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XINHUA NEWS MEDIA HOLDINGS LIMITED

新華通訊頻媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 309)

SHARE TRANSACTION ACQUISITION OF 5% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 24 September 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into an Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the 5% issued share capital of the Target Company at the consideration of RMB10,500,000 (HK\$11,550,000) which shall be satisfied by the allotment and issue of the Consideration Shares to the Vendor.

Upon the Completion, the Company will be interested in 5% of the issued share capital of the Target Company and the financial results of the Target Company will not be consolidated into those of the Group.

IMPLICATION UNDER THE LISTING RULES

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as the consideration for the Acquisition will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 September 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into an Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the 5% issued share capital of the Target Company at the consideration of RMB10,500,000 (HK\$11,550,000) which shall be satisfied by the allotment and issue of the Consideration Shares to the Vendor.

THE AGREEMENT

Date

24 September 2019 (after trading hours)

Parties

Vendor: Fubon Wealth (Beijing) Asset Management Co., Ltd.* (富邦財富(北京)資產管理有限公司); and

Purchaser: Xinhua News Media Limited, being a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its respective associates are Independent Third Parties.

Subject matter

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the 5% issued share capital of the Target Company.

Upon the Completion, the Company will be interested in 5% of the issued share capital of the Target Company and the financial results of Target Company will not be consolidated into those of the Group.

Consideration

The Consideration for the sale and purchase of the 5% issued share capital of the Target Company shall be RMB10,500,000 (HK\$11,550,000) which shall be satisfied in full by the issue of the Consideration Shares by the Company to Vendor after the Completion date. The Consideration Shares represent (i) approximately 2.76% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.68% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Consideration Shares will be issued pursuant to the General Mandate, of which none Shares have been utilised as at the date of this announcement since granted. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The issue price of the Consideration Shares is HK\$0.25 per share, representing:

- i) A premium of approximately 55.3% over the closing price of HK\$0.161 per share as quote on the Stock Exchange as at the date of the Agreement; and
- ii) A premium of approximately 58% over the average closing price of HK\$0.1582 per share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement.

The issue price was determined after arm's length negotiation between the Purchaser and the Vendor with reference to the prevailing market prices of the Shares immediately before the date of the Agreement. The Directors consider that the issue price is fair and reasonable.

The sale of the Consideration Shares is restricted under the Profit Guaranteed Period.

The Consideration was based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to the following factors:

- (i) the business development and prospects of the Target Company; and
- (ii) the Profit Guarantee (as defined below)

Profit Guarantee

The Vendor guarantees to the Purchaser that the yearly average of audited net profit after tax of the Target Company for the period from 1 January 2021 to 31 December 2023 (both dates inclusive) ("**Profit Guaranteed Period**") shall be no less than RMB30,000,000 (HK\$33,000,000).

If the average actual audited net profit after tax of the Target Company for the Profit Guaranteed Period is less than RMB30,000,000 (HK\$33,000,000), the Consideration shall be downward adjusted. The amount of adjustment is calculated in accordance with the following formula:

$$A = (\text{RMB30,000,000} - P) / \text{RMB30,000,000} \times 7$$

whereas A = the amount of downward adjustment
 P = actual average audited net profit after tax of the Target Company for the Profit Guaranteed Period

In the event that the Profit Guarantee cannot be achieved, the Consideration Shares shall be returned partially or wholly to the Purchaser without the prior agreement of the Vendor, five days after the issuance of audited report of the Target Company for the year 2023. The amount of return is calculated in accordance with the following formula:

$$R = (A / \text{RMB30,000,000}) \times 46,200,000$$

whereas R = the amount of Consideration Shares to be returned

Conditions precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the conditions precedent as stated in the Agreement which include, amongst others, the following:

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (ii) the Purchaser and the Company being satisfied with the result of due diligence (including but not limited to legal and financial due diligence);
- (iii) the Purchaser, or the designated by the Purchaser, having signed shareholder's agreement and escrow agreement with the Vendor, or the designated of the Vendor; and
- (iv) the Vendor, the Purchaser and the Company having obtained all necessary consents, permits and approvals for the consummation of the transactions contemplated under the Agreement and such consensus, grants and approvals shall remain in force and effect.

In the event that any of the above condition precedent is not fulfilled and/or waived by the Purchaser, as the case may be within three months from the date of the Agreement (i.e. on or before 23 December 2019), the Agreement shall be terminated by the parties and the parties shall be released from any obligations thereunder. The parties to the Agreement can agree to extend for fulfilment of the conditions precedent in writing.

Completion

Upon the fulfilment or waiver (as the case may be) of the conditions precedent, Completion shall take place on the Completion date or at such other time as the Vendor and the Purchaser may agree in writing.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC since September 2018 and is principally engaged in developing to provide waste collection service, waste treatment and licensed landfill project for household, commercial, industrial and hazardous waste. Its main operation is situated in the city of Dingzhou under the Hebei Province.

The unaudited net asset value of the Target Company as of 30 June 2019 is approximately RMB13,260. The unaudited net loss for the year before 30 June 2019 is RMB81,139.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in the provision of cleaning and related services, medical waste treatment service, waste management service and advertising media business. In addition, the Group has been developing business and investment opportunities in properties investment, technology, media and telecommunication (TMT) sector and waste treatment business.

The Purchaser, Xinhua News Media Limited, being a wholly-owned subsidiary of the Company, was incorporated in the British Virgin Islands with limited liabilities. It is principally engaged in investment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Under the global call and the PRC's national policy on environmental protection, the Target Company is developing to provide waste collection service, waste treatment and licensed landfill project for wastes treatment from household, commercial, industrial and hazardous waste. The project is strategically located Dingzhou, north and close to Shijiazhuang, the most populated city under Hebei Province with approximately 10 million population and the south of Xiong'an New District, where the PRC government plans to support the crowded city of Beijing.

Under the Hebei Province, the estimation of waste production per day in year 2020 is 68,186 tons while it is estimated to grow to 73,913 tons per day in year 2030. For the city of Dingzhou, the daily waste production in year is estimated to be 1,051 tons in year 2020 and 1,165 tons in year 2030. Up to 2017 year end, there were 11 garbage incinerators in Hebei Province providing 11,950 tons per day waste treatment capacity, only 26.1% waste treatment demand in 2017.

This is a quality business opportunity in meeting the solid demand of waste treatment service to the current and upcoming mega cities in Hebei Province.

In view of the foregoing, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as the consideration for the Acquisition will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Completion is subject to the fulfilment and/or waiver of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the 5% issued share capital of the Target Company by the Purchaser from the Vendor
“Agreement”	the agreement dated 24 September 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Company”	Xinhua News Media Holdings Limited (新華通訊頻媒控股有限公司), a limited company incorporated in the Cayman Islands and whose Shares are listed on the Stock Exchange (stock code: 309)
“Completion”	completion of the Agreement
“Consideration”	the consideration for the Acquisition, being RMB10,500,000 (HK\$11,550,000)
“Consideration Shares”	up to a total of 46,200,000 of Shares at HK\$0.25 per share to be allotted and issued to the Vendor under the Agreement

“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 27 September 2018 to issue and allot up to 321,840,626 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the said meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who are independent of and not connected with or acting in concert (as defined under the Codes of Takeovers and Mergers and Share Buy-backs of Hong Kong) with, the Company, any of its connected persons (as defined under the Listing Rules) or any of their respective associates (as defined under the Listing Rules)
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	Xinhua News Media Limited (新華通訊頻媒有限公司), a limited company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Dingzhou Dundi Solid Waste Treatment Co., Ltd.* (定州遁地固廢處理有限公司), a company established under the laws of the PRC
“Vendor”	Fubon Wealth (Beijing) Asset Management Co., Ltd.* (富邦財富(北京)資產管理有限公司), a company established under the laws of the PRC
“%”	per cent

* for identification purpose only

In this announcement, unless otherwise stated, certain amounts denominated in RMB is converted to HK\$ at an exchange rate of RMB1.00 = HKD1.10, for illustration purpose only.

By order of the Board
Xinhua News Media Holdings Limited
Chan Chun Wo
Co-Chairman & Executive Director

Hong Kong, 24 September 2019

As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Lo Kou Hong, Mr. Chan Chun Wo, Mr. David Wei Ji, Mr. Huang Wen Kai, Ms. Chen Ming and Ms. Lee Suen; and four independent non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon, Mr. Ho Hin Yip and Mr. Wang Chunping.