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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)

DISCLOSEABLE TRANSACTION – FINANCE LEASE AGREEMENT

FINANCE LEASE AGREEMENT

The Board hereby announces that on 21 September 2020, Bluesea Cloud Data entered into the Finance Lease Agreement with the Lessor pursuant to which the Lessor agreed to purchase the Leased Assets from Bluesea Cloud Data for a total consideration of RMB128,500,000 (equivalent to approximately HK\$147,325,000), which would then be leased back to Bluesea Cloud Data for a term of 5 years.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Finance Lease Agreement exceeds 5% but is less than 25%, the Finance Lease Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements.

INTRODUCTION

The Board hereby announces that on 21 September 2020, Bluesea Cloud Data entered into the Finance Lease Agreement with the Lessor pursuant to which the Lessor agreed to purchase the Leased Assets from Bluesea Cloud Data for a total consideration of RMB128,500,000 (equivalent to approximately HK\$147,325,000), which would then be leased back to Bluesea Cloud Data for a term of 5 years.

(A) The Finance Lease Agreement

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

Date: 21 September 2020

Parties:

- (1) Bluesea Cloud 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 operation of Internet data centre; and
- (2) the Lessor. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Lessor is principally engaged in the provision of finance leasing services and the Lessor and its ultimate beneficial owners are Independent Third Parties.

Sale and purchase and leaseback:

Pursuant to the Finance Lease Agreement, the Lessor agreed to:

- (1) purchase the Leased Assets from Bluesea Cloud Data for a total consideration of RMB128,500,000 (equivalent to approximately HK\$147,325,000), representing the principal amount under the Finance Lease Agreement, which shall be payable by the Lessor to Bluesea Cloud Data in cash; and
- (2) lease back the Leased Assets to Bluesea Cloud Data for a term of 5 years.

Date of commencement of the lease: The date on which the Lessor pays the consideration for the Leased Assets to Bluesea Cloud Data in accordance with the Finance Lease Agreement

Period of the lease: 5 years from the date of commencement of the lease

Conditions precedent: Subject to the fulfilment of certain conditions including, among other things, the Finance Lease Agreement and the Security Agreements having been duly executed and the Lessor having received the handling fee and security deposit payable pursuant to the Finance Lease Agreement, the Lessor shall pay to Bluesea Cloud Data the full amount of the consideration for the Leased Assets.

Lease payment :	<p>The lease payment under the Finance Lease Agreement consists of (i) the finance lease principal amount of RMB128,500,000 (equivalent to approximately HK\$147,325,000); and (ii) the lease interest.</p> <p>Bluesea Cloud Data shall pay both the lease principal and the lease interest during the period of the lease trimonthly at an interest rate of 6.0325% per annum.</p>
Lease handling fee:	<p>Bluesea Cloud Data shall pay a one-off handling fee of 1.571% of the finance lease principal amount of RMB128,500,000 (equivalent to approximately HK\$147,325,000), i.e. RMB2,018,735 (equivalent to approximately HK\$2,314,000), to the Lessor.</p>
Security deposit:	<p>Bluesea Cloud Data shall pay 6% of the finance lease principal amount of RMB128,500,000 (equivalent to approximately HK\$147,325,000), i.e. RMB7,710,000 (equivalent to approximately HK\$8,840,000), as security deposit to the Lessor before the Lessor pays the consideration for the Leased Assets to Bluesea Cloud Data. If there is default by Bluesea Cloud Data, the Lessor may deduct the principal and interest which falls due, the default interest and other cost arising from the default from the security deposit. If there is no default throughout the term of the lease, Bluesea Cloud Data may use the security deposit to set off against the last payment(s) under the Finance Lease Agreement.</p>
Buy-back of the Leased Assets	<p>The legal ownership of the Leased Assets will be vested in the Lessor throughout the lease term. Upon the end of the lease term, provided that Bluesea Cloud Data has fulfilled all of its obligations under the Finance Lease Agreement, the Lessor shall transfer the legal ownership of the Leased Assets to Bluesea Cloud Data for a nominal consideration of RMB1,000 (equivalent to approximately HK\$1,147).</p>

The terms of the Finance Lease Agreement, including total consideration for the Leased Assets of RMB128,500,000 (equivalent to approximately HK\$147,325,000), the interest rate and other fees and expenses, were determined based on arm's length negotiation between the Lessor and Bluesea Cloud Data with reference to the valuation of the Lease Assets carried out by an independent valuer and the prevailing market interest rate of comparable equipment finance leases.

(B) The Security Agreements

On 21 September 2020, Bluesea Cloud Data, Bluesea Mobile and Dr. Lie entered into the following Security Agreements:–

The Guarantee Agreements	Each of Bluesea Mobile and Dr. Lie entered into the Guarantee Agreements in favour of the Lessor pursuant to which each of Bluesea Mobile and Dr. Lie shall provide guarantee to secure the obligations of Bluesea Cloud Data under the Finance Lease Agreement.
The Accounts Receivable Pledge Agreements	Each of Bluesea Cloud Data and Bluesea Mobile entered into the Accounts Receivable Pledge Agreements to pledge the Pledged Accounts Receivable of each of Bluesea Cloud Data and Bluesea Mobile to the Lessor as security for the obligations of Bluesea Cloud Data under the Finance Lease Agreement.
The Equity Interest Pledge Agreement	Bluesea Mobile entered into the Equity Interest Pledge Agreement to pledge the Pledged Equity Interest of Bluesea Mobile to the Lessor as security for the obligations of Bluesea Cloud Data under the Finance Lease Agreement.

REASONS FOR THE FINANCE LEASE AGREEMENT

The Group is principally engaged in sales of telecommunication products and services.

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

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the Finance Lease Agreement exceeds 5% but is less than 25%, the Finance Lease Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Accounts Receivable Pledge Agreements”	collectively, the accounts receivable pledge agreements between the Lessor and each of Bluesea Mobile and Bluesea Cloud Data dated 21 September 2020
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“Bluesea Cloud Data”	Guangdong Bluesea Cloud Data Company Limited* (廣東蔚海雲數據有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Bluesea 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, an indirect wholly owned subsidiary of the Company and the immediate holding company of Blueasea Cloud Data
“Board”	the board of Directors
“Company”	Neo Telemedia Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8167)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Lie”	Dr. LIE Haiquan, an executive Director, the chairman of the Board and a substantial Shareholder
“Equity Interest Pledge Agreement”	the equity interest pledge agreement between the Lessor and Bluesea Mobile dated 21 September 2020
“Finance Lease Agreement”	the finance lease agreement between the Lessor and Bluesea Cloud Data dated 21 September 2020
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Agreements”	collectively, the guarantee agreements between the Lessor and each of Bluesea Mobile and Dr. Lie dated 21 September 2020
“GZ Lotus Hill IDC”	the Group’s Guangzhou Lotus Hill Data Centre situated at Panyu district, Guangzhou, Guangdong province, the PRC
“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)”	independent third party(ies) who is/are independent of and not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Leased Assets”	the assets comprising data centre equipment of GZ Lotus Hill IDC
“Lessor”	JIC Leasing Company Limited, a company established in the PRC with limited liability
“Pledged Accounts Receivable”	accounts receivable amounting to RMB149,811,463.59 (equivalent to approximately HK\$171,759,000) and RMB149,811,463.59 (equivalent to approximately HK\$171,759,000) which are incurred from the operations of GZ Lotus Hill IDC by Bluesea Cloud Data and Bluesea Mobile, respectively, during the period of the lease under the Finance Lease Agreement
“Pledged Equity Interest”	the entire equity interest in Bluesea Cloud Data held by Bluesea Mobile
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Security Agreements”	collectively, the Guarantee Agreements and the Assets Pledge Agreements
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

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

Hong Kong, 21 September 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00:HK\$1.1465. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

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

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