
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Neo Telemedia Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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)

**MAJOR TRANSACTION –
DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN A SUBSIDIARY OF THE COMPANY**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the board of directors of the Company is set out on pages 6 to 21 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to the GEM Listing Rules and this circular is being despatched to the Shareholders for information only.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at www.neo-telemedia.com.

26 May 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 10 March 2022 in relation to the Disposal
“Blueseas Mobile”	Guangdong Blueseas 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 and 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);
“Completion”	completion of the Disposal;
“Completion Adjustment”	the completion adjustment as set out in the paragraph headed “Consideration and Completion Adjustment”;
“Completion Date”	the date on which the Completion occurs;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Consideration”	the total consideration of approximately RMB475.5 million (equivalent to approximately HK\$589.6 million) payable under the Disposal pursuant to the Sale and Purchase Agreement;
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules;
“Data Centre Phase One”	Lower first floor, lower second floor and the fourth floor of the data centre located at Building 3, Kanghuai E-commerce Centre, No. 60, Pingan Road, Dafu Community, Guanlan Street, Longhua District, Shenzhen* (深圳市龍華區觀瀾街道大富社區平安路60號康淮電商中心3號樓);

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“Data Centre Phase Two”	First floor to the third floor of the data centre located at Building 3, Kanghuai E-commerce Centre, No. 60, Pingan Road, Dafu Community, Guanlan Street, Longhua District, Shenzhen* (深圳市龍華區觀瀾街道大富社區平安路60號康淮電商中心3號樓);
“Data Centre Project”	collectively, Data Centre Phase One and Data Centre Phase Two;
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal of the Sale Equity Interest by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Dr. Lie”	Dr. LIE Haiquan, an executive Director, the chairman of the Board and a Controlling Shareholder and directly owns 2,273,684,000 Shares and indirectly owns a total of 2,091,923,357 Shares via Golden Ocean and Winner Mind as at the Latest Practicable Date. Dr. Lie was acquainted with Mr. Yan for around 20 years and they had various business relationship in the PRC;
“EDC”	EDC Holding Limited, a company incorporated in Cayman Islands with limited liability and a wholly-owned subsidiary of GDS;
“EDSUZ”	EDSUZ (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of EDC;
“GDS”	GDS Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 9698) and NASDAQ (stock code: GDS);
“GDS Services”	GDS Services Ltd.* (萬國數據服務有限公司), a company established in the PRC with limited liability and a subsidiary of GDS (Shanghai) through contractual arrangements;
“GDS (Shanghai)”	GDS (Shanghai) Investment Co., Ltd.* (萬數(上海)投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of EDSUZ;

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“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Golden Ocean”	Golden Ocean Assets Management Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Dr. Lie and directly owns 36,036,000 Shares as at the Latest Practicable Date
“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;
“Improvement Works”	the pre-completion and post-completion improvement works on the Data Centre Project as agreed by the Purchaser;
“Independent Third Party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company;
“Latest Practicable Date”	20 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Letter of Intent”	the letter of intent dated 27 October 2021 entered into among the GDS (Shanghai), the Vendor, Bluesea Mobile, Mr. Wang and the Target Company in respect of the possible disposal of the Target Company;
“Mr. Wang”	Mr. WANG Kun* (王坤), the legal representative, a director and a substantial shareholder of the Vendor;
“Mr. Yan”	Mr. YAN Wai Ping, a Shareholder and directly owns 504,832,000 Shares as at the Latest Practicable Date. Mr. Yan is acquainted with Dr. Lie for around 20 years and they had various business relationship in the PRC. Mr. Yan is the spouse of Ms. Wong;

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“Ms. Wong”	Ms. WONG Pui Yan, a Shareholder and directly owns 106,702,000 Shares as at the Latest Practicable Date. Ms. Wong is the spouse of Mr. Yan;
“Performance Guarantee”	a bank performance guarantee to be provided by the Purchaser or GDS Services to the Vendor to secure the obligations of the Purchaser under the Sale and Purchase Agreement in the amount of RMB200 million (equivalent to approximately HK\$248 million) which shall expire on the date of which the Vendor is obliged to return the bank performance guarantee to the Purchaser pursuant to the Sale and Purchase Agreement;
“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Shenzhen Pengyu Data Technology Co., Ltd* (深圳鹏裕數據科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GDS (Shanghai);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 March 2022 entered into among the Purchaser, GDS (Shanghai), EDSUZ, the Vendor, Bluesea Mobile, Mr. Wang and the Target Company in relation to the Disposal;
“Sale Equity Interest”	the registered capital of RMB300 million (equivalent to approximately HK\$372 million) of the Target Company, representing the entire equity interest of the Target Company;
“Security Deposit”	the security deposit in the amount of RMB19 million (equivalent to approximately HK\$23.6 million) paid by GDS (Shanghai) to the Vendor pursuant to the Letter of Intent;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Share(s)”	share(s) in the Company;

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“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules;
“Target Company”	Shenzhen Zituo Yunqi Technology Company Limited* (深圳市資拓雲啟科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company before the Disposal;
“Vendor”	Guangzhou Zituo Technology Company Limited* (廣州市資拓科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company;
“Winner Mind”	Winner Mind Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Dr. Lie and directly owns 2,055,887,357 Shares as at the Latest Practicable Date;
“%”	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00:HK\$1.24. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

The English transliteration of the Chinese name(s) in this circular, 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).*

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. LIE Haiquan (*Chairman*)

Mr. CHEUNG Sing Tai (*Deputy Chairman and
Chief Executive Officer*)

Mr. TAO Wei

Mr. WU Di

Independent non-executive Directors:

Mr. ZHANG Zihua

Ms. XI Lina

Mr. HUANG Zhixiong

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

*Principal place of business
in Hong Kong:*

Room 901B, 9th Floor
Empire Centre, 68 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

26 May 2022

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION – DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY OF THE COMPANY

INTRODUCTION

Reference is made to the Announcement.

On 27 October 2021, GDS (Shanghai), the Vendor, Bluesea Mobile, Mr. Wang and the Target Company entered into a Letter of Intent in respect of the possible disposal of the Target Company. Pursuant to the Letter of Intent, GDS (Shanghai) paid the Security Deposit in the amount of RMB19 million.

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On 10 March 2022 (after trading hours), the Purchaser, GDS (Shanghai), EDSUZ, the Vendor, Bluesea Mobile, Mr. Wang and the Target Company entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Equity Interest (representing the entire equity interest of the Target Company) at a total consideration of approximately RMB475.5 million (equivalent to approximately HK\$589.6 million) (subject to Completion Adjustment). Bluesea Mobile and Mr. Wang agreed to provide warranties and undertakings in relation to the Target Company under the Sale and Purchase Agreement and EDSUZ and GDS (Shanghai) agreed to guarantee the payment obligations of the Purchaser under the Sale and Purchase Agreement.

The purpose of this circular is to provide you with information regarding, among other things, (i) the details of the Disposal; and (ii) other information as required under the GEM Listing Rules.

THE SALE AND PURCHASE AGREEMENT

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

Date: 10 March 2022 (after trading hours)

Parties:

- (1) the Purchaser;
- (2) GDS (Shanghai);
- (3) EDSUZ;
- (4) the Vendor;
- (5) Bluesea Mobile;
- (6) Mr. Wang; and
- (7) the Target Company.

Assets to be disposed of: Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Equity Interest (representing the entire equity interest of the Target Company). The Target Company was the holding company of the Data Centre Project.

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Consideration and Completion Adjustment: The Consideration is approximately RMB475.5 million (equivalent to approximately HK\$589.6 million).

The Purchaser or an auditor being appointed by the Purchaser shall verify (i) the actual total liabilities of the Target Company; (ii) total accounts receivable of the Target Company; and (iii) the actual costs of Improvement Works, as at the date of Completion. Once the Vendor agrees to the verified amounts, the Consideration shall be adjusted based on the difference between the amounts of the above items as verified by the Purchaser or the auditor and the amounts of these items as at 31 December 2021 as disclosed in the paragraph headed “Basis of determination of the Consideration” below.

Payment manner: The Consideration shall be paid by the Purchaser to the Vendor in the following manner:

- (a) within 10 business days after the Vendor confirms to the Purchaser that all the conditions precedent except condition (17) below are fulfilled, the Purchaser or GDS Services shall issue to the Vendor the Performance Guarantee;
- (b) within five business days after the Performance Guarantee is issued to the Vendor, the Vendor shall cooperate with the Purchaser to fulfil condition (17) below. Subject to the fulfilment of all the conditions precedent and completion of the Completion Adjustment, within 15 business days after the Completion Date, the Purchaser shall pay RMB285 million (equivalent to approximately HK\$353.4 million) to the Vendor by bank transfer;

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- (c) subject to completion of the obligations under paragraph (b) above, within 15 business days after (i) the electricity supply proposal for the Data Centre Phase Two having been approved; (ii) the Target Company having signed and registered the supplemental tenancy agreement for the leasing of additional outdoor space for facility storage purpose of the Data Centre Project and the installation of the facilities having been completed; and (iii) the Completion Date (whichever is later), the Purchaser shall pay RMB100 million (equivalent to approximately HK\$124 million) to the Vendor by bank transfer;
- (d) subject to completion of the obligations under paragraph (c) above, within 15 business days after (i) the Target Company having completed the procedures regarding electricity supply for the Data Centre Phase Two and the signing of the electricity supply agreement in relation thereto which shall be on or before 31 July 2022; (ii) the Target Company having completed the Improvement Works by 31 July 2022; and (iii) construction of the Data Centre Project having been completed and accepted on or before 31 July 2022 (whichever is later), the Purchaser shall pay the remaining balance of the Consideration after the payments under paragraphs (b) and (c) above, to the Vendor by bank transfer. If the conditions under this paragraph has not been fulfilled by 31 December 2023, the Purchaser shall have no obligation to pay the remaining balance of the Consideration. However, if the non-fulfilment of the conditions under this paragraph is solely caused by the Purchaser intentionally procuring the Target Company not to perform the obligations under the relevant contracts reasonably signed by the Target Company, the Purchaser shall within 15 business days after 31 December 2023 pay the remaining balance of the Consideration to the Vendor; and

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- (e) subject to completion of the obligations under paragraph (d) above, within five business days after (i) the Purchaser pays the remaining balance of the Consideration; (ii) 31 December 2023; or (iii) within 12 months after the date of issue of the Performance Guarantee (whichever is earlier), the Vendor shall return the Performance Guarantee to the Purchaser for release.

Subject to completion of the obligations under paragraph (b) above, within 20 business days after the Purchaser pays the first payment of the Consideration under paragraph (b) above, the Purchaser shall procure the Target Company to repay the shareholder's loan owed by the Target Company to the Vendor in the amount of approximately RMB27.6 million (equivalent to approximately HK\$34.2 million).

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**Basis of determination of
the Consideration:**

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account, the valuation on the Target Company conducted internally by the Purchaser and/or its group companies in the amount of RMB750.4 million (equivalent to approximately HK\$930.5 million), the estimated total liabilities of the Target Company as at 31 December 2021 in the amount of approximately RMB277 million (equivalent to approximately HK\$343.5 million), the estimated total accounts receivable of the Target Company as at 31 December 2021 in the amount of approximately RMB11.3 million (equivalent to approximately HK\$14 million), the estimated costs of Improvement Works in the amount of approximately RMB9.2 million (equivalent to approximately HK\$11.4 million), and the expected benefits of the Disposal to the Company as detailed in the section headed "Reasons for and benefits of the Disposal" in this circular. In particular, although the Company has not relied on the internal valuation of the Target Company as conducted by the Purchaser and/or its group companies, in assessing and evaluating whether the Consideration is fair and reasonable and in the interests of the Company and its shareholders, the Board has considered its own factors as follows:

- (i) the Consideration is higher than and able to cover the investment costs of the Target Company of approximately RMB300 million (equivalent to approximately HK\$372 million);
- (ii) the Consideration is higher than the net asset value of the Target Company as at 31 December 2021 of approximately RMB252.6 million (equivalent to approximately HK\$313.2 million);

LETTER FROM THE BOARD

- (iii) the Disposal is expected to generate a gain of approximately HK\$233.9 million (subject to the Completion Adjustment) and such level of gain is comparable to the recent disposal of the Group of the data centre with facilities and equipment at Heshan, Jiangmen, Guangdong Province (the “**Subject Assets**”) which is of a similar size and scale as disclosed in the announcement of the Company dated 28 July 2021 and the circular of the Company dated 17 September 2021 with a disposal gain (representing the consideration less cost of the Subject Assets and the relevant transaction cost) of approximately HK\$158.6 million; and
- (iv) the valuation on the Target Company with core investment/assets of the Data Centre Project conducted by the Purchaser and/or its group companies of RMB750.4 million is comparable to the sale consideration of the Group’s recent disposal of the Subject Assets of RMB700 million.

Having considered the above factors, the Board takes the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders.

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Security Deposit:

Pursuant to the Letter of Intent, GDS (Shanghai) paid the Security Deposit in the amount of RMB19 million (equivalent to approximately HK\$23.6 million) to the Vendor.

Subject to the fulfilment of all the conditions precedent of the Sale and Purchase Agreement, within 15 business days after the Completion Date, the Vendor shall return the Security Deposit to GDS (Shanghai) and the Security Deposit shall not be used to set off part of the Consideration.

Whereas if the conditions precedent are not fulfilled within six months from the date of the Sale and Purchase Agreement, the Vendor shall return the Security Deposit to the Purchaser within 15 business days after expiry of the said six months period.

After six months from the date of the Sale and Purchase Agreement, if all conditions precedent except condition (17) below have been fulfilled by no later than 20 business days before the expiry of the six months period from the date of the Sale and Purchase Agreement and condition (17) is not fulfilled solely because the Purchaser or GDS Services fails to provide the Performance Guarantee, the Purchaser shall pay RMB19 million (equivalent to approximately HK\$23.6 million) as compensation to the Target Company and the Vendor shall return the Security Deposit to GDS (Shanghai) within 15 business days after receipt of such compensation, and thereafter the Purchaser shall not be liable for breach of contract due to failure to provide the Performance Guarantee and the Purchaser shall have the right to delay the Completion Date to a date no later than eight months from the date of the Sale and Purchase Agreement.

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Conditions precedent:

Pursuant to the terms of the Sale and Purchase Agreement, Completion shall be subject to and conditional upon the fulfilment (or waiver by the Purchaser) of the following conditions precedent:-

- (1) the Purchaser and the Vendor having delivered the completion documents to the other party;
- (2) the warranties being true, accurate, complete and not misleading as at the date of the Sale and Purchase Agreement and the Completion Date;
- (3) the Vendor and the Target Company having complied with the warranties, undertakings and obligations under the Sale and Purchase Agreement and the transactions thereunder;
- (4) there not having any material adverse effect on the Target Company up to the Completion Date;
- (5) all consents which are required for Completion (including consent from government authorities and other third parties) having been obtained in accordance with the relevant laws, regulations and agreements;
- (6) the Target Company having obtained all consents which are required for construction and operation of the Data Centre Project and there not having any such consents which have already been obtained but cannot be used for the construction and operation of the Data Centre Project;
- (7) the Target Company having restructured its leasing arrangement relating to the premises used for the Data Centre Project including obtaining confirmation from the landlords of the premises confirming, *inter alia*, that the premises will be sub-leased to the Target Company for the construction of the Data Centre Project;

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- (8) the Target Company having deregistered its value-added telecommunication business permit* (增值電信業務經營許可證) and having provided the relevant proof;
- (9) the Target Company having confirmed with its customer that the right of maintenance of the Data Centre Project shall belong to the Target Company and/or the Purchaser or its associates;
- (10) the Target Company having completed the procedures regarding electricity supply for the Data Centre Phase One;
- (11) the Data Centre Phase One having been handed over to the Purchaser;
- (12) the pre-completion Improvement Works having been completed and the Data Centre Project producing IT output of not less than 13,400KW, in which the Data Centre Phase One producing IT output of not less than 5,497.16KW and the Data Centre Phase Two producing IT output of not less than 7,942.55KW;
- (13) the Vendor and the Purchaser having procured the Target Company to arrange discharge of the securities in relation to the bank facilities of the Target Company;
- (14) the landlord of the premises where the Data Centre Project is situated having entered into water supply agreement(s) with the relevant water supplier according to the water usage plan provided by the Purchaser and the landlord having entered into water supply agreement(s) with the Target Company;
- (15) the Vendor and the Target Company having entered into novation agreement with the electricity engineering services provider to novate the obligations and liabilities under such contract from the Vendor to the Target Company;

LETTER FROM THE BOARD

- (16) the Target Company having terminated the employment with all employees of the Target Company, there not having any dispute in relation thereto, and all employees' insurance having been terminated (if any);
- (17) the registration of the Purchaser as the sole holder of the Sale Equity Interest, the change of the legal representative, executive director(s), general manager and supervisor etc of the Target Company to the persons nominated by the Purchaser having been completed, and the Target Company having been handed over to the Purchaser;

If the conditions precedent are not fulfilled (or waived by the Purchaser) within six months from the date of the Sale and Purchase Agreement or such other date as agreed by the Purchaser, the Purchaser shall have the right to terminate the Sale and Purchase Agreement. After termination, the parties shall not have any claims save for any antecedent breach or the Vendor failing to return the Performance Guarantee to the Purchaser, and the Vendor shall compensate the Purchaser and its associates for the costs, fees and expenses in respect of termination of the Sale and Purchase Agreement.

As at the Latest Practicable Date, except for condition (11) and (14), all conditions precedent have been fulfilled or waived.

Guarantee:

Blueseas Mobile and Mr. Wang, being the shareholders of the Vendor, agreed to provide warranties and undertakings in relation to the Target Company under the Sale and Purchase Agreement.

EDSUZ and GDS (Shanghai) agreed to guarantee the payment obligations of the Purchaser under the Sale and Purchase Agreement.

Completion:

Subject to fulfilment of the conditions precedent, Completion shall take place on the date on which the business registration of the change of equity holding of the Target Company has been completed.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET COMPANY AND THE DATA CENTRE PROJECT

The Target Company was a company established in the PRC with limited liability on 5 February 2018. As at the Latest Practicable Date, the Target Company was wholly-owned by the Vendor. The Target Company was principally engaged in the development of the Data Centre Project.

The Data Centre Project consists of a data centre, namely Shenzhen Guanlan Flagship Data Centre, located in Shenzhen International Kanghuai E-commerce Centre, Guanlan Street, Longhua District, Shenzhen, which has a capacity of about 3,100 server cabinets. The data centre is currently under construction and is expected to commence its operations in 2022.

Set out below is a summary of the financial information of the Target Company for the years ended 31 December 2020 and 2021:

	For the financial year ended 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>
	(unaudited)	(unaudited)
Net loss before tax	11,128	23,250
Net loss after tax	10,708	21,963

The net asset value of the Target Company as at 31 December 2021 was approximately RMB252.6 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are of the view that the Disposal provides the Group with an opportunity to realise a capital gain of considerable size to provide immediate cash for the Group's business development. It also enables the Group to better utilize its resources and maximize the interests of the Company and the Shareholders as a whole. Although the Company is engaged in data centre business and the data centre under the Data Centre Project is expected to commence its operation in the financial year 2022, as disclosed in the third quarterly report of the Company for the nine months ended 30 September 2021, comparing to the Data Centre Project with an expected capacity of about 3,100 server cabinets, the data centres of the Group located in Guangzhou and Jiangmen, namely, Guangzhou Lotus Hill Data Centre, Guangzhou (Nanxiang) Cloud Data Centre and Bluesea Intelligence Valley Mega Data Centre (collectively, the "**Guangzhou-Jiangmen Data Centres**") have a total capacity of over 30,000 server cabinets after completion of construction. In view of the substantially larger scale and the closer proximity of the Guangzhou-Jiangmen Data Centres, the Directors are of the view that it will be more cost effective and efficient to focus the Group's resources on the development and

LETTER FROM THE BOARD

operation of the Guangzhou-Jiangmen Data Centres and the disposal of the Data Centre Project enables the Group to re-allocate its capital to the development and operation of the Guangzhou-Jiangmen Data Centres. The Directors consider that the Disposal was entered into after arm's length negotiation, was on normal commercial terms and the Disposal was fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL

The net proceeds from the Disposal (after deducting transaction costs) are approximately RMB475 million (equivalent to approximately HK\$589 million). The Group intends to use such net proceeds as to approximately RMB200 million (equivalent to approximately HK\$248 million) to develop the Group's other data centres, as to approximately RMB200 million (equivalent to approximately HK\$248 million) to repay borrowings and as to approximately RMB75 million (equivalent to approximately HK\$93 million) as general working capital of the Group for meeting the daily operating and administrative expenses, including but not limited to staff costs and lease payments of the Group.

Upon Completion, the Company is expected to recognise a gain on the Disposal of approximately HK\$233.9 million with reference to the Consideration, the net asset value of the Target Company attributable to the Company as at 31 December 2021, the carrying value of goodwill attributed to the Target Company and transaction costs attributable to the Disposal.

As a result of the Disposal, it is expected that (i) the total assets of the Group will decrease by approximately RMB683.8 million (equivalent to approximately HK\$847.9 million); (ii) the total liabilities of the Group will decrease by approximately RMB431.2 million (equivalent to approximately HK\$534.7 million); and (iii) the earnings of the Group (excluding the aforesaid gain on the Disposal) will increase by approximately RMB22 million (equivalent to approximately HK\$27.3 million).

Having taking into consideration of the reasons for the Disposal as stated under the paragraph headed "Reasons for and benefits of the Disposal" above, the Company is of the view that the Disposal is in the interests of the Group as a whole as it will improve the cash flow position of the Group in the long run.

Immediately after Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the Group's forthcoming consolidated financial statements.

Shareholders should note that the financial impact set out above is for illustrative purpose only which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among others, the actual costs and expenses associated with the Disposal and is subject to audit.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP, VENDOR, BLUESEA MOBILE AND MR. WANG

The Group is principally engaged in the provision of data centre services.

The Vendor is a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Vendor is owned as to 60% by Bluesea Mobile and 40% by Mr. Wang. The principal business activity of the Vendor is the provision of data centre services.

Bluesea Mobile is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Bluesea Mobile is indirectly 100% owned by the Company. The principal business activity of Bluesea Mobile is operation of commercial WIFI platform, provision of value-added telecommunication services and provision of data centre services.

Mr. Wang is the legal representative, a director and a substantial shareholder of the Vendor.

INFORMATION ON THE PURCHASER, GDS (SHANGHAI) AND EDSUZ

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) EDSUZ is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings. EDSUZ is wholly-owned by EDC; (ii) GDS (Shanghai) is a company established in the PRC with limited liability and is principally engaged in investment holdings. GDS (Shanghai) is wholly-owned by EDSUZ; (iii) the Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding. The Purchaser is wholly-owned by GDS (Shanghai); and (iv) EDSUZ, GDS (Shanghai), the Purchaser and their ultimate beneficial owners are Independent Third Parties.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, circular and shareholders' approval requirements under the GEM Listing Rules.

SHAREHOLDERS' WRITTEN APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders had a material interest in the Disposal and as such, no Shareholder was required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. As at the Latest Practicable Date, (i) Dr. Lie beneficially and through Winner Mind and Golden Ocean in aggregate held 4,365,607,357 Shares; (ii) Mr. Yan beneficially held 504,832,000 Shares; and (iii) Ms. Wong (spouse of

LETTER FROM THE BOARD

Mr. Yan) beneficially held 106,702,000 Shares. Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong together beneficially held 4,977,141,357 Shares, representing approximately 52.27% of the entire issued share capital of the Company. The Directors are of the view that Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong are a closely allied group of shareholders (“**Closely Allied Group**”) in view of the following basis:-

1. The Closely Allied Group comprises a small number of Shareholders, i.e. Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong. The five named Shareholders in aggregate hold 4,977,141,357 Shares, representing approximately 52.27% of the entire issued share capital of the Company and constitute a major holding of all issued Shares. As at the Latest Practicable Date, the respective shareholding in the Company of the five members of the Closely Allied Group are as follows:

Name of Shareholder	Number of Shares held	Approximate shareholding in the Company (%)
Dr. Lie	2,273,684,000	23.88
Winner Mind	2,055,887,357	21.59
Golden Ocean	36,036,000	0.38
Mr. Yan	504,832,000	5.30
Ms. Wong	<u>106,702,000</u>	<u>1.12</u>
Total	<u><u>4,977,141,357</u></u>	<u><u>52.27</u></u>

The five members of the Closely Allied Group can indeed be further classified as only two groups: one being Dr. Lie and his two companies (Winner Mind and Golden Ocean) and the other one being Mr. Yan and his wife Ms. Wong.

2. According to the information, belief and knowledge of the Directors, Winner Mind and Golden Ocean are wholly owned by Dr. Lie. Dr. Lie was acquainted with Mr. Yan for around 20 years and they had various business cooperation, including property investment, in the PRC. Mr. Yan is the spouse of Ms. Wong.
3. According to the information, belief and knowledge of the Directors, all members of the Closely Allied Group have a long history of holding in the Company. Dr. Lie became a Shareholder in or around 2009 and later together with Winner Mind and Golden Ocean increased his holding in the Company. Mr. Yan and Ms. Wong became a Shareholder in or around 2014.

LETTER FROM THE BOARD

4. According to the information, belief and knowledge of the Directors, there is no agreement, arrangement or understanding between the members of the Closely Allied Group, whether formal or informal, either written, verbal or otherwise, making them parties acting in concert under the Takeovers Code. However, Dr. Lie is presumed acting in concert with Winner Mind and Golden Ocean by the reason that he is the ultimate owner and director of the two companies. Similarly, by their spousal relationship, Mr. Yan and Ms. Wong are presumed acting in concert under the Takeovers Code.
5. According to the members of the Closely Allied Group, the members of the Closely Allied Group voted in the same way in all extraordinary general meetings of the Company since Mr. Yan and Ms. Wong became shareholders of the Company in or around 2014 other than the adjourned extraordinary general meeting of the Company on 26 November 2015 in which Dr. Lie, Winner Mind and Golden Ocean were required to abstain from voting and Mr. Yan and Ms. Wong voted in favour of the resolutions in the said meeting.

Written approval of the Disposal has been obtained from Dr. Lie, Winner Mind, Golden Ocean, Mr. Yan and Ms. Wong. Pursuant to Rule 19.44 of the GEM Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out elsewhere in this circular and in the appendices to it.

Shareholders and potential investors of the Company should be aware that the Disposal is subject to a number of conditions being satisfied, and consequently the Disposal may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Company.

Yours faithfully,
For and on behalf of
Neo Telemedia Limited
Dr. LIE Haiquan
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Consolidated financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.neo-telemedia.com) respectively:

- Annual report for the year ended 31 December 2019
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0514/2020051401883.pdf>
- Annual report for the year ended 31 December 2020
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033002462.pdf>
- Annual report for the year ended 31 December 2021
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0503/2022050302554.pdf>
- First quarterly report for the three months ended 31 March 2022
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0513/2022051300933.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following outstanding borrowings:

	<i>Notes</i>	<i>HK\$'000</i>
Bank loans		
Portion of bank loans, secured and guaranteed	<i>a</i>	
– repayable within one year		98,911
– repayable after one year which contain a repayment on demand clause		912,633
Portion of bank loans, unsecured and guaranteed	<i>b</i>	
– repayable within one year		5,242
Portion of bank loans, secured and unguaranteed	<i>c</i>	
– repayable within one year		53,542
– repayable after one year which contain a repayment on demand clause		<u>188,342</u>
Total bank loans		<u><u>1,258,670</u></u>

	<i>Notes</i>	<i>HK\$'000</i>
Other loans		
Portion of other loans, secured and guaranteed	<i>d</i>	
– repayable within one year		77,167
– repayable after one year which contain a repayment on demand clause		266,307
Portion of other loans, unsecured and unguaranteed		
– repayable within one year		99,186
– repayable after one year which contain a repayment on demand clause		<u>116,604</u>
Total other loans		<u><u>559,264</u></u>
Total borrowings	<i>e</i>	<u><u>1,817,934</u></u>

Notes:

- a) The Group's bank loans are guaranteed by Dr. Lie and secured by the pledge of certain properties, plant and equipment of the Group with net book value of approximately HK\$993,074,000 and certain properties of companies substantially owned by Dr. Lie.
- b) The Group's bank loans are guaranteed by (i) Dr. Lie and (ii) Mr. WANG Kun ("Mr. Wang"), the legal representative, a director and a substantial shareholder of a subsidiary of the Company.
- c) The Group's bank loans are secured by the equity interest of a subsidiary of the Company with carrying value of approximately HK\$369,990,000.
- d) The Group's other loans are guaranteed by Dr. Lie and secured by the Group's properties, plant and equipment with net book value of approximately HK\$535,557,000, accounts receivable with carrying value of approximately HK\$40,606,000 and equity interest of a subsidiary of the Company with carrying value of approximately HK\$107,371,000.
- e) All of the borrowings are denominated in RMB.

Lease liabilities

As at 31 March 2022, the Group had lease liabilities relating to lease obligations of properties of approximately HK\$862,714,000.

Contingent liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, the Group did not have any outstanding mortgages, charges, debentures or loan capital, bank overdrafts or loan, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2022.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources and banking facilities available to the Group and its internal generated funds and the Disposal, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under GEM Listing Rule 19.66(13).

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

During the year ended 31 December 2021, the Group's operations mainly are the provision of data centre services and trading of telecommunication products.

With respect to the provision of data centre services segment, the Group provides data centre services to its customers in mainland China through self-developed data centres and server cabinets leased from third parties. As of 31 December 2021, the Group operated three data centres with an aggregate of 4,680 server cabinets in service. The Group also operated an aggregate of approximately 4,503 server cabinets that were leased from third parties. In addition, the Group had a further three new self-developed data centres with an aggregate of 27,189 server cabinets under construction. During the year ended 31 December 2021, revenue from the provision of data centre services was approximately HK\$604.7 million (2020: HK\$324.7 million), representing an increase of approximately HK\$280.0 million or 86.2% as compared to the same period in last year. The increase was mainly attributable to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre and Shanghai Baoshan Data Centre and the increase in number of server cabinets available for service in Guangzhou (Nanxiang) Cloud Data Centre which contributed additional revenue to the Group. With the increasing number of server cabinets in the Group's self-owned data centres, the Group has gradually relocated servers of certain customers from leased server cabinets to its self-owned data centres in the same region in order to increase profitability. As the server cabinets available for service are not fully utilised and the construction of approximately 24,000 server cabinets is expected to complete in the next two years, financial performance of the Group is expected to improve substantially.

With respect to the trading of telecommunication products segment, due to the cessation of the Group's trading of mobile device business in Hong Kong since the first quarter of 2020 and the change of the Group's business focus to the provision of data centre services, revenue from the trading of telecommunication products for the year under review was approximately HK\$0.5 million (2020: HK\$115.8 million), representing a decrease of 99.6% year-on-year.

The Group also engaged in other business that consisted of system integration services and leasing of properties; the revenue, results and assets of which were individually immaterial to the Group. During the year ended 31 December 2021, revenue from others was approximately HK\$9.9 million (2020: HK\$24.5 million), representing a decrease of 59.6% year-on-year which was mainly due to the decrease in provision of system integration services income and provision of bus services income.

Year 2022 started with some significant events that may impact the Chinese economy, such as the resurgence of domestic COVID-19 cases and geopolitical tension that would inflate energy prices. Growth of the Chinese economy is expected to slow down in 2022. Nevertheless, the outlook of the Group remains positive. With the rapid growth in data traffic, accelerating trend of digitisation and PRC government policies that support the growth of digital economy, the demand for high quality data centres will continuously increase at least over the next five years.

1. RESPONSIBILITY STATEMENT

This circular, 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 regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and/or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares:

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	2,273,684,000	23.88%
	Interest in controlled corporations ^(Note 1)	2,091,923,357	21.97%

Notes:

1. 2,055,887,357 shares and 36,036,000 shares are held by Winner Mind Investments Limited (“**Winner Mind**”) and Golden Ocean Assets Management Limited respectively; both companies are wholly-owned by Dr. LIE Haiquan. Thus, he was deemed to be interested in these 2,091,923,357 shares pursuant to the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the other Directors or chief executive of the Company had any interests and short positions in the shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(ii) Directors’ other interests

- (a) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

(iii) Substantial Shareholders

- (a) As at the Latest Practicable Date, other than the interests of Directors as disclosed above, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares/ underlying shares held	Approximate percentage of shareholding
Winner Mind ^(Note 1)	Beneficial owner	2,055,887,357	21.59%
Mr. YAN Wai Ping	Beneficial owner	504,832,000	5.30%
	Interest of spouse ^(Note 2)	106,702,000	1.12%

Notes:

- Winner Mind is wholly-owned by Dr. Lie, an executive Director, the chairman of the Board and the sole Director of Winner Mind.
- Mr. Yan is interested in 106,702,000 Shares held by his spouse, Ms. WONG Pui Yan.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and section 336 of the SFO, or, had a direct or indirect interest amounting to 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or, so far as is known to them, any of their respective close associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the construction agreement between Shenzhen Zituo Yunqi Technology Company Limited* (深圳市資拓雲啟科技有限公司) (“**Shenzhen Zituo**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, and Haikou Youfu Mechanical and Electrical Equipment Installation Engineering Company Limited* (海口有孚機電設備安裝工程有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB36 million;
- (ii) the construction agreement between Shenzhen Zituo and Sichuan Jupeng Construction Engineering Company Limited* (四川聚鵬建設工程有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB40.8 million;
- (iii) the construction agreement between Shenzhen Zituo and Shenzhen Guangyuan Waterproof Reinforcement Engineering Technology Company Limited* (深圳廣源防水加固工程技術有限公司) dated 2 July 2020 in relation to the construction of data centre at a consideration of RMB42 million;
- (iv) the finance lease agreement between JIC Leasing Company Limited (“**Lessor B**”) and Guangzhou Bluesea Cloud Data Company Limited* (廣州蔚海雲數據有限公司) (“**Bluesea Cloud Data**”), a company established in the PRC and an indirect wholly owned subsidiary of the Company, dated 21 September 2020 in relation to the finance lease arrangement between Lessor B and Bluesea Cloud Data dated 21 September 2020 pursuant to which Lessor B agreed to purchase leased assets from Bluesea Cloud Data, which would then be leased back to Bluesea Cloud Data, details of which are stipulated in the announcements of the Company dated 21 September 2020 and 23 September 2020 (the “**Finance Lease Arrangement B**”);
- (v) the guarantee agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to provide guarantee to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (vi) the accounts receivable pledge agreement between Lessor B and Bluesea Cloud Data dated 21 September 2020 to pledge accounts receivable to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;

- (vii) the accounts receivable pledge agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to pledge accounts receivable to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (viii) the equity interest pledge agreement between Lessor B and Bluesea Mobile dated 21 September 2020 to pledge the entire equity interest in Bluesea Cloud Data held by Bluesea Mobile to Lessor B to secure the obligations of Bluesea Cloud Data under the Finance Lease Arrangement B;
- (ix) the sale and purchase agreement between Guangdong Utrust Financial Leasing Company Limited* (廣東粵財金融租賃股份有限公司) (“**Lessor A**”), Highseas Communications Engineering (Hainan) Co., Ltd.* (海南四海行通信工程有限公司) (the “**Supplier**”), Guangzhou Yizi Internet Technology Co., Ltd.* (廣州市羿資互聯網科技有限公司) (“**Guangzhou Yizi**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, and Guangzhou Zituo Technology Company Limited* (廣州市資拓科技有限公司) (“**Guangzhou Zituo**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, dated 30 October 2020 pursuant to which Lessor A agreed to purchase leased assets from the Supplier at the request of Guangzhou Yizi and Guangzhou Zituo for a total consideration of RMB94,750,800;
- (x) the finance lease agreement between Lessor A, Guangzhou Yizi and Guangzhou Zituo dated 30 October 2020, pursuant to which Lessor A agreed to purchase the leased assets from the Supplier at the request of Guangzhou Yizi and Guangzhou Zituo in an aggregate consideration of RMB94,750,800 and Lessor A agreed to lease the leased assets to Guangzhou Yizi and Guangzhou Zituo;
- (xi) the finance lease agreement between Lessor A, Guangzhou Yizi and Guangzhou Zituo dated 30 October 2020 pursuant to which Lessor A agreed to purchase leased assets from Guangzhou Yizi and Guangzhou Zituo for a total consideration of RMB25,000,000, which would then be leased back to Guangzhou Yizi and Guangzhou Zituo;
- (xii) the guarantee agreement between Lessor A and Bluesea Mobile dated 30 October 2020;
- (xiii) the accounts receivable pledge agreement between Guangzhou Yizi and Lessor A dated 30 October 2020;
- (xiv) the accounts receivable pledge agreement between Guangzhou Zituo and Lessor A dated 30 October 2020;

- (xv) the equity interest pledge agreement between Lessor A and Guangzhou Zituo dated 30 October 2020;
- (xvi) the finance lease agreement between Lessor B and Bluesea Cloud Data dated 30 October 2020 pursuant to which Lessor B agreed to purchase leased assets from Bluesea Cloud Data for a total consideration of RMB81,500,000, which would then be leased back to Bluesea Cloud Data;
- (xvii) the guarantee agreement between Lessor B and Bluesea Mobile dated 30 October 2020;
- (xviii) the accounts receivable pledge agreement between Bluesea Cloud Data and Lessor B dated 30 October 2020;
- (xix) the accounts receivable pledge agreement between Bluesea Mobile and Lessor B dated 30 October 2020;
- (xx) the construction agreement between Shenzhen Zituo and Guangdong Mingyang Electric Co., Ltd.* (廣東明陽電氣股份有限公司) dated 28 February 2021 in relation to the construction of data centre at a consideration of RMB18.4 million;
- (xxi) the sale and purchase agreement among Zhujiang Financial Leasing Company Limited* (珠江金融租賃有限公司) (“**Lessor C**”), United Power Energy Company Limited* (合動力能源有限公司) (“**United Power**”) and Guangdong Bluesea Data Development Company Limited* (廣東蔚海數據發展有限公司) (“**Bluesea Data**”) dated 31 March 2021 in relation to the sale and purchase of data centre equipment at a consideration of RMB293 million;
- (xxii) the finance lease agreement between Lessor C and Bluesea Data dated 31 March 2021 in relation to the finance lease arrangement between Lessor C and Bluesea Data dated 31 March 2021 pursuant to which Lessor C agreed to purchase equipment from United Power at the request of Bluesea Data and lease the equipment to Bluesea Data, details of which are stipulated in the announcement of the Company dated 31 March 2021 (the “**Finance Lease Arrangement C**”) with the finance lease principal amount of RMB293 million;
- (xxiii) the guarantee agreement between Lessor C and Bluesea Mobile dated 31 March 2021 to provide guarantee to secure the obligations of Bluesea Data under the Finance Lease Arrangement C;
- (xxiv) the finance lease agreement between Lessor B and Shanghai Yunting Information Technology Company Limited* (上海耘汀信息科技有限公司) (“**Shanghai Yunting**”), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company, dated 21 June 2021 pursuant to which Lessor B agreed to purchase leased assets from Shanghai Yunting for a total consideration of RMB47,500,000, which would then be leased back to Shanghai Yunting;

- (xxv) the guarantee agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxvi) the accounts receivable pledge agreement between Shanghai Yunting and Lessor B dated 21 June 2021;
- (xxvii) the equity interest pledge agreement between Lessor B and Guangzhou Zituo dated 21 June 2021;
- (xxviii) the framework agreement among Bluesea Data, Bluesea Mobile and KDCR Guangdong Co., Ltd* (吉寶數據(廣東)有限公司)(“**KDCR**”) dated 26 July 2021;
- (xxix) the seven sale and purchase agreements between KDCR and Bluesea Data dated 26 July 2021;
- (xxx) the transfer agreement of facilities and equipment between KDCR and Bluesea Data dated 26 July 2021;
- (xxxi) the development consultancy agreement between KDCR and Bluesea Mobile dated 26 July 2021;
- (xxxii) the premises lease agreement between KDCR and Bluesea Data dated 26 July 2021;
- (xxxiii) the facilities and equipment lease agreement between KDCR and Bluesea Data dated 26 July 2021;
- (xxxiv) the property auxiliary and supporting facilities lease agreement between KDCR and Bluesea Data dated 26 July 2021;
- (xxxv) the guarantee agreement between KDCR and Bluesea Mobile dated 26 July 2021;
- (xxxvi) the finance lease agreement between Lessor C and Guangzhou Yizi dated 27 August 2021 pursuant to which Lessor C agreed to purchase leased assets from Guangzhou Yizi for a total consideration of RMB80,000,000, which would then be leased back to Guangzhou Yizi (the “**Finance Lease Arrangement D**”);
- (xxxvii) the equity interest pledge agreement between Lessor C and Guangzhou Zituo dated 27 August 2021 to pledge 90% equity interest in Guangzhou Yizi owned by Guangzhou Zituo to Lessor C to secure the obligations of Guangzhou Yizi under the Finance Lease Arrangement D;
- (xxxviii) the guarantee agreement between Lessor C and Bluesea Mobile dated 27 August 2021;
- (xxxix) the guarantee agreement between Lessor C and Guangzhou Zituo dated 27 August 2021;

- (xl) the sale and purchase agreement between Lessor A, Guangzhou Yuantian Energy Technology Co., Ltd.* (廣州元天能源科技有限公司)(“**GZ Yuantian**”) and Bluesea Data dated 25 January 2022 pursuant to which Lessor A agreed to purchased leased assets from GZ Yuantian at the request of Bluesea Data for a total consideration of RMB300,000,650;
- (xli) the finance lease agreement between Lessor A and Bluesea Data dated 25 January 2022 pursuant to which Lessor A agreed to purchased leased assets from GZ Yuantian at the request of Bluesea Data for a total consideration of RMB300,000,650 and Lessor A agreed to lease the leased assets to Bluesea Data; and
- (xlii) the Sale and Purchase Agreement.

5. MATERIAL LITIGATION

Reference is made to the announcements of the Company dated 19 June 2015 and 30 November 2015 in relation to an equity transfer memorandum of understanding and a supplemental MOU (collectively referred to as the “**MOUs**”) entered into between NEO Intelligence Holdings Limited (“**NEO Intelligence**”), a wholly-owned subsidiary of the Company, Messrs CHAN Hung Kwong, CHAN Yu Chiu and CHAN Yue Kuen (collectively referred to as the “**Vendors**”) and Giant Crown Industries Limited (the “**Target**”). By the MOUs, it was agreed between NEO Intelligence and the Vendors, *inter alia*, that:

- 1) the Vendors and NEO Intelligence shall negotiate for the acquisition by NEO Intelligence of 80% shareholding of and in the Target and ACE International Electronics Limited from the Vendors;
- 2) NEO Intelligence shall pay the Vendors a refundable deposit in the sum of HK\$20,000,000 (the “**Deposit**”);
- 3) the Deposit shall be refunded to NEO Intelligence upon termination of the MOUs or 31 March 2016, whichever is earlier;
- 4) the Target, being the legal and beneficial owner of the entire equity interest in 廣州港鉅電子實業有限公司 (Guangzhou Gangju Electronics Industries Company Limited*) (“**Gangju**”), a company established under the laws of PRC, irrevocably and unconditionally undertakes to NEO Intelligence that, until the Deposit has been refunded in full to NEO Intelligence, it shall procure Gangju to irrevocably and unconditionally agree the free use of a block of building situated at 廣州番禺區石樓鎮礪江路144號A棟 under the certificate of land ownership “粵房地証字第3005825號” (“**Block A**”) by NEO Intelligence or its nominee without any payment or compensation;

- 5) if the Vendors fail to refund the Deposit in full to NEO Intelligence by the due date mentioned in paragraph 3 above, the Target irrevocably and unconditionally undertakes that it shall procure Gangju to irrevocably and unconditionally agree to the permanent free use of Block A by NEO Intelligence or its nominee without any payment or compensation; and
- 6) if the parties are unable to sign a formal agreement for the acquisition by 31 March 2016, the MOUs shall terminate automatically.

The Deposit was duly paid to the Vendors on 22 June 2015 by NEO Intelligence. By the said due date of 31 March 2016, NEO Intelligence and the Vendors were not able to come to any agreement regarding the acquisition and the MOUs therefore terminated automatically. Nevertheless, the Deposit was not refunded to NEO Intelligence upon the termination of the MOUs on 31 March 2016.

Consequently, NEO Intelligence nominated Bluesea Mobile to enter into physical possession of Block A with the agreement of Gangju. Bluesea Mobile then carried out renovation works to Block A for the purpose of modifying and fitting it out as an internet data centre (“**IDC**”), namely, Guangzhou Lotus Hill Data Centre (“**GZ Lotus Hill IDC**”).

As advised by the Group’s legal adviser, NEO Intelligence and Bluesea Mobile requested the Target and the Vendors to procure Gangju to sign all necessary documents to formally vest Bluesea Mobile’s right of permanent free use of Block A to prevent any subsequent interference or challenge, whether by the Target, the Vendors, Gangju or other persons, to detriment of the business of the IDC. However, despite the repeated requests by NEO Intelligence and Bluesea Mobile, the Target and the Vendors failed to do so.

On 12 May 2017, NEO Intelligence issued a writ of summons against the Target and the Vendors (collectively referred to as the “**Respondents**”) under Court of First Instance of the High Court of Hong Kong Action No. 1127 of 2017 (the “**Action**”) to claim against the Respondents, *inter alia*, for:

- 1) a declaration that NEO Intelligence and its nominee, Bluesea Mobile, are entitled to the use of Block A freely and permanently without any payment or compensation to the Respondents;
- 2) an Order that the Respondents shall procure Gangju to execute all such documents as may be necessary to vest in Bluesea Mobile the right to the use of Block A freely and permanently without any payment or compensation; and
- 3) alternatively, damages, including but not limited to the Deposit, all costs and expenses arising from and incidental to the modification and fitting out of Block A into the IDC, and loss of Bluesea Mobile’s profits from the operation of the IDC, to be assessed.

On 17 July 2017, the Respondents issued a summons applying for a stay of the Action in view of an arbitration clause in the MOUs (the “**Application**”). A hearing of the Application was held at the High Court on 14 November 2017 and the judgement thereof was handed down on 27 November 2017 which granted a stay of the Action pending arbitration at the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with the UNCITRAL Arbitration Rules.

On 4 January 2018, NEO Intelligence issued and served a notice of arbitration under Arbitration No. HKIAC/PA18006 (the “**Arbitration**”). The substantive hearing of the Arbitration was completed on 17 April 2020.

On 23 March 2021, the Arbitral Tribunal issued a partial award (the “**Partial Award**”) that NEO Intelligence had established its case of liability against the Respondents on the MOUs, particularly the rights to use Block A.

With respect to the claims filed with The People’s Court of Panyu District, Guangzhou (the “**Panyu Court**”) by both Bluesea Mobile and Gangju (in insolvency administration) that is currently under restructuring in relation to the dispute under the Arbitration (the “**PRC Action**”), the Panyu Court has combined the two cases for trial during the first hearing and will resume the proceedings upon the completion of the restructuring of Gangju. As Bluesea Mobile has submitted all the documents requested by the insolvency administrator of Gangju, Bluesea Mobile can therefore continue to use Block A without interference until the judgement of the PRC Action has been handed down.

Based on the Partial Award and the Group’s PRC legal adviser’s opinion that Bluesea Mobile enjoys a high chance of success in the PRC Action, the Directors consider that the legal proceedings do not have any material impact on the operations of GZ Lotus Hill IDC and the Group.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or terminable by the Group within one year without payment compensation, other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

A copy of the Sale and Purchase Agreement will be published on the website of the Stock Exchange: (www.hkexnews.hk) and the Company (www.neo-telemedia.com) for a period of 14 days from the date of this circular.

9. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. YUEN Poi Lam William who is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant in the state of California, the United States and a Chartered Global Management Accountant in the United States.
- (ii) The compliance officer of the Company is Mr. CHEUNG Sing Tai, who is also an executive Director, deputy chairman of the Board and chief executive officer.
- (iii) The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong. The chairman of the Audit Committee is Mr. ZHANG Zihua, who possesses extensive experience in finance and accounting.

Mr. ZHANG Zihua (“**Mr. Zhang**”), aged 47, was appointed as an independent non-executive Director on 20 September 2016. He is also the chairman of each of the audit committee, nomination committee and the remuneration committee of the Company. He holds a graduate diploma of chartered accounting from the Institute of Chartered Accountants in Australia and New Zealand, a degree of Bachelor of Economics in accounting from Guangdong University of Technology and a Master of Taxation from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and New Zealand and the Association of Chartered Certified Accountants. He is also a Justice of the Peace for New South Wales in Australia.

Mr. Zhang is currently a partner of Accentor Associates Pty Limited (“**Accentor**”). Before joining Accentor, he was a partner of Addsum Accountants Pty Ltd until 13 March 2020 and he has worked in public practice at KPMG and PricewaterhouseCoopers in Australia, China and Europe for over 17 years. He participated in a wide range of auditing, initial public offering and due diligence projects to a wide portfolio of private and multinational companies operating in Australia, Europe, the PRC, and Hong Kong.

Ms. XI Lina, aged 39, was appointed as an independent non-executive Director on 16 May 2014. She is also a member of each of the audit committee, nomination committee and remuneration committee of the Company. She graduated with a degree in economics and international trade from Zhejiang University of Finance and Economics and holds a master of science in banking and international finance from the City University, London. She has extensive experience in economics and futures market.

Mr. HUANG Zhixiong, aged 59, was appointed as an independent non-executive Director on 13 May 2015. He is also a member of the audit committee of the Company. He holds a doctoral degree in business management. He is the senior advisor of 廣東華南科技資本研究院 (Institute of Guangdong South China Science and Technology Capital*) and was appointed as the extramural tutor of the master programme of professional accounting of the South China University of Technology in November 2015. He was also appointed as a member of the Advisory Board of the Faculty of Business of City University of Macau in January 2017. Mr. Huang obtained the Independent Director Qualification awarded by the Shenzhen Stock Exchange in January 2015 and obtained the Board Secretary Qualification awarded by the Shenzhen Stock Exchange in April 2015. Mr. Huang was certified with (1) the Securities Certificate Level II in 2005, (2) the Securities Institutions Senior Management Personnel Qualification in 2003, (3) the Securities Investment Fund Qualification and Securities and Futures Qualification in 2002, (4) the Securities Investment Analysis Qualification in 2001, (5) the Securities Trading Brokerage Qualification and Securities Issuance and Underwriting Qualification in 2000, and (6) the Shenzhen Stock Exchange Initial National Debt and Futures Qualification in 1994. He obtained the Intermediate Economist Title awarded by National Ministry of Personnel in 1994. Mr. Huang is currently the Chairman of the board of Guangdong Shunna Electric Co., Ltd (formerly named Guangdong Macro Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000533)), in which he was also the vice chairman from August 2013 to July 2016 and the managing director from November 2017 to April 2021.

- (iv) The head office and principal place of business of the Company in Hong Kong is located at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (v) The Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vi) In the event of any inconsistency, the English language version of this circular shall prevail over the Chinese language version.