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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 ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board hereby announces that on 31 March 2021, Bluesea Data (an indirect wholly owned subsidiary of the Company), the Lessor and the Supplier entered into the Finance Lease Arrangement pursuant to which the Lessor agreed to purchase the Equipment from the Supplier at the request of Bluesea Data for an aggregate consideration of RMB293 million and the Lessor agreed to lease the Equipment to Bluesea Data for a term from the date on which the Equipment are delivered to Bluesea Data to 31 March 2026.

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 Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement 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 31 March 2021, Bluesea Data (an indirect wholly owned subsidiary of the Company), the Lessor and the Supplier entered into the Finance Lease Arrangement pursuant to which the Lessor agreed to purchase the Equipment from the Supplier at the request of Bluesea Data for an aggregate consideration of RMB293 million and the Lessor agreed to lease the Equipment to Bluesea Data for a term from the date on which the Equipment are delivered to Bluesea Data to 31 March 2026.

(A) The Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 31 March 2021

Parties:

- (1) the Lessor. To the knowledge of the Directors, as at the date of this announcement, the Lessor was principally engaged in the provision of finance leasing services and was a wholly owned subsidiary of Guangzhou Rural Commercial Bank Co., Ltd., a company established in the PRC with limited liability which was listed on the the Stock Exchange (stock code: 1551), and the Lessor and the ultimate beneficial owner of the Lessor were Independent Third Parties; and
- (2) the Supplier. To the knowledge of the Directors, as at the date of this announcement, the Supplier was principally engaged in the sale of equipment and the ultimate beneficial owners of the Supplier were ZHANG Shuyi* (張淑怡) and WANG Yuping* (王玉萍). The Supplier and its ultimate beneficial owners were Independent Third Parties; and
- (3) 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 operation of Internet data centre.

Subject assets: The Lessor agreed to purchase the Equipment comprising data centre equipment from the Supplier at the request of Bluesea Data.

Payment of consideration: Subject to the fulfilment of certain conditions including, among other things, the Sale and Purchase Agreement, the Finance Lease Agreement and the Security Agreements having been duly executed and the Lessor having received the security deposit payable pursuant to the Finance Lease Agreement, Bluesea Data shall issue a payment notice to the Lessor after the fulfilment of the above conditions and the Lessor shall pay to the Supplier the full amount of the consideration, being RMB293 million, within seven days upon the receipt of the above payment notice.

Basis of consideration: The consideration of the Equipment was determined based on arm's length negotiation among the Lessor, the Supplier and Bluesea Data with reference to the prevailing market price of the Equipment.

(B) The Finance Lease Agreement

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

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| Date: | 31 March 2021 |
| Parties: | (1) Bluesea Data; and (2) the Lessor. |
| Subject asset for lease: | The Equipment |
| Date of commencement of the lease: | The date on which all the Equipment are delivered to Bluesea Data which shall not be later than 31 March 2022 |
| Period of the lease: | From the date of commencement of the lease to 31 March 2026 |
| Conditions precedent: | Subject to the fulfilment of certain conditions including, among other things, the Sale and Purchase Agreement, the Finance Lease Agreement and the Security Agreements having been duly executed and the Lessor having received the security deposit payable pursuant to the Finance Lease Agreement, the Lessor shall pay to the Supplier the full amount of the consideration of the Equipment in accordance to the Sale and Purchase Agreement. |

Lease payment:

The lease payment under the Finance Lease Agreement consists of (i) the finance lease principal amount of RMB293 million; (ii) the pre-lease interest; and (iii) the lease interest.

Blueseas Data shall pay the lease interest during the term of the lease quarterly at an interest rate (“**Lease Interest Rate**”) being calculated at a floating rate and would be adjusted with reference to the benchmark interest rate for RMB loans with a maturity of one year as promulgated by the People’s Bank of China from time to time (the “**Benchmark Interest Rate**”) plus a premium of 2.25%. As at the date of this announcement, the Benchmark Interest Rate was 3.85% per annum and the interest rate for the Finance Lease Arrangement was 6.10% per annum.

Blueseas Data shall pay pre-lease interest quarterly during the pre-lease period, being the period from the date on which the Lessor makes the full payment of consideration of the Equipment to the Supplier to the date of commencement of the lease. The pre-lease interest shall be calculated as follows:

Pre-lease interest = the Consideration x the Lease Interest Rate x the actual number of days of the pre-lease period/360

Basis of determination of the lease payment:

The total lease payment was determined based on arm’s length negotiation between the Lessor and Blueseas Data with reference to the prevailing market price of the Equipment and the prevailing market interest rate of comparable equipment finance leases.

Security deposit: Bluesea Data shall pay RMB17.58 million as security deposit to the Lessor before the Lessor pays for the Consideration to the Supplier. If there is default by Bluesea 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 Data may use the security deposit to set off the last payment(s) under the Finance Lease Agreement.

Buy-back of the Equipment: The legal ownership of the Equipment will be vested in the Lessor throughout the lease term. Upon the end of the lease term, provided that Bluesea Data has fulfilled all of its obligations under the Finance Lease Agreement, the Lessor shall transfer the legal ownership of the Equipment to Bluesea Data at a nominal consideration of RMB100.

(C) The Security Agreements

On 31 March 2021, Bluesea Mobile (an indirect wholly owned subsidiary of the Company), GZ Yuanhai 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 Data under the Finance Lease Arrangement.

The Assets Pledge Agreement: GZ Yuanhai entered into the Assets Pledge Agreement to pledge the Pledged Assets to the Lessor as security for the obligations of Bluesea Data under the Finance Lease Agreement.

REASONS FOR THE FINANCE LEASE ARRANGEMENT

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

The Directors are of the view that under the Finance Lease Arrangement, the Group will obtain financial resources and gain access to the Equipment which are required for the operation of the Group. The Directors consider that the Finance Lease Arrangement 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 Arrangement 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 Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement 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.

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| “Assets Pledge Agreement” | the assets pledge agreement between the Lessor and Bluesea Mobile dated 31 March 2021 |
| “Bluesea 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, 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 |
| “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 |
| “Consideration” | consideration for the purchase of the Equipment |
| “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 |
| “Equipment” | the assets comprising data centre equipment to be purchased by the Lessor from the Supplier for leasing to Bluesea Data under the Finance Lease Agreement |
| “Finance Lease Agreement” | the finance lease agreement between the Lessor and Bluesea Data dated 31 March 2021 |

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| “Finance Lease Arrangement” | the finance lease arrangement contemplated under the Sale and Purchase Agreement and the Finance Lease Agreement |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Rules” | Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “GZ Yuanhai” | 廣州源海發展有限公司 (Guangzhou Yuanhai Development Limited*), a company established in the PRC with limited liability and substantially owned by Dr. Lie |
| “Guarantee Agreements” | collectively, the guarantee agreements between the Lessor and each of Bluesea Mobile and Dr. Lie dated 31 March 2021 |
| “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 |
| “Lessor” | Zhujiang Financial Leasing Company Limited* (珠江金融租賃有限公司), a company established in the PRC with limited liability |
| “Pledged Assets” | certain properties located in Guangzhou, Guangdong Province owned by GZ Yuanhai. |
| “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 Agreement |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the capital of the Company |

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| “Shareholder(s)” | the holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Supplier” | United Power Energy Co., Ltd. (合動力能源有限公司), a company established in the PRC with limited liability |
| “%” | per cent |

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

Hong Kong, 31 March 2021

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.

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.