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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 IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND RESUMPTION OF TRADING

THE ACQUISITION

The Board is pleased to announce that before trading hours of the Stock Exchange on 14 August 2015, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Share(s) at the Consideration of HK\$240,000,000, which shall be satisfied by the allotment and issue of the 196,721,311 Consideration Shares at the Issue Price HK\$1.22 by the Company to the Vendor.

GEM LISTING RULES IMPLICATION

As the relevant percentage ratio under the GEM Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirement under the GEM Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Friday, 14 August 2015, pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 18 August 2015.

As disclosed by the Company in the announcement dated 12 August 2015 that the Company is undergoing discussion with an Independent Third Party regarding a potential acquisition of a group which mainly involved in the sales and distribution of mobile telecommunication devices.

The Board is pleased to announce that on 14 August 2015 (before trading hours), the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$240,000,000. The Consideration will be satisfied by the issue of up to 196,721,311 Shares at the issue price of HK\$1.22 per Consideration Share by the Company to the Vendor.

THE ACQUISITION AGREEMENT

Date

14 August 2015 (before trading hours of the Stock Exchange)

Parties

Purchaser: NEO Cloud Computing Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

Vendor: Mr. Lin Mingxin

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and his associates are third parties independent of the Group and connected persons of the Group.

Subject matter of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Share(s). The Sale Share(s) represents the entire issued share capital of the Target Company as at the date of the Acquisition Agreement.

Consideration

The Consideration shall be HK\$240,000,000 and to be satisfied in full by the allotment and issue of the Consideration Shares by the Company to the Vendor on the Completion Date.

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiation and on normal commercial terms taking into account the market conditions, the business development and prospects of the Target Company.

The Consideration Shares

The Consideration Shares to be allotted and issued upon Completion represent (i) approximately 3.20% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 3.10% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted

and issued under the General Mandate.

The Consideration Shares to be allotted and issued upon Completion shall be credited as fully paid and rank *pari passu* with all other Shares in issue in the share capital of the Company. Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The issue price of the Consideration Shares will be at HK\$1.22 per Consideration Share represents:

- (a) a discount of approximately 7.57% to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on 13 August 2015, being the last trading date immediately before the Acquisition Agreement; and
- (b) a discount of approximately 19.74% to the average closing price per Share as quoted on the Stock Exchange for the last 5 consecutive trading days prior to the date of the Acquisition Agreement on 14 August 2015, being HK\$1.52 per Share.

Pursuant to the Acquisition Agreement, the Vendor agreed that 50% being 98,360,656 of the Consideration Share (“**Lockup Consideration Shares**”) will subject to a 18 months lockup period, commencing from the date of the issue of the relevant Consideration Shares (“**Lockup Period**”), and the remaining 98,360,655 Consideration Shares is freely tradable and not subject to any lockup restriction. The Lockup Consideration Shares will be issued under the Vendor’s name and lockup by the Company until the end of the Lockup Period.

Vendor’s Profit Guarantee

Pursuant to the Acquisition Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited consolidated net profit after taxation of the Target Group for the Relevant Period shall not be less than HK\$40,000,000 (the “**Guaranteed Profit**”).

In the event the Guaranteed Profit is not achieved, the Vendor should pay to the Purchaser a compensation sum (the “**Compensation Sum**”) based on the following formula:

(Guaranteed Profit – actual profit achieved) x 6

The multiple of 6 represents the implied price-to-earnings ratio derived by reference to the value of the Consideration for the Sale Share(s). The Guaranteed Profit shall be calculated in accordance with Hong Kong Financial Reporting Standards.

Pursuant to the Acquisition Agreement, the audited report of the Target Group for the Relevant Period shall be completed and presented to the Purchaser within three (3) months after the Relevant Period. In the event that the audited consolidated net profit after taxation of the Target Company for the Relevant Period falls short of the Guaranteed Profit, the Vendor shall pay the Company the Compensation Sum in cash within 30 Business Days after the presenting of the audited report of Target Company and in any event no later than 120 Business Days after the Relevant Period. In case if the Vendor unable to pay the Compensation Sum to the Company within 120 Business Days after the Relevant Period, the Purchaser has the right to dispose the Lockup Consideration Shares in the open market through appointing a placing agent at the cost of the Vendor, and the net proceed of such placement of the Lockup Consideration Shares will be used for settlement of the

Compensation Sum.

Further announcement will be made by the Company in the event that the Guaranteed Profit cannot be fulfilled. No extra sum will be paid by the Purchaser in case the actual audited consolidated net profit after taxation of the Target Group for the Relevant Period exceeds the Guaranteed Profit.

Purchaser's undertaking

Within 18 months from Completion Date, the Purchaser undertakes that it will not, without the prior written consent of the Vendor (which consent not to be unreasonably withheld or delayed):

- (i) offer, sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of the Sale Share(s); and
- (ii) enter into any swap or any other agreement or any transaction that transfers in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Sale Share(s).

Conditions precedent

Completion of the Acquisition Agreement is conditional upon the satisfaction (or waiver, if applicable) of the following conditions, inter alia:

- (a) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consideration Shares;
- (b) the Purchaser having conducted a due diligence investigation in respect of the Target Group including but not limited to the affairs, legal, finance and business of the Target Group and the Purchaser being satisfied with the results of such due diligence investigation;
- (c) the warranties given by the Vendor in the Acquisition Agreement remaining true and accurate and not misleading at the date of the Acquisition Agreement and up to and including the Completion Date; and
- (d) the obtaining of all necessary consents and approvals in respect of the Acquisition from the relevant governmental or regulatory bodies.

The Purchaser is entitled to waive any of the above conditions precedent (save for item (a) above). Under the Acquisition Agreement, the Vendor undertakes to the Purchaser to procure the satisfaction of all the conditions (save for item (a) above) on or before the Long Stop Date. If any of the conditions has not been fulfilled or waived in writing by the Purchaser on or before the Long Stop Date, neither the Vendor nor the Purchaser shall be obliged to proceed with Completion.

Completion

Completion shall take place on the fifth Business Day after the date of the fulfillment or waiver of all the conditions precedent required to be fulfilled before Completion or such later date as the parties may otherwise agree in writing. The Completion Date shall in any event be not later than 13 October 2015.

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Group. The results and assets and liabilities of the Target Group will be consolidated with, and accounted for as subsidiaries in the Group's financial statements.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The maximum number of Shares which may be allotted and issued under the General Mandate is 275,492,079 Shares. Up to the date of this announcement, the General Mandate has not been utilized since its grant. The issue of the Consideration Shares shall be under the General Mandate and is not subject to Shareholders' approval.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is incorporated in the Seychelles with limited liability on 25 February 2015 and is wholly owned by the Vendor as at the date of this announcement. As advised by the Vendor, the principal activity of the Target Company is investment holding.

Million Ace Trading

Million Ace Trading is incorporated in Hong Kong with limited liability and is wholly owned by the Target Company as at the date of this announcement. As advised by the Vendor, the principal activity of Million Ace Trading is investment holding.

Oriental Rich Investment

Oriental Rich Investment is incorporated Hong Kong with limited liability on 31 August 2012 and is a wholly owned subsidiary of Million Ace Trading as at the date of this announcement. As advised by the Vendor, the principal activities of Oriental Rich Investment are trading of mobile phones and tablets, and property investment.

KSZ Technology

KSZ Technology is incorporated Hong Kong with limited liability on 3 September 2013 and is a wholly owned subsidiary of Million Ace Trading as at the date of this announcement. As advised by the Vendor, the principal activity of KSZ Technology is trading of mobile phones and tablets.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group provided by the Vendor for the two financial years immediately preceding the date of the Acquisition Agreement. It recorded a net asset value of HK\$6,466,740 as at 30 June 2015:

	For the year ended 30 June	
	2015 unaudited HK\$'000	2014 unaudited HK\$'000
Profit before taxation	6,259	1,152
Profit after taxation	5,281	961

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company as at the date of this announcement and immediately after the Completion, assuming no Convertible Notes and/or Share Options have been exercised and the Open Offer has not completed, are set out as below:

Name of Shareholders	As at the date of this announcement		Immediately upon issue and allotment of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Mr. LIE Haiquan	1,179,816,000	19.17	1,179,816,000	18.57
Ms. YE Weiping	518,000,000	8.42	518,000,000	8.16
Winner Mind Investments Limited (Note 1)	420,000,000	6.82	420,000,000	6.61
Golden Ocean Assets Management Limited (Note 2)	23,624,000	0.38	23,624,000	0.37
Public Shareholders	4,014,401,586	65.21	4,014,401,586	63.19
The Vendor	--		196,721,311	3.10
Total	6,155,841,586	100.00	6,352,562,897	100.00

Notes:

- (1) These Shares are held by Winner Mind Investment Limited (“**Winner Mind**”), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. LIE Haiquan. Thus, he is deemed to be interested in the 42,000,000 Shares held by Winner Mind.
- (2) These Shares are held by Golden Ocean Assets Management Limited (“**Golden Ocean**”), a company incorporated in Hong Kong, which is wholly-owned by Mr. LIE Haiquan. Thus, he is deemed to be interested in the 23,624,000 Shares held by Golden Ocean.
- (3) The percentages are subject to a rounding difference, if any.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group are principally engaged in sale and distribution of telecommunication products, provision of cable and wireless broadband services, value-added telecommunication services and transmedia advertising service, and the operation of peer to peer (P2P) lending platform business.

The Group has been exploring new business opportunities in order to enhance the business base and to improve the performance of the Group. The Board believes that the Acquisition will contribute positively to the financial performance for the Group and is consistent with the development strategy of the Company. The Acquisition represents an expansion in its electronic and telecommunication products' distribution business, which enable to broaden the Group's revenue source, enhancing the performance of the Group, creating value for the Shareholders and increasing Shareholders' return.

The Directors consider that the Acquisition Agreement is entered into after arm's length negotiation between the Company and the Vendor and the terms therein are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratio under the GEM Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirement under the GEM Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Friday, 14 August 2015, pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 18 August 2015.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Share(s) by the Purchaser from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into between the Purchaser and the Vendor on 14 August 2015 in relation to the Acquisition
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors

“Business Day”	a day (excluding a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for general business during their normal business hours
“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”	the completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement
“Completion Date”	the date falling within 5 Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent of the Acquisition Agreement or such other date as agreed by the respective parties to the Acquisition Agreement
“Conditions”	the conditions precedent of the Completion, details of which are set out in the paragraph headed “Conditions precedent” of this announcement
“Connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	HK\$240,000,000, being the total consideration payable by the Purchaser for the Acquisition under the Acquisition Agreement.
“Consideration Shares”	196,721,311 new Shares that will be allotted and issued by the Company at the Issue Price
“Convertible Notes”	the convertible notes with an aggregate outstanding principal amount of HK\$160,000,000 issued by the Company, which will mature on 5 April 2016
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	The general mandate granted to the Directors by the resolution of the Shareholders passed at the annual general meeting (“AGM”) held on 5 May 2015 to allot, issue, and deal with Shares and no make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Group”	the Company and its subsidiaries

“Group Companies”	the members of the Group and “Group Company” means any one of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are not connected with the Company and any director, chief executive or substantial shareholder of the Company and its subsidiaries or any of their respective associates
“Issue Price”	HK\$1.22 per Consideration Share
“KSZ Technology”	KSZ Technology (HK) Limited, a company incorporated in Hong Kong with limited liability on 3 September 2013
“Long Stop Date”	13 October 2015 (or such other date as the relevant parties to the relevant agreement may agree)
“Million Ace Trading”	Million Ace Trading (International) Limited, a company incorporated in Hong Kong with limited liability on 18 June 2015
“Oriental Rich Investment”	Oriental Rich Investment Holdings Limited, a company incorporated in Hong Kong with limited liability on 31 August 2012
“Open Offer”	the proposed issue for subscription of Shares to be made by the Company to the qualifying shareholders in the proportion of one offer share for every two Shares on the terms and subject to the conditions as disclosed and set out in the announcement of the Company dated 11 August 2015
“Purchaser”	NEO Cloud Computing Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Relevant Period”	the 12 months period commencing from the first day of the calendar month immediately following the Completion Date
“Sale Share(s)”	1 share in the capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Option(s)”	the share option(s) granted under the Share Option Schemes
“Share Option Schemes”	the share option scheme current in force adopted by the Company on 19 December 2012 and the share option scheme adopted by the Company on 22 July 2002 which was expired on 21 July 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Million Ace Limited, an international business company incorporated in the Republic of Seychelles
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Mr. Lin Mingxin (林明新) who is a Hong Kong citizen
“%”	Per cent.

By Order of the Board
Neo Telemedia Limited
CHEUNG Sing Tai
Chairman

Hong Kong, 17 August 2015

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu, Mr. LIAN Xin and Mr. XU Gang, and four independent non-executive Directors, namely Mr. LEUNG Ka Wo, Mr. CHOU Jianzhong, 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 in this announcement misleading.

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