



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

FIRST QUARTERLY REPORT 2020



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*This report, for which the directors (the “**Directors**”) of Neo Telemedia Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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:–*

- 1. the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and*
- 2. there are no other matters the omission of which would make any statement in this report misleading.*

UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months ended 31 March 2020 together with comparative unaudited figures for the corresponding period of 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	204,515	196,057
Cost of sales		(194,902)	(182,074)
Gross profit		9,613	13,983
Other income and gains		1,100	1,962
Gain on disposal of a joint venture		–	380
Reversal of expected credit loss recognised in respect of financial assets carried at amortised cost, net		45	–
Selling and marketing costs		(4,186)	(5,406)
Administrative and other expenses		(41,773)	(39,371)
Share of results of joint venture		–	(83)
Finance costs		(1,052)	(164)
Loss before tax		(36,253)	(28,699)
Income tax credit	4	1,302	1,966
Loss for the period		(34,951)	(26,733)
Loss for the period attributable to:			
Owners of the Company		(27,568)	(22,121)
Non-controlling interests		(7,383)	(4,612)
		(34,951)	(26,733)
		HK cents	HK cents
Loss per share	6		
– basic and diluted		(0.29)	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period	(34,951)	(26,733)
Other comprehensive (loss)/income net of tax:		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	(24,106)	28,893
Total comprehensive (loss)/income for the period	(59,057)	2,160
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(47,899)	4,584
Non-controlling interests	(11,158)	(2,424)
	(59,057)	2,160

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Neo Telemedia Limited (the “**Company**”) (together with its subsidiaries, collectively referred to as the “**Group**”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at Room 901B, 9th Floor, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company and the principal activity of its subsidiaries are sale of telecommunication products and services and operation of Internet finance platform business.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”). The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”) and some subsidiaries’ functional currency is United States dollars, the functional currency of the Company and its remaining subsidiaries are HK\$. The reason for selecting HK\$ as its presentation currency is that the Company is a public company listed on GEM, where most of the investors are located in Hong Kong.

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements have been consistently applied by the Group and are consistent with those used in preparing the Company’s annual audited financial statements for the year ended 31 December 2019 except that the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of these new or revised HKFRSs has had no material effect on the Group’s financial statements.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

3. REVENUE

The Group was principally engaged in sale of telecommunication products and services and finance platform business during the three months ended 31 March 2020. An analysis of revenue is as follows:

	For the three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Sale of telecommunication products and services	203,709	192,071
Others (Note)	806	3,986
	204,515	196,057

Note:

Others mainly represent income arising from provision of bus services and rental income (2019: Others mainly represent income arising from provision of bus services, rental income, insurance brokerage income and software development business service income).

4. INCOME TAX

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (“**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries of the Company, being qualified as a new and high technology enterprise, are eligible for a preferential Enterprise Income Tax rate of 15%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. **DIVIDEND**

The Directors resolved not to declare any dividend for the three months ended 31 March 2020 (2019: Nil).

6. **LOSS PER SHARE**

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss attributable to owners of the Company	(27,568)	(22,121)

	For the three months ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share at the end of period	9,522,184,345	9,522,184,345

The computation of diluted loss per share for the periods ended 31 March 2019 and 2020 does not assume the exercise of share options since the exercise prices and higher than the average share price.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2019 (audited)	952,218	1,759,494	17,246	(29,445)	1,893	(1,463,151)	1,238,255	87,359	1,325,614
Loss for the period	-	-	-	-	-	(22,121)	(22,121)	(4,612)	(26,733)
Other comprehensive income:									
Exchange difference on translation of foreign operations	-	-	-	26,705	-	-	26,705	2,188	28,893
Total comprehensive income/(loss) for the period	-	-	-	26,705	-	(22,121)	4,584	(2,424)	2,160
At 31 March 2019 (unaudited)	952,218	1,759,494	17,246	(2,740)	1,893	(1,485,272)	1,242,839	84,935	1,327,774
At 1 January 2020 (audited)	952,218	1,759,494	17,157	(47,614)	1,893	(1,561,717)	1,121,431	65,715	1,187,146
Loss for the period	-	-	-	-	-	(27,568)	(27,568)	(7,383)	(34,951)
Other comprehensive loss									
Exchange difference on translation of foreign operations	-	-	-	(20,331)	-	-	(20,331)	(3,775)	(24,106)
Total comprehensive loss for the period	-	-	-	(20,331)	-	(27,568)	(47,899)	(11,158)	(59,057)
At 31 March 2020 (unaudited)	952,218	1,759,494	17,157	(67,945)	1,893	(1,589,285)	1,073,532	54,557	1,128,089

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$204,515,000 (2019: HK\$196,057,000), representing an increase of approximately HK\$8,458,000 or 4.3% as compared to the same period in last year. The increase in revenue was mainly due to the net effect of: 1) the decrease in revenue from the trading of mobile device business in Hong Kong which was ceased in March 2020; and 2) the increase in sales of telecommunication products in mainland China and Internet data center (“IDC”) service income generated from the Group’s IDCs in Guangzhou, namely Guangzhou Lotus Hill Data Center and Guangzhou (Nanxiang) Cloud Data Center. The Group recorded a loss attributable to owners of the Company of approximately HK\$27,568,000 (2019: HK\$22,121,000) for the three months ended 31 March 2020. The increase in loss for the period is mainly due to the commencement of operation of Guangzhou (Nanxiang) Cloud Data Center during the third quarter of 2019, which led to the increase in fixed operating costs such as utilities and staff costs.

During the outbreak of COVID-19, the Group’s customers have delayed to house their servers and data storage in the abovementioned IDCs, which affected the Group’s revenue as well as profit for the period under review.

Business Review

Sale of telecommunication products and services

During the period under review, the revenue of sale of telecommunication products and services business was approximately HK\$203,709,000 (2019: HK\$192,071,000). Sale of telecommunication products and services represented trading of telecommunication products, provision of IDC, WIFI, system integration and value-added Internet services and software development in the mainland China.

As there has been no improvement in the global mobile business environment since the third quarter of 2019 and the outbreak of COVID-19 during the period under review, the Group did not receive any purchase order from its customers under the trading of mobile device business in Hong Kong. In addition, albeit ongoing negotiation with the Group’s suppliers since 2019, it was still unable to secure the supply of 5G mobile devices that the Group considered to be a major source of revenue from the trading of mobile device business in Hong Kong.

In light of the above, the Board has resolved to cease the trading of mobile device business in Hong Kong during the period under review.

The increase in revenue for the period under review was mainly attributable to the increase in sales of telecommunication products in mainland China and revenue from the provision of IDC services.

Internet finance platform business

During the period under review, the Group's Internet finance platform business did not generate any revenue (2019: HK\$Nil). Since the third quarter of 2018, 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co. Ltd.*) has limited its operation to collecting debts from borrowers and repaying the investors and no new loans have been transacted through its platform in order to comply with the relevant rules and regulations.

Business Prospects

Looking forward, the Group will continue to focus on its IDC business. While the construction work of the IDCs in Heshan City has been behind schedule due to the outbreak of COVID-19, it is expected that it will be put in service in the first half of 2021. Together with more customers moving into the abovementioned two IDCs in Guangzhou as the COVID-19 restrictions have begun to ease, more revenue will be contributed therefrom in the coming years.

Moreover, the Group will continue to explore potential investment opportunities in IDC, Internet of Things, cloud computing and related businesses. With favorable policies and support from the PRC government towards these fast growing sectors, the management is optimistic that the Group will be able to reward shareholders with better results in the foreseeable future.

* For identification purpose only

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2020, 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 Securities and Futures Ordinance (“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 securities of the Company

Name of Director	Capacity	Number of shares held	Number of underlying shares held (Note 2)	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	2,221,916,000	9,000,000	23.43%
	Interest in controlled corporations (Note 1)	2,091,923,357	–	21.97%
Mr. CHEUNG Sing Tai	Beneficial owner	–	18,000,000	0.19%
Mr. XU Gang	Beneficial owner	1,422,000	6,000,000	0.08%
	Interest of spouse (Note 3)	72,000	–	Negligible
Mr. TAO Wei	Beneficial owner	–	6,000,000	0.06%
Mr. ZHANG Zihua	Beneficial owner	–	1,000,000	0.01%
Ms. XI Lina	Beneficial owner	–	1,000,000	0.01%
Mr. HUANG Zhixiong	Beneficial owner	–	1,000,000	0.01%

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.
2. These underlying shares are derived from the share options granted by the Company.
3. Mr. Xu is interested in 72,000 shares of the Company held by his spouse, Ms. YANG Jintong.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 31 March 2020.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “SHARE OPTION SCHEMES” below, at no time during the period under review was the Company, its holding Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

On 19 December 2012, the Company adopted a new share option scheme as the share option scheme adopted on 22 July 2002 (the “**Old Scheme**”) expired on 21 July 2012. The purpose of the share option schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the share option schemes include directors of the Company or any of its subsidiaries, independent non-executive directors, employees of the Group, and suppliers of goods or services to the Group.

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options and their movements during the three months ended 31 March 2020 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options			At 31 March 2020
				At 1 January 2020	Lapsed during the period	Reallocated during the period	
Directors							
Dr. LIE Haiquan	9.4.2018	9.4.2018 to 8.4.2021	0.250	9,000,000	-	-	9,000,000
Mr. CHEUNG Sing Tai	9.4.2018	9.4.2018 to 8.4.2021	0.250	18,000,000	-	-	18,000,000
Mr. XU Gang	9.4.2018	9.4.2018 to 8.4.2021	0.250	6,000,000	-	-	6,000,000
Mr. TAO Wei	9.4.2018	9.4.2018 to 8.4.2021	0.250	6,000,000	-	-	6,000,000
Mr. ZHANG Zihua	9.4.2018	9.4.2018 to 8.4.2021	0.250	1,000,000	-	-	1,000,000
Ms. XI Lina	9.4.2018	9.4.2018 to 8.4.2021	0.250	1,000,000	-	-	1,000,000
Mr. HUANG Zhixiong	9.4.2018	9.4.2018 to 8.4.2021	0.250	1,000,000	-	-	1,000,000
				42,000,000	-	-	42,000,000
Employees							
	31.1.2018	31.1.2018 to 30.1.2021	0.250	65,200,000	-	-	65,200,000
				65,200,000	-	-	65,200,000
Others							
	8.4.2011	8.4.2011 to 7.4.2021	0.469	6,840,000	-	-	6,840,000
	31.1.2018	31.1.2018 to 30.1.2021	0.250	126,000,000	-	-	126,000,000
	9.4.2018	9.4.2018 to 8.4.2021	0.250	92,000,000	-	-	92,000,000
				224,840,000	-	-	224,840,000
Total				332,040,000	-	-	332,040,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 2020, 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:

Long positions in the shares of the Company

Name	Nature of interests	Number of shares held	Approximate percentage of shareholding
Winner Mind (Note)	Beneficial owner	2,055,887,357	21.59%

Note: Winner Mind is wholly-owned by Dr. LIE Haiquan.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 31 March 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the three months ended 31 March 2020 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

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

Hong Kong, 14 May 2020

As at the date of this report, the Board comprises four executive Directors, namely Dr. LIE Haiquan (Chairman), Mr. CHEUNG Sing Tai (Deputy Chairman and Chief Executive Officer), Mr. XU Gang, and Mr. TAO Wei, and three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong.

This report will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.