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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF THE SHARES REPRESENTING THE ENTIRE
ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

Financial adviser to the Company

VEDA | CAPITAL
智 略 資 本

On 2 March 2020 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the SP Agreement, pursuant to which they conditionally agreed to effect the sale and purchase of the Sale Shares and the Debts Assignment at the Consideration of HK\$9,000,000. Upon Completion, the Target Group will cease to be subsidiaries of the Company.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the entering into of the SP Agreement is more than 5% but is less than 25%, the entering into of the SP Agreement by the Vendor constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Purchaser is beneficially wholly-owned by Ms. Lo, a daughter cohabiting with Mr. Lo, who is an executive Director, and the Purchaser is therefore deemed as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the entering into of the SP Agreement by the Vendor also constitutes a connected transaction for the Company.

Pursuant to Rule 14A.76(2)(b) of the Listing Rules, as the highest relevant percentage ratio in relation to the entering into of the SP Agreement is less than 25% and the Consideration is less than HK\$10 million, the entering into of the SP Agreement will be exempted from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements.

THE SP AGREEMENT

Principal terms of the SP Agreement are summarized as follows:

Date : 2 March 2020

Parties : (i) the Vendor, a wholly-owned subsidiary of the Company, as the vendor; and
(ii) the Purchaser, as the purchaser.

Subject matter

Pursuant to the SP Agreement, the Vendor and the Purchaser have conditionally agreed to effect the sale and purchase of the Sale Shares and the Debts Assignment.

Consideration

The Consideration in the cash amount of HK\$9,000,000 has been/shall be satisfied in the following manner:

- (i) the Purchaser has paid HK\$900,000 as deposit and part payment of the Consideration to the Vendor upon signing of the SP Agreement; and
- (ii) the Purchaser shall pay the remaining balance of HK\$8,100,000 to the Vendor on the date of Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms after considering and assessing (i) the prospect and profitability of the business of the Target Group; and (ii) the financial position of the Target Group attributable to the Company after taking into account of the Debts Assignment.

The Target Company and Oriental Emperor are merely investment holding companies. The financial results of the Target Group are principally generated from the wholly-owned subsidiaries of Oriental Emperor, namely Siping Lo's Environmental Technology Ltd and Suifa Lo's Environmental Technology Ltd, both of which are build-operate-transfer (“**BOT**”) entities principally engaged in the provision of medical waste treatment services in the PRC each with remaining operation term of 7 years. The Debts were used as investment in setting up the BOT entities and as the working capital in their business operations. Upon expiry of the term of their respective BOT agreements, the operation rights and the ownership of assets of each of these entities shall be transferred to their respective local governments at nil consideration and without compensation.

The Directors have also made reference to the price to earnings ratios of a set of 7 comparable companies (the “**Comparables**”) selected based on the following criteria: (i) having listed on The Stock Exchange; (ii) principally engaged in the provision of medical waste treatment services in the PRC, which is closely comparable with that of the Target Group; and (iii) recorded profit in their latest published annual reports. The price to earnings ratios for the Comparables are ranging from approximately 3.00 times to approximately 18.87 times and with an average of approximately 9.03 times (the “**Comparables' P/E**”). The price to earnings ratio, as calculated based on the Consideration and the net profit attributable to the Group in the amount of HK\$147,260 of the Target Group for the financial year ended 31 March 2019, of approximately 61.12 times is much higher than the Comparables' P/E.

Having (i) compared the price to earnings ratio to the Comparables; (ii) evaluated the historical performances of the Target Group; (iii) taken into account the remaining operation term of the BOT entities to carry on its existing medical waste treatment business and the requirement to transfer the BOT entities' asset ownership and operation rights to their respective local governments at nil consideration and without compensation upon expiry of their operation term; and (iv) considered the arrangement of the Debts Assignment, the Directors are of the view that the Consideration as offered by the Purchaser is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Completion arrangement

Completion shall take place at 10:00 a.m. on the 5th Business Day after the signing of the SP Agreement. At Completion, the Vendor and the Purchaser shall deliver to each other the relevant documents as set out in the SP Agreement, including but not limited to, the share certificate(s) of the Sale Shares and the relevant documents in respect of the Debts Assignment to be done simultaneously with the transfer of the Sale Shares to the Purchaser.

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results and position of the Target Group will not be consolidated into the financial statements of the Company.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the main board of the Stock Exchange.

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holdings. As at the date of this announcement, the Purchaser is beneficially wholly-owned by Ms. Lo, a daughter cohabiting with Mr. Lo, who is an executive Director.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is a subsidiary wholly-owned by the Company. The Target Company is an investment holding company incorporated in the BVI with limited liability.

As at the date of this announcement, the Target Company is beneficially interested in the shares representing 55% of the issued share capital of Oriental Emperor, an investment holding company incorporated in the BVI with limited liability. Oriental Emperor is in turn beneficially interested in the shares representing 100% of the issued share capital of Lo's Environmental Technology Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability.

Lo's Environmental Technology Holdings Limited is beneficially interested in the equity interest representing the entire issued share capitals of (i) Siping Lo's Environmental Technology Ltd and Suifa Lo's Environmental Technology Ltd (the BOT subsidiaries), both of which were incorporated in the PRC with limited liability and are mainly engaged in the provision of medical waste treatment services in the PRC; and (ii) Heihe Lo's Tsinghua Daring Environmental Technology Ltd, which was incorporated in the PRC with limited liability and is dormant as at the date of this announcement.

Financial information of the Target Group

For the financial year ended 31 March 2019, (i) the unaudited consolidated net profit before and after tax of the Target Group were approximately HK\$1,303,460 and approximately HK\$274,250 respectively; and (ii) the net profit after tax attributable to the Group (after deducting the minority interests) was approximately HK\$147,260.

For the financial year ended 31 March 2018, (i) the unaudited consolidated net loss before and after tax of the Target Group were approximately HK\$2,004,040 and approximately HK\$3,673,420 respectively; and (ii) the net loss after tax attributable to the Group (after deducting the minority interests) was approximately HK\$2,029,320.

As at 31 January 2020, the unaudited net liabilities value of the Target Group (after deducting the minority interests) was approximately HK\$17,598,480.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 sector and waste treatment business.

Upon evaluating the current businesses of the Group, in view of the rapid increasing regulations on pollution and health in the PRC, the Directors anticipated that continuation and development of the Target Group's medical waste treatment services requires the Group to commit more resources and time in renewing its machineries and tools to meet the increasing requirements and restrictions in the medical waste treatment industry in the PRC and difficulty in running the Target Group's medical waste treatment business will increase but the profit margin will decrease. The Directors, with an aim to prioritize to develop other core profitable businesses such as the provision of cleaning and related business of the Group, are of the view that the Disposal will allow the Group to focus its resources in developing its core business.

It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) will be reserved for the general working capital of the Group's core businesses.

The Directors (including but without limitation the independent non-executive Directors) believe that the SP Agreement is not entered into in the ordinary and usual course of business of the Group, but the terms thereof are normal commercial terms and are fair and reasonable and the transactions contemplated thereunder are in the interests of the Shareholders and the Company as a whole.

Financial effect of the Disposal

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

The financial effect of the Disposal is expected to be breakeven for the Group as the Consideration, after taking into account of the transaction costs and related tax attributable to the Disposal, will be set off by the unaudited net liabilities value of the Target Group attributable to the Company after the Debts Assignment.

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the entering into the SP Agreement is more than 5% but is less than 25%, the entering into of the SP Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Purchaser is beneficially wholly-owned by Ms. Lo, a daughter cohabiting with Mr. Lo, who is an executive Director. The Purchaser is therefore deemed as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the entering into of the SP Agreement by the Vendor also constitutes a connected transaction for the Company.

Pursuant to Rule 14A.76(2)(b) of the Listing Rules, as the highest relevant percentage ratio in relation to the entering into of the SP Agreement is less than 25% and the Consideration is less than HK\$10 million, the entering into of the SP Agreement by the Vendor will be exempted from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements.

Mr. Lo is considered to have material interests in the SP Agreement by virtue of his directorship in the Company and the interests owned by his daughter in the Purchaser, and therefore has abstained from voting on the Board resolutions approving the entering into of the SP Agreement. Save as disclosed above, none of the Directors has abstained from voting on the said Board resolutions.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of the Director(s)
“Business Day(s)”	any day on which banks in Hong Kong are generally open for business (excluding Saturdays, Sundays and days on which typhoon signal number 8 or above is hoisted or black rainstorm warning signal has been issued at any time from 9am to 5pm in Hong Kong)
“BVI”	the British Virgin Islands
“Company”	Xinhua News Media Holdings Limited, a limited company incorporated in the Cayman Islands and whose Shares are listed on the Stock Exchange (stock code: 309)
“Completion”	completion of the Disposal
“Completion Date”	the date on which Completion will take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$9,000,000 for the Disposal
“Debts”	the debts (with no interests, no guarantee or security and no repayment schedule) owing by the Target Group to the Vendor in the amount of HK\$25,598,476 before the Completion
“Debts Assignment”	the assignment by the Vendor of the ownership of the rights to the Debts to the Purchaser
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal by the Vendor of the Sale Shares in accordance with the terms and conditions of the SP Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lo”	Mr. Lo Kou Hong, an executive Director and the father of the ultimate beneficial owner of the Purchaser
“Ms. Lo”	Ms. Lo-Quiroz Wai Mei Ginny, the sole beneficial owner of the Purchaser and a daughter cohabiting with Mr. Lo
“Oriental Emperor”	Oriental Emperor Holdings Limited, an investment holding company incorporated in the BVI with limited liability
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Creative Inspiration Holdings Limited, a company incorporated in the BVI with limited liability
“Sale Shares”	the shares representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“SP Agreement”	the sale and purchase agreement dated 2 March 2020 entered into between the Vendor and the Purchaser in respect of the Disposal and the Debts Assignment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Honest Grand International Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Sinopoint Corporation, a wholly-owned subsidiary of the Company, a company incorporated in the BVI with limited liability
“%”	per cent.

By order of the Board
Xinhua News Media Holdings Limited
Lo Kou Hong
Co-chairman and Executive Director

Hong Kong, 2 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lo Kou Hong, Mr. Chan Chun Wo and Mr. Tsui Kwok Hing; and four independent non-executive Directors, namely, Mr. Wang Qi, Mr. Tsang Chi Hon, Mr. Ho Hin Yip and Mr. Wong Hon Kit.

* *For identification purpose only*