

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 – DISPOSAL OF A SUBSIDIARY

THE SALE AND PURCHASE AGREEMENT

The Board hereby announces that on 26 September 2019 (after trading hours), the Vendor, a direct wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Sale Share representing the entire issued share capital of the Target Company at a consideration of HK\$10 million (equivalent to RMB9.05 million).

Upon Completion, the Group will cease to have any interest in the Target Company and hence the Target Company will cease to be a subsidiary of the Company. The accounts of the Target Company will no longer be consolidated in the financial statements of the Group.

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 Sale and Purchase Agreement exceeds 5% but is less than 25%, the Sale and Purchase 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 26 September 2019 (after trading hours), the Vendor, a direct wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Sale Share representing the entire issued share capital of the Target Company at a consideration of approximately HK\$10 million (equivalent to RMB9.05 million).

THE SALE AND PURCHASE AGREEMENT

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

Date: 26 September 2019

Parties:

- (1) the Vendor, a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company which is principally engaged in investment holding; and
- (2) the Purchaser, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed of

The Vendor agreed to dispose of and the Purchaser agreed to acquire the Sale Share representing the entire issued share capital of the Target Company. Further information of the Target Group is set out in the section headed “Information of the Target Group” below.

Consideration and payment terms

The consideration for the sale and purchase of the Sale Share shall be HK\$10 million (equivalent to RMB9.05 million), which shall be paid by the Purchaser to the Vendor in full upon Completion by paying to the designated bank account of the Vendor or by such other payment method as agreed between the Vendor and the Purchaser.

Basis of determination of the consideration

The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms (i) with reference to the estimated realisable value of the Target Group’s assets and liabilities and (ii) having considered the reasons as disclosed under the section headed “Reasons for and benefits of the Disposal” below.

Conditions precedent

Completion is conditional upon the following Conditions being satisfied:

- (1) the Vendor being the only beneficial owner of the Sale Share; and
- (2) the Vendor and the Purchase having obtained all necessary consent and approval including but not limited to approval of signing and fulfilling the obligations under the Sale and Purchase Agreement and the Vendor and the Purchaser having complied with the relevant laws and regulations.

The Vendor and the Purchaser shall use their reasonable endeavour to fulfil the Conditions precedent on or before 31 October 2019. To the best knowledge, information and belief of the Directors as at the date of this announcement, save for the internal approvals of the Vendor and the Purchaser, completion of the Sale and Purchase Agreement does not require any consent and approval from any authority or third party.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Group will cease to have any interest in the Target Company and hence the Target Company will cease to be a subsidiary of the Company. The accounts of the Target Company will no longer be consolidated in the financial statements of the Group.

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

It is expected that the Group will record a gain of approximately HK\$19 million after taking into account (i) the unaudited Adjusted Net Asset Value of the Target Group; and (ii) a waiver of loan of approximately HK\$9.2 million granted by the Target Company to the Vendor prior to the entering into the Sale and Purchase Agreement. The actual gain as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after the Completion. The Group intends to use the proceeds from the Disposal to develop its Internet data centre business.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is incorporated in the Seychelles with limited liability and is wholly owned by the Vendor as at the date of this announcement. 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. Million Ace Trading was principally engaged in trading of mobile phones and computers but its trading business have been integrated with the sales of telecommunication products business carried out by other subsidiaries of the Group since 2017 for the purpose of business restructuring and cost savings.

Oriental Rich Investment

Oriental Rich Investment is incorporated Hong Kong with limited liability and is a wholly owned subsidiary of Million Ace Trading as at the date of this announcement. Oriental Rich Investment was principally engaged in trading of mobile phones and computers but its trading business have been integrated with the sales of telecommunication products business carried out by other subsidiaries of the Group since 2015 for the purpose of business restructuring and cost savings.

KSZ Technology

KSZ Technology is incorporated Hong Kong with limited liability and is a wholly owned subsidiary of Million Ace Trading as at the date of this announcement. KSZ Technology was principally engaged in trading of mobile phones and computers but its trading business have been integrated with the sales of telecommunication products business carried out by other subsidiaries of the Group since 2018 for the purpose of business restructuring and cost savings.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019. The unaudited Adjusted Net Asset Value of the Target Group was approximately HK\$44,000.

	For the year ended		For the six
	31 December	31 December	months ended
	2017	2018	30 June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	669,252	471,670	–
Profit before taxation	21,808	40,164	819
Profit after taxation	17,568	34,169	1,450

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in sales of telecommunication products and services and operation of internet finance platform business.

Since 2018, the trading business of the Target Group have been integrated with the sales of telecommunication products business carried out by other subsidiaries of the Group since 2018 for the purpose of business restructuring and cost savings. As at the date of this announcement, the business of the Target Group was minimal. The Directors are of the view that the Disposal provided an opportunity for the Group to realise its investment in the Target Group and will allow the Group to focus on its restructured businesses of sales of telecommunication products and services, particularly Internet data centre business.

The Directors consider that the Sale and Purchase Agreement is entered into after arm's length negotiation between the Vendor and the Purchaser and the terms therein are on normal commercial terms and the Disposal is fair and reasonable and in the interests 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 Sale and Purchase Agreement exceeds 5% but is less than 25%, the Sale and Purchase 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.

“Adjusted Net Asset Value”	net asset value as at 30 June 2019, less dividend paid by the Target Company to the Vendor prior to the entering into the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“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”	completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the day falling within 5 Business Days from the date on which all Conditions are satisfied, or such other date as the Vendor and the Purchaser may agree, being the date on which Completion occurs in accordance with the Sale and Purchase Agreement
“Conditions”	the conditions precedent as set out in the Sale and Purchase Agreement, details of which are set out in the section headed “Conditions precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Sale Share by the Vendor to the Purchaser
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“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
“KSZ Technology”	KSZ Technology (HK) Limited, a company incorporated in Hong Kong with limited liability
“Million Ace Trading”	Million Ace Trading (International) Limited, a company incorporated in Hong Kong with limited liability
“Oriental Rich Investment”	Oriental Rich Investment Holdings Limited, a company incorporated in Hong Kong with limited liability
“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
“Purchaser”	Great Fancy Investment Limited, a company incorporated in British Virgin Islands with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 September 2019 in relation to the Disposal
“Sale Share”	one share in the share capital of the Target Company
“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

“Target Company”	Million Ace Limited, an international business company incorporated in the Republic of Seychelles
“Target Group”	the Target Company and its subsidiaries
“Vendor”	NEO Cloud Computing Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Neo Telemedia Limited
CHEUNG Sing Tai
Deputy Chairman

Hong Kong, 26 September 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. CHEUNG Sing Tai (Deputy Chairman and Chief Executive Officer), Mr. XU Gang and Mr. TAO Wei, one non-executive Director, namely Dr. LIE Haiquan (Chairman), 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.

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.