provided that Guangzhou Yizi has fulfilled all of its obligations under the Finance Lease Agreement, the Lessor shall transfer the legal ownership of the Equipment to Guangzhou Yizi at a nominal consideration of RMB100.

(B) The Security Agreements

On 27 August 2021, Bluesea Mobile, Guangzhou Zituo, Sichuan Xuxun, Dr. Lie and Mr. Wang entered into the following Security Agreements:–

The Guarantee Agreements: Each of Bluesea Mobile, Guangzhou Zituo, Dr. Lie and Mr. Wang entered into the Guarantee Agreements in favour of the Lessor pursuant to which each of Bluesea Mobile, Guangzhou Zituo, Dr. Lie and Mr. Wang shall provide guarantee to secure the obligations of Guangzhou Yizi under the Finance Lease Arrangement.

The Assets Pledge Agreements: Guangzhou Zituo entered into the Assets Pledge Agreement (Guangzhou Zituo) in favour of the Lessor to pledge the Pledged Assets (Guangzhou Zituo) and Sichuan Xuxun entered into the Assets Pledge Agreement (Sichuan Xuxun) in favour of the Lessor to pledge the Pledged Assets (Sichuan Xuxun) as security for the obligations of Guangzhou Yizi under the Finance Lease Agreement.

FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENT AND USE OF PROCEEDS

As at 31 July 2021, the book value of the Equipment is approximately RMB80,366,000 (equivalent to approximately HK\$96,439,000). According to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Arrangement do not constitute a disposal of assets and will not give rise to any gain or loss to be recorded in the Group's income statement.

Under the Finance Lease Arrangement, the Group will receive net proceeds of approximately RMB79,850,000 (equivalent to approximately HK\$95,820,000) which is expected to be used for repayment of borrowings.

REASONS FOR THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in the provision of data centre services and trading of telecommunication products.

The Directors are of the view that under the Finance Lease Arrangement, the Group will obtain financial resources to support its business operations. The Directors consider that the Finance Lease Arrangement is entered into after arm's length negotiation between the Lessor and the Group and the terms therein are on normal commercial terms and the Finance Lease Arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Since the Previous Finance Lease Arrangement and the Finance Lease Arrangement were entered into with the Lessor within 12 months, the transactions contemplated under the Finance Lease Arrangement shall be aggregated with the transactions under the Previous Finance Lease Arrangement under Rule 19.22 of the GEM Listing Rules.

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Finance Lease Arrangement on aggregate basis exceeds 25%, the Finance Lease Arrangement constitutes a major transaction of the Company under the GEM Listing Rules.

SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the Finance Lease Arrangement and as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Arrangement. As at the date of this announcement, Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong are a closely allied group of Shareholders who together beneficially holds 4,826,965,357 Shares, representing approximately 50.69% of the entire issued share capital of the Company. Written approval of the Finance Lease Arrangement has been obtained from Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong. Pursuant to Rule 19.44 of the GEM Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Finance Lease Arrangement.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Finance Lease Arrangement and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 17 September 2021.

Shareholders and potential investors of the Company should be aware that the Finance Lease Arrangement is subject to a number of conditions being satisfied, and consequently the Finance Lease Arrangement may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Assets Pledge Agreements”	collectively, the Assets Pledge Agreement (Guangzhou Zituo) and the Assets Pledge Agreement (Sichuan Xuxun)
“Assets Pledge Agreement (Guangzhou Zituo)”	the asset pledge agreement between Guangzhou Zituo and the Lessor dated 27 August 2021
“Assets Pledge Agreement (Sichuan Xuxun)”	the asset pledge agreement between Sichuan Xuxun and the Lessor dated 27 August 2021
“Blusea Mobile”	Guangdong Blusea Mobile Development Company Limited* (廣東蔚海移動發展有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Neo Telemedia Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8167)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	consideration for the purchase of the Equipment
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Lie”	Dr. LIE Haiquan, an executive Director, the chairman of the Board and a Controlling Shareholder and directly owns 2,254,752,000 Shares and indirectly owns a total of 2,091,923,357 Shares via Golden Ocean and Winner Mind as at the date of this announcement. Dr. Lie was acquainted with Mr. Yan for around 20 years and they had various business relationship in the PRC
“Equipment”	the assets comprising data centre equipment to be purchased by the Lessor from Guangzhou Yizi, which would then be leased back to Guangzhou Yizi under the Finance Lease Agreement
“Finance Lease Agreement”	the finance lease agreement between the Lessor and Guangzhou Yizi dated 27 August 2021

“Finance Lease Arrangement”	the finance lease arrangement contemplated under the Finance Lease Agreement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Golden Ocean”	Golden Ocean Assets Management Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Dr. Lie and directly owns 36,036,000 Shares as at the date of this announcement
“Group”	the Company and its subsidiaries
“Guangzhou Yizi”	Guangzhou Yizi Internet Technology Company Limited* (廣州市昇資互聯網科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Guangzhou Zituo”	Guangzhou Zituo Technology Company Limited* (廣州市資拓科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Guarantee Agreements”	collectively, the guarantee agreements between the Lessor and each of Bluesea Mobile, Guangzhou Zituo, Dr. Lie and Mr. Wang dated 27 August 2021
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Lessor”	Zhujiang Financial Leasing Company Limited* (珠江金融租賃有限公司), a company established in the PRC with limited liability
“Mr. Wang”	Mr. WANG Kun* (王坤), the legal representative, a director and a substantial shareholder of Guangzhou Zituo and the legal representative and a director of Guangzhou Yizi

“Mr. Yan”	Mr. YAN Wai Ping, a Shareholder and directly owns 373,588,000 Shares as at the date of this announcement. Mr. Yan is acquainted with Dr. Lie for around 20 years and they had various business relationship in the PRC. Mr. Yan is the spouse of Ms. Wong
“Ms. Wong”	Ms. WONG Pui Yan, a Shareholder and directly owns 106,702,000 Shares as at the date of this announcement. Ms. Wong is the spouse of Mr. Yan
“Pledged Asset (Guangzhou Zituo)”	90% equity interest in Guangzhou Yizi owned by Guangzhou Zituo
“Pledged Asset (Sichuan Xuxun)”	10% equity interest in Guangzhou Yizi owned by Sichuan Xuxun
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Finance Lease Arrangement”	the finance lease arrangement between the Lessor and the Group dated 31 March 2021 pursuant to which the Lessor agreed to purchase equipment from a supplier at the request from the Group and lease the equipment to the Group, details of which are stipulated in the announcement of the Company dated 31 March 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Sichuan Xuxun”	Sichuan Xuxun Technology Partnership (General Partnership)* (四川速訊科技合夥企業(普通合伙)), a general partnership formed in the PRC and was owned as to 99% by WANG Tao* (王濤) and 1% by YANG Chaoping* (楊朝平). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for their equity interests in Guangzhou Yizi, Sichuan Xuxun, WANG Tao* (王濤) and YANG Chaoping* (楊朝平) were all Independent Third Parties
“Security Agreements”	collectively, the Guarantee Agreements and the Assets Pledge Agreements
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Winner Mind”	Winner Mind Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Lie and directly owns 2,055,887,357 Shares as at the date of this announcement
“%”	per cent

By order of the Board
Neo Telemedia Limited
Dr. LIE Haiquan
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. LIE Haiquan (Chairman), Mr. CHEUNG Sing Tai (Deputy Chairman and Chief Executive Officer), Mr. TAO Wei and Mr. WU Di, and three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00: HK\$1.20. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.