
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)

VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITIONS – SALE AND LEASE TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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 10 to 35 of this circular.

A notice convening the EGM to be held at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 2 August 2022 at 10:30 a.m. is set out on pages 73 to 75 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to the notice of the EGM for measures being taken with the aim of preventing and controlling the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks
- compulsory wearing of surgical face masks
- appropriate settings with respect to physical distancing
- no refreshments will be served

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the EGM arrangements.

18 July 2022

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.

“Announcement”	the announcement of the Company dated 23 June 2022 in relation to the Sale and Lease Transactions
“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
“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 (No. 6)”	completion of the Sale (No. 6), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6) – Completion”
“Completion (No. 7)”	completion of the Sale (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7) – Completion”
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Development Consultancy Agreement (No. 6)”	the development consultancy agreement between KDCR and Bluesea Mobile dated 20 June 2022 in relation to Subject Assets (No. 6), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6)”

DEFINITIONS

“Development Consultancy Agreement (No. 7)”	the development consultancy agreement between KDCR and Bluesea Mobile dated 20 June 2022 in relation to Subject Assets (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7)”
“Director(s)”	the director(s) of the Company
“Dr. Lie”	Dr. LIE Haiquan, an executive Director, the chairman of the Board and a Controlling Shareholder and directly owns 2,275,848,000 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
“EGM”	the extraordinary general meeting of the Company to be convened at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 2 August 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, approving, among other things, the Sale and Lease Transactions by the Shareholders
“Escrow Account”	a bank account opened in the name of KDCR and operated jointly by Bluesea Data and KDCR
“Existing Loan”	the existing loan of Bluesea Data with the Premises as security which shall be repaid with the payment by KDCR under paragraph (2) of the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6) – Payment schedule and conditions”
“Existing Loan Bank”	a licensed bank in the PRC
“Facilities and Equipment (No. 6)”	the facilities and equipment that are being built and installed on the Premises (No. 6) as set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6) – Subject matter of the Sale Agreements (No. 6)”

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“Facilities and Equipment (No. 7)”	the facilities and equipment to be built and installed on the Premises (No. 7) as set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7) – Subject matter of the Sale Agreements (No. 7)”
“Facilities and Equipment Lease Agreement (No. 6)”	the facilities and equipment lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to Facilities and Equipment (No. 6), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – The Lease (No. 6) for Bluesea Data’s operation”
“Facilities and Equipment Lease Agreement (No. 7)”	the facilities and equipment lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to Facilities and Equipment (No. 7), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – The Lease (No. 7) for Bluesea Data’s operation”
“First Payment Date (No. 6)”	the date on which KDCR pays no more than RMB287,000,000 to Bluesea Data under paragraph (2) of the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6) – Payment schedule and conditions”
“Framework Agreement (No. 6)”	the framework agreement among Bluesea Data, Bluesea Mobile and KDCR dated 20 June 2022 in relation to Subject Assets (No. 6), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6)”
“Framework Agreement (No. 7)”	the framework agreement among Bluesea Data, Bluesea Mobile and KDCR dated 20 June 2022 in relation to Subject Assets (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7)”
“GEM”	GEM operated by the Stock Exchange

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“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 (No. 6)”	the guarantee agreement between KDCR and Bluesea Mobile dated 20 June 2022 in relation to the Framework Agreement (No. 6), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Guarantee by Bluesea Mobile”
“Guarantee Agreement (No. 7)”	the guarantee agreement between KDCR and Bluesea Mobile dated 20 June 2022 in relation to the Framework Agreement (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – 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
“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 and is an indirect wholly owned subsidiary of Keppel DC REIT
“Latest Practicable Date”	13 July 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease (No. 6)”	the lease of the Subject Assets (No. 6) by KDCR to Bluesea Data pursuant to the Lease Agreements (No. 6)

DEFINITIONS

“Lease (No. 7)”	the lease of the Subject Assets (No. 7) by KDCR to Bluesea Data pursuant to the Lease Agreements (No. 7)
“Lease Agreements (No. 6)”	collectively, the Premises Lease Agreement (No. 6), the Facilities and Equipment Lease Agreement (No. 6), and the Property Auxiliary and Supporting Facilities Lease Agreement (No. 6)
“Lease Agreements (No. 7)”	collectively, the Premises Lease Agreement (No. 7), the Facilities and Equipment Lease Agreement (No. 7), and the Property Auxiliary and Supporting Facilities Lease Agreement (No. 7)
“Lease Commencement Date (No. 6)”	the date on which Bluesea Data hands over the Premises (No. 6), Facilities and Equipment (No. 6) or the Property Auxiliary and Supporting Facilities (No. 6) to KDCR (as the case may be)
“Lease Commencement Date (No. 7)”	the date on which Bluesea Data hands over the Premises (No. 7), Facilities and Equipment (No. 7) or the Property Auxiliary and Supporting Facilities (No. 7) to KDCR (as the case may be)
“Mr. Yan”	Mr. Yan Wai Ping, a Shareholder and directly owns 504,832,000 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 (No. 6)”	No.1, 3, 4 and 7, Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC
“Other Properties (No. 7)”	No.1, 3, 4 and 6, Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC
“Payment (No. 6)”	payment under the Lease Agreements (No. 6)
“Payment (No. 7)”	payment under the Lease Agreements (No. 7)
“Payments”	collectively, Payment (No. 6) and Payment (No. 7)

DEFINITIONS

“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
“Premises (No. 6)”	a seven-storey building located at No. 6 Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC* (中國廣東省鶴山市沙坪街道蔚海智谷數據中心6號), with total gross floor area of approximately 20,309.82 square metres
“Premises (No. 7)”	a seven-storey building located at No. 7 Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC* (中國廣東省鶴山市沙坪街道蔚海智谷數據中心7號), with total gross floor area of approximately 20,610.07 square metres
“Premises Lease Agreement (No. 6)”	the premises lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to the Premises (No. 6), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – The Lease (No. 6) for Bluesea Data’s operation”
“Premises Lease Agreement (No. 7)”	the premises lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to the Premises (No. 7), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – The Lease (No. 7) for Bluesea Data’s operation”
“Previous Transaction”	the previous sale and lease transaction with KDCR, details of which were disclosed in the announcement of the Company dated 28 July 2021 and the circular of the Company dated 17 September 2021
“Property Auxiliary and Supporting Facilities (No. 6)”	the property auxiliary and supporting facilities that are being built and installed on the Premises (No. 6)
“Property Auxiliary and Supporting Facilities (No. 7)”	the property auxiliary and supporting facilities to be built and installed on the Premises (No. 7)

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“Property Auxiliary and Supporting Facilities Lease Agreement (No. 6)”	the property auxiliary and supporting facilities lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to the Property Auxiliary and Supporting Facilities (No. 6), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – The Lease (No. 6) for Bluesea Data’s operation”
“Property Auxiliary and Supporting Facilities Lease Agreement (No. 7)”	the property auxiliary and supporting facilities lease agreement between KDCR and Bluesea Data dated 20 June 2022 in relation to the Property Auxiliary and Supporting Facilities (No. 7), details of which are set out in the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – The Lease (No. 7) for Bluesea Data’s operation”
“Rent Commencement Date (No. 6)”	the date on which KDCR pays the Sale Consideration (No. 6) in full
“Rent Commencement Date (No. 7)”	the date on which KDCR pays the Sale Consideration (No. 7) in full
“RMB”	Renminbi, the lawful currency of the PRC
“Sale (No. 6)”	the sale of the Subject Assets (No. 6) by Bluesea Data to KDCR pursuant to the Sale Agreements (No. 6)
“Sale (No. 7)”	the sale of the Subject Assets (No. 7) by Bluesea Data to KDCR pursuant to the Sale Agreements (No. 7)
“Sale Agreements”	collectively, the Sale Agreements (No. 6) and the Sale Agreements (No. 7)
“Sale Agreements (No. 6)”	collectively, the Framework Agreement (No. 6), the Transfer Agreement of Facilities and Equipment (No. 6), and the Development Consultancy Agreement (No. 6)
“Sale Agreements (No. 7)”	collectively, the Framework Agreement (No. 7), the Transfer Agreement of Facilities and Equipment (No. 7), and the Development Consultancy Agreement (No. 7)
“Sale Consideration (No. 6)”	the consideration for the Sale (No. 6)
“Sale Consideration (No. 7)”	the consideration for the Sale (No. 7)

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“Sale and Lease Agreements (No. 6)”	collectively, the Sale Agreements (No. 6) and the Lease Agreements (No. 6)
“Sale and Lease Agreements (No. 7)”	collectively, the Sale Agreements (No. 7) and the Lease Agreements (No. 7)
“Sale and Lease Transactions”	collectively, the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7)
“Sale and Lease Transaction (No. 6)”	collectively, the transactions contemplated under the Sale and Lease Agreements (No. 6) and the Guarantee Agreement (No. 6)
“Sale and Lease Transaction (No. 7)”	collectively, the transactions contemplated under the Sale and Lease Agreements (No. 7) and the Guarantee Agreement (No. 7)
“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)
“Subject Assets”	collectively, the Subject Assets (No. 6) and the Subject Assets (No. 7)
“Subject Assets (No. 6)”	the assets comprising the (i) the Premises (No. 6); (ii) the Facilities and Equipment (No. 6); and (iii) the Property Auxiliary and Supporting Facilities (No. 6)
“Subject Assets (No. 7)”	the assets comprising the (i) the Premises (No. 7); (ii) the Facilities and Equipment (No. 7); and (iii) the Property Auxiliary and Supporting Facilities (No. 7)
“Supplemental Completion (No. 7)”	supplemental completion of the Sale (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7) – Completion”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Transfer Agreement of Facilities and Equipment (No. 6)”	the transfer agreement of facilities and equipment between KDCR and Bluesea Data dated 20 June 2022 in relation to the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 6) – Sale and purchase of the Subject Assets (No. 6)”
“Transfer Agreement of Facilities and Equipment (No. 7)”	the transfer agreement of facilities and equipment between KDCR and Bluesea Data dated 20 June 2022 in relation to the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7), details of which are set out under the section headed “Letter from the Board – Sale and Lease Transaction (No. 7) – Sale and purchase of the Subject Assets (No. 7)”
“VAT”	Value-added tax imposed by the 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
“Working 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
“%”	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\$1.163. 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 Telemidia 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
in Hong Kong:*

Room 901B, 9th Floor
Empire Centre, 68 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

18 July 2022

*To the Shareholders and, for information only,
holders of the share options of the Company*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND
VERY SUBSTANTIAL ACQUISITIONS
– SALE AND LEASE TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

References are also made to the announcement of the Company dated 28 July 2021 and the circular of the Company dated 17 September 2021 in relation to the Previous Transaction between Bluesea Data (an indirect wholly owned subsidiary of the Company) and KDCR (an indirect wholly owned subsidiary of Keppel DC REIT). As disclosed in the said announcement and circular, after the completion of the sale of No. 5, Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC, if Bluesea Data (an indirect wholly owned subsidiary of the Company) intends to (but is not obliged to) sell any of No. 1, 3, 4, 6 and 7, Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC, being other premises in the Bluesea Intelligence Valley Data Centre which were owned by Bluesea Data, KDCR will have the pre-emptive right to purchase each of such property.

The Board announced that, on 20 June 2022:

1. Bluesea Data and KDCR entered into the Sale and Lease Agreements (No. 6) pursuant to which (i) KDCR would purchase the Subject Assets (No. 6) from Bluesea Data at an aggregate consideration of RMB760,000,000 (equivalent to approximately HK\$883,880,000); and (ii) KDCR agreed to lease the Subject Assets (No. 6) to Bluesea Data for its operation. On 20 June 2022, Bluesea Mobile (an indirect wholly owned subsidiary of the Company) entered into the Guarantee Agreement (No. 6) in favour of KDCR pursuant to which Bluesea Mobile agreed to guarantee the obligations of Bluesea Data under the Framework Agreement (No. 6) (excluding Bluesea Data's obligations under the Lease Agreements (No. 6)); and
2. Bluesea Data and KDCR entered into the Sale and Lease Agreements (No. 7) pursuant to which (i) KDCR would purchase the Subject Assets (No. 7) from Bluesea Data at an aggregate consideration of RMB760,000,000 (equivalent to approximately HK\$883,880,000); and (ii) KDCR agreed to lease the Subject Assets (No. 7) to Bluesea Data for its operation. On 20 June 2022, Bluesea Mobile entered into the Guarantee Agreement (No. 7) in favour of KDCR pursuant to which Bluesea Mobile agreed to guarantee the obligations of Bluesea Data under the Framework Agreement (No. 7) (excluding Bluesea Data's obligations under the Lease Agreements (No. 7)).

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

LETTER FROM THE BOARD

(I) SALE AND LEASE TRANSACTION (NO. 6)

(a) Sale and Purchase of the Subject Assets (No. 6)

The principal terms of the sale and purchase of the Subject Assets (No. 6) contemplated under the Sale Agreements (No. 6) are set out as follows:

Date : 20 June 2022

Parties : The Framework Agreement (No. 6)

- (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 Keppel DC REIT, a data centre real estate investment trust listed on the Singapore Exchange (acting through its trustee Perpetual (Asia) Limited), 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 (No. 6)

(1) Bluesea Mobile; and

(2) KDCR

Other Sale Agreements (No. 6)

(1) Bluesea Data; and

(2) KDCR

Subject matter of the Sale Agreements (No. 6) : Bluesea Data agreed to sell and KDCR agreed to purchase the Subject Assets (No. 6) comprising (i) the Premises (No. 6); (ii) the Facilities and Equipment (No. 6); and (iii) the Property Auxiliary and Supporting Facilities (No. 6).

The Premises (No. 6) comprised a seven-storey building located at No. 6, Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC* (中國廣東省鶴山市沙坪街道蔚海智谷數據中心6號), with total gross floor area of approximately 20,309.82 square metres. The Premises (No. 6) were for industrial use. The term of the land use right of the Premises (No. 6) was from 18 January 2017 to 17 January 2067.

The Facilities and Equipment (No. 6) comprised power supply facilities and computer storage facilities and equipment to be completed.

The Property Auxiliary and Supporting Facilities (No. 6) comprised auxiliary and supporting facilities including electric and telecommunication cables and air-conditioning facilities to be completed.

LETTER FROM THE BOARD

The Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) are being built and installed on the Premises (No. 6) by Bluesea Data. In relation to the building and installation of the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) on the Premises (No. 6), Bluesea Mobile renders support and services (including but not limited to personnel support, engineering support, installation and rectification, relationship management and technical support), the costs of which the parties have agreed to be borne by KDCR.

The book value of the Subject Assets (No. 6) was RMB245,568,000 (equivalent to approximately HK\$285,596,000) as at 31 May 2022.

Sale Consideration (No. 6) : RMB760,000,000 (equivalent to approximately HK\$883,880,000) (inclusive of VAT), which comprised the consideration for (i) the sale and purchase of the Premises (No. 6), the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6); (ii) the building and installation of the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) on the Premises (No. 6) by Bluesea Data; and (iii) support and services (including but not limited to the personnel support, engineering support, installation and rectification, relationship management and technical support) rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) on the Premises (No. 6).

Payment schedule and conditions : The Sale Consideration (No. 6) shall be paid in the following manner:-

- (1) KDCR paid RMB22,250,000 (equivalent to approximately HK\$25,877,000) to Bluesea Data pursuant to a non-legally binding letter of intent between the parties dated 28 March 2022. KDCR shall pay or cause to pay RMB53,750,000 (equivalent to approximately HK\$62,511,000) within three Working Days after the date of the Framework Agreement (No. 6). The RMB22,250,000 (equivalent to approximately HK\$25,877,000) which was already paid and the RMB53,750,000 (equivalent to approximately HK\$62,511,000) to be paid together shall constitute the deposit. 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 RMB287,000,000 (equivalent to approximately HK\$333,781,000) at the last of the following three dates: (i) 7 July 2022; (ii) the expiration of 23 Working Days after the date of the Framework Agreement (No. 6); or (iii) after the satisfaction or waiver of the following conditions:- (a) all title transfer application documents having been signed by Bluesea Data and KDCR; (b) all tax verification application documents having been signed by Bluesea Data and KDCR; (c) Bluesea Data having provided to KDCR a creditworthiness certificate showing that the Existing Loan is not more than RMB287,000,000 (equivalent to approximately HK\$333,781,000); (d) Bluesea Data having provided to KDCR a title search record of the Premises (No. 6); (e) the Existing Loan Bank having agreed to release the securities for the Existing Loan including mortgage of the Premises, and KDCR's agent having reviewed the documents relating to such release; (f) the administrative formalities regarding the decoration, fire control and other formalities required for practical operation for the Subject Assets (No. 6) having been completed; and (g) the Shareholders having approved the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7). Within three Working Days after KDCR makes the payment under this paragraph, Bluesea Data shall arrange completion of the repayment of the Existing Loan and release of the securities of the Existing Loan including mortgage of the Premises. After the mortgage on the Premises (No. 6) is released, Bluesea Data shall arrange registration of KDCR as the owner of the Premises (No. 6) and afterwards the Subject Assets (No. 6) shall be handed over to KDCR.

LETTER FROM THE BOARD

- (3) Within one Working Day after handover of the Subject Assets (No. 6), KDCR shall pay or cause to pay RMB397,000,000 (equivalent to approximately HK\$461,711,000) and any remaining amount of the Sale Consideration (No. 6).

As at the Latest Practicable Date, condition (f) in paragraph (2)(iii) above has been fulfilled.

If Completion (No. 6) does not occur within 40 days after the First Payment Date (No. 6), Bluesea Data shall pay accrued interest on the aggregate amount which has been paid by KDCR under paragraphs (1) and (2) above at an interest rate of 8.3% per annum calculated on daily basis from the First Payment Date (No. 6) until Completion (No. 6) occurs.

If the Shareholders' approval for the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7) has not been obtained within 50 Working Days after the date of the Framework Agreement (No. 6), Bluesea Data shall pay on a monthly basis accrued interest on the deposit which has been paid by KDCR under paragraph (1) above at an interest rate of 8.3% per annum calculated on daily basis from the expiry of 30 Working Days after the deposit is paid until the Shareholders' approval has been obtained.

LETTER FROM THE BOARD

- Basis of determination of the Sale Consideration (No. 6)** : The Sale Consideration (No. 6) was determined based on arm's length negotiation between KDCR and the Group with reference to (i) the terms of the Lease Agreements (No. 6); (ii) the book value of the Subject Assets (No. 6) as at 31 May 2022 being RMB245,568,000 (equivalent to approximately HK\$285,596,000); (iii) the estimated cost of building and installation of the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) on the Premises (No. 6) by Bluesea Data; (iv) the estimated cost of support and services (including but not limited to the personnel support, engineering support, installation and rectification, relationship management and technical support) rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) on the Premises (No. 6); and (v) the sale consideration under the Previous Transaction.
- Pre-emptive Right of purchase of the Other Properties (No. 6) by KDCR** : After the date of the Completion (No. 6), if Bluesea Data intends to (but is not obliged to) sell any of the Other Properties (No. 6), KDCR will have the pre-emptive right to purchase each of the Other Properties (No. 6).
- Termination** : The Sale and Lease Transaction (No. 6) may be terminated by the non-defaulting party if (i) a party commits material breach of the Framework Agreement (No. 6); (ii) the Subject Assets (No. 6) are materially damaged and are not repaired before Completion (No. 6); (iii) a party becomes insolvent or is subject to bankruptcy or liquidation process; or (iv) Completion (No. 6) does not occur within nine months (or any longer period determined by the non-defaulting party) from the date of the Framework Agreement (No. 6).

LETTER FROM THE BOARD

- Handover of the Subject Assets (No. 6)** : Pursuant to the Framework Agreement (No. 6), Bluesea Data shall hand over the Subject Assets (No. 6) to KDCR, and on the same date, for the purpose of the Lease (No. 6), Bluesea Data shall unconditionally accept handover of the Subject Assets (No. 6) back from KDCR.
- Completion** : Completion (No. 6) shall take place when all of the following has occurred:- (i) KDCR has obtained the real estate title certificates for the Premises (No. 6) and the Premises (No. 7); and (ii) Bluesea Data has handed over the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6) to KDCR.

(b) The Lease (No. 6) for Bluesea Data's Operation

The principal terms of the Lease (No. 6) for operation by Bluesea Data contemplated under the Lease Agreements (No. 6) are set out as follows:

- Date** : 20 June 2022
- Parties** : (1) KDCR; and
(2) Bluesea Data.
- Term** : KDCR shall lease the Subject Assets (No. 6) to Bluesea Data. The term of the Lease (No. 6) commence from the Lease Commencement Date (No. 6) until 15 years after the Rent Commencement Date (No. 6) subject to early termination in accordance to the section headed "Early termination" below.
- Payment** : The initial annual Payment (No. 6) is RMB63,000,000 (equivalent to approximately HK\$73,269,000) (inclusive of VAT and subject to adjustment). The Payment (No. 6) shall be paid monthly from the Rent Commencement Date (No. 6).

The Payment (No. 6) and the security deposit as described hereinafter will be paid through the Group's internal source of funding.

LETTER FROM THE BOARD

- Manner of payment** : The Payment (No. 6) shall be payable by Bluesea Data monthly on each due date to be determined based on the Rent Commencement Date (No. 6).
- Basis of determination of the Payment (No. 6)** : The Subject Assets (No. 6) are intended to be utilised for providing services to the telecommunication services providers in the PRC by the Group. The Directors expect that the income generated therefrom will be sufficient to cover the Payment (No. 6). Apart from considering the income generated therefrom, the Payment (No. 6) for the Subject Assets (No. 6) was determined based on arm's length negotiation between KDCR and Bluesea Data with reference to (i) the terms of the Sale Agreements (No. 6) including the fact that under the Sale Agreements (No. 6), the Subject Assets (No. 6) shall continue to be operated by Bluesea Data, which is experienced in operating the Subject Assets (No. 6); (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 (No. 6) which are all comparable to the Payment (No. 6); (iii) the location of the Premises (No. 6) i.e. the Subject Assets (No. 6) are located in Guangdong province in which there are advanced and accessible infrastructure for operation of the Subject Assets (No. 6); (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 (No. 6); (v) the income being generated from provision of services by utilising the Subject Assets (No. 6) will continue to be sufficient to cover the Payment (No. 6) in the future; and (vi) the payment under the lease agreements of the Previous Transaction.
- Security deposit** : RMB15,750,000 (equivalent to approximately HK\$18,317,000), which is equivalent to the first three months' Payment (No. 6).
- Early termination** : Bluesea Data is entitled to terminate the Lease Agreements (No. 6) on the date falling 12 years after the Rent Commencement Date (No. 6).

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 (No. 6), except for the amount of the Payment (No. 6) which shall be subject to mutual agreement.
- Pre-emptive right of purchase of the Subject Assets (No. 6) by Bluesea Data** : Bluesea Data shall have the pre-emptive right exercisable at the discretion of Bluesea Data to purchase the Subject Assets (No. 6) from KDCR on such terms to be agreed between Bluesea Data and KDCR. Bluesea Data's pre-emptive rights under all the Lease Agreements (No. 6) 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 (No. 6) are set out as follows:

- Date** : 20 June 2022
- Parties** : (1) Bluesea Mobile; and
(2) KDCR
- Term of the Guarantee Agreement (No. 6)** : The guarantee period of the Guarantee Agreement (No. 6) shall be nine months from the due date of Bluesea Data's debt and obligations under the Framework Agreement (No. 6).
- 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 (No. 6) including but not limited to (i) all amounts payable by Bluesea Data to KDCR under the Framework Agreement (No. 6); 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 (No. 6) (including but not limited to litigation costs, costs of preservation, legal fees, travel expenses and appraisal fees).

LETTER FROM THE BOARD

The above guaranteed obligations do not cover Bluesea Data's obligations under the Lease Agreements (No. 6).

The Sale Agreements (No. 6), the Lease Agreements (No. 6) and the Guarantee Agreement (No. 6) are entered into pursuant to the Framework Agreement (No. 6). If the conditions as set out in the section headed "Payment schedule and conditions" above are not fulfilled, the Sale and Lease Transaction (No. 6) may be terminated as stipulated under the section headed "Termination" above.

(II) SALE AND LEASE TRANSACTION (NO. 7)

(a) Sale and Purchase of the Subject Assets (No. 7)

The principal terms of the sale and purchase of the Subject Assets (No. 7) contemplated under the Sale Agreements (No. 7) are set out as follows:

Date : 20 June 2022

Parties : The Framework Agreement (No. 7)

(1) Bluesea Data

(2) KDCR; and

(3) Bluesea Mobile

The Development Consultancy Agreement (No. 7)

(1) Bluesea Mobile; and

(2) KDCR

Other Sale Agreements (No. 7)

(1) Bluesea Data; and

(2) KDCR

LETTER FROM THE BOARD

Subject matter of the Sale Agreements (No. 7) : Bluesea Data agreed to sell and KDCR agreed to purchase the Subject Assets (No. 7) comprising (i) the Premises (No. 7); (ii) the Facilities and Equipment (No. 7); and (iii) the Property Auxiliary and Supporting Facilities (No. 7).

The Premises (No. 7) comprised a seven-storey building located at No. 7 Bluesea Intelligence Valley Data Centre, Shaping Street, Heshan City, Guangdong Province, PRC* (中國廣東省鶴山市沙坪街道蔚海智谷數據中心7號), with total gross floor area of approximately 20,610.07 square metres. The Premises (No. 7) were for industrial use. The term of the land use right of the Premises (No. 7) was from 18 January 2017 to 17 January 2067.

The Facilities and Equipment (No. 7) comprised power supply facilities and computer storage facilities and equipment to be built and installed.

The Property Auxiliary and Supporting Facilities (No. 7) comprised auxiliary and supporting facilities including electric and telecommunication cables and air-conditioning facilities to be built and installed.

The Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) to be built and installed on the Premises (No. 7) by Bluesea Data. In relation to the building and installation of the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) on the Premises (No. 7), Bluesea Mobile renders support and services (including but not limited to the personnel support, engineering support, installation and rectification, relationship management and technical support), the costs of which the parties have agreed to be borne by KDCR.

The book value of the Subject Assets (No. 7) was RMB117,858,000 (equivalent to approximately HK\$137,068,000) as at 31 May 2022.

LETTER FROM THE BOARD

- Sale Consideration (No. 7)** : RMB760,000,000 (equivalent to approximately HK\$883,880,000) (inclusive of VAT), which comprised the consideration for (i) the sale and purchase of the Premises (No. 7), the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7); (ii) the building and installation of the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) on the Premises (No. 7) by Bluesea Data; and (iii) the support and services (including but not limited to personnel support, engineering support, installation and rectification, relationship management and technical support) being rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) on the Premises (No. 7).
- Payment schedule and conditions** : The Sale Consideration (No. 7) shall be paid in the following manner:-
- (1) KDCR shall pay or cause to pay RMB28,000,000 (equivalent to approximately HK\$32,564,000) within three Working Days after the date of the Framework Agreement (No. 7) as the deposit. 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.
 - (2) Conditions (c) to (g) of the Framework Agreement (No. 6) as disclosed in paragraph (2) of the section headed "Sale and purchase of the Subject Assets (No. 6) – Payment schedule and conditions" shall also be conditions to the obligations of the parties in relation to the transfer of title of the Premises (No. 7).

LETTER FROM THE BOARD

- (3) KDCR shall pay or cause to pay RMB72,000,000 (equivalent to approximately HK\$83,736,000) within one Working Day after (i) the date on which KDCR is registered as the owner of the Premises (No. 7) and Bluesea Data hands over the Premises (No. 7) to KDCR; or (ii) the satisfaction or waiver of the following conditions (whichever is later):- (a) the customer of Bluesea Data having agreed to cooperate with Bluesea Data to at least include the data centres in the Premises (No. 6) and the Premises (No. 7); (b) Bluesea Data having completed and provided KDCR with the filing of the Premises (No. 7) decoration project with the local National Development and Reform Commission; (c) Bluesea Data having obtained and provided KDCR with the construction permit certificate for the Premises (No. 7) decoration project and the certificate of the review of construction drawings regarding such project; (d) KDCR having received evidence that Bluesea Data has paid all payable tax with respect to the transfer of title of the Premises (No. 7); and (e) the Shareholders having approved the the Sale and Lease Transaction (No. 6) and Sale and Lease Transaction (No. 7).

LETTER FROM THE BOARD

- (4) KDCR shall pay or cause to pay RMB150,000,000 (equivalent to approximately HK\$174,450,000) to the Escrow Account on the next Working Day after 4 January 2023 or the satisfaction or waiver of the following conditions (whichever is later):- (a) KDCR having completed the supplemental technical and legal due diligence on the Subject Assets (No. 7) and the technical consultant and legal counsels which are appointed by KDCR having determined that no major issues are found; (b) search records evidencing that there is no security or encumbrance on or in relation to the Subject Assets (No. 7); (c) Bluesea Data having entered into a power supply contract with the power supply authority and provided the signed power supply contract to KDCR; (d) Bluesea Data having provided KDCR with evidence that the administrative formalities regarding the decoration, fire control and other formalities required for practical operation for the Subject Assets (No. 7) having been completed; (e) Bluesea Data having obtained all approval, filings, licenses, permits and necessary governmental administrative formalities for the operation of the Subject Assets (No. 7) as a data centre.
- (5) Within two Working Days after the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) are handed over to KDCR, the RMB150,000,000 (equivalent to approximately HK\$174,450,000) in the Escrow Account shall be released to Bluesea Data and Bluesea Mobile.
- (6) Within five Working Days after the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) are handed over to KDCR, KDCR shall pay or cause to pay RMB510,000,000 (equivalent to approximately HK\$593,130,000) to Bluesea Data.

As at the Latest Practicable Date, conditions (a), (b) and (c) in paragraph (3)(ii) above have been fulfilled.

LETTER FROM THE BOARD

If Completion (No. 7) does not occur within 40 days after the First Payment Date (No. 6), Bluesea Data shall pay accrued interest on the aggregate amount which has been paid by KDCR under paragraphs (1) and (3) above at an interest rate of 8.3% per annum calculated on daily basis from the First Payment Date (No. 6) until Completion (No. 7) occurs.

If the Shareholders' approval for the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7) has not been obtained within 50 Working Days after the date of the Framework Agreement (No. 6), Bluesea Data shall pay on a monthly basis accrued interest on the deposit which has been paid by KDCR under paragraph (1) above at an interest rate of 8.3% per annum calculated on daily basis from the expiry of 30 Working Days after the deposit is paid until the Shareholders' approval has been obtained.

Basis of determination of the Sale Consideration (No. 7) : The Sale Consideration (No. 7) was determined based on arm's length negotiation between KDCR and the Group with reference to (i) the terms of the Lease Agreements (No. 7); (ii) the book value of the Subject Assets (No. 7) as at 31 May 2022 being RMB117,858,000 (equivalent to approximately HK\$137,068,000); (iii) the estimated cost of building and installation of the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) on the Premises (No. 7) by Bluesea Data; and (iv) the estimated cost of support and services (including but not limited to the personnel support, engineering support, installation and rectification, relationship management and technical support) to be rendered by Bluesea Mobile for the building and installation of the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) on the Premises (No. 7); and (v) the sale consideration under the Previous Transaction.

LETTER FROM THE BOARD

- Pre-emptive Right of purchase of the Other Properties (No. 7) by KDCR** : After the date of the Completion (No. 7), if Bluesea Data intends to (but is not obliged to) sell any of the Other Properties (No. 7), KDCR will have the pre-emptive right to purchase each of the Other Properties (No. 7).
- Termination** : The Sale and Lease Transaction (No. 7) may be terminated by the non-defaulting party if (i) a party commits material breach of the Framework Agreement (No. 7); (ii) the Subject Assets (No. 7) are materially damaged and are not repaired before Completion (No. 7); (iii) a party becomes insolvent or is subject to bankruptcy or liquidation process; (iv) Completion (No. 7) does not occur within nine months (or any longer period determined by the non-defaulting party) from the date of the Framework Agreement (No. 7); (v) Supplemental Completion (No. 7) does not occur by 31 October 2023 (or any longer period determined by the non-defaulting party).
- Handover of the Subject Assets (No. 7)** : Pursuant to the Framework Agreement (No. 7), Bluesea Data shall hand over the Subject Assets (No. 7) to KDCR, and on the same date, for the purpose of the Lease (No. 7), Bluesea Data shall unconditionally accept handover of the Subject Assets (No. 7) back from KDCR.
- Completion** : Completion (No. 7) shall take place when all of the following has occurred:- (i) KDCR has obtained the real estate title certificates for the Premises (No. 6) and the Premises (No. 7); and (ii) Bluesea Data has handed over the Facilities and Equipment (No. 6) and the Property Auxiliary and Supporting Facilities (No. 6).
- Supplemental Completion (No. 7) shall take place when Bluesea Data has handed over the Facilities and Equipment (No. 7) and the Property Auxiliary and Supporting Facilities (No. 7) to KDCR.

LETTER FROM THE BOARD

(b) The Lease (No. 7) for Bluesea Data's Operation

The principal terms of the Lease (No. 7) for operation by Bluesea Data contemplated under the Lease Agreements (No. 7) are set out as follows:

- Date** : 20 June 2022
- Parties** : (1) KDCR; and
(2) Bluesea Data.
- Term** : KDCR shall lease the Subject Assets (No. 7) to Bluesea Data. The term of the Lease (No. 7) commence from the Lease Commencement Date (No. 7) until 15 years after the Rent Commencement Date (No. 7), subject to early termination in accordance to the section headed "Early termination" below.
- Payment** : The initial annual Payment (No. 7) is RMB63,000,000 (equivalent to approximately HK\$73,269,000) (inclusive of VAT and subject to adjustment). The Payment (No. 7) shall be paid monthly from the Rent Commencement Date (No. 7).
- The Payment (No. 7) and the security deposit as described hereinafter will be paid through the Group's internal source of funding.
- Manner of payment** : The Payment (No. 7) shall be payable by Bluesea Data monthly on each due date to be determined based on the Rent Commencement Date (No. 7).

LETTER FROM THE BOARD

- Basis of determination of the Payment (No. 7)** : The Subject Assets (No. 7) are intended to be utilised for providing services to the telecommunication services providers in the PRC by the Group. The Directors expect that the income generated therefrom will be sufficient to cover the Payment (No. 7). Apart from considering the income generated therefrom, the Payment (No. 7) for the Subject Assets (No. 7) was determined based on arm's length negotiation between KDCR and Bluesea Data with reference to (i) the terms of the Sale Agreements (No. 7) including the fact that under the Sale Agreements (No. 7), the Subject Assets (No. 7) shall continue to be operated by Bluesea Data, which is experienced in operating the Subject Assets (No. 7); (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 (No. 7) which are all comparable to the Payment (No. 7); (iii) the location of the Premises (No. 7), i.e. the Subject Assets (No. 7) are located in Guangdong province in which there are advanced and accessible infrastructure for operation of the Subject Assets (No. 7); (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 (No. 7); (v) the income being generated from provision of services by utilising the Subject Assets (No. 7) will continue to be sufficient to cover the Payment (No. 7) in the future; and (vi) the payment under the lease agreements of the Previous Transaction.
- Security deposit** : RMB15,750,000 (equivalent to approximately HK\$18,317,000), which is equivalent to the first three months' Payment (No. 7).

LETTER FROM THE BOARD

- Early termination** : Bluesea Data is entitled to terminate the Lease Agreements (No. 7) on the date falling 12 years after the Rent Commencement Date (No. 7).
- 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 (No. 7), except for the amount of the Payment (No. 7) which shall be subject to mutual agreement.
- Pre-emptive right of purchase of the Subject Assets (No. 7) by Bluesea Data** : Bluesea Data shall have the pre-emptive right exercisable at the discretion of Bluesea Data to purchase the Subject Assets (No. 7) from KDCR on such terms to be agreed between Bluesea Data and KDCR. Bluesea Data's pre-emptive rights under all the Lease Agreements (No. 7) 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 (No. 7) are set out as follows:

- Date** : 20 June 2022
- Parties** : (1) Bluesea Mobile; and
(2) KDCR
- Term of the Guarantee Agreement (No. 7)** : The guarantee period of the Guarantee Agreement (No. 7) shall be nine months from the due date of Bluesea Data's debt and obligations under the Framework Agreement (No. 7).

LETTER FROM THE BOARD

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 (No. 7) including but not limited to (i) all amounts payable by Bluesea Data to KDCR under the Framework Agreement (No. 7); 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 (No. 7) (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 (No. 7).

The Sale Agreements (No. 7), the Lease Agreements (No. 7) and the Guarantee Agreement (No. 7) are entered into pursuant to the Framework Agreement (No. 7). If the conditions as set out in the section headed "Payment schedule and conditions" above are not fulfilled, the Sale and Lease Transaction (No. 7) may be terminated as stipulated under the section headed "Termination" above.

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

After the completion of the transactions under the Sale Agreements (No. 6), the Board expects that the Company will record a gain of approximately RMB62,460,000 (equivalent to approximately HK\$72,641,000) (unaudited) for the Sale Agreements (No. 6) after taking into account (i) the unaudited book value of the Subject Assets (No. 6) of RMB245,568,000 (equivalent to approximately HK\$285,596,000) as at 31 May 2022; (ii) the estimated costs to completion of the Subject Assets (No. 6); and (iii) transaction fees and other incidental costs attributable to the Sale and Lease Transaction (No. 6) of RMB445,000 (equivalent to approximately HK\$517,000). The actual gain to be recorded by the Company is subject to audit and will be assessed after the Completion (No. 6).

LETTER FROM THE BOARD

After the completion of the transactions under the Sale Agreements (No. 7), the Board expects that the Company will record a gain of approximately RMB59,349,000 (equivalent to approximately HK\$69,023,000) (unaudited) for the Sale Agreements (No. 7) after taking into account (i) the unaudited book value of the Subject Assets (No. 7) of RMB117,858,000 (equivalent to approximately HK\$137,068,000) as at 31 May 2022; (ii) the estimated costs to completion of the Subject Assets (No. 7); and (iii) transaction fees and other incidental costs attributable to the Sale and Lease Transaction (No. 7) of RMB445,000 (equivalent to approximately HK\$517,000). The actual gain to be recorded by the Company is subject to audit and will be assessed after the Completion (No. 7).

As a result of the Sale and Lease Transactions, it is expected that (i) the total assets of the Group will increase by RMB1,057,946,000 (equivalent to approximately HK\$1,230,391,000); and (ii) the total liabilities of the Group will increase by RMB936,137,000 (equivalent to approximately HK\$1,088,727,000). As the Subject Assets will continue to be used for the Group's business operations upon completion of the Sale and Lease Transactions, 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 net proceeds from the Sale (No. 6) and the Sale (No. 7) of approximately RMB1,381,000,000 (equivalent to approximately HK\$1,606,103,000) (after deducting VAT and other relevant expenses of approximately RMB139,000,000 (equivalent to approximately HK\$161,657,000)) as to (i) approximately RMB287,000,000 (equivalent to approximately HK\$333,781,000) to repay borrowings; (ii) approximately RMB710,000,000 (equivalent to approximately HK\$825,730,000) to complete the construction of the Subject Assets (No. 6) and the Subject Assets (No. 7); (iii) approximately RMB280,000,000 (equivalent to approximately HK\$325,640,000) to develop the Group's other data centres; and (iv) approximately RMB104,000,000 (equivalent to approximately HK\$120,952,000) as general working capital of the Group for meeting the daily operating and administrative expenses, including but not limited to staff costs and lease payments of the Group. It is expected that the net proceeds for item (i) above will be utilised within 10 business days after the Sale and Lease Transactions are approved by the Shareholders and the net proceeds for items (ii), (iii) and (iv) above will be utilised within 12 months after the Sale and Lease Transactions are approved by the Shareholders.

RIGHT-OF-USE ASSETS

The value of the right-of-use assets to be recognised by the Company under the Lease Agreements (No. 6) is estimated to be approximately RMB468,044,000 (equivalent to approximately HK\$544,335,000) (unaudited), being the present value of the aggregate Payment (No. 6) using the rate applicable at the commencement date of the Lease Agreements (No. 6) in accordance with HKFRS 16. The discount rate of approximately 7.96% is applied to compute the present value of the aggregate Payment (No. 6) under the Lease Agreements (No. 6).

LETTER FROM THE BOARD

The value of the right-of-use assets to be recognised by the Company under the Lease Agreements (No. 7) is estimated to be approximately RMB468,094,000 (equivalent to approximately HK\$544,393,000) (unaudited), being the present value of the aggregate Payment (No. 7) using the rate applicable at the commencement date of the Lease Agreements (No. 7) in accordance with HKFRS 16. The discount rate of approximately 7.96% is applied to compute the present value of the aggregate Payment (No. 7) under the Lease Agreements (No. 7).

REASONS FOR THE SALE AND LEASE TRANSACTIONS

The Group is principally engaged in provision of data centre services.

The Subject Assets are intended to be utilised for providing services to the telecommunication services providers in the PRC by the Group. The Directors expect that the income generated therefrom will be sufficient to cover the Payments and the Subject Assets will continue to generate considerable profit to the Group. The Directors are of the view that the Sale and Lease Transactions provide 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 utilise its resources and maximise the interests of the Company and the Shareholders as a whole. The Directors consider that the Sale and Lease Transactions were entered into after arm's length negotiation between KDCR and the Group, was on normal commercial terms and the Sale and Lease Transactions were fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Since the Previous Transaction was also entered into with KDCR within the previous 12-month period, the Previous Transaction and the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7) shall be aggregated under Rule 19.22 of the GEM Listing Rules.

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Sale and Lease Transaction (No. 6) on aggregate basis exceeds 100%, the Sale and Lease Transaction (No. 6) constitutes very substantial disposal and very substantial acquisition 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.

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 (No. 7) on aggregate basis exceeds 100%, the Sale and Lease Transaction (No. 7) constitutes very substantial disposal and very substantial acquisition 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.

LETTER FROM THE BOARD

VOTING UNDERTAKINGS

As at the Latest Practicable Date, (i) Dr. Lie beneficially and through Winner Mind and Golden Ocean in aggregate held 4,367,771,357 Shares; (ii) Mr. Yan beneficially held 504,832,000 Shares; and (iii) Ms. Wong (spouse of Mr. Yan) beneficially held 106,702,000 Shares. Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong together beneficially held 4,979,305,357 Shares, representing approximately 52.29% of the entire issued share capital of the Company.

Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong have irrevocably undertaken, subject to any applicable law and regulations, that: (i) they will not sell, transfer or otherwise dispose of the Shares owned by them up to and including the date of the EGM; and (ii) they will vote all of the Shares beneficially held by them in favour of the resolutions in relation to the Sale and Lease Transactions to be proposed at the EGM.

EGM

The EGM will be held at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 2 August 2022 at 10:30 a.m. for the Shareholders to consider and approve, if thought fit, among other things, the agreements executed pursuant to the Sale and Lease Transactions and the transactions contemplated thereunder or any adjournment thereof (as the case may be).

A notice convening the EGM and a form of proxy for use by the Shareholders at the EGM are enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event no later than 48 hours before the appointed time for holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

In compliance with the GEM Listing Rules, all resolution(s) put to vote at the EGM will be decided by way of poll.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Lease Transactions. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Sale and Lease Transactions.

LETTER FROM THE BOARD

RECOMMENDATION FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Lease Transactions and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

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 Transactions are subject to a number of conditions being satisfied, and consequently the Sale and Lease Transactions 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 2019, 2020 and 2021 and the three months ended 31 March 2022 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 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>
- Annual report for the year ended 31 December 2021
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0503/2022050302554.pdf>
- First quarterly report for the three months ended 31 March 2022
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0513/2022051300933.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2022, 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		
Portion of bank loans, secured and guaranteed	<i>a</i>	
– repayable within one year		94,371
– repayable after one year which contain a repayment on demand clause		861,925
Portion of bank loans, unsecured and guaranteed	<i>b</i>	
– repayable within one year		1,177
– repayable after one year which contain a repayment on demand clause		<u>10,590</u>
Total bank loans		<u><u>968,063</u></u>

	<i>Notes</i>	<i>HK\$'000</i>
Other loans		
Portion of other loans, secured and guaranteed	<i>c</i>	
– repayable within one year		73,901
– repayable after one year which contain a repayment on demand clause		249,343
Portion of other loans, unsecured and unguaranteed		
– repayable within one year		75,454
– repayable after one year which contain a repayment on demand clause		<u>111,253</u>
Total other loans		<u><u>509,951</u></u>
Total borrowings	<i>d</i>	<u><u>1,478,014</u></u>

Notes:

- a) 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\$998,581,000 and certain properties of companies substantially owned by Dr. Lie.
- b) 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.
- c) The Group's other loans are guaranteed by Dr. Lie, Mr. Wang and Ms. TAO Huiqin, spouse of Mr. Wang, and secured by the Group's properties, plant and equipment with net book value of approximately HK\$439,895,000, accounts receivable with carrying value of approximately HK\$38,591,000 and equity interest of a subsidiary of the Company with carrying value of approximately HK\$102,444,000.
- d) All of the borrowings are denominated in RMB.

Lease liabilities

As at 31 May 2022, the Group had lease liabilities relating to lease obligations of properties of approximately HK\$609,354,000.

Contingent liabilities

As at 31 May 2022, 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 May 2022.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources and banking facilities available to the Group and its internal generated funds and the Sale and Lease Transaction (No. 6) and the Sale and Lease Transaction (No. 7), 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

During the year ended 31 December 2021, the Group's operations mainly are the 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 2021, the Group operated three data centres with an aggregate of 4,680 server cabinets in service. The Group also operated an aggregate of approximately 4,503 server cabinets that were leased from third parties. In addition, the Group had a further three new self-developed data centres with an aggregate of 27,189 server cabinets under construction. During the year ended 31 December 2021, revenue from the provision of data centre services was approximately HK\$604.7 million (2020: HK\$324.7 million), representing an increase of approximately HK\$280.0 million or 86.2% as compared to the same period in last year. The increase was mainly attributable to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre and Shanghai Baoshan Data Centre and the increase in number of server cabinets available for service in Guangzhou (Nanxiang) Cloud Data Centre which contributed additional revenue to the Group. With the increasing number of server cabinets in the Group's self-owned data centres, the Group has gradually relocated servers of certain customers from leased server cabinets to its self-owned data centres in the same region in order to increase profitability. As the server cabinets available for service are not fully utilised and the construction of approximately 24,000 server cabinets is expected to complete in the next two years, financial performance of the Group is expected to improve substantially.

With respect to the trading of telecommunication products segment, due to the cessation of the Group's trading of mobile device business in Hong Kong since the first quarter of 2020 and the change of the Group's business focus to the provision of data centre services, revenue from the trading of telecommunication products for the year under review was approximately HK\$0.5 million (2020: HK\$115.8 million), representing a decrease of 99.6% year-on-year.

The Group also engaged in other business that consisted of system integration services and leasing of properties; the revenue, results and assets of which were individually immaterial to the Group. During the year ended 31 December 2021, revenue from others was approximately HK\$9.9 million (2020: HK\$24.5 million), representing a decrease of 59.6% year-on-year which was mainly due to the decrease in provision of system integration services income and provision of bus services income.

Year 2022 started with some significant events that may impact the Chinese economy, such as the resurgence of domestic COVID-19 cases and geopolitical tension that would inflate energy prices. Growth of the Chinese economy is expected to slow down in 2022. 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, the demand for high quality data centres will continuously increase at least over the next five years.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For The Year Ended 31 December 2019

Review And Analysis

During the year ended 31 December 2019, the Group's operations mainly comprise sales of telecommunication products and services and operation of internet finance platform business.

Sale Of Telecommunications Products And Services

During the year under review, the revenue of sale of telecommunication products and services business was approximately HK\$788.8 million (2018: HK\$2,460.3 million). Sale of telecommunication products and services represented trading of telecommunication products, provision of Internet data center ("IDC"), Wi-Fi, system integration and value added Internet services and software development in mainland China and Hong Kong.

The decrease in revenue was mainly due to the downturn and keen competition of the global mobile business environment and the decrease in consultancy fee income in relation to IDC services and Wi-Fi, system integration and software development services during the year ended 31 December 2019.

Internet Finance Platform Business

As 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co., Ltd.*) (“**Bees Financial**”) has limited its operation to collecting debts from borrowers for repayment to the investors, Bees Financial did not generate any revenue (2018: HK\$43.9 million) for the year ended 31 December 2019.

Financial Highlights

	2019
Revenue (HK\$'000)	817,141
Net loss (HK\$'000)	(115,643)
Loss attributable to owners of the Company (HK\$'000)	(94,550)
Basic loss earnings per share (HK Cents)	<u>(0.99)</u>

For the year under review, the Group recorded a revenue of approximately HK\$817.1 million (2018: HK\$2,529.1 million), representing a decrease of approximately HK\$1,712.0 million or 67.7% as compared to the year ended 31 December 2018. The decrease in revenue was mainly due to the downturn and keen competition of the global mobile business environment and the decrease in consultancy fee income in relation to IDC services and Wi-Fi, system integration and software development services during the year ended 31 December 2019. The Group recorded a loss attributable to owners of the Company of approximately HK\$94.6 million for the year ended 31 December 2019 (2018: HK\$84.4 million), primarily due to (i) the write-off of the entire goodwill and intangible assets of approximately HK\$15.2 million and HK\$39.5 million respectively in relation to Million Ace Limited and its subsidiaries (collectively, “**Million Ace Group**”) and its sales telecommunication products and services business; and (ii) the significant decrease in revenue due to the aforesaid reasons.

Financial Position

As at 31 December 2019, the Group had interest-bearing bank borrowings of approximately HK\$1,081.4 million (2018: HK\$682.3 million), which are analyzed as follows:

	2019
	<i>HK\$'000</i>
Short term bank borrowings, secured	226,853
Portion of term loan from bank, secured	
– repayable within one year	52,142
– repayable after one year which contain a repayment on demand clause	<u>802,454</u>
Total borrowings	<u><u>1,081,449</u></u>

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's bank borrowings at the end of the financial year (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2019
	<i>HK\$'000</i>
Amounts of bank borrowings that are repayable:	
– within 1 year	278,995
– between 1 and 2 years	79,320
– between 2 and 5 years	331,540
– beyond 5 years	<u>391,594</u>
Total borrowings	<u><u>1,081,449</u></u>

The interest-bearing bank borrowings are denominated in Renminbi and at floating rates.

As at 31 December 2019, the Group had current assets of approximately HK\$331.6 million (2018: HK\$495.2 million), including cash and cash equivalents of approximately HK\$17.9 million (2018: HK\$36.7 million), accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK\$308.8 million (2018: HK\$453.4 million); and current liabilities of approximately HK\$1,291.5 million (2018: HK\$938.9 million). The Group's current ratio had been decreased from approximately 0.53 times as at 31 December 2018 to approximately 0.26 times as at 31 December 2019.

The Group had total assets of approximately HK\$2,558.0 million (2018: HK\$2,318.2 million) and total liabilities of approximately HK\$1,370.9 million (2018: HK\$992.6 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 53.6% as at 31 December 2019 (2018: 42.8%).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2019, total available banking facilities of the Group amounted to approximately HK\$1,587.6 million from China Construction Bank Corporation (“CCB”), which is mainly for the construction cost of the “Bluesea Intelligence Valley” located in Heshan City. The aforesaid banking facilities will expire in 2028 and the unutilised amount was approximately HK\$517.3 million. Due to the repayment on demand clause of the aforesaid banking facilities, which is a general term of banking facilities granted by CCB, the long term bank loans of approximately HK\$1,070.3 million drawn from the aforesaid banking facilities are classified as current liabilities in the statement of financial position as at 31 December 2019.

Besides, bank loans with carrying amount of approximately HK\$223.5 million as at 31 December 2019 that is repayable within one year after the end of the reporting period, will be refinanced with CCB upon maturity under the aforesaid CCB's banking facilities.

Commitments

Details of commitments of the Group were set out below.

31 December

2019

HK\$'000

Commitments contracted for but not provided in the consolidated financial statements in respect of	
– Property, plant and equipment	642,361
– Capital contribution to an associate (<i>Note i</i>)	–
– Capital contribution to a joint venture (<i>Note ii</i>)	–
	–

Note:

- (i) On 24 April 2015, 廣東蔚海科技發展有限公司 (Guangdong Bluesea Technology Development Company Limited)* (“**Guangdong Bluesea Technology**”), a wholly owned subsidiary of the Company, entered into a joint venture agreement (the “**JV agreement**”) with 山東浪潮雲海雲計算產業投資有限公司 (Shandong Inspur Cloud Computing Industry Investment Company Limited) (“**Inspur Cloud Computing**”) pursuant to which Guangdong Bluesea Technology and Inspur Cloud Computing agreed to establish a joint venture (the “**JV Company**”) to mainly engage in the applications of cloud computing and e commerce businesses. Pursuant to the JV agreement, the amount of registered share capital of the JV Company shall be RMB20,000,000 while Inspur Cloud Computing shall account for a capital contribution of RMB12,000,000 and Guangdong Bluesea Technology shall account for a capital contribution of RMB8,000,000. Upon the completion of the capital contribution of the parties, the JV Company shall be owned as to 60% by Inspur Cloud Computing and 40% by Guangdong Bluesea Technology and is accounted for as an associate to the Group. During the year ended 31 December 2019, the Group disposed of its entire interest in 廣東波潮蔚海雲計算有限公司.
- (ii) On 19 June 2017, Guangdong Bluesea Mobile Development Co., Ltd. (“**Guangdong Bluesea**”), the equity interest of which is controlled by the Company through structured contracts, and China National Offshore Oil Information Technology Limited (“**CNOOIT**”) entered into a joint venture agreement (the “**JV Agreement**”). Pursuant to the JV Agreement, the amount of registered share capital of the joint venture (“**JV Company**”) shall be RMB50,000,000 while CNOOIT shall account for a capital contribution of RMB24,500,000 and Guangdong Bluesea shall account for a capital contribution of RMB25,500,000. As at 31 December 2018, Guangdong Bluesea has contributed RMB500,000 (2017: RMB500,000) to the JV company. During the year ended 31 December 2019, the Group disposed of its entire interest in 海油發展.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

Charge On Assets

As at 31 December 2019, bank borrowings of approximately HK\$155.3 million (2018: HK\$182.2 million) were secured by properties of the Group. As at 31 December 2019, the assets pledged to secure certain bank borrowings granted to the Group amounted to approximately HK\$80.9 million (2018: HK\$86.9 million).

Foreign Exchange Exposure And Treasury Policies

Most of the Group's cash balances and transactions are either denominated in Renminbi, United States dollars and Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 December 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Employees And Remuneration Policies

As at 31 December 2019, the Group had approximately 310 staff (2018: 378). The total remuneration, including that of the Directors, for the year under review is approximately HK\$44.2 million (2018: HK\$68.7 million, which includes share-based payments of approximately HK\$17.2 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

Significant Investments

The Group held no significant investment during the year ended 31 December 2019.

Material Acquisitions And Disposals Of Subsidiaries, Associates And Joint Ventures

Save as disclosed below, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

Disposal of Million Ace Group

On 26 September 2019, an indirectly wholly-owned subsidiary of the Company entered into a sales and purchase agreement to dispose its 100% interest in Million Ace Group. Pursuant to the agreement, the purchaser has agreed to purchase the sale shares at a consideration of HK\$10,000,000. The principal activity of Million Ace Group is trading of telecommunication products. The disposal was completed on 30 September 2019.

Future Plans For Material Investments And Expected Sources Of Funding

Other than the contracted acquisitions of property, plant and equipment in relation to the development of the Group's data centres as disclosed under the section "Commitments" above, the Group had no future plans for material investments as at 31 December 2019. Such investments would be financed by borrowings and internal resources.

For The Year Ended 31 December 2020***Review And Analysis***

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.

Provision Of Data Centre Services

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 year under review, 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, and is analysed as follows:

	2020
	<i>HK\$'000</i>
Self-developed data centres	153,861
Server cabinets leased from third parties	<u>170,824</u>
Total	<u><u>324,685</u></u>

Trading Of Telecommunication Products

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 year under review, the Group did not receive any purchase order from its customers under the trading of mobile device business in Hong Kong. In addition, albeit ongoing negotiation with the Group's suppliers since 2019, it was still unable to secure the supply of 5G mobile devices that the Group considered to be a major source of revenue from the trading of mobile device business in Hong Kong. In light of the above, the Board resolved to cease the trading of mobile device business in Hong Kong during the year under review.

During the year under review, 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.

Others

Others mainly consist of internet finance platform business, provision of bus services and system integration services and leasing of properties; the revenue, results and assets of which are individually immaterial to the Group.

During the year under review, the Group's Internet finance platform business did not generate any revenue (2019: Nil). Since the third quarter of 2018, 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co. Ltd.)*(“**Bees Financial**”) has limited its operation to collecting debts from borrowers and repaying the investors and no new loans have been transacted through its platform in order to comply with the relevant rules and regulations.

Due to the above reasons and in order to save costs of debt collection and to realise the investment in Bees Financial, the Group disposed of Bees Financial to an independent third party for a consideration of HK\$1,126,000 in the third quarter of 2020. The Group recorded a gain on disposal of approximately HK\$6,225,000.

During the year under review, 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.

Financial Performance

	2020
Revenue (<i>HK\$'000</i>)	464,908
Net loss (<i>HK\$'000</i>)	(127,571)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(110,344)
Basic loss earnings per share (<i>HK Cents</i>)	<u>(1.16)</u>

For the year under review, the Group recorded a revenue of approximately HK\$464.9 million (2019: HK\$817.1 million), representing a decrease of approximately HK\$352.2 million or 43.1% as compared to the year ended 31 December 2019. The decrease in revenue was mainly due to the decrease in revenue from the trading of mobile device business in Hong Kong which was ceased in March 2020.

The Group recorded a loss attributable to owners of the Company of approximately HK\$110.3 million for the year ended 31 December 2020 (2019: HK\$94.6 million), representing an increase of approximately HK\$15.7 million or 16.6% year-on-year, primarily due to the decrease in gain on disposal of subsidiaries by approximately HK\$25.8 million to approximately HK\$2.5 million (2019: HK\$28.3 million).

Financial Position

As at 31 December 2020, the Group had interest-bearing borrowings of approximately HK\$1,601.1 million (2019: HK\$1,081.4 million), which are analysed as follows:

	2020
	<i>HK\$'000</i>
Bank loans	
Short-term bank borrowing, secured and guaranteed	–
Short-term bank borrowing, unsecured and unguaranteed	3,576
Portion of bank loans, secured and guaranteed	
– repayable within one year	79,922
– repayable after one year which contain a repayment on demand clause	1,035,672
Portion of bank loans, unsecured and guaranteed	
– repayable within one year	7,807
– repayable after one year which contain a repayment on demand clause	5,244
Portion of bank loans, secured and unguaranteed	
– repayable after one year which contain a repayment on demand clause	<u>182,361</u>
Total bank loans	<u><u>1,314,582</u></u>
Other loans	
Portion of other loans, secured and guaranteed	
– repayable within one year	27,486
– repayable after one year which contain a repayment on demand clause	119,055
Portion of bank loans, unsecured and unguaranteed	
– repayable within one year	38,935
– repayable after one year which contain a repayment on demand clause	<u>101,064</u>
Total other loans	<u><u>286,540</u></u>
Total borrowings	<u><u>1,601,122</u></u>

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's borrowings at the end of the financial year (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2020
	<i>HK\$'000</i>
Amounts of bank loans that are repayable:	
– within 1 year	91,305
– between 1 and 2 years	134,274
– between 2 and 5 years	543,733
– beyond 5 years	<u>545,270</u>
Total bank borrowings	<u><u>1,314,582</u></u>
Amounts of other loans that are repayable:	
– within 1 year	66,421
– between 1 and 2 years	60,555
– between 2 and 5 years	159,564
– beyond 5 years	<u>–</u>
Total other loans	<u><u>286,540</u></u>
Total borrowings	<u><u>1,601,122</u></u>

The borrowings are denominated in Renminbi and bear interest at floating rates.

As at 31 December 2020, the Group had current assets of approximately HK\$285.4 million (2019: HK\$331.6 million), including cash and cash equivalents of approximately HK\$31.1 million (2019: HK\$17.9 million), accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK\$251.9 million (2019: HK\$308.8 million); and current liabilities of approximately HK\$2,050.8 million (2019: HK\$1,291.5 million). The Group's current ratio had been decreased from approximately 0.26 times as at 31 December 2019 to approximately 0.14 times as at 31 December 2020.

The Group had total assets of approximately HK\$3,437.2 million (2019: HK\$2,558.0 million) and total liabilities of approximately HK\$2,336.2 million (2019: HK\$1,370.9 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 68.0% as at 31 December 2020 (2019: 53.6%).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2020, total available banking facilities of the Group of approximately HK\$1,989.1 million, which were mainly granted by (i) China Construction Bank Corporation (“CCB”); (ii) Industrial and Commercial Bank of China Limited (“ICBC”) and (iii) China Merchants Bank Company Limited (“CMB”) are detailed below.

			Banking Facilities	
Name of Bank	Purpose of Banking Facilities	Expiry Date	Total Amount	Unutilised Amount as at 31 December 2020
			<i>HK\$'million</i>	<i>HK\$'million</i>
CCB	Construction of Bluesea Intelligence Valley Mega Data Centre	August 2028	1,454.1	517.3
ICBC	Construction of Bluesea Intelligence Valley Mega Data Centre	December 2032	273.6	94.8
CMB	Construction of Shenzhen Guanlan Flagship Data Centre	June 2026	243.5	61.1
Others	General working capital	Between November 2021 and May 2022	17.9	1.3
			<u>1,989.1</u>	<u>674.5</u>

Due to the repayment on demand clause of the banking facilities, which is a general term of banking facilities granted by the aforesaid banks, the long-term bank loans of approximately HK\$1,223.3 million drawn from the aforesaid banking facilities are classified as current liabilities in the consolidated statement of financial position as at 31 December 2020.

Commitments

Details of commitments of the Group were set out below.

	31 December 2020
	<i>HK\$'000</i>
Commitments contracted for but not provided in the consolidated financial statements in respect of	
– Property, plant and equipment	<u>828,762</u>

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Charge On Assets

As at 31 December 2020, bank loans of approximately HK\$1,115.6 million (2019: HK\$1,070.3 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$1,077.1 million (2019: HK\$667.6 million).

As at 31 December 2020, other loans of approximately HK\$146.5 million (2019: Nil) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$128.0 million (2019: Nil) and accounts receivable with carrying value of approximately HK\$30.4 million (2019: Nil).

Except for the aforesaid, there were no material charges on the Group's assets as at 31 December 2020.

Foreign Exchange Exposure And Treasury Policies

Most of the Group's cash balances and transactions are either denominated in Renminbi, United States dollars and Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 December 2020. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Employees And Remuneration Policies

As at 31 December 2020, the Group had approximately 242 staff (2019: 310). The total remuneration, including that of the Directors, for the year under review is approximately HK\$44.3 million (2019: HK\$44.2 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

Significant Investments

The Group held no significant investment during the year ended 31 December 2020.

Material Acquisitions And Disposals Of Subsidiaries, Associates And Joint Ventures

Save as disclosed below, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

Change in ownership interests in GZ Yizi

During the year ended 31 December 2020, the Group acquired 30% equity interests of Guangzhou Yizi Internet Technology Co., Ltd.* (廣州市羿資互聯網科技有限公司) (“**GZ Yizi**”) from the non-controlling shareholder of GZ Yizi at a consideration of RMB18,700,000 (equivalent to approximately HK\$21,265,640), which resulted in the Group’s effective equity interests of 54% (2019: 36%) in GZ Yizi.

Future Plans For Material Investments And Expected Sources Of Funding

Other than the contracted acquisitions of property, plant and equipment in relation to the development of the Group’s data centres as disclosed under the section “Commitments” above, the Group had no future plans for material investments as at 31 December 2020. Such investments would be financed by borrowings and internal resources.

For The Year Ended 31 December 2021***Review And Analysis***

During the year ended 31 December 2021, the Group’s operations mainly are the provision of data centre services and trading of telecommunication products.

Provision Of Data Centre Services

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 2021, the Group operated three data centres with an aggregate of 4,680 server cabinets in service. The Group also operated an aggregate of approximately 4,503 server cabinets that were leased from third parties. In addition, the Group had a further three new self-developed data centres with an aggregate of 27,189 server cabinets under construction.

During the year under review, revenue from the provision of data centre services was approximately HK\$604.7 million (2020: HK\$324.7 million), representing an increase of approximately HK\$280.0 million or 86.2% as compared to the same period in last year. The increase was mainly attributable to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre and Shanghai Baoshan Data Centre and the increase in number of server cabinets available for service in Guangzhou (Nanxiang) Cloud Data Centre which contributed additional revenue to the Group, and the revenue is analysed as follows:

	2021
	<i>HK\$'000</i>
Self-developed data centres	493,665
Server cabinets leased from third parties	<u>111,067</u>
Total	<u><u>604,732</u></u>

Trading Of Telecommunication Products

Due to the cessation of the Group's trading of mobile device business in Hong Kong since the first quarter of 2020 and the change of the Group's business focus to the provision of data centre services, revenue from the trading of telecommunication products for the year under review was approximately HK\$0.5 million (2020: HK\$115.8 million), representing a decrease of 99.6% year-on-year.

Others

Others mainly consist of provision of system integration services and leasing of properties (2020: Others mainly consisted of the provision of system integration services, the provision of bus services and leasing of properties); the revenue, results and assets of which are individually immaterial to the Group.

During the year under review, revenue from others was approximately HK\$9.9 million (2020: HK\$24.5 million), representing a decrease of 59.6% year-on-year which was mainly due to the decrease in provision of system integration services income and provision of bus services income.

Financial Performance

	2021
Revenue (<i>HK\$'000</i>)	615,174
Net loss (<i>HK\$'000</i>)	(71,356)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>(62,667)</u>
Basic loss earnings per share (<i>HK Cents</i>)	<u><u>(0.66)</u></u>

For the year under review, the Group recorded a revenue of approximately HK\$615.2 million (2020: HK\$464.9 million), representing an increase of approximately HK\$150.3 million or 32.3% as compared to the year ended 31 December 2020. The increase in revenue was mainly due to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre and Shanghai Baoshan Data Centre and the increase in number of server cabinets available for service in Guangzhou (Nanxiang) Cloud Data Centre which counteracted the impact of the decrease in revenue from the trading of mobile device business in mainland China.

The Group recorded a loss attributable to owners of the Company of approximately HK\$62.7 million for the year ended 31 December 2021 (2020: HK\$110.3 million), representing an decrease of approximately HK\$47.6 million or 43.2% year-on-year. The decrease in loss for the year is mainly due to the net effect of: (1) increase in revenue from the provision of data centre services, (2) no impairment loss on intangible asset in respect of the trading of telecommunication products business in mainland China for the year ended 31 December 2021 (2020: HK\$33.4 million); (3) the increase in finance costs of approximately HK\$29.8 million compared to the year ended 31 December 2020; and (4) increase in gain arising from the Previous Transaction of approximately HK\$33.3 million (2020: HK\$Nil).

Other Financial Information

	For the year ended 31 December 2021 HK\$'000
EBITDA (a)	100,939
EBITDA margin (b)	16.4%

Note:

- (a) EBITDA is defined as profit or loss for the year excluding net interest income or expenses, income tax expense or credit, depreciation and amortization.
- (b) EBITDA margin is calculated by dividing EBITDA by revenue.

Financial Position

As at 31 December 2021, the Group had interest-bearing borrowings of approximately HK\$1,841.8 million (2020: HK\$1,601.1 million), which are analysed as follows:

	2021
	<i>HK\$'000</i>
Bank loans	
Short-term bank borrowing, unsecured and guaranteed	–
Portion of bank loans, secured and guaranteed	
– repayable within one year	98,205
– repayable after one year which contain a repayment on demand clause	915,079
Portion of bank loans, unsecured and guaranteed	
– repayable within one year	5,388
– repayable after one year which contain a repayment on demand clause	–
Portion of bank loans, secured and unguaranteed	
– repayable within one year	48,782
– repayable after one year which contain a repayment on demand clause	<u>201,383</u>
Total bank loans	<u><u>1,268,837</u></u>
Other loans	
Portion of other loans, secured and guaranteed	
– repayable within one year	70,083
– repayable after one year which contain a repayment on demand clause	285,437
Portion of other loans, unsecured and unguaranteed	
– repayable within one year	94,993
– repayable after one year which contain a repayment on demand clause	<u>122,450</u>
Total other loans	<u><u>572,963</u></u>
Total borrowings	<u><u>1,841,800</u></u>

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's borrowings at the end of the financial year (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2021
	<i>HK\$'000</i>
Amounts of bank loans that are repayable:	
– within 1 year	152,375
– between 1 and 2 years	167,131
– between 2 and 5 years	623,516
– beyond 5 years	<u>325,815</u>
Total bank borrowings	<u><u>1,268,837</u></u>
Amounts of other loans that are repayable:	
– within 1 year	165,076
– between 1 and 2 years	113,110
– between 2 and 5 years	209,268
– beyond 5 years	<u>85,509</u>
Total other loans	<u><u>572,963</u></u>
Total borrowings	<u><u>1,841,800</u></u>

The borrowings are denominated in Renminbi and bear interest at floating rates.

As at 31 December 2021, the Group had current assets of approximately HK\$415.9 million (2020: HK\$285.4 million), including cash and cash equivalents of approximately HK\$20.2 million (2020: HK\$31.1 million), accounts receivable, prepayments, deposits and other receivables and other financial assets of approximately HK\$387.4 million (2020: HK\$251.9 million); and current liabilities of approximately HK\$2,527.3 million (2020: HK\$2,050.8 million). The Group's current ratio had been increased from approximately 0.14 times as at 31 December 2020 to approximately 0.16 times as at 31 December 2021.

The Group had total assets of approximately HK\$4,439.2 million (2020: HK\$3,437.2 million) and total liabilities of approximately HK\$3,380.9 million (2020: HK\$2,336.2 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 76.2% as at 31 December 2021 (2020: 68.0%).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2021, total available banking facilities of the Group of approximately HK\$2,513.1 million, which were mainly granted by (i) China Construction Bank Corporation (“CCB”); (ii) Industrial and Commercial Bank of China Limited (“ICBC”); (iii) China Merchants Bank Company Limited (“CMB”); and (iv) Xiamen International Bank (“XMBANK”) are detailed below.

Banking Facilities				
Name of Bank	Purpose of Banking Facilities	Expiry Date	Total Amount	Unutilised Amount as at 31 December 2021
			<i>HK\$ million</i>	<i>HK\$ million</i>
CCB	Construction of Bluesea Intelligence Valley Mega Data Centre	August 2028	1,493.9	1,024.3
ICBC	Construction of Bluesea Intelligence Valley Mega Data Centre	Between June 2032 and December 2032	579.2	219.2
CMB	Construction of Shenzhen Guanlan Flagship Data Centre	June 2026	250.2	–
XMBANK	Construction of Bluesea Intelligence Valley Mega Data Centre	October 2024	183.7	–
Others	General working capital	May 2022	<u>6.1</u>	<u>0.7</u>
			<u>2,513.1</u>	<u>1,244.2</u>

Due to the repayment on demand clause of the banking facilities, which is a general term of banking facilities granted by the aforesaid banks, the long-term bank loans of approximately HK\$1,116.5 million drawn from the aforesaid banking facilities are classified as current liabilities in the consolidated statement of financial position as at 31 December 2021.

Commitments

Details of commitments of the Group were set out below.

	2021
	<i>HK\$'000</i>
Commitments contracted for but not provided in the consolidated financial statements in respect of	
– Property, plant and equipment	<u>259,800</u>

Contingent Liabilities

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

Charge On Assets

As at 31 December 2021, bank loans of approximately HK\$1,263.4 million (2020: HK\$1,115.6 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$980.0 million (2020: HK\$1,077.1 million).

As at 31 December 2021, other loans of approximately HK\$355.5 million (2020: HK\$146.5 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$463.9 million (2020: HK\$128.0 million) and accounts receivable with carrying value of approximately HK\$37.5 million (2020: HK\$30.4 million).

Except for the aforesaid, there were no material charges on the Group's assets as at 31 December 2021.

Foreign Exchange Exposure And Treasury Policies

Most of the Group's cash balances and transactions are either denominated in Renminbi, United States dollars and Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 December 2021. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Employees And Remuneration Policies

As at 31 December 2021, the Group had approximately 243 staff (2020: 242). The total remuneration, including that of the Directors, for the year under review is approximately HK\$55.1 million (2020: HK\$44.3 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

Significant Investments

The Group held no significant investment during the year ended 31 December 2021.

Material Acquisitions And Disposals Of Subsidiaries, Associates And Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Future Plans For Material Investments And Expected Sources Of Funding

Other than the contracted acquisitions of property, plant and equipment in relation to the development of the Group's data centres as disclosed under the section "Commitments" above, the Group had no future plans for material investments as at 31 December 2021. Such investments would be financed by borrowings and internal resources.

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 5.67 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	2,275,848,000	23.90%
	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 5.67 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 2021, 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	504,832,000	5.30%
	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 issued 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 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**”);
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) the sale and purchase agreement between Guangdong Utrust Financial Leasing Company Limited* (廣東粵財金融租賃股份有限公司)(“**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;

- (vii) 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;
- (viii) 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;
- (ix) the guarantee agreement between Lessor A and Bluesea Mobile dated 30 October 2020;
- (x) the accounts receivable pledge agreement between Guangzhou Yizi and Lessor A dated 30 October 2020;
- (xi) the accounts receivable pledge agreement between Guangzhou Zituo and Lessor A dated 30 October 2020;
- (xii) the equity interest pledge agreement between Lessor A and Guangzhou Zituo dated 30 October 2020;
- (xiii) 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;
- (xiv) the guarantee agreement between Lessor B and Bluesea Mobile dated 30 October 2020;
- (xv) the accounts receivable pledge agreement between Bluesea Cloud Data and Lessor B dated 30 October 2020;
- (xvi) the accounts receivable pledge agreement between Bluesea Mobile and Lessor B dated 30 October 2020;
- (xvii) 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;

- (xviii) 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 Energy Company Limited* (合動力能源有限公司) (“**United Power**”) and Guangdong Bluesea Data Development Company Limited* (廣東蔚海數據發展有限公司) (“**Bluesea Data**”) dated 31 March 2021 in relation to the sale and purchase of data centre equipment at a consideration of RMB293 million;
- (xix) 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;
- (xx) 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;
- (xxi) 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;
- (xxii) the guarantee agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxiii) the accounts receivable pledge agreement between Shanghai Yunting and Lessor B dated 21 June 2021;
- (xxiv) the equity interest pledge agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxv) the framework agreement among Bluesea Data, Bluesea Mobile and KDCR dated 26 July 2021;
- (xxvi) the seven sale and purchase agreements between KDCR and Bluesea Data dated 26 July 2021;
- (xxvii) the transfer agreement of facilities and equipment between KDCR and Bluesea Data dated 26 July 2021;
- (xxviii) the development consultancy agreement between KDCR and Bluesea Mobile dated 26 July 2021;
- (xxix) the premises lease agreement between KDCR and Bluesea Data dated 26 July 2021;

- (xxx) the facilities and equipment lease agreement between KDCR and Bluesea Data dated 26 July 2021;
- (xxxi) the property auxiliary and supporting facilities lease agreement between KDCR and Bluesea Data dated 26 July 2021;
- (xxxii) the guarantee agreement between KDCR and Bluesea Mobile dated 26 July 2021;
- (xxxiii) 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**”);
- (xxxiv) 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;
- (xxxv) the guarantee agreement between Lessor C and Bluesea Mobile dated 27 August 2021;
- (xxxvi) the guarantee agreement between Lessor C and Guangzhou Zituo dated 27 August 2021;
- (xxxvii) the sale and purchase agreement between Lessor A, Guangzhou Yuantian Energy Technology Co., Ltd.* (廣州元天能源科技有限公司)(“**GZ Yuantian**”) and Bluesea Data dated 25 January 2022 pursuant to which Lessor A agreed to purchased leased assets from GZ Yuantian at the request of Bluesea Data for a total consideration of RMB300,000,650;
- (xxxviii) the finance lease agreement between Lessor A and Bluesea Data dated 25 January 2022 pursuant to which Lessor A agreed to purchased leased assets from GZ Yuantian at the request of Bluesea Data for a total consideration of RMB300,000,650 and Lessor A agreed to lease the leased assets to Bluesea Data;
- (xxxix) the sale and purchase agreement dated 10 March 2022 entered into among Shenzhen Pengyu Data Technology Co., Ltd.* (深圳鵬裕數據科技有限公司), GDS (Shanghai) Investment Co., Ltd.* (萬數(上海)投資有限公司), EDSUZ (HK) Limited, Guangzhou Zituo Technology Company Limited* (廣州市資拓科技有限公司), Bluesea Mobile, Mr. WANG Kun* (王坤) and Shenzhen Zituo Yunqi Technology Company Limited* (深圳市資拓雲啟科技有限公司) in relation to the disposal of the entire equity interest of Shenzhen Zituo Yunqi Technology Company Limited* (深圳市資拓雲啟科技有限公司);
- (xl) the Framework Agreement (No. 6);
- (xli) the Transfer Agreement of Facilities and Equipment (No. 6);

- (xlii) the Development Consultancy Agreement (No. 6);
- (xliii) the Premises Lease Agreement (No. 6);
- (xliv) the Facilities and Equipment Lease Agreement (No. 6);
- (xlv) the Property Auxiliary and Supporting Facilities Lease Agreement (No. 6);
- (xlvi) the Guarantee Agreement (No. 6);
- (xlvii) the Framework Agreement (No. 7);
- (xlviii) the Transfer Agreement of Facilities and Equipment (No. 7);
- (xlix) the Development Consultancy Agreement (No. 7);
- (l) the Premises Lease Agreement (No. 7);
- (li) the Facilities and Equipment Lease Agreement (No. 7);
- (lii) the Property Auxiliary and Supporting Facilities Lease Agreement (No. 7); and
- (liii) the Guarantee Agreement (No. 7).

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 (in insolvency administration) 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. As Bluesea Mobile has submitted all the documents requested by the insolvency administrator of Gangju, 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 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

A copy of each of the Sale and Lease Agreements (No. 6), the Guarantee Agreement (No. 6), the Sale and Lease Agreements (No. 7) and the Guarantee Agreement (No. 7) will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.neo-telemedia.com) for a period of 14 days from the date of this circular.

9. 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 48, 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 a Justice of the Peace for New South Wales in Australia.

Mr. Zhang is currently a partner of Accentor Associates Pty Limited (“**Accentor**”). 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 39, 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 60, 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., a 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**EGM**”) of Neo Telemedia Limited (the “**Company**”) will be held at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 2 August 2022 at 10:30 a.m. to consider and, if thought fit, pass the following resolutions of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 18 July 2022.

ORDINARY RESOLUTIONS

“THAT:

1. (a) the Sale and Lease Agreements (No. 6) and the Guarantee Agreement (No. 6) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one Director be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company and to take such steps as he/she may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the aforesaid agreement(s) and all transactions contemplated thereunder;
2. (a) the Sale and Lease Agreements (No. 7) and the Guarantee Agreement (No. 7) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one Director be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company and to take such steps as he/she may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the aforesaid agreement(s) and all transactions contemplated thereunder.”

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

Hong Kong, 18 July 2022

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the branch share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the EGM.
3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof, should he/she so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally, by proxy, in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
5. As required under the GEM Listing Rules, the above resolutions will be decided by way of poll.
6. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be Monday, 1 August 2022. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 1 August 2022.

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account of the recent development of the global pandemic caused by the novel coronavirus (COVID-19), the Company will implement the following precautionary measures at the EGM against the pandemic to protect the Shareholders and participants attending the EGM:

- (i) Before registration, compulsory body temperature check will be conducted for every person (including, but not limited to, Shareholders and proxies) attending the EGM at the entrance of the venue, and any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue;
- (ii) Every person (including, but not limited to, Shareholders and proxies) attending the EGM is required to wear an appropriate face mask at any time in the venue;
- (iii) Appropriate settings will be arranged at the venue of the EGM to meet relevant regulatory requirements with respect to physical distancing;
- (iv) Should any attendee decline any of the abovementioned measures, the Company reserves the right to refuse to admit such person to the EGM; and
- (v) No refreshment will be served at the EGM.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the EGM arrangements.

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