
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 **Neo Telemedia 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 agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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 –
SALE AND LEASE TRANSACTION**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the board of directors of the Company is set out on pages 6 to 19 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to the GEM Listing Rules and this circular is being despatched to the Shareholders for information only.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.neo-telemedia.com.

17 September 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

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| “Announcement” | the announcement of the Company dated 28 July 2021 in relation to the Sale and Lease Transaction |
| “Blueseas Data” | Guangdong Bluesea Data Development Company Limited* (廣東蔚海數據發展有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company |
| “Blueseas Mobile” | Guangdong Bluesea 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 |
| “Business Day” | a day (other than a Saturday or Sunday or public holiday) on which banks are generally open in Jiangmen, the PRC and Singapore for normal business |
| “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) |
| “Completion” | completion of the Sale |
| “Completion Date” | the date on which the Completion occurs |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Controlling Shareholder” | has the meaning ascribed to it under the GEM Listing Rules |
| “Development Consultancy Agreement” | the development consultancy agreement between KDCR and Bluesea Mobile dated 26 July 2021 details of which are set out under the section headed “Sale and Purchase of the Subject Assets” |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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| “Dr. Lie” | Dr. LIE Haiquan, an executive Director, the chairman of the Board and a Controlling Shareholder and directly owns 2,255,332,000 Shares and indirectly owns a total of 2,091,923,357 Shares via Golden Ocean and Winner Mind as at the Latest Practicable Date. Dr. Lie was acquainted with Mr. Yan for around 20 years and they had various business relationship in the PRC |
| “Facilities and Equipment” | the facilities and equipment that are built and installed in the Premises as set out in the section headed “Sale and purchase of the Subject Assets – subject matter of the Sale Agreements” |
| “Facilities and Equipment Lease Agreement” | the facilities and equipment lease agreement between KDCR and Bluesea Data dated 26 July 2021 details of which are set out in the section headed “The lease of the Subject Assets for Bluesea Data’s operation” |
| “Framework Agreement” | the framework agreement among Bluesea Data, Bluesea Mobile and KDCR dated 26 July 2021 details of which are set out under the section headed “Sale and Purchase of the Subject Assets” |
| “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 Latest Practicable Date |
| “Group” | the Company and its subsidiaries |
| “Guarantee Agreement” | the guarantee agreement between KDCR and Bluesea Mobile dated 26 July 2021 details of which are set out under the section headed “Guarantee by Bluesea Mobile” |
| “HK\$” | Hong Kong Dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

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| “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 |
| “KDCR” | KDCR Guangdong Co., Ltd* (吉寶數據(廣東)有限公司), a company established in the PRC with limited liability |
| “Latest Practicable Date” | 13 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Lease” | the lease of the Subject Assets by KDCR to Bluesea Data pursuant to the Lease Agreements |
| “Lease Agreements” | collectively, the Premises Lease Agreement, the Facilities and Equipment Lease Agreement, and the Property Auxiliary and Supporting Facilities Lease Agreement |
| “Mr. Yan” | Mr. Yan Wai Ping, a Shareholder and directly owns 373,588,000 Shares as at the Latest Practicable Date. 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 Latest Practicable Date. Ms. Wong is the spouse of Mr. Yan |
| “Other Properties” | the other five buildings (i.e., No.1, 3, 4, 6 and 7 buildings as specified in the Framework Agreement) located at Bluesea Intelligence Valley, Shaping Street, Heshan, Jiangmen, Guangdong Province, PRC |
| “Payment” | payment under the Lease Agreements |
| “PRC” | the People’s Republic of China, and for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan |

DEFINITIONS

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| “Premises” | a seven-storey building located at Rooms 101-701, No. 5 Bluesea Intelligence Valley, Shaping Street, Heshan, Jiangmen, Guangdong Province, PRC* (中國廣東省江門市鶴山市沙坪街道蔚海智谷5號101-701室), with total gross floor area of approximately 20,595.4 square metres |
| “Premises Lease Agreement” | the premises lease agreement between KDCR and Bluesea Data dated 26 July 2021 details of which are set out in the section headed “The lease of the Subject Assets for Bluesea Data’s operation” |
| “Property Auxiliary and Supporting Facilities” | the property auxiliary and supporting facilities that are built and installed in the Premises |
| “Property Auxiliary and Supporting Facilities Lease Agreement” | the property auxiliary and supporting facilities lease agreement between KDCR and Bluesea Data dated 26 July 2021 details of which are set out in the section headed “The lease of the Subject Assets for Bluesea Data’s operation” |
| “Real Estate Purchase Agreements” | the seven sale and purchase agreements between KDCR and Bluesea Data dated 26 July 2021 details of which are set out under the section headed “Sale and Purchase of the Subject Assets” |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale” | the sale of the Subject Assets by Bluesea Data to KDCR pursuant to the Sale Agreements |
| “Sale Agreements” | collectively, the Framework Agreement, the Real Estate Purchase Agreements, the Transfer Agreement of Facilities and Equipment, and the Development Consultancy Agreement |
| “Sale and Lease Agreements” | collectively, the Sale Agreements and the Lease Agreements |
| “Sale and Lease Transaction” | collectively, the transactions contemplated under the Sale and Lease Agreements and the Guarantee Agreement |
| “Sale Consideration” | the consideration for the Sale of the Subject Assets |

DEFINITIONS

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| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the capital of the Company |
| “Shareholder(s)” | the holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subject Assets” | the assets comprising the (i) Premises; (ii) Facilities and Equipment; and (iii) Property Auxiliary and Supporting Facilities |
| “subsidiary(ies)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Transfer Agreement of Facilities and Equipment” | the transfer agreement of facilities and equipment between KDCR and Bluesea Data dated 26 July 2021 details of which are set out under the section headed “Sale and Purchase of the Subject Assets” |
| “VAT” | Value-added tax imposed by PRC government |
| “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 Latest Practicable Date |
| “%” | per cent |

For the purpose of this circular, 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 circular, 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).*

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. LIE Haiquan (*Chairman*)

Mr. CHEUNG Sing Tai (*Deputy Chairman and
Chief Executive Officer*)

Mr. TAO Wei

Mr. WU Di

Independent non-executive Directors:

Mr. ZHANG Zihua

Ms. XI Lina

Mr. HUANG Zhixiong

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

*Principal place of business
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Room 901B, 9th Floor
Empire Centre, 68 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

17 September 2021

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION – SALE AND LEASE TRANSACTION

INTRODUCTION

Reference is made to the Announcement.

On 26 July 2021, Bluesea Data (an indirect wholly owned subsidiary of the Company) and KDCR entered into the Sale and Lease Agreements pursuant to which (i) KDCR would purchase the Subject Assets from Bluesea Data in an aggregate consideration of RMB700,000,000 (equivalent to approximately HK\$840,000,000); and (ii) KDCR agreed to lease the Subject Assets to Bluesea Data for its operation. On 26 July 2021, Bluesea Mobile (an indirect wholly owned subsidiary of the Company) entered into the Guarantee Agreement in favour of KDCR pursuant to which Bluesea Mobile agreed to guarantee the obligations of Bluesea Data under the Framework Agreement (excluding Bluesea Data's obligations under the Lease Agreements).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding, among other things, (i) the details of the Sale and Lease Transaction; and (ii) other information as required under the GEM Listing Rules.

(A) SALE AND PURCHASE OF THE SUBJECT ASSETS

The principal terms of the sale and purchase of the Subject Assets contemplated under the Sale Agreements are set out as follows:

Date: 26 July 2021

Parties: The Framework Agreement

- (1) Bluesea Data, a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company which is principally engaged in the provision of data centre services;
- (2) KDCR. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, KDCR is an indirect wholly owned subsidiary of Perpetual (Asia) Limited, in its capacity as trustee of Keppel DC REIT, a data centre real estate investment trust listed on the Singapore Exchange, whose investment strategy is to principally invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate and assets necessary to support the digital economy, and KDCR and its ultimate beneficial owner(s) were Independent Third Parties; and
- (3) Bluesea Mobile, a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company which is principally engaged in the provision of value-added telecommunication services and data centre services

LETTER FROM THE BOARD

The Development Consultancy Agreement

- (1) Bluesea Mobile; and
- (2) KDCR.

Other Sale Agreements

- (1) Bluesea Data; and
- (2) KDCR.

Subject matter of the Sale Agreements:

Blueseas Data agreed to sell and KDCR agreed to purchase the Subject Assets comprising (i) the Premises; (ii) the Facilities and Equipment; and (iii) the Property Auxiliary and Supporting Facilities.

The Premises were a seven-storey building located at Rooms 101-701, Block 5 Bluesea Intelligence Valley, Shaping Street, Heshan, Jiangmen, Guangdong Province, PRC* (中國廣東省江門市鶴山市沙坪街道蔚海智谷5號101-701室), with total gross floor area of approximately 20,595.4 square metres. The Premises were for industrial use. The term of the land use right of the Premises was from 18 January 2017 to 17 January 2067.

The Facilities and Equipment comprised power supply facilities and computer storage facilities and equipment.

The Property Auxiliary and Supporting Facilities comprised auxiliary and supporting facilities including electric and telecommunication cables and air-conditioning facilities.

The Facilities and Equipment and the Property Auxiliary and Supporting Facilities had been built and installed in the Premises by Bluesea Data. In relation to the building and installation of the Facilities and Equipment and Property Auxiliary and Supporting Facilities on the Premises, Bluesea Mobile had rendered personnel support, relationship management and technical support consultancy services, the costs of which the parties have agreed to be borne by KDCR.

LETTER FROM THE BOARD

The book value of the Subject Assets was RMB471,486,000 (equivalent to approximately HK\$565,783,000) as at 30 June 2021. The book value of the Facilities and Equipment and the Property Auxiliary and Supporting Facilities as at 30 June 2021 was RMB379,158,000 (equivalent to approximately HK\$454,990,000) and the book value of the Premises as at 30 June 2021 was RMB92,328,000 (equivalent to approximately HK\$110,793,600).

Sale Consideration:

RMB700,000,000 (equivalent to approximately HK\$840,000,000) (inclusive of VAT), which comprised the consideration for (i) the sale and purchase of the Premises, the Facilities and Equipment and the Property Auxiliary and Supporting Facilities; (ii) the building and installation of the Facilities and Equipment and Property Auxiliary and Supporting Facilities on the Premises by Bluesea Data; and (iii) the personnel support, relationship management and technical support consultancy services rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment and the Property Auxiliary and Supporting Facilities on the Premises.

Payment schedule and conditions:

The Sale Consideration shall be paid in the following manner:-

- (1) KDCR shall pay or cause to pay RMB70,000,000 (equivalent to approximately HK\$84,000,000) as the deposit within three Business Days after the date of the Framework Agreement. If the transaction is terminated not due to any party's fault, Bluesea Data shall refund the full amount of the deposit to KDCR without interest.

LETTER FROM THE BOARD

- (2) KDCR shall pay or cause to pay not more than RMB120,000,000 (equivalent to approximately HK\$144,000,000) within 23 Business Days after the date of the Framework Agreement or after the satisfaction or waiver of the following conditions (whichever is later):- (i) Bluesea Data has completed its land appreciation tax verification of the Premises; (ii) all title transfer application documents have been signed by Bluesea Data and KDCR; (iii) all tax verification application documents have been signed by Bluesea Data and KDCR; and (iv) Bluesea Data has issued and provided a notice on any outstanding in relation to the Premises.
- (3) KDCR shall pay or cause to pay RMB160,000,000 (equivalent to approximately HK\$192,000,000) after the satisfaction or waiver of the following conditions:- (i) Bluesea Data has issued and provided a notice on any outstanding in relation to the Facilities and Equipment; (ii) KDCR has paid all deed taxes relating to the title transfer of the Premises; and (iii) Bluesea has provided KDCR with the tax payment notice and the tax payment certificate of each floor of the Premises issued by the local relevant authorities.
- (4) on or around the date when KDCR receives the real estate title certificates in which KDCR is recorded as the owner of the Premises, KDCR shall pay or cause to pay RMB150,000,000 (equivalent to approximately HK\$180,000,000).
- (5) shortly after handover of the Facilities and Equipment which shall take place after the payment of RMB150,000,000 (equivalent to approximately HK\$180,000,000) in accordance with paragraph (4) above, KDCR shall pay or cause to pay RMB200,000,000 (equivalent to approximately HK\$240,000,000) and any remaining amount of the Sale Consideration.

LETTER FROM THE BOARD

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| Basis of determination of the Sale Consideration: | <p>The Sale Consideration was determined based on arm's length negotiation among KDCR and the Group with reference to (i) the terms of the Lease Agreements; (ii) the valuation of the Premises conducted by an independent valuer in market approach in the amount of RMB93,800,000 (equivalent to HK\$112,560,000); (iii) the book value of the Facilities and Equipment and the Property Auxiliary and Supporting Facilities as at 30 June 2021 being RMB379,158,000 (equivalent to approximately HK\$454,990,000); (iv) the cost of building and installation of the Facilities and Equipment and Property Auxiliary and Supporting Facilities on the Premises by Bluesea Data; and (v) the cost of the personnel support, relationship management and technical support consultancy services rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment and Property Auxiliary and Supporting Facilities on the Premises.</p> |
| Pre-emptive Right of purchase of the Other Properties by KDCR | <p>After the Completion Date, if Bluesea Data intends to (but is not obliged to) sell any of the Other Properties, KDCR will have the pre-emptive right to purchase each of the Other Properties (i.e. Block 1, 3, 4, 6 and 7, Bluesea Intelligence Valley, Shaping Street, Heshan, Jiangmen, Guangdong Province, PRC* (中國廣東省江門市鶴山市沙坪街道蔚海智谷1, 3, 4, 6及7號大樓), being other premises in the Bluesea Intelligence Valley which were owned by Bluesea Data).</p> |
| Completion | <p>On the date on which KDCR receives the real estate title certificates in which KDCR is recorded as the owner of the Premises issued by the Heshan Real Property Registration Centre* (鶴山市不動產登記中心), Bluesea Data shall hand over the Premises and Property Auxiliary and Supporting Facilities to KDCR. Shortly after Bluesea Data hands over the Premises to KDCR and KDCR makes the corresponding payment as disclosed in paragraph (4) of the section headed "Payment schedule and conditions" above, Bluesea Data shall transfer and hand over the ownership of the Facilities and Equipment to KDCR.</p> |

LETTER FROM THE BOARD

(B) THE LEASE OF THE SUBJECT ASSETS FOR BLUESEA DATA'S OPERATION

The principal terms of the Lease of the Subject Assets for operation by Bluesea Data contemplated under the Lease Agreements are set out as follows:

- Date:** 26 July 2021
- Parties:** (1) KDCR; and
(2) Bluesea Data.
- Term:** 15 years commencing from the date on which KDCR and Bluesea Data enter into handover confirmation letters of the Subject Assets (which is expected to be signed after Completion), subject to early termination in accordance to the section headed "Early termination" below
- Payment:** KDCR shall lease the Subject Assets to Bluesea Data and Bluesea Data shall be responsible for its operation at the initial monthly Payment of RMB5,250,000 (equivalent to approximately HK\$6,300,000) (inclusive of VAT and subject to adjustment).
- The Payment and the security deposit as described hereinafter will be paid through the Group's internal source of funding.
- Manner of payment:** The Payment shall be payable by Bluesea Data monthly on each due date to be determined based on the commencement date of the Lease.

LETTER FROM THE BOARD

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| Basis of determination of the Payment: | <p>The Subject Assets are currently utilised for providing services to one of the three largest telecommunication services providers in the PRC by the Group and based on the current contracts with the said services provider, the Directors expect that the income generated therefrom will be sufficient to cover the Payment. Apart from considering the income generated therefrom, the Payment for the Subject Assets was determined based on arm's length negotiation between KDCR and Bluesea Data with reference to (i) the terms of the Sale Agreements including the fact that under the Sale Agreements the Subject Assets shall continue to be operated by Bluesea Data, which is experienced in operating the Subject Assets and hence KDCR does not need to make additional effort and utilise additional resources in identifying potential lessees, negotiating the terms of the leases of the Subject Assets and providing technical support for lessees; (ii) the prevailing market rent of comparable premises, facilities and equipment in the proximity and the leasing cost of power supply facilities and computer storage facilities, equipment and premises in Guangdong province of technical specifications similar to those of the Subject Assets which are all comparable to the Payment; (iii) the location of the Premises, i.e. the Subject Assets are located in Guangdong province in which there are advanced and assessable infrastructure for operation of the Subject Assets; (iv) the expected inflation rate in the future which according to the Directors' estimation will remain stable and not have material impact to the operation of the Subject Assets; and (v) the income being generated from provision of services by utilising the Subject Assets will continue to be sufficient to cover the Payment in the future.</p> |
| Security Deposit: | <p>RMB15,750,000 (equivalent to approximately HK\$18,900,000), which is equivalent to the first three months' Payment</p> |
| Early termination: | <p>Bluesea Data is entitled to terminate the Lease Agreements on the date falling 12 years after the commencement date of the Lease.</p> |

LETTER FROM THE BOARD

Option to renew: Bluesea Data is entitled to an option exercisable at the discretion of Bluesea Data to renew for a further lease term, with the renew term no shorter than five years, at the same terms and conditions under the Lease Agreements, except for the amount of the Payment which shall be subject to mutual agreement.

Pre-emptive right of purchase of the Subject Assets by Bluesea Data: Bluesea Data shall have the pre-emptive right exercisable at the discretion of Bluesea Data to purchase the Subject Assets from KDCR on such terms to be agreed between Bluesea Data and KDCR. Bluesea Data's pre-emptive rights under all the Lease Agreements shall be exercised or waived at the same time and shall not be exercised or waived independently.

(C) GUARANTEE BY BLUESEA MOBILE

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

Date: 26 July 2021

Parties: (1) Bluesea Mobile; and
(2) KDCR

Term of the Guarantee Agreement: The guarantee period of the Guarantee Agreement shall be nine months from the due date of Bluesea Data's obligations under the Framework Agreement.

The guaranteed obligations: Bluesea Mobile agrees to provide guarantee in favour of KDCR to guarantee the performance by Bluesea Data of its obligations under the Framework Agreement including but not limited to (i) all amounts payable by Bluesea Data to KDCR under the Framework Agreement; and (ii) all default interests, fees, compensations, penalties, liquidated damages and the cost of enforcing the creditors' rights payable by Bluesea Data to KDCR under the Framework Agreement (including but not limited to litigation costs, costs of preservation, legal fees, travel expenses and appraisal fees).

The above guaranteed obligations do not cover Bluesea Data's obligations under the Lease Agreements.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE SALE OF THE SUBJECT ASSETS AND USE OF PROCEEDS

After the completion of the transactions under the Sale Agreements, the Board expects that the Company will record a gain of approximately RMB158,531,000 (equivalent to approximately HK\$190,237,000) (unaudited) for the Sale Agreements after taking into account (i) the unaudited book value of the Subject Assets of RMB471,486,000 (equivalent to approximately HK\$565,783,000) as at 30 June 2021 and (ii) transaction fees and other incidental costs attributable to the Sale and Lease Transaction of RMB5,895,000 (equivalent to approximately HK\$7,074,000). The actual gain to be recorded by the Company is subject to audit and will be assessed after the Completion.

The net book value of the Subject Assets as at 30 June 2021 was approximately RMB471,486,000 (equivalent to approximately HK\$565,783,000). The excess of the Sale Consideration over the net book value of the Subject Assets as at 30 June 2021 was approximately RMB164,426,000 (equivalent to approximately HK\$197,311,000).

As a result of the Sale and Lease Transaction, it is expected that (i) the total assets of the Group will increase by RMB717,485,000 (equivalent to approximately HK\$860,981,000); and (ii) the total liabilities of the Group will increase by RMB558,954,000 (equivalent to approximately HK\$670,744,000). As the Subject Assets will continue to be used for the Group's business operations upon completion of the Sale and Lease Transaction, save for the aforesaid gain on disposal of the Subject Assets, it is expected that it will not have any material impact on the earnings of the Group.

The Group expects to use the proceeds from the Sale as to approximately RMB177,956,000 (equivalent to approximately HK\$213,547,000) to fund the development of the Other Properties; as to approximately RMB280,000,000 (equivalent to approximately HK\$336,000,000) to repay borrowings; and as to approximately RMB177,956,000 (equivalent to approximately HK\$213,547,000) as general working capital of the Group.

RIGHT-OF-USE ASSETS

The value of the right-of-use assets to be recognised by the Company under the Lease Agreements is estimated to be approximately RMB488,971,000 (equivalent to approximately HK\$586,765,000) (unaudited), being the present value of the aggregate Payment using the rate applicable at the commencement date of the Lease Agreements in accordance with HKFRS 16. The discount rates of approximately 5.58% and 6.80% are applied to compute the present value of the aggregate Payment under the Lease Agreements.

LETTER FROM THE BOARD

REASONS FOR THE SALE AND LEASE TRANSACTION

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

The Subject Assets are currently utilised for providing services to one of the three largest telecommunication services providers in the PRC by the Group and based on the current contracts with the said services provider, the Directors expect that the income generated therefrom will be sufficient to cover the Payment and the Subject Assets will continue to generate considerable profit to the Group. The Directors are of the view that the Sale and Lease Transaction provides the Group with an opportunity to realise a capital gain of considerable size to provide immediate cash for the Group's business development while the Group will remain as lessee of the Subject Assets and services provider to maintain sustainable profit. It also enables the Group to better utilize its resources and maximize the interests of the Company and the Shareholders as a whole. The Directors consider that the Sale and Lease Transaction was entered into after arm's length negotiation between KDCR and the Group, was on normal commercial terms and the Sale and Lease Transaction was fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Sale and Lease Transaction exceeds 25% but is less than 75%, the Sale and Lease Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of 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 Sale and Lease Transaction 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 Sale and Lease Transaction. As at the Latest Practicable Date, Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong are a closely allied group of Shareholders who together beneficially holds 4,827,545,357 Shares, representing approximately 50.70% of the entire issued share capital of the Company. The Directors are of the view that Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong are a closely allied group of shareholders ("**Closely Allied Group**") in view of the following basis:-

LETTER FROM THE BOARD

1. The Closely Allied Group comprises a small number of Shareholders, i.e. Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong. The five named Shareholders in aggregate hold 4,827,545,357 Shares, representing approximately 50.70% of the entire issued share capital of the Company and constitute a major holding of all issued Shares. As at the Latest Practicable Date, the respective shareholding in the Company of the five members of the Closely Allied Group are as follows:

| Name of Shareholder | Number of Shares held | Approximate shareholding in the Company (%) |
|---------------------|-----------------------------|---------------------------------------------------------|
| Dr. Lie | 2,255,332,000 | 23.69 |
| Winner Mind | 2,055,887,357 | 21.59 |
| Golden Ocean | 36,036,000 | 0.38 |
| Mr. Yan | 373,588,000 | 3.92 |
| Ms. Wong | <u>106,702,000</u> | <u>1.12</u> |
| Total | <u><u>4,827,545,357</u></u> | <u><u>50.70</u></u> |

The five members of the Closely Allied Group can indeed be further classified as only two groups: one being Dr. Lie and his two companies (Winner Mind and Golden Ocean) and the other one being Mr. Yan and his wife Ms. Wong.

2. According to the information, belief and knowledge of the Directors, Winner Mind and Golden Ocean are wholly owned by Dr. Lie. Dr. Lie was acquainted with Mr. Yan for around 20 years and they had various business cooperation, including property investment, in the PRC. Mr. Yan is the spouse of Ms. Wong.

LETTER FROM THE BOARD

3. According to the information, belief and knowledge of the Directors, all members of the Closely Allied Group have a long history of holding in the Company. Dr. Lie became a Shareholder in or around 2009 and later together with Winner Mind and Golden Ocean increased his holding in the Company. Mr. Yan and Ms. Wong became a Shareholder in or around 2014.
4. According to the information, belief and knowledge of the Directors, there is no agreement, arrangement or understanding between the members of the Closely Allied Group, whether formal or informal, either written, verbal or otherwise, making them parties acting in concert under the Takeovers Code. However, Dr. Lie is presumed acting in concert with Winner Mind and Golden Ocean by the reason that he is the ultimate owner and director of the two companies. Similarly, by their spousal relationship, Mr. Yan and Ms. Wong are presumed acting in concert under the Takeovers Code.
5. According to the members of the Closely Allied Group, the members of the Closely Allied Group voted in the same way in all extraordinary general meetings of the Company since Mr. Yan and Ms. Wong became shareholders of the Company in or around 2014 other than the adjourned extraordinary general meeting of the Company on 26 November 2015 in which Dr. Lie, Winner Mind and Golden Ocean were required to abstain from voting and Mr. Yan and Ms. Wong voted in favour of the resolutions in the said meeting.

Written approval of the Sale and Lease Transaction 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 Sale and Lease Transaction.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company should be aware that the Sale and Lease Transaction is subject to a number of conditions being satisfied, and consequently the Sale and Lease Transaction 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.

Yours faithfully,
For and on behalf of
Neo Telemedia Limited
Dr. LIE Haiquan
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Consolidated financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 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.neo-telemedia.com) respectively:

- Annual report for the year ended 31 December 2018
<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0327/gln20190327141.pdf>
- Annual report for the year ended 31 December 2019
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0514/2020051401883.pdf>
- Annual report for the year ended 31 December 2020
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033002462.pdf>
- Interim report for the six months ended 30 June 2021
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081300081.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following outstanding borrowings:

| | <i>Notes</i> | <i>HK\$'000</i> |
|-----------------------------------------------------------------------|--------------|-------------------------|
| Bank loans | | |
| Short-term bank borrowing, unsecured and guaranteed | <i>a</i> | 3,609 |
| Portion of bank loans, secured and guaranteed | <i>b</i> | |
| – repayable within one year | | 88,384 |
| – repayable after one year which contain a repayment on demand clause | | 1,225,582 |
| Portion of bank loans, unsecured and guaranteed | <i>a</i> | |
| – repayable within one year | | 11,789 |
| Portion of bank loans, secured and unguaranteed | <i>c</i> | |
| – repayable within one year | | 19,660 |
| – repayable after one year which contain a repayment on demand clause | | <u>226,092</u> |
| Total bank loans | | <u><u>1,575,116</u></u> |

| | <i>Notes</i> | <i>HK\$'000</i> |
|-----------------------------------------------------------------------|--------------|-------------------------|
| Other loans | | |
| Portion of other loans, secured and guaranteed | <i>d</i> | |
| – repayable within one year | | 58,139 |
| – repayable after one year which contain a repayment on demand clause | | 218,365 |
| Portion of other loans, unsecured and unguaranteed | | |
| – repayable within one year | | 120,330 |
| – repayable after one year which contain a repayment on demand clause | | <u>96,232</u> |
| Total other loans | | <u><u>493,066</u></u> |
| Total borrowings | <i>e</i> | <u><u>2,068,182</u></u> |

Notes:

- a) The Group's bank loans are guaranteed by (i) Dr. Lie and (ii) Mr. WANG Kun ("Mr. Wang"), the legal representative, a director and a substantial shareholder of a subsidiary of the Company.
- b) The Group's bank loans are guaranteed by Dr. Lie and secured by the pledge of certain properties, plant and equipment of the Group with net book value of approximately HK\$1,315,861,000 and certain properties of companies substantially owned by Dr. Lie.
- c) The Group's bank loans are secured by the equity interest of a subsidiary of the Company with carrying value of approximately HK\$120,292,000.
- d) The Group's other loans are guaranteed by Dr. Lie and secured by the Group's properties, plant and equipment with net book value of approximately HK\$344,462,000, accounts receivable with carrying value of approximately HK\$43,819,000 and equity interest of a subsidiary of the Company with carrying value of approximately HK\$104,724,000.
- e) All of the borrowings are denominated in RMB.

Lease liabilities

As at 31 July 2021, the Group had lease liabilities relating to lease obligations of properties of approximately HK\$520,160,000.

Contingent liabilities

As at 31 July 2021, the Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, the Group did not have any outstanding mortgages, charges, debentures or loan capital, bank overdrafts or loan, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2021

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources and banking facilities available to the Group and its internal generated funds and the Arrangements, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under GEM Listing Rule 19.66(13).

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

To better reflect the Group's strategic focus and growth initiatives, the Group has realigned its reportable operating segments for the year ended 31 December 2020. The new reportable operating segments are provision of data centre services and trading of telecommunication products.

With respect to the provision of data centre services segment, the Group provides data centre services to its customers in mainland China through self-developed data centres and server cabinets leased from third parties. As of 31 December 2020, the Group operated two data centres with an aggregate of 2,854 server cabinets in service. The Group also operated an aggregate of approximately 1,380 server cabinets in service, which were leased from third parties. In addition, the Group had a further three new self-developed data centres with an aggregate of 32,353 server cabinets under construction. During the financial year ended 31 December 2020, revenue from provision of data centre services was approximately HK\$324.7 million (2019: HK\$320.4 million), representing an increase of approximately HK\$4.3 million or 1.3% year-on-year. With the increasing number of server cabinets in the Group's self-developed data centres, the Group has gradually relocated servers of certain customers from leased server cabinets to its self-developed data centres in the same region in order to increase profitability. As the data centres in service are not fully utilised and three new data centres are expected to complete in 2021, it is expected that financial performance of the Group will substantially improve in the next two years.

With respect to the trading of telecommunication products segment, as there has been no improvement in the global mobile business environment since the third quarter of 2019 and due to the outbreak of COVID-19 during the financial year ended 31 December 2020, and the Board resolved to cease the trading of mobile device business in Hong Kong during the financial year ended 31 December 2020. The outbreak of COVID-19 and the fierce competition of the telecommunication market have also negatively impacted the Group's trading of telecommunication product business in mainland China. After fulfilling the sale orders in the first quarter of 2020, the Group did not generate any revenue from the trading business in mainland China during the second quarter of 2020. Having reviewed its profitability and assessed its prospects, the Group has decided to scale down its trading business in mainland China in order to better utilise its resources in its data centre operations, a more profitable business. During the financial year ended 31 December 2020, revenue from the trading of telecommunication products was approximately HK\$115.8 million (2019: HK\$468.4 million), representing a decrease of 75.2% year-on-year.

The Group also engaged in other business that consisted of provision of bus services and system integration services and leasing of properties; the revenue, results and assets of which were individually immaterial to the Group. During the financial year ended 31 December 2020, revenue from others was approximately HK\$24.5 million (2019: HK\$28.4 million), representing a decrease of 13.7% year-on-year which was mainly due to decrease in system integration services and school bus services caused by the COVID-19 pandemic.

The COVID-19 pandemic has brought upon unprecedented challenges to the economy. The necessary protection measures have been severely impacting economic activities. Nevertheless, the outlook of the Group remains positive. With the rapid growth in data traffic, accelerating trend of digitisation and PRC government policies that support the growth of digital economy, it is expected that the demand for high quality data centres will continuously increase at least over the next five years.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the Property as at 23 July 2021.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

17 September 2021

The Board of Directors

Neo Telemedia Limited

901B, 9th Floor, Empire Centre
No. 68 Mody Road
Tsim Sha Tsui
Kowloon Hong Kong

Dear Sirs,

Re: Valuation of Block No. 5 (Unit 101 to 701), Bluesea Intelligence Valley Data Centre, Sha Ping Street, Heshan, Jiangmen City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from **Neo Telemedia Limited** (the "**Company**") to value the property interests of the captioned property (the "**Property**") held by the Company or its subsidiaries (altogether referred to as the "**Group**"), we confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at **23 July 2021** (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Property represents the market value of its land use rights and building ownership rights. Market value is intended to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion". All tangible and intangible assets or rights other than land use rights and building ownership rights that may be found or existed within the Property are excluded from this valuation.

TITLESHIP

We have been provided with copies of legal documents regarding title to the Property. However, we are unable to ascertain any amendment which may not appear on the copies handed to us.

For title verification, we have relied upon the legal opinion provided by the PRC legal advisers, namely Zhong Lun Law Firm (the “**PRC Legal Opinion**”), to the Company on property title, encumbrances, the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

The Property has been valued by market approach assuming sale in its existing states with the benefit of vacant possession by making reference to market price information of comparable properties as available on the market.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements, resumption agreement or any similar arrangement which would serve to affect the value of the Property.

As the Property is held by the Group by means of long term Land Use Rights granted by the PRC Government, we have assumed that the Group has free and uninterrupted rights to use the Property for the whole of the unexpired term of land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in holding them. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Property was last inspected on 19 July 2021 by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Property. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the building inspected by us is free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. During the site inspection, we have ascertained the following matters of the Property:

- The general environment and development conditions of the area in which the Property is situated;
- the existing use(s) of the Property;
- the occupancy of the Property;
- the facilities provided by the Property;
- the existence of any non-conformity use within the Property;
- the repair and maintenance conditions of the Property; and
- the existing of any closure order and resumption order affixed to the Property.

As confirmed by the Company, the Property has not been issued with any administrative order or notice or charged with any penalty for breaching of environmental laws and regulations as at the Valuation Date. The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from abnormal earth movement or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing The Property, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

All monetary amounts contained herein are denominated in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra S.W. Lau
MFin MHKIS AAPI RPS (GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property interests held by the Group for investment

| Property | Description and tenure | Particulars of occupancy | Market Value in Existing State as at 23 July 2021 RMB | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|------|---|----------|-----------------------------------------|-----|-----------|-------------------------|-----------------------------------|------------|
| Unit Nos. 101, 201, 301, 401, 501, 601 and 701 of Block No. 5 Bluesea Intelligence Valley Data Centre Sha Ping Street Heshan Jiangmen City Guangdong Province the People's Republic of China (the "PRC") (中國江門市鶴山市沙坪街道蔚海智谷數據中心5號樓101、201、301、401、501、601及701室) | <p>Bluesea Intelligence Valley Data Centre is a hyperscale data centre erected on a parcel of industrial land with an area of approximately 200,000 square metres. According to the project master plan, the subject development comprises of six blocks of 7-storey purpose built data centre building, a 16-storey composite building and various single to double level houses used as quarters.</p> <p>The Property comprises all units within one of the six 7-storey data centre buildings with a total gross floor area (GFA) of 20,595.40 square metres and completed in 2019. Functional uses of each of the floor levels of the Property are set out as follows:</p> <table border="1"> <thead> <tr> <th>Floor Level</th> <th>GFA(m²)</th> <th>Uses</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2,905.25</td> <td>Control room, plant rooms, seminar hall</td> </tr> <tr> <td>2-7</td> <td>17,690.15</td> <td>Data halls, plant rooms</td> </tr> </tbody> </table> <p>Situated at the fringe area of Heshan, the Property is located at about 8 kilometres at the north-east of the city core. It is lying at the north-western side of the Shenyang-Hainan Expressway (瀋海高速公路) and the Da Yan Shan Scenic Area (大雁山風景區) is lying at the other side of the expressway opposing the Property. The vicinity is mainly developed with low density residential developments intermingling with some light industrial compounds.</p> <p>The land use rights of the Property have been granted for a term of 50 years expiring on 17 January 2067 for industrial use.</p> | Floor Level | GFA(m ²) | Uses | 1 | 2,905.25 | Control room, plant rooms, seminar hall | 2-7 | 17,690.15 | Data halls, plant rooms | The Property is currently vacant. | 93,800,000 |
| Floor Level | GFA(m ²) | Uses | | | | | | | | | | |
| 1 | 2,905.25 | Control room, plant rooms, seminar hall | | | | | | | | | | |
| 2-7 | 17,690.15 | Data halls, plant rooms | | | | | | | | | | |

Notes:

- As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025113) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 101 of the Property with a GFA of 2,905.23 square metres is held by Guangdong Bluesea Data Development Co., Ltd. (a wholly-owned subsidiary of the Company) for a land use right term of 50 years expiring on 17 January 2067 for industrial use.

2. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025120) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 201 of the Property with a GFA of 2,936.67 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
3. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025119) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 301 of the Property with a GFA of 2,951.49 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
4. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025117) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 401 of the Property with a GFA of 2,972.95 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
5. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025118) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 501 of the Property with a GFA of 2,945.96 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
6. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025114) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 601 of the Property with a GFA of 2,947.18 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
7. As revealed from the Real Estate Right Certificate (Ref: Yue (2021) He Shan Shi Bu Dong Chan Quan No. 0025116) issued by the Heshan City Natural Resource Administrative Bureau on 14 May 2021, Unit 701 of the Property with a GFA of 2,935.90 square metres is held by Guangdong Bluesea Data Development Co., Ltd. for a land use right term of 50 years expiring on 17 January 2067 for industrial use.
8. In our valuation, we have compared the Property with comparable and similar properties of which price information is available. Comparable industrial properties with similar physical characteristics, location, size, facilities and so on are analyzed and carefully weighed against all the respective advantages and disadvantages of the properties in order to arrive at a fair comparison of capital value. The unit rates of comparable properties in are in the range of RMB3,500 to RMB5,000 per square metre in term of gross floor area. Given a total GFA of 20,595.40 square metres of the Property, our valuation with an average unit rate of RMB4,555 per square metre in term of gross floor area falls within this range.
9. Opinion of the PRC Legal Adviser on the Property is summarized as follows:
 - 9.1 7 sets of Real Estate Use Right Certificate (Ref Yue (2021) He Shan Bu Dong Chan Quan Nos. 0025113, 0025114 and 0025116 to 0025120) have been issued to the Property in the name of Guangdong Bluesea Data Development Co., Ltd.. As mentioned in the Real Estate Use Right Certificates, the nature of land use rights is State-owned land with land use right terms expiring on 17 January 2067.
 - 9.2 As revealed from the Results on Real Estate Registration Search (不動產登記資訊查詢結果), the Property is solely owned by Guangdong Bluesea Data Development Co., Ltd. and is not subject to any closure order.

- 9.3 the land parcel on which the Property is standing on has been granted to Guangdong Bluesea Data Development Co., Ltd. by the Heshan City Land Administrative Bureau via the Land Use Right Granting Contract executed on 18 January 2017 with land premium fully settled by Guangdong Bluesea Data Development Co., Ltd. on 18 January 2019. The said land parcel has been developed and fully completed within the agreed building covenant and there is no situation constituting violation of the terms and conditions of the aforesaid Land Use Right Granting Contract.
- 9.4 Guangdong Bluesea Data Development Co., Ltd. has obtained Construction Land Use Planning Permit (Ref: Di Zi No. 440784201800019), Construction Work Planning Permit (Ref: Jian Zi No. 440784201800020) and Construction Work Completion Inspection and Examination Filing Registration Schedule (竣工验收备案表, Ref: GD-E1-916) for the Property.
- 9.5 The Property has been pledged for mortgage in favour of China Construction Bank Corporation Heshan Branch for a mortgage loan period from 28 August 2018 to 27 August 2028..
- 9.6 Guangdong Bluesea Data Development Co., Ltd. is eligible to dispose of the Property by giving prior notice to the mortgagee and discharging the mortgage.
- 9.7 Save for the aforesaid property mortgage, the Property is not subject to any alienation restriction and Guangdong Bluesea Data Development Co., Ltd. has the rights to transfer the Property to third party.

1. RESPONSIBILITY STATEMENT

This circular, 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 regarding 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. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

| Name of Director | Capacity | Number of Shares held | Approximate percentage of shareholding |
|------------------|---------------------------------------------------------|-----------------------|----------------------------------------|
| Dr. LIE Haiquan | Beneficial owner | 2,255,332,000 | 23.69% |
| | Interest in controlled corporations ^(Note 1) | 2,091,923,357 | 21.97% |

Notes:

1. 2,055,887,357 shares and 36,036,000 shares are held by Winner Mind Investments Limited (“**Winner Mind**”) and Golden Ocean Assets Management Limited respectively; both companies are wholly-owned by Dr. LIE Haiquan. Thus, he was deemed to be interested in these 2,091,923,357 shares pursuant to the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the other Directors or chief executive of the Company had any interests and short positions in the shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were deemed or taken to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(ii) Directors’ other interests

- (a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

(iii) Substantial Shareholders

- (a) As at the Latest Practicable Date, other than the interests of Directors as disclosed above, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

| Name | Nature of interests | Number of shares/ underlying shares held | Approximate percentage of shareholding |
|---------------------------------|----------------------------------------|------------------------------------------|----------------------------------------|
| Winner Mind ^(Note 1) | Beneficial owner | 2,055,887,357 | 21.59% |
| Mr. YAN Wai Ping | Beneficial owner | 373,588,000 | 3.92% |
| | Interest of spouse ^(Note 2) | 106,702,000 | 1.12% |

Notes:

- Winner Mind is wholly-owned by Dr. Lie, an executive Director, the chairman of the Board and the sole Director of Winner Mind.
- Mr. Yan is interested in 106,702,000 Shares held by his spouse, Ms. WONG Pui Yan.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and section 336 of the SFO, or, had a direct or indirect interest amounting to 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or, so far as is known to them, any of their respective close associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the sale and purchase agreement between NEO Cloud Computing Holdings Limited and Great Fancy Investment Limited dated 26 September 2019 in relation to the disposal of one share in the share capital of Million Ace Limited at a consideration of HK\$10 million;
- (ii) the sale and purchase agreement among Guangdong Utrust Financial Leasing Company Limited* (廣東粵財金融租賃股份有限公司)(“**Lessor A**”), United Power Energy Company Limited* (合動力能源有限公司)(“**United Power**”) and Bluesea Data dated 20 December 2019 in relation to the sale and purchase of data centre equipment at a consideration of RMB190 million;
- (iii) the finance lease agreement between Lessor A and Bluesea Data dated 20 December 2019 in relation to the finance lease arrangement between Lessor A and Bluesea Data dated 20 December 2019 pursuant to which Lessor A agreed to purchase equipment from a supplier at the request of Bluesea Data and lease the equipment to Bluesea Data, details of which are stipulated in the announcement of the Company dated 20 December 2019 (the “**Finance Lease Arrangement A**”) with the finance lease principal amount of RMB190 million;
- (iv) the assets pledge agreement between Lessor A and Bluesea Data dated 20 December 2019 to pledge three data centres in Heshan City, Jiangmen, Guangdong Province to Lessor A as security for the obligations of Bluesea Data under the Finance Lease Arrangement A;
- (v) the guarantee agreement between Lessor A and Bluesea Mobile dated 20 December 2019 to provide guarantee to secure the obligations of Bluesea Data under the Finance Lease Arrangement A;
- (vi) the construction agreement between Shenzhen Zituo Yunqi Technology Company Limited* (深圳市資拓雲啟科技有限公司)(“**Shenzhen Zituo**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, and Haikou Youfu Mechanical and Electrical Equipment Installation Engineering Company Limited* (海口有孚機電設備安裝工程有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB36 million;
- (vii) the construction agreement between Shenzhen Zituo and Sichuan Jupeng Construction Engineering Company Limited* (四川聚鵬建設工程有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB40.8 million;

- (viii) the construction agreement between Shenzhen Zituo and Shenzhen Guangyuan Waterproof Reinforcement Engineering Technology Company Limited* (深圳廣源防水加固工程技術有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB42 million;
- (ix) the finance lease agreement between JIC Leasing Company Limited (“**Lessor B**”) and Guangzhou Bluesea Cloud Data Company Limited* (廣州蔚海雲數據有限公司)(“**Bluesea Cloud Data**”), a company established in the PRC and an indirect wholly owned subsidiary of the Company, dated 21 September 2020 in relation to the finance lease arrangement between Lessor B and Bluesea Cloud Data dated 21 September 2020 pursuant to which Lessor B agreed to purchase leased assets from Bluesea Cloud Data, which would then be leased back to Bluesea Cloud Data, details of which are stipulated in the announcements of the Company dated 21 September 2020 and 23 September 2020 (the “**Finance Lease Arrangement B**”);
- (x) the guarantee agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to provide guarantee to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (xi) the accounts receivable pledge agreement between Lessor B and Bluesea Cloud Data dated 21 September 2020 to pledge accounts receivable to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (xii) the accounts receivable pledge agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to pledge accounts receivable to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (xiii) the equity interest pledge agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to pledge the entire equity interest in Bluesea Cloud Data held by Bluesea Mobile to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (xiv) the sale and purchase agreement between Lessor A, Highseas Communications Engineering (Hainan) Co., Ltd.* (海南四海行通信工程有限公司)(the “**Supplier**”), Guangzhou Yizi Internet Technology Co., Ltd.* (廣州市羿資互聯網科技有限公司)(“**Guangzhou Yizi**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, and Guangzhou Zituo Technology Company Limited* (廣州市資拓科技有限公司)(“**Guangzhou Zituo**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, dated 30 October 2020 pursuant to which Lessor A agreed to purchase leased assets from the Supplier at the request of Guangzhou Yizi and Guangzhou Zituo for a total consideration of RMB94,750,800;

- (xv) the finance lease agreement between Lessor A, Guangzhou Yizi and Guangzhou Zituo dated 30 October 2020, pursuant to which Lessor A agreed to purchase the leased assets from the Supplier at the request of Guangzhou Yizi and Guangzhou Zituo in an aggregate consideration of RMB94,750,800 and Lessor A agreed to lease the leased assets to Guangzhou Yizi and Guangzhou Zituo;
- (xvi) the finance lease agreement between Lessor A, Guangzhou Yizi and Guangzhou Zituo dated 30 October 2020 pursuant to which Lessor A agreed to purchase leased assets from Guangzhou Yizi and Guangzhou Zituo for a total consideration of RMB25,000,000, which would then be leased back to Guangzhou Yizi and Guangzhou Zituo;
- (xvii) the guarantee agreement between Lessor A and Bluesea Mobile dated 30 October 2020;
- (xviii) the accounts receivable pledge agreement between Guangzhou Yizi and Lessor A dated 30 October 2020;
- (xix) the accounts receivable pledge agreement between Guangzhou Zituo and Lessor A dated 30 October 2020;
- (xx) the equity interest pledge agreement between Lessor A and Guangzhou Zituo dated 30 October 2020;
- (xxi) the finance lease agreement between Lessor B and Bluesea Cloud Data dated 30 October 2020 pursuant to which Lessor B agreed to purchase leased assets from Bluesea Cloud Data for a total consideration of RMB81,500,000, which would then be leased back to Bluesea Cloud Data;
- (xxii) the guarantee agreement between Lessor B and Bluesea Mobile dated 30 October 2020;
- (xxiii) the accounts receivable pledge agreement between Bluesea Cloud Data and Lessor B dated 30 October 2020;
- (xxiv) the accounts receivable pledge agreement between Bluesea Mobile and Lessor B dated 30 October 2020;
- (xxv) the construction agreement between Shenzhen Zituo and Guangdong Mingyang Electric Co., Ltd.* (廣東明陽電氣股份有限公司) dated 28 February 2021 in relation to the construction of data centre at a consideration of RMB18.4 million;
- (xxvi) the sale and purchase agreement among Zhujiang Financial Leasing Company Limited* (珠江金融租賃有限公司) (“Lessor C”), United Power and Bluesea Data dated 31 March 2021 in relation to the sale and purchase of data centre equipment at a consideration of RMB293 million;

- (xxvii) the finance lease agreement between Lessor C and Bluesea Data dated 31 March 2021 in relation to the finance lease arrangement between Lessor C and Bluesea Data dated 31 March 2021 pursuant to which Lessor C agreed to purchase equipment from United Power at the request of Bluesea Data and lease the equipment to Bluesea Data, details of which are stipulated in the announcement of the Company dated 31 March 2021 (the “**Finance Lease Arrangement C**”) with the finance lease principal amount of RMB293 million;
- (xxviii) the guarantee agreement between Lessor C and Bluesea Mobile dated 31 March 2021 to provide guarantee to secure the obligations of Bluesea Data under the Finance Lease Arrangement C;
- (xxix) the finance lease agreement between Lessor B and Shanghai Yunting Information Technology Company Limited* (上海耘汀信息科技有限公司)(“**Shanghai Yunting**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, dated 21 June 2021 pursuant to which Lessor B agreed to purchase leased assets from Shanghai Yunting for a total consideration of RMB47,500,000, which would then be leased back to Shanghai Yunting;
- (xxx) the guarantee agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxxi) the accounts receivable pledge agreement between Shanghai Yunting and Lessor B dated 21 June 2021;
- (xxxii) the equity interest pledge agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxxiii) the Framework Agreement;
- (xxxiv) the Real Estate Purchase Agreements;
- (xxxv) the Transfer Agreement of Facilities and Equipment;
- (xxxvi) the Development Consultancy Agreement;
- (xxxvii) the Premises Lease Agreement;
- (xxxviii) the Facilities and Equipment Lease Agreement;
- (xxxix) the Property Auxiliary and Supporting Facilities Lease Agreement;
- (xl) the Guarantee Agreement;

- (xli) the finance lease agreement between Lessor C and Guangzhou Yizi dated 27 August 2021 pursuant to which Lessor C agreed to purchase leased assets from Guangzhou Yizi for a total consideration of RMB80,000,000, which would then be leased back to Guangzhou Yizi (the “**Finance Lease Arrangement D**”);
- (xlii) the equity interest pledge agreement between Lessor C and Guangzhou Zituo dated 27 August 2021 to pledge 90% equity interest in Guangzhou Yizi owned by Guangzhou Zituo to Lessor C to secure the obligations of Guangzhou Yizi under the Finance Lease Arrangement D;
- (xliii) the guarantee agreement between Lessor C and Bluesea Mobile dated 27 August 2021; and
- (xliv) the guarantee agreement between Lessor C and Guangzhou Zituo dated 27 August 2021.

5. MATERIAL LITIGATION

Reference is made to the announcements of the Company dated 19 June 2015 and 30 November 2015 in relation to an equity transfer memorandum of understanding and a supplemental MOU (collectively referred to as the “**MOUs**”) entered into between NEO Intelligence Holdings Limited (“**NEO Intelligence**”), a wholly-owned subsidiary of the Company, Messrs CHAN Hung Kwong, CHAN Yu Chiu and CHAN Yue Kuen (collectively referred to as the “**Vendors**”) and Giant Crown Industries Limited (the “**Target**”). By the MOUs, it was agreed between NEO Intelligence and the Vendors, *inter alia*, that:

- 1) the Vendors and NEO Intelligence shall negotiate for the acquisition by NEO Intelligence of 80% shareholding of and in the Target and ACE International Electronics Limited from the Vendors;
- 2) NEO Intelligence shall pay the Vendors a refundable deposit in the sum of HK\$20,000,000 (the “**Deposit**”);
- 3) the Deposit shall be refunded to NEO Intelligence upon termination of the MOUs or 31 March 2016, whichever is earlier;

- 4) the Target, being the legal and beneficial owner of the entire equity interest in 廣州港鉅電子實業有限公司 (Guangzhou Gangju Electronics Industries Company Limited*) (“**Gangju**”), a company established under the laws of PRC, irrevocably and unconditionally undertakes to NEO Intelligence that, until the Deposit has been refunded in full to NEO Intelligence, it shall procure Gangju to irrevocably and unconditionally agree the free use of a block of building situated at 廣州番禺區石樓鎮礪江路144號A棟 under the certificate of land ownership “粵房地証字第3005825號” (“**Block A**”) by NEO Intelligence or its nominee without any payment or compensation;
- 5) if the Vendors fail to refund the Deposit in full to NEO Intelligence by the due date mentioned in paragraph 3 above, the Target irrevocably and unconditionally undertakes that it shall procure Gangju to irrevocably and unconditionally agree to the permanent free use of Block A by NEO Intelligence or its nominee without any payment or compensation; and
- 6) if the parties are unable to sign a formal agreement for the acquisition by 31 March 2016, the MOUs shall terminate automatically.

The Deposit was duly paid to the Vendors on 22 June 2015 by NEO Intelligence. By the said due date of 31 March 2016, NEO Intelligence and the Vendors were not able to come to any agreement regarding the acquisition and the MOUs therefore terminated automatically. Nevertheless, the Deposit was not refunded to NEO Intelligence upon the termination of the MOUs or 31 March 2016.

Consequently, NEO Intelligence nominated Bluesea Mobile to enter into physical possession of Block A with the agreement of Gangju. Bluesea Mobile then carried out renovation works to Block A for the purpose of modifying and fitting it out as an internet data centre (“**IDC**”), namely, Guangzhou Lotus Hill Data Centre (“**GZ Lotus Hill IDC**”).

As advised by the Group’s legal adviser, NEO Intelligence and Bluesea Mobile requested the Target and the Vendors to procure Gangju to sign all necessary documents to formally vest Bluesea Mobile’s right of permanent free use of Block A to prevent any subsequent interference or challenge, whether by the Target, the Vendors, Gangju or other persons, to detriment of the business of the IDC. However, despite the repeated requests by NEO Intelligence and Bluesea Mobile, the Target and the Vendors failed to do so.

On 12 May 2017, NEO Intelligence issued a writ of summons against the Target and the Vendors (collectively referred to as the “**Respondents**”) under Court of First Instance of the High Court of Hong Kong Action No. 1127 of 2017 (the “**Action**”) to claim against the Respondents, *inter alia*, for:

- 1) a declaration that NEO Intelligence and its nominee, Bluesea Mobile, are entitled to the use of Block A freely and permanently without any payment or compensation to the Respondents;
- 2) an Order that the Respondents shall procure Gangju to execute all such documents as may be necessary to vest in Bluesea Mobile the right to the use of Block A freely and permanently without any payment or compensation; and
- 3) alternatively, damages, including but not limited to the Deposit, all costs and expenses arising from and incidental to the modification and fitting out of Block A into the IDC, and loss of Bluesea Mobile’s profits from the operation of the IDC, to be assessed.

On 17 July 2017, the Respondents issued a summons applying for a stay of the Action in view of an arbitration clause in the MOUs (the “**Application**”). A hearing of the Application was held at the High Court on 14 November 2017 and the judgement thereof was handed down on 27 November 2017 which granted a stay of the Action pending arbitration at the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with the UNCITRAL Arbitration Rules.

On 4 January 2018, NEO Intelligence issued and served a notice of arbitration under Arbitration No. HKIAC/PA18006 (the “**Arbitration**”). The substantive hearing of the Arbitration was completed on 17 April 2020.

On 23 March 2021, the Arbitral Tribunal issued a partial award (the “**Partial Award**”) that NEO Intelligence had established its case of liability against the Respondents on the MOUs, particularly the rights to use Block A.

With respect to the claims filed with The People’s Court of Panyu District, Guangzhou (the “**Panyu Court**”) by both Bluesea Mobile and Gangju that is currently under restructuring in relation to the dispute under the Arbitration (the “**PRC Action**”), the Panyu Court has combined the two cases for trial during the first hearing and will resume the proceedings upon the completion of the restructuring of Gangju. The order of property preservation for Block A granted by the Panyu Court remains effective. Bluesea Mobile can therefore continue to use Block A without interference until the judgement of the PRC Action has been handed down.

Based on the Partial Award and the Group's PRC legal adviser's opinion that Bluesea Mobile enjoys a high chance of success in the PRC Action, the Directors consider that the legal proceedings do not have any material impact on the operations of GZ Lotus Hill IDC and the Group.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or terminable by the Group within one year without payment compensation, other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who have given opinions or advise contained in this circular:

| Name | Qualification |
|-------------------------|----------------------|
| Asset Appraisal Limited | Independent valuer |

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, 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.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or opinion (as the case may be) and reference to its name in the form and context in which they appear. The letter and/or report given by the above expert is given as of the date of this circular for incorporation herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong for a period of 14 days commencing from the date of this circular:

1. the Company's memorandum and articles of association;
2. the material contracts referred to in the section headed "4. Material Contracts" in this appendix;
3. the annual reports of the Company for each of the two financial years ended 31 December 2019 and 2020, the first quarterly report of the Company for the three months ended 31 March 2021 and the interim report of the Company for the six months ended 30 June 2021;
4. the circular of the Company dated 24 December 2020 in relation to finance lease arrangements;
5. the valuation report in respect of the Premises, the text of which is set out in Appendix II to this circular;
6. the written consent referred to in the paragraph headed "8. Qualification and consent of expert" in this appendix;
7. the circular of the Company dated 17 September 2021 in relation to finance lease arrangement; and
8. this circular.

10. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. YUEN Poi Lam William who is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant in the state of California, the United States and a Chartered Global Management Accountant in the United States.
- (ii) The compliance officer of the Company is Mr. CHEUNG Sing Tai, who is also an executive Director, deputy chairman of the Board and chief executive officer.
- (iii) The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong. The chairman of the Audit Committee is Mr. ZHANG Zihua, who possesses extensive experience in finance and accounting.

Mr. ZHANG Zihua (“**Mr. Zhang**”), aged 46, was appointed as an independent non-executive Director on 20 September 2016. He is also the chairman of each of the audit committee, nomination committee and the remuneration committee of the Company. He holds a Graduate Diploma of Chartered Accounting from The Institute of Chartered Accountants in Australia and New Zealand, a Degree of Bachelor of Economics in Accounting from Guangdong University of Technology and a Master of Taxation from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of The Chinese Institute of Certified Public Accountants, The Institute of Chartered Accountants in Australia and New Zealand and the Association of Chartered Certified Accountants. He is also Justice of the Peace for New South Wales in Australia.

Mr. Zhang joined Accentor Associates Pty Limited (“**Accentor**”) as a partner on 15 June 2020. Before joining Accentor, he was a partner of Addsum Accountants Pty Ltd until 13 March 2020 and he has worked in public practice at KPMG and PricewaterhouseCoopers in Australia, China and Europe for over 17 years. He participated in a wide range of auditing, initial public offering and due diligence projects to a wide portfolio of private and multinational companies operating in Australia, Europe, the PRC, and Hong Kong.

Ms. XI Lina, aged 38, was appointed as an independent non-executive Director on 16 May 2014. She is also a member of each of the audit committee, nomination committee and remuneration committee of the Company. She graduated with a degree in economics and international trade from Zhejiang University of Finance and Economics and holds a master of science in banking and international finance from the City University, London. She has extensive experience in economics and futures market.

Mr. HUANG Zhixiong, aged 58, was appointed as an independent non-executive Director on 13 May 2015. He is also a member of the audit committee of the Company. He holds a doctoral degree in business management. He is the senior advisor of 廣東華南科技資本研究院 (Institute of Guangdong South China Science and Technology Capital*) and was appointed as the extramural tutor of the master programme of professional accounting of the South China University of Technology in November 2015. He was also appointed as a member of the Advisory Board of the Faculty of Business of City University of Macau in January 2017. Mr. Huang obtained the Independent Director Qualification awarded by the Shenzhen Stock Exchange in January 2015 and obtained the Board Secretary Qualification awarded by the Shenzhen Stock Exchange in April 2015. Mr. Huang was certified with (1) the Securities Certificate Level II in 2005, (2) the Securities Institutions Senior Management Personnel Qualification in 2003, (3) the Securities Investment Fund Qualification and Securities and Futures Qualification in 2002, (4) the Securities Investment Analysis Qualification in 2001, (5) the Securities Trading Brokerage Qualification and Securities Issuance and Underwriting Qualification in 2000, and (6) the Shenzhen Stock Exchange Initial National Debt and Futures Qualification in 1994. He obtained the Intermediate Economist Title awarded by National Ministry of Personnel in 1994. Mr. Huang is currently the Chairman of the board of Guangdong Shunna Electric Co., Ltd (Formerly named Guangdong Macro Co., Ltd., company listed on the Shenzhen Stock Exchange (stock code: 000533)), in which he was also the vice chairman from August 2013 to July 2016 and the managing director from November 2017 to April 2021.

- (iv) The head office and principal place of business of the Company in Hong Kong is located at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (v) The Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vi) In the event of any inconsistency, the English language version of this circular shall prevail over the Chinese language version.