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## **NETEL TECHNOLOGY (HOLDINGS) LIMITED**

**金利通科技(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8256)**

### **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE; VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF 51% EQUITY INTERESTS IN THE TARGET COMPANY; AND CONTINUED SUSPENSION**

**Financial adviser to the Company**

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
泓博資本有限公司

#### **THE SUBSCRIPTIONS**

From 22 January 2020 to 24 April 2020, the Company entered into ten Subscription Agreements with ten Subscribers. Pursuant to the Subscription Agreements, in aggregate, the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for a total of 214,803,426 Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share. The completion of each of the ten Subscriptions are inter-conditional with each other.

Among the ten Subscribers, Subscriber J is the controlling Shareholder, chairman of the Board and an executive Director. Pursuant to the Subscription Agreement J, the Company has conditionally agreed to allot and issue and the Subscriber J has conditionally agreed to subscribe for a total of 94,303,426 CS Subscription Shares at the Subscription Price.

The Subscription Shares represent approximately 17.69% of the existing issued Shares of the Company as at the date of this announcement and approximately 15.03% of the issued Shares of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no other change in the issued share capital of the Company from the date of this announcement up to completion of the Subscriptions).

Among the Subscription Shares, the CS Subscription Shares represent approximately 7.77% of the existing issued Shares of the Company as at the date of this announcement and approximately 6.60% of the issued Shares of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no other change in the issued share capital of the Company from the date of this announcement up to completion of the Subscriptions).

The gross proceeds raised from the Subscriptions will be approximately HK\$17.2 million, and the net proceeds, after deduction of all relevant expenses, will be approximately HK\$16.8 million, which are intended to be used for the purposes of settling the Consideration of the Acquisition, the Group's development of its business and general working capital.

The Subscription Shares will be allotted and issued pursuant to the General Mandate and are not subject to the Shareholders' approval. An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange. The completion of each of the ten Subscription Agreements are inter-conditional with each other.

### **Implications under the GEM Listing Rules**

Subscriber J is the controlling Shareholder and executive Director holding approximately 30.73% of the total number of Shares in issue as at the date of this announcement, and therefore a connected person of the Company under the GEM Listing Rules. The entering into of the Subscription Agreement J constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **THE ACQUISITION**

Reference is made to the Company's announcement dated 7 January 2020.

On 23 April 2020, the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors and the Target Company. Pursuant to the Equity Transfer Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire an aggregate of 51% equity interests in the Target Company at an aggregate Consideration of RMB11,553,000 (equivalent to HK\$12,631,752). Particularly:

1. Vendor A has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 35.7% equity interests in the Target Company, at a consideration of RMB8,087,100 (equivalent to HK\$8,842,226); and
2. Vendor B has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 15.3% equity interests in the Target Company, at a consideration of RMB3,465,900 (equivalent to HK\$3,789,526).

The Consideration shall be settled through internal resources by the way of cash payment.

Upon completion of the Acquisition, the Target Company will become a non-wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

Each of the Subscription Agreements and the Equity Transfer Agreement are inter-conditional with each other. If the Subscription entered with Subscriber J is not approved by the Independent Shareholders, the Group will postpone the Acquisition and use its best endeavor to identify alternative ways to finance the subscription money, including but not limited to immediately seek for other subscriber(s) to cover the portions which would otherwise be contributed by Subscriber J, with the paramount aim to proceed the Subscriptions and the Acquisition as soon as practicable, having taken into account of the vital importance of the Acquisition which serves as a means to rescue the Company from delisting, the prospect of the Target Company and accordingly for the best interests of the Shareholders. If the Acquisition is not approved by the Shareholders, the Group will not proceed with the Subscriptions.

### **Implications under the GEM Listing Rules**

As certain percentage ratios as defined under Chapter 19 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

The Board wishes to update the Shareholders and potential investors that based on the information currently available, the Listing Division has concern that the Acquisition, if proceeds, would constitute a reverse takeover under GEM Listing Rule 19.06B, which shall be subject to, among others, compliance with GEM new listing requirements. The Company is of the view that the Acquisition would not be regarded as a reverse takeover, primarily because it falls outside the bright line test and after due and careful consideration of each of the assessment criteria under the principle based test under GEM Listing Rule 19.06B.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the Subscription Agreement J and the transactions contemplated thereunder. The independent financial adviser will be appointed in this regard in due course.

A circular containing, among others, (i) further information on the Subscription entered with Subscriber J and the terms of the Equity Transfer Agreement; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the enlarged Group; (iv) the accountant's report on the Target Company; (v) recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Subscription entered into with Subscriber J; (vi) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription entered into with Subscriber J; (vii) a notice convening the EGM; and (viii) other information as required under the GEM Listing Rules will be despatched to the Shareholders. As the Subscriptions and Acquisition are conditional on the Stock Exchange approving the Company's resumption proposal, the Company considers that it is not in an appropriate position to estimate the time of despatch of the aforesaid circular.

The EGM will be convened and held by the Company for the purpose of considering, and if thought fit, approving the resolution(s) in relation to the Subscription entered with Subscriber J and the Equity Transfer Agreement and the transactions contemplated thereunder. Subscriber J, being the controlling Shareholder and executive Director, will be required to abstain from voting for approving the relevant resolution(s) in relation to the Subscription entered with Subscriber J. Given that the Subscriptions and the Acquisition are inter-conditional with each other, Subscriber J is considered to have material interest in the Acquisition. Accordingly, Subscriber J will be required to abstain from voting for approving the relevant resolution(s) in relation to the Equity Transfer Agreement.

**The completion of the Subscriptions is subject to the fulfilment of the condition set out in the Subscription Agreements, including but not limited to the Stock Exchange approving the Company's resumption proposal. As such, the Subscriptions may or may not proceed. Moreover, as completion of the Acquisition is conditional upon fulfilment of the conditions precedent to the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## **UPDATE ON THE LISTING STATUS**

As disclosed in the announcements of the Company dated 15 November 2019 and 1 June 2020, both of the GEM Listing Committee and GEM Listing (Review) Committee arrived at the decision to delist the Company. The reasons for the delisting decision are arrived based on a number of factors, including, among others, scale of operation and sustainability and viability of the Company's business. As disclosed in the announcement of the Company dated 2 June 2020, the Company submitted a written request to the Listing Appeals Committee for a review of the delisting decision by the GEM Listing (Review) Committee.

On 12 June 2020, the Company received a letter from the Listing Appeals Committee requesting the Company to provide written submission to the Listing Appeals Committee prior to 29 July 2020 for the purpose of the review hearing to be scheduled in due course. On 30 June 2020, the Company made an application to the Listing Appeals Committee for an extension of time to provide the required written submission. On 13 July 2020, the Listing Appeals Committee has agreed to allow the Company to extend its written submission by 17 August 2020, and further extension was subsequently granted to the Company by 24 August 2020 (with supplemental written submission to be provided by 7 September 2020). On 24 August 2020, the Company submitted its written submission to the Listing Appeals Committee for the purpose of the appeal hearing to be scheduled in due course.

Should the Listing Appeals Committee upheld the aforesaid delisting decision, the listing of the Shares will be cancelled.

## **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

Trading in the Shares on GEM of the Stock Exchange has been suspended since 9:00 a.m. on 8 August 2018 and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

## **THE SUBSCRIPTIONS**

### **Introduction**

From 22 January 2020 to 24 April 2020, the Company entered into ten Subscription Agreements with ten Subscribers. Pursuant to the Subscription Agreements, in aggregate, the Company has conditionally agreed to allot and issue and the Subscribers have conditionally agreed to subscribe for a total of 214,803,426 Subscription Shares at a price of HK\$0.08 per Subscription Share. The completion of each of the ten Subscriptions are inter-conditional with each other.

Among the ten Subscribers, Subscriber J (as defined below) is the controlling Shareholder, chairman of the Board and an executive Director. Pursuant to the Subscription Agreement J, the Company has conditionally agreed to allot and issue and the Subscriber J has conditionally agreed to subscribe for a total of 94,303,426 CS Subscription Shares at the Subscription Price.

## Principal terms of the Subscription Agreements

| Subscription Agreements  | Parties |              | Subscription Price per Share | Number of Subscription Shares |
|--------------------------|---------|--------------|------------------------------|-------------------------------|
|                          | Issuer  | Subscriber   |                              |                               |
| Subscription Agreement A | Company | Subscriber A | HK\$0.08                     | 25,000,000                    |
| Subscription Agreement B | Company | Subscriber B | HK\$0.08                     | 12,500,000                    |
| Subscription Agreement C | Company | Subscriber C | HK\$0.08                     | 12,500,000                    |
| Subscription Agreement D | Company | Subscriber D | HK\$0.08                     | 12,500,000                    |
| Subscription Agreement E | Company | Subscriber E | HK\$0.08                     | 2,500,000                     |
| Subscription Agreement F | Company | Subscriber F | HK\$0.08                     | 2,750,000                     |
| Subscription Agreement G | Company | Subscriber G | HK\$0.08                     | 25,000,000                    |
| Subscription Agreement H | Company | Subscriber H | HK\$0.08                     | 2,750,000                     |
| Subscription Agreement I | Company | Subscriber I | HK\$0.08                     | 25,000,000                    |
| Subscription Agreement J | Company | Subscriber J | HK\$0.08                     | 94,303,426                    |

Total number of Subscription Shares 214,803,426

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries,

- (i) the Subscribers (except Subscriber J) are not connected persons of the Company and are independent of and not connected with the Company, the directors, chief executives or substantial shareholders of the Company or its subsidiaries, or any of their respective associates;
- (ii) the Subscribers (except Subscriber J) will not become substantial shareholders of the Company immediately following the Subscription;
- (iii) the Subscribers are not parties acting in concert with (i) one another; (ii) the Company, the directors, chief executives or substantial shareholders of the Company or its subsidiaries; (iii) the controlling shareholder of the Company or any party acting or presumed to be acting in concert with it; or any of their respective associates;
- (iv) the Subscribers are not associates of the controlling shareholder of the Company; and
- (v) each of the Subscribers do not have any relationship with the Vendors.

The completion of each of the ten Subscription Agreements are inter-conditional with each other. Moreover, each of the ten Subscription Agreements is inter-conditional with the Equity Transfer Agreement.

## **The Subscription Shares**

The Subscription Shares represent approximately 17.69% of the existing issued Share capital of the Company as at the date of this announcement and approximately 15.03% of the issued Share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no other change in the issued share capital of the Company from the date of this announcement up to completion of the Subscriptions).

Among the Subscription Shares, the CS Subscription Shares represent approximately 7.77% of the existing issued Shares of the Company as at the date of this announcement and approximately 6.60% of the issued Shares of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no other change in the issued share capital of the Company from the date of this announcement up to completion of the Subscriptions).

The aggregate nominal value of the 214,803,426 Subscription Shares is HK\$4,296,068.

## **The Subscription Price**

The Subscription Price is HK\$0.08 per Subscription Share, which was arrived at after arm's length negotiation between the Company and the Subscribers with reference to the market conditions and prevailing market prices of the Shares.

The Subscription Price represents:

- (i) a premium of approximately 81.82% to the closing price of HK\$0.044 per Share as quoted on the Stock Exchange on 7 August 2018, being the last trading day of the Shares prior to the entering into of the Subscription Agreements; and
- (ii) a premium of approximately 78.57% to the average of the closing prices of approximately HK\$0.0448 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 7 August 2018, being the last trading day of the Shares prior to the entering into of the Subscription Agreements.

## **GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 September 2019. The allotment and issue of the Subscription Shares are not subject to Shareholders' approval. The Company is authorised to allot, issue or otherwise deal with up to 242,851,143 new Shares under the General Mandate. As at the date of this announcement, no new Shares have been issued under the General Mandate.

## **Ranking**

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with the existing Shares in issue as at the date of issue of the Subscription Shares.

## **Application for listing**

An application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

## **Condition**

Completion of each of the Subscription Agreements is conditional upon the Stock Exchange approving the Company's resumption proposal and granting listing of and permission to deal in the Subscription Shares.

## **Completion**

Subject to the fulfilment of the condition of the Subscription Agreements, completion of the Subscriptions is expected to take place at or before 4:00 p.m. on the Subscription Completion Date or such other time as the Company and the Subscribers may agree (subject to compliance with the GEM Listing Rules).

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any fund raising activity in the twelve months immediately preceding the date of this announcement.

## **EFFECTS ON SHAREHOLDING STRUCTURE**

The table below summarises the shareholding structure of the Company: (i) as at the date of this announcement; and (ii) immediately upon completion of the Subscriptions:



| Subscribers                              | As at the date of this announcement |                      | Immediately upon completion of the Subscriptions |                      |
|--|-------------------------------------|----------------------|--|----------------------|
|  | Number of Shares                    | Approximate %        | Number of Shares                                 | Approximate %        |
| Subscriber A                             | –                                   | –                    | 25,000,000                                       | 1.75                 |
| Subscriber B                             | –                                   | –                    | 12,500,000                                       | 0.88                 |
| Subscriber C                             | –                                   | –                    | 12,500,000                                       | 0.88                 |
| Subscriber D                             | –                                   | –                    | 12,500,000                                       | 0.88                 |
| Subscriber E                             | –                                   | –                    | 2,500,000  | 0.17                 |
| Subscriber F                             | –                                   | –                    | 2,750,000  | 0.19                 |
| Subscriber G                             | –                                   | –                    | 25,000,000                                       | 1.75                 |
| Subscriber H                             | –                                   | –                    | 2,750,000  | 0.19                 |
| Subscriber I                             | –                                   | –                    | 25,000,000                                       | 1.75                 |
| Subscriber J (James Ang) ( <i>Note</i> ) | 373,141,819                         | 30.73                | 467,445,245                                      | 32.71                |
| Other public Shareholders                | 841,113,899                         | 69.27                | 841,113,899                                      | 58.85                |
| <b>Total</b>                             | <b><u>1,214,255,718</u></b>         | <b><u>100.00</u></b> | <b><u>1,429,059,144</u></b>                      | <b><u>100.00</u></b> |

*Note:*

3,190,000 shares are held by Cyber Wealth Company Group Limited (“**Cyber Wealth**”) and 21,694,000 shares are held by Bluechip Combination Investments Limited (“**Bluechip**”). Cyber Wealth and Bluechip are companies wholly-owned by James Ang.

After completion of the Subscriptions, Subscriber J will remain as the controlling Shareholder and the single largest Shareholder of the Company. The Company considers that there will be no change in control or de facto control of the Company.

## INFORMATION ON EACH OF THE SUBSCRIBERS

### The Subscribers

Each of the Subscribers (except Subscriber J) do not have any relationship and/or side agreements with the controlling Shareholder. Background of each of the Subscribers is set out below.

#### **Subscriber A**

Subscriber A is an individual and was an ex-colleague of the controlling Shareholder. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber A is an Independent Third Party.

### ***Subscriber B***

Subscriber B is an individual and has been working in a charity association in Hong Kong. He became acquainted with the Company through the introduction by a common friend of controlling Shareholder. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber B is an Independent Third Party.

### ***Subscriber C***

Subscriber C is an individual and a lawyer working in a nationwide law firm in the PRC. He became acquainted with the Company through the controlling Shareholder, who gets to know each other through a business occasion. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber C is an Independent Third Party.

### ***Subscriber D***

Subscriber D is an individual and a businessman in the medicine industry. He became acquainted with the Company through the introduction of Subscriber G in a social event. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber D is an Independent Third Party.

### ***Subscriber E***

Subscriber E is an individual and a businesswoman in the hair products industry. She became acquainted with the Company through the controlling Shareholder, who is his student of law seminar. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber E is an Independent Third Party.

### ***Subscriber F***

Subscriber F is an individual and belongs to the same province of the controlling Shareholder. He became acquainted with the Company through the controlling Shareholder, who get to know each other with Subscriber H through a social event. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber F is the elder brother of Subscriber H and is an Independent Third Party.

### ***Subscriber G***

Subscriber G is an individual and a businessman of in the construction industry. He became acquainted with the Company through the controlling Shareholder, who is his business partner. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber G is an Independent Third Party.

### ***Subscriber H***

Subscriber H is an individual and belongs to the same province of the controlling Shareholder. He became acquainted with the Company through the controlling Shareholder, who gets to know each other with Subscriber F through a social event. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber H is the younger brother of Subscriber F and is an Independent Third Party.

### ***Subscriber I***

Subscriber I is an individual and a headmaster of a secondary school in Hong Kong before his retirement. He became acquainted with the Company through the controlling Shareholder, who remains in a friendship with Subscriber A for a long time. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber I is an Independent Third Party.

### ***Subscriber J***

Subscriber J is the controlling Shareholder. Please refer to the annual report of the Company for the year ended 31 May 2019 for his biographical details and background.

## **REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS**

In light of the Decision and the Company's plan to strengthen its business development, the Directors (including the independent non-executive Directors) are of the view that the Subscriptions serve as both a means to rescue the Company from delisting and to fuel the Company's development and strengthening of financial performance by providing fund for the Acquisition and its other business plans. The Directors (including the independent non-executive Directors) also consider that the Subscription Agreements are fair and reasonable and the Subscriptions are in the interest of the Company and the Shareholders as a whole. The Directors are of the view that the Subscriptions demonstrate the confidence of the Subscribers towards the sustainability and long term business growth of the Company amid the challenging operating environment faced by the Company.

The gross proceeds raised from the Subscriptions will be approximately HK\$17.2 million, and the net proceeds, after deduction of all relevant expenses, will be approximately HK\$16.8 million, which are intended to be used for the purposes of settling the Consideration of the Acquisition, the Group's development of its business and general working capital.

The net Subscription Price will be approximately HK\$0.078 per Share.

## **Implications under the GEM Listing Rules**

Subscriber J is the controlling Shareholder and executive Director holding approximately 30.73% of the total number of Shares of the Company in issue as at the date of this announcement, and therefore a connected person of the Company under the GEM Listing Rules. The Subscription Agreement J constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **THE ACQUISITION**

The principal terms of the Equity Transfer Agreement are as follows:

### **Date:**

23 April 2020

### **Parties:**

- (i) the Purchaser;
- (ii) the Vendors; and
- (iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are third parties independent of the Company and do not have any relationship with any of the Subscribers.

### **Subject Matter:**

The Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire an aggregate of 51% equity interests in the Target Company at an aggregate Consideration of RMB11,553,000 (equivalent to approximately HK\$12,631,752). Particularly:

1. Vendor A has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 35.7% equity interests in the Target Company, at a consideration of RMB8,087,100 (equivalent to approximately HK\$8,842,226); and
2. Vendor B has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, approximately 15.3% equity interests in the Target Company, at a consideration of RMB3,465,900 (equivalent to approximately HK\$3,789,526).

## **Consideration**

Pursuant to the Equity Transfer Agreement, the Consideration shall be payable by the Company to the Vendors through internal resources by the way of cash payment.

The Company has the discretion to decide the currency for settlement. The closing middle rate of exchange between HK\$ and RMB as quoted by the People's Bank of China at 5p.m. on the business day preceding the date of completion of the Equity Transfer Agreement will be adopted.

The Consideration has been determined after arm's length negotiation between the Purchaser and the Vendors, after taking into account, among others, the profit guarantee of the Target Company for the two financial years ending 31 December 2021 and the reasons and benefits of the Acquisition.

The Consideration shall be settled by the net proceeds from the Subscriptions. The Company considers that the Acquisition and settlement of the Consideration would not have material adverse impact on the working capital of the Company.

## **Profit Guarantee**

Pursuant to the Equity Transfer Agreement, the Vendors jointly and severally represent and undertake to the Purchaser that, the net profit of the Target Company for the two financial years ending 31 December 2021 shall not be less than RMB6 million and RMB7.2 million, respectively. If the profit guarantee cannot be met, any shortfall between the net profit of the Target Company to be derived and the said guaranteed profit at the respective years will be compensated by the Vendors to the Company on a dollar-to-dollar basis.

## **Conditions Precedent**

Completion of the Equity Transfer Agreement is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained the approval from the Stock Exchange for its resumption proposal;
- (ii) the Company having obtained the approval from its Shareholders in respect of, inter alia, the Equity Transfer Agreement and the Acquisition, in the manner required by the GEM Listing Rules;
- (iii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Equity Transfer Agreement;

- (iv) each of the parties having complied with the terms and conditions of the Equity Transfer Agreement and there having been no material breach of the Equity Transfer Agreement by any party thereto;
- (v) all of the warranties and representations contained in the Equity Transfer Agreement remaining true, correct, complete, accurate and not misleading in all material respects at completion, as if repeated at completion and all undertakings contained in the Equity Transfer Agreement, to the extent that it is capable of being fulfilled prior to the Acquisition Completion Date, having been fulfilled in all respects;
- (vi) there having been no material adverse change in the Target Company between the date of the Equity Transfer Agreement and the Acquisition Completion Date;
- (vii) the Purchaser, the Vendors and the Target Company having complied with the GEM Listing Rules in all respects for the Equity Transfer Agreement; and
- (viii) the Company having satisfied that each member of the Target Group is duly established, validly existing and of good standing, and that the shareholding structure of the Target Company pursuant to the Equity Transfer Agreement is true, correct, accurate, complete, legal and valid.

Pursuant to the Equity Transfer Agreement, none of the above conditions precedent can be waived. As at the date of this announcement, condition (iii) has been fulfilled.

## **Completion**

Completion of the Equity Transfer Agreement shall take place within seven business days after fulfilment of all the conditions precedent to the Equity Transfer Agreement, or such other date as the parties to the Equity Transfer Agreement may agree in writing.

Upon completion of the Acquisition, the Target Company will become a non-wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

Each of the Subscription Agreements and the Equity Transfer Agreement are inter-conditional with each other. If the Subscription entered with Subscriber J is not approved by the Independent Shareholders, the Group will postpone the Acquisition and use its best endeavor to identify alternative ways to finance the subscription money, including but not limited to immediately seek for other subscriber(s) to cover the portions which would otherwise be contributed from Subscriber J, with the paramount aim to proceed the Subscriptions and the Acquisition as soon as practicable, having taken into account of the vital importance of the Acquisition which serves as a means to rescue the Company from delisting, the prospect of the Target Company and accordingly for the best interests of the Shareholders. If the Acquisition is not approved by the Shareholders, the Group will not proceed with the Subscriptions.

## Information of the Target Company

The Target Company is established in the PRC with limited liability. The Target Company is a provider of intelligent information system integration solution (the “IT services”) based in Shanghai of the PRC. The Target Company principally engages in, among others, providing one-stop business suite which generally includes network infrastructure, data collection and acquisition, intelligent system integration, customised data report and data flow analysis. The customers of the Target Company primarily consist of foreign enterprises, which rank within the top 500 worldwide annually as measured by revenue, when setting up their presences in the PRC.

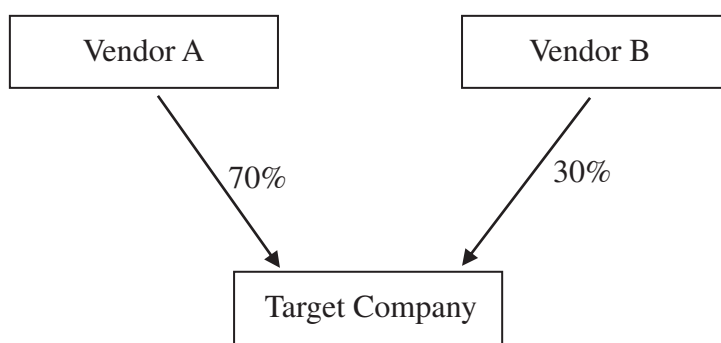
The Target Company mainly generates revenue from providing IT services to their customers, which is recognised when the service is rendered according to the service contract signed with the customers. Based on the latest information available, for the two years ended 31 December 2019, the unaudited revenue generated from the Target Company amounted to approximately RMB32.1 million and RMB24.3 million, respectively.

The unaudited financial information of the Target Company for the years ended 31 December 2018 and 2019 are set out below:

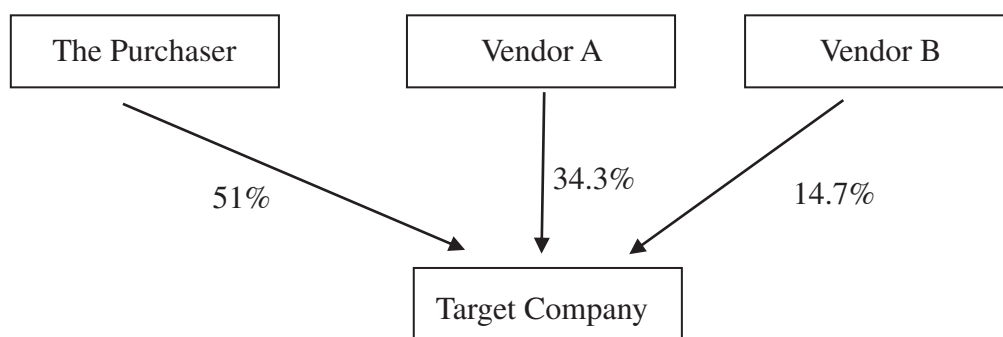
|                        | <b>For the year ended<br/>31 December</b> |                |
|------------------------|---|----------------|
|                        | <b>2018</b>                               | <b>2019</b>    |
|                        | (unaudited)                               | (unaudited)    |
|                        | <i>RMB'000</i>                            | <i>RMB'000</i> |
| Profit before taxation | 2,991                                     | 797            |
| Profit after taxation  | 2,934                                     | 723            |

Based on the unaudited financial statements of the Target Company, the net assets value of the Target Company was RMB13.29 million as at 31 December 2019.

The shareholding structure of the Target Company before the completion of the Equity Transfer Agreement is as follows:



The structure of shareholding of the Target Company held by the Company immediately after the completion of the Equity Transfer Agreement is as follows:



### **Reasons for and benefits of entering into the Equity Transfer Agreement and the Acquisition**

In reaching their decision of the Company entering into the Equity Transfer Agreement, the Directors have reviewed the business and financial performance of the Target Company and considered that the Acquisition could bring significant synergy and strategical value to the Company.

Particularly, the Directors consider that the Target Company's businesses in respect of data collection and acquisition, intelligent system integration, customised data report and data flow analysis align with the business of big data system of the Group, and can enhance the scope of services the Group can provide, so as to increase the competitiveness of the Group and the value of its services.

In addition, the Directors understand that the customers of the Target Company include those overseas enterprises who have been listed on the Fortune 500, an annual ranking of the top 500 corporations worldwide as measured by revenue. The Directors believe that the Acquisition can help broaden the Group's client base which provide the Group with more business opportunities and channels to expand its business overseas.

The Directors also consider that the Acquisition will strengthen the Company's operational and financial performance as the Target Company has been profit making in recent years and the financial statements of the Target Company would be consolidated into the Group's consolidated financial statements upon completion of the Acquisition.

Having considered the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.



## **Information of the Company**

The Company is an investment holding company and the Group is principally engaged in telecommunication equipment sales and related services, research and development of IT applications, and provision of IT applications related services including prospecting, recruitment related services and e-commerce and trading business.

## **Information of the Vendors**

The Vendors, which comprise the Vendor A and the Vendor B, are PRC individuals and the shareholders and ultimate beneficial owners of the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are third parties independent of the Company.

## **Implications under the GEM Listing Rules**

As certain percentage ratios as defined under Chapter 19 of the GEM Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

The Board wishes to update the Shareholders and potential investors that based on the information currently available, the Listing Division has concern that the Acquisition, if proceeds, would constitute a reverse takeover under GEM Listing Rule 19.06B, which shall be subject to, among others, compliance with GEM new listing requirements. The Company is of the view that the Acquisition would not be regarded as a reverse takeover, primarily because it falls outside the bright line test and after due and careful consideration of each of the assessment criteria under the principle based test under GEM Listing Rule 19.06B.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the Subscription Agreement J and the transactions contemplated thereunder. The independent financial adviser will be appointed in this regard in due course.

A circular containing, among others, (i) further information on the Subscription entered with Subscriber J and the terms of the Equity Transfer Agreement; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the enlarged Group; (iv) the accountant's report on the Target Company; (v) recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Subscription entered with Subscriber J; (viii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription entered with Subscriber J; (vi) a notice convening the EGM; and (vii) other information as required under the GEM Listing Rules will be despatched to the Shareholders. As the Subscriptions and Acquisition are conditional on the Stock Exchange approving the Company's resumption proposal, the Company considers that it is not in an appropriate position to estimate the time of despatch of the aforesaid circular.

The EGM will be convened and held by the Company for the purpose of considering, and if thought fit, approving the resolution(s) in relation to the Subscription entered with Subscriber J and the Equity Transfer Agreement and the transactions contemplated thereunder. Subscriber J, being the controlling Shareholder and executive Director, will be required to abstain from voting for approving the relevant resolution(s) in relation to the Subscription entered with Subscriber J. Given that the Subscriptions and the Acquisition are inter-conditional with each other, Subscriber J is considered to have material interest in the Acquisition. Accordingly, Subscriber J will be required to abstain from voting for approving the relevant resolution(s) in relation to the Equity Transfer Agreement.

**The completion of the Subscriptions is subject to the fulfilment of the condition set out in the Subscription Agreements, including but not limited to the Stock Exchange approving the Company's resumption proposal. As such, the Subscriptions may or may not proceed. Moreover, as completion of the Acquisition is conditional upon fulfilment of the conditions precedent to the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## **UPDATE ON THE LISTING STATUS**

As disclosed in the announcements of the Company dated 15 November 2019 and 1 June 2020, both of the GEM Listing Committee and GEM Listing (Review) Committee arrived at the decision to delist the Company. The reasons for the delisting decision are arrived based on a number of factors, including, among others, scale of operation and sustainability and viability of the Company's business. As disclosed in the announcement of the Company dated 2 June 2020, the Company submitted a written request to the Listing Appeals Committee for a review of the delisting decision by the GEM Listing (Review) Committee.

On 12 June 2020, the Company received a letter from the Listing Appeals Committee requesting the Company to provide written submission to the Listing Appeals Committee prior to 29 July 2020 for the purpose of the review hearing to be scheduled in due course. On 30 June 2020, the Company made an application to the Listing Appeals Committee for an extension of time to provide the required written submission. On 13 July 2020, the Company received an email from the Listing Appeals Committee that it has agreed to allow the Company to file its written submission by 17 August 2020. On 24 August 2020, the Company submitted its written submission to the Listing Appeals Committee for the purpose of the appeal hearing to be scheduled in due course.

Should the Listing Appeals Committee upheld the aforesaid delisting decision, the listing of the Shares will be cancelled.

## **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

Trading in the Shares on GEM of the Stock Exchange has been suspended since 9:00 a.m. on 8 August 2018 and will remain suspended until further notice. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

## **DEFINITIONS**

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

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|-------------------------------|--|
| “Acquisition”                 | the acquisition of the Sale Capital by the Company from the Vendors in accordance with the terms and conditions of the Equity Transfer Agreement;  |
| “Acquisition Completion Date” | the date of completion of the Acquisition, which shall be within seven business days after fulfilment of all the conditions precedent to the Equity Transfer Agreement, or such other date as the parties to the Equity Transfer Agreement may agree in writing; |
| “associate(s)”                | the meaning ascribed thereto in the GEM Listing Rules;   |
| “Board”                       | the board of Directors;  |
| “Business Day”                | any day (excluding a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong;  |
| “Company”                     | Netel Technology (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (Stock code: 8256);  |

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| “connected person”          | the meaning ascribed thereto in the GEM Listing Rules;   |
| “Consideration”             | the consideration of RMB11,553,000 (equivalent to approximately HK\$12,631,752) for the acquisition of the Sale Capital;   |
| “controlling shareholder”   | the meaning ascribed thereto in the GEM Listing Rules;   |
| “CS Subscription Shares”    | 94,303,426 Shares to be subscribed by the Subscriber J pursuant to the Subscription Agreement J;   |
| “Decision”                  | the GEM Listing Committee’s decision to cancel the Company’s listing under Rule 9.14 of the GEM Listing Rules made on 15 November 2019;  |
| “Director(s)”               | the director(s) of the Company;  |
| “EGM”                       | the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving the resolution(s) in relation to the Subscription Agreement J and the Equity Transfer Agreement and the transactions contemplated thereunder; |
| “Equity Transfer Agreement” | the conditional equity transfer agreement dated 23 April 2020 entered into amongst the Company, the Vendors and the Target Company in respect of the Acquisition;  |
| “GEM Listing Committee”     | the GEM Listing Committee of the Stock Exchange;   |
| “GEM Listing Rules”         | the Rules Governing the Listing of Securities on GEM of the Stock Exchange;  |
| “General Mandate”           | the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 September 2019;   |
| “Group”                     | the Company, its subsidiaries and its associates for the purposes of the Hong Kong Accounting Standards published by the Hong Kong Institute of Certified Public Accountants;  |
| “HK\$”                      | Hong Kong dollars, the lawful currency for the time being of Hong Kong;  |

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| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC;  |
| “Independent Board Committee”  | an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Mr. Chau Siu Keung, which has been established by the Board for the purpose of advising the Independent Shareholders on the terms of the Subscription Agreement J and the transactions contemplated thereunder; |
| “Independent Shareholders”     | the Shareholders other than Subscriber J and those who are interested or have a material interest in the Subscription Agreement J who shall be required under the GEM Listing Rules to abstain from voting on the resolution(s) to approve the Subscription Agreement J and the transactions contemplated thereunder at the EGM;                               |
| “Independent Third Party(ies)” | The third party(ies) who is/are independent of the Company and its connected persons;  |
| “PRC”                          | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the territory of Taiwan;  |
| “Purchaser”                    | 金飯碗人力資源服務(深圳)有限公司, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;   |
| “RMB”                          | Renminbi, the lawful currency of the PRC;  |
| “Sale Capital”                 | 51% equity interests in the Target Company;  |
| “Share(s)”                     | ordinary share(s) of HK\$0.02 each in the share capital of the Company;  |
| “Shareholder(s)”               | holder(s) of the Share(s);   |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited;   |
| “Subscriber A”                 | Lee Yuen Ho, a Hong Kong citizen and a businessman;  |
| “Subscriber B”                 | Zheng WenYue, a PRC citizen and a businessman;   |
| “Subscriber C”                 | Hao QingHua, a PRC citizen and a PRC lawyer;   |

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| “Subscriber D”             | Szeto Yu Man, a Hong Kong citizen and a businessman in the medicine industry;   |
| “Subscriber E”             | Yuen Hau Ling Moni, a Hong Kong citizen and a businesswoman in the hair products industry;  |
| “Subscriber F”             | Hong AnRen, a PRC citizen and a businessman;  |
| “Subscriber G”             | Yuen Sik Fan, a Hong Kong citizen and a businessman in the construction industry;   |
| “Subscriber H”             | Hong TianBing, a PRC citizen and a businessman;   |
| “Subscriber I”             | Cheung Wai Kwong, a Hong Kong citizen, retired headmaster and a businessman;  |
| “Subscriber J”             | James Ang, the controlling Shareholder, chairman of the Board and executive Director;   |
| “Subscribers”              | collectively, Subscriber A, Subscriber B, Subscriber C, Subscriber D, Subscriber E, Subscriber F, Subscriber G, Subscriber H, Subscriber I, and Subscriber J; |
| “Subscription(s)”          | the subscriptions for the Subscription Shares by the Subscribers pursuant to the Subscription Agreements;   |
| “Subscription Agreement A” | the subscription agreement dated 22 January 2020 entered into between the Company and the Subscriber A;   |
| “Subscription Agreement B” | the subscription agreement dated 9 March 2020 entered into between the Company and the Subscriber B;  |
| “Subscription Agreement C” | the subscription agreement dated 2 April 2020 entered into between the Company and the Subscriber C;  |
| “Subscription Agreement D” | the subscription agreement dated 2 April 2020 entered into between the Company and the Subscriber D;  |
| “Subscription Agreement E” | the subscription agreement dated 3 April 2020 entered into between the Company and the Subscriber E;  |
| “Subscription Agreement F” | the subscription agreement dated 15 April 2020 entered into between the Company and the Subscriber F;   |

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| “Subscription Agreement G”     | the subscription agreement dated 20 April 2020 entered into between the Company and the Subscriber G;   |
| “Subscription Agreement H”     | the subscription agreement dated 21 April 2020 entered into between the Company and the Subscriber H;   |
| “Subscription Agreement I”     | the subscription agreement dated 22 April 2020 entered into between the Company and the Subscriber I;   |
| “Subscription Agreement J”     | the subscription agreement dated 24 April 2020 entered into between the Company and the Subscriber J;   |
| “Subscription Agreements”      | collectively, Subscription Agreement A, Subscription Agreement B, Subscription Agreement C, Subscription Agreement D, Subscription Agreement E, Subscription Agreement F, Subscription Agreement G, Subscription Agreement H, Subscription Agreement I, and Subscription Agreement J; |
| “Subscription Completion Date” | the second Business Day following the date(s) on which the condition of each of the Subscription Agreements has been satisfied, or on such other date as the Company and the Subscribers may agree in writing;  |
| “Subscription Price”           | the subscription price of HK\$0.08 per Subscription Share;  |
| “Subscription Share(s)”        | 214,803,426 Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements;   |
| “substantial shareholder(s)”   | the meaning ascribed thereto in the GEM Listing Rules;  |
| “Target Company”               | Ascend IT Co., Ltd., a company established under the laws of the PRC with limited liability on 10 March 2012;   |
| “Target Group”                 | collectively, Target Company and its subsidiary;  |
| “Vendors”                      | collectively, Vendor A and Vendor B;  |
| “Vendor A”                     | 邵凤洁, a PRC individual being the owner as to 70% equity interests of the Target Company as at the date of this announcement;   |
| “Vendor B”                     | 張家仁, a PRC individual being the owner as to 30% equity interests of the Target Company as at the date of this announcement; and   |
| “%”                            | per cent.   |

*For ease of reference, sums in RMB in this announcement are translated at the exchange rate of RMB0.9146 = HK\$1. This does not serve as a representation that RMB could be converted into HK\$ or vice versa at that rate.*

For and on behalf of the Board  
**Netel Technology (Holdings) Limited**  
**James Ang**  
Chairman

Hong Kong, 25 August 2020

*As at the date of this announcement, the Board comprises four executive Directors, Mr. James Ang, Mr. Wei Ren, Ms. Yau Pui Chi, Maria and Dr. Zhong Shi, and three independent non-executive Directors, Mr. Chiang Kin Kon, Mr. Wong Kwok Fai and Mr. Chau Siu Keung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 Company Announcement” page of the GEM website for at least 7 days from its date of publication and on the website of the Company at [www.neteltech.com.hk](http://www.neteltech.com.hk).*