



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

## INTERIM REPORT 2020



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2020

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	293,610	412,580	89,095	216,523
Cost of sales		(262,747)	(380,086)	(67,845)	(198,012)
Gross profit		30,863	32,494	21,250	18,511
Other income and gains		3,096	3,646	1,996	1,684
Gain on disposal of subsidiaries		–	1,398	–	1,398
Gain on disposal of a joint venture		–	380	–	–
Reversal of expected credit loss recognised in respect of financial assets carried at amortised costs, net		12,601	10,975	12,556	10,975
Impairment loss recognised in respect of intangible asset		(33,358)	–	(33,358)	–
Selling and marketing costs		(9,002)	(16,426)	(4,816)	(11,020)
Administrative and other expenses		(69,728)	(77,321)	(27,955)	(37,950)
Share of results of joint venture		–	(83)	–	–
Finance costs	4	(2,149)	(866)	(1,097)	(702)
Loss before tax	5	(67,677)	(45,803)	(31,424)	(17,104)
Income tax	6	10,775	613	9,473	(1,353)
Loss for the period		(56,902)	(45,190)	(21,951)	(18,457)
<b>Loss for the period attributable to:</b>					
Owners of the Company		(46,504)	(35,280)	(18,936)	(13,159)
Non-controlling interests		(10,398)	(9,910)	(3,015)	(5,298)
		(56,902)	(45,190)	(21,951)	(18,457)
		HK cents	HK cents	HK cents	HK cents
Loss per share	8				
– basic and diluted		(0.49)	(0.37)	(0.20)	(0.14)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six and three months ended 30 June 2020

	For the six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(56,902)</b>	(45,190)	<b>(21,951)</b>	(18,457)
<b>Other comprehensive (loss)/income for the period, net of tax</b>				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations	<b>(13,285)</b>	7,917	<b>10,821</b>	(20,976)
Other comprehensive (loss)/income for the period, net of tax	<b>(13,285)</b>	7,917	<b>10,821</b>	(20,976)
<b>Total comprehensive loss for the period</b>	<b>(70,187)</b>	(37,273)	<b>(11,130)</b>	(39,433)
<b>Total comprehensive loss for the period attributable to:</b>				
Owners of the Company	<b>(58,674)</b>	(27,231)	<b>(10,775)</b>	(31,815)
Non-controlling interests	<b>(11,513)</b>	(10,042)	<b>(355)</b>	(7,618)
	<b>(70,187)</b>	(37,273)	<b>(11,130)</b>	(39,433)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	9	1,851,570	1,671,490
Right-of-use assets		76,717	83,983
Interests in an associate		–	–
Goodwill	10	116,047	116,047
Intangible assets		111,151	157,816
Prepayment for property, plant and equipment		204,464	189,802
Deferred tax assets	16	5,856	7,268
<b>Total Non-current Assets</b>		<b>2,365,805</b>	<b>2,226,406</b>
<b>Current Assets</b>			
Inventories		2,976	4,878
Accounts receivable	11	94,768	112,279
Prepayments, deposits and other receivables		127,948	134,948
Note receivable	12	–	61,586
Cash and cash equivalents		26,310	17,926
<b>Total Current Assets</b>		<b>252,002</b>	<b>331,617</b>

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Accounts payable	13	76,740	68,195
Other payables and accruals	14	135,519	78,226
Contract liabilities		1,632	1,529
Lease liabilities		8,705	9,364
Borrowings	15	1,197,562	1,081,449
Tax liabilities		18,183	52,742
<b>Total Current Liabilities</b>		<b>1,438,341</b>	1,291,505
<b>Net Current Liabilities</b>		<b>(1,186,339)</b>	(959,888)
<b>Total Assets less Current Liabilities</b>		<b>1,179,466</b>	1,266,518
<b>Non-current Liabilities</b>			
Deferred tax liabilities	16	27,736	39,382
Lease liabilities		34,771	39,990
<b>Total Non-current Liabilities</b>		<b>62,507</b>	79,372
<b>Net Assets</b>		<b>1,116,959</b>	1,187,146
<b>Capital and Reserves</b>			
Share capital	17	952,218	952,218
Reserves		110,539	169,213
<b>Equity attributable to owners of the Company</b>		<b>1,062,757</b>	1,121,431
Non-controlling interests		54,202	65,715
<b>Total Equity</b>		<b>1,116,959</b>	1,187,146

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company						Non-controlling interests	Total	
	Share capital	Share premium	Share options reserve	Translation reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019 (audited)	952,218	1,759,494	17,246	(29,445)	1,893	(1,464,955)	1,236,451	86,614	1,323,065
Loss for the period	-	-	-	-	-	(35,280)	(35,280)	(9,910)	(45,190)
<b>Other comprehensive income/(loss):</b>									
Exchange differences on translation of foreign operations	-	-	-	8,049	-	-	8,049	(132)	7,917
Total comprehensive income/(loss) for the period	-	-	-	8,049	-	(35,280)	(27,231)	(10,042)	(37,273)
Share options lapsed	-	-	(89)	-	-	89	-	-	-
<b>At 30 June 2019 (unaudited)</b>	<b>952,218</b>	<b>1,759,494</b>	<b>17,157</b>	<b>(21,396)</b>	<b>1,893</b>	<b>(1,500,146)</b>	<b>1,209,220</b>	<b>76,572</b>	<b>1,285,792</b>
<b>At 1 January 2020 (audited)</b>	<b>952,218</b>	<b>1,759,494</b>	<b>17,157</b>	<b>(47,614)</b>	<b>1,893</b>	<b>(1,561,717)</b>	<b>1,121,431</b>	<b>65,715</b>	<b>1,187,146</b>
Loss for the period	-	-	-	-	-	(46,504)	(46,504)	(10,398)	(56,902)
<b>Other comprehensive loss:</b>									
Exchange differences on translation of foreign operations	-	-	-	(12,170)	-	-	(12,170)	(1,115)	(13,285)
Total comprehensive loss for the period	-	-	-	(12,170)	-	(46,504)	(58,674)	(11,513)	(70,187)
<b>At 30 June 2020 (unaudited)</b>	<b>952,218</b>	<b>1,759,494</b>	<b>17,157</b>	<b>(59,784)</b>	<b>1,893</b>	<b>(1,608,221)</b>	<b>1,062,757</b>	<b>54,202</b>	<b>1,116,959</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	99,419	46,360
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(191,857)	(462,474)
NET CASH FLOWS GENERATED FROM FINANCIAL ACTIVITIES	101,173	398,158
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,735</b>	<b>(17,956)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,926	36,747
Effect on foreign exchange rate changes	(351)	6,111
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>26,310</b>	<b>24,902</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:</b>		
Bank balance and cash	26,310	24,902



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the three months and six months ended 30 June 2020*

## 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 condensed consolidated interim 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 the 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 Company is an investment holding company and the principal activities of its subsidiaries are sale of telecommunication products and services and operation of Internet finance platform business.

### ***Going Concern***

The Group incurred a net loss of approximately HK\$56,902,000 for the six months ended 30 June 2020. As at 30 June 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$1,186,339,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In the opinion of the directors of the Company (the “**Directors**”), the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

- (i) the cash flow projections can be achieved that the Group would have sufficient working capital to finance its operation and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period;
- (ii) the net assets of the Group as at 30 June 2020 of approximately HK\$1,116,959,000, the Group should be able to secure additional loan facilities, if necessary;

## 1. GENERAL INFORMATION (Continued)

### *Going Concern (Continued)*

- (iii) bank loans with carrying amount of approximately HK\$1,113,939,000 as at 30 June 2020 that are repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreements, with a repayment on demand clause, have been classified as current liability as at 30 June 2020 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position and the security provided to the bank, the Directors believe that the bank will not exercise its discretionary rights to demand immediate repayment. The Directors believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of GEM of Securities on the Stock Exchange ("GEM Listing Rules").

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 are the same as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2019. In the current interim period, the Group has applied, for the first time, the following new or amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

### *Amendments to HKFRS 3: Definition of a Business*

The amendment to HKFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### ***Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform***

The amendments to HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

### ***Amendments to HKAS 1 and HKAS 8: Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

### ***Conceptual Framework for Financial Reporting issued on 29 March 2018***

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represented the net amounts received and receivable for goods sold or services provided by the Group to outside customers, less returns and discounts and sales related taxes.

Disaggregation of revenue from contracts with customers by major products or services line for the period is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sale of telecommunication products and services	291,146	402,453	87,437	210,382
Internet finance platform	–	–	–	–
Others (Note)	2,464	10,127	1,658	6,141
	<b>293,610</b>	412,580	<b>89,095</b>	216,523

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).

Segment information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Sale of telecommunication products and services
- Internet finance platform

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from timing of revenue for the period is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
At a point in time	115,196	257,704	879	138,516
Over time	175,760	146,363	86,733	72,817
Revenue from other sources:				
– Rental income	2,654	8,513	1,483	5,190
	<b>293,610</b>	412,580	<b>89,095</b>	216,523

#### (a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Sale of telecommunication products and services		Internet finance platform		Others		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	291,146	402,453	-	-	2,464	10,127	293,610	412,580
Segment results	(64,744)	(29,152)	(2,785)	(8,897)	(2,736)	(2,354)	(70,265)	(40,403)
Other income and gains							2,237	1,468
Interest income							859	1,993
Gain on disposal of subsidiaries							-	1,398
Gain on disposal of a joint venture							-	380
Share of results of joint venture							-	(83)
Unallocated corporate expenses							(508)	(10,556)
Loss before tax							(67,677)	(45,803)
Income tax							10,775	613
Loss for the period							(56,902)	(45,190)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Sale of telecommunication products and services		Internet finance platform		Others		Total	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June		30 June	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	
Segment assets	2,557,257	2,435,173	-	-	11,866	32,456	2,569,123	2,467,629
Unallocated corporate assets							48,684	90,394
<b>Total assets</b>							<b>2,617,807</b>	<b>2,558,023</b>
Segment liabilities	1,451,724	1,304,312	16,951	44,181	10,834	14,616	1,479,509	1,363,109
Unallocated corporate liabilities							21,339	7,768
<b>Total liabilities</b>							<b>1,500,848</b>	<b>1,370,877</b>

Note: Others represent other reporting segments that are not reportable segments under HKFRS 8, which include logistics related business, insurance brokerage and software development business.

### 4. FINANCE COSTS

	For the six months ended		For the three months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	39,249	27,536	15,145	12,594
Less: Capitalised in construction in progress under property, plant and equipment	(38,351)	(27,346)	(14,661)	(12,568)
Interest on lease liabilities	898	190	484	26
	1,251	676	613	676
	2,149	866	1,097	702

## 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after (crediting)/charging:

	For the six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income	(859)	(1,993)	(8)	(429)
Depreciation of items of property, plant and equipment	21,323	19,598	10,661	9,799
Depreciation of right-of-use assets	5,796	5,972	2,898	5,972
Amortisation of intangible assets	14,096	16,713	7,048	8,357

## 6. INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:				
– Hong Kong	–	157	–	157
– PRC	(525)	214	110	189
Deferred tax (Note 16)	(10,250)	(984)	(9,583)	1,007
Total income tax for the period	(10,775)	(613)	(9,473)	1,353

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.

## 6. INCOME TAX (Continued)

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.

## 7. DIVIDEND

The Directors resolved not to declare any dividend for the six months ended 30 June 2020 (2019: Nil).

## 8. 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 six months ended 30 June		For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss attributable to owners of the Company	<b>(46,504)</b>	(35,280)	<b>(18,936)</b>	(13,159)

  

	For the six months ended 30 June		For the three months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	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 the period	<b>9,522,184,345</b>	9,522,184,345	<b>9,522,184,345</b>	9,522,184,345

The computation of diluted loss per share for the six-month and three-month periods ended 30 June 2019 and 2020 does not assume the exercise of share options since the exercise prices are higher than the average share price.



**9. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2020, the Group spent approximately HK\$174,335,000 (31 December 2019: HK\$1,000,059,000) on acquisition of property, plant and equipment.

**10. GOODWILL**

	HK\$'000
<b>Cost</b>	
At 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	382,591
<b>Accumulated impairment</b>	
At 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	266,544
<b>Carrying value</b>	
At 30 June 2020 (Unaudited)	116,047
At 31 December 2019 (Audited)	116,047

**11. ACCOUNTS RECEIVABLE**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Accounts receivable	<b>122,560</b>	157,332
Less: Allowance for credit losses	<b>(27,792)</b>	(45,053)
	<b>94,768</b>	112,279

The Group allows an average credit period of 90 days (31 December 2019: 90 days) to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has applied necessary credit control policies to minimize credit risk. Overdue balances are reviewed regularly by senior management.

## 11. ACCOUNTS RECEIVABLE (Continued)

The following is an aged analysis of accounts receivable, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	22,006	26,997
31 to 60 days	20,939	44,882
61 to 90 days	12,400	9,782
Over 90 days	39,423	30,618
	94,768	112,279

## 12. NOTE RECEIVABLE

During the year ended 31 December 2017, the Company entered into a Deed of Assignment (the “DoA”) with an independent third party (the “Assignee”) pursuant to which the Company agreed to assign, and the Assignee agreed to accept an assignment of a promissory note (the “Promissory Note”) with a principal amount of HK\$88,000,000 and all rights and benefits derived thereon to the Assignee for a consideration of HK\$71,883,000 (comprising the discounted value of the Promissory Note of HK\$65,200,000 and the interest at 5% per annum thereon of HK\$6,683,000 in aggregate for two years from the date of the DoA), payable on or before 28 March 2019. Pursuant to supplemental deed entered into on 18 April 2019, the due date of the Promissory Note is extended to 28 March 2020. The Assignee has prepaid to the Company the interest at 5% per annum amounting to HK\$3,594,000 on the consideration of HK\$71,883,000 for the extended period.

In relation to the DoA, a Deed of Guarantee in favour of the Company was executed by another independent third party (the “Guarantor”) pursuant to which the Guarantor agreed to guarantee to the Company the due and timely performance of the Assignee’s obligations under the DoA.

During the six months ended 30 June 2020, the Assignee fully settled the consideration of HK\$71,883,000.

### 13. ACCOUNTS PAYABLE

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Accounts payable	<b>76,740</b>	68,195

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 30 days	<b>29,298</b>	25,542
31 to 60 days	<b>12,409</b>	15,049
61 to 90 days	<b>9,667</b>	5,637
Over 90 days	<b>25,366</b>	21,967
	<b>76,740</b>	68,195

### 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Other payables	<b>124,444</b>	66,061
Accruals	<b>11,075</b>	12,165
	<b>135,519</b>	78,226

## 15. BORROWINGS

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Short-term bank loans, secured	<b>3,288</b>	226,853
Portion of bank loans, secured		
– repayable within one year	<b>60,576</b>	52,142
– repayable after one year which contain a repayment on demand clause	<b>1,113,939</b>	802,454
<b>Total bank loans</b>	<b>1,177,803</b>	1,081,449
Portion of other loans, unsecured		
– repayable within one year	<b>11,291</b>	–
– repayable after one year which contain a repayment on demand clause	<b>8,468</b>	–
<b>Total other loans</b>	<b>19,759</b>	–
<b>Total borrowings</b>	<b>1,197,562</b>	1,081,449

As at 30 June 2020 and 31 December 2019, all of the secured bank borrowings are denominated in RMB and bear interest from 4.30% to 4.90% (31 December 2019: 3.83% to 4.90%) per annum.

The Group's banking facilities amounting to approximately HK\$1,825,369,000 (31 December 2019: HK\$1,598,745,000), of which approximately HK\$1,177,803,000 (31 December 2019: HK\$1,081,449,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain properties, plant and equipment of the Group and certain properties of companies substantially owned by Dr. Lie, an executive director and substantial shareholder of the Company.

As at 30 June 2020, the carrying value of the Group's properties, plant and equipment that secure the above bank loans are approximately HK\$225,240,000 (31 December 2019: HK\$80,949,000).

As at 30 June 2020, all of the unsecured other loans are denominated in RMB and bear interest of 6.3% per annum.

## 16. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the current period are as follows:

	Deferred tax assets			Deferred tax liabilities	Total
	ECL provision HK\$000	Right-of-use assets HK\$000	Total HK\$000	Fair value adjustments on business combination HK\$000	
At 1 January 2020 (Audited)	6,446	822	7,268	(39,382)	(32,114)
Credited to consolidated statement of profit or loss and other comprehensive income	(1,516)	120	(1,396)	11,646	10,250
Exchange realignment	–	(16)	(16)	–	(16)
As 30 June 2020 (Unaudited)	4,930	926	5,856	(27,736)	(21,880)

## 17. SHARE CAPITAL

	Par value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2020 and 30 June 2020	0.1	20,000,000,000	2,000,000
Issued and fully paid:			
At 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	0.1	9,522,184,345	952,218

## 18. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitment of approximately HK\$445,534,000 (31 December 2019: HK\$642,361,000), for acquisition of property, plant and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$293,610,000 (2019: HK\$412,580,000), representing a decrease of approximately HK\$118,970,000 or 28.8% as compared to the same period in last year. The decrease in revenue was mainly due to the decrease in revenue from the trading of mobile device business in Hong Kong which was ceased in March 2020.

The Group's loss attributable to owners of the Company for the six months ended 30 June 2020 is approximately HK\$46,504,000 (2019: HK\$35,280,000). The increase in loss for the period is mainly due to the impairment loss on intangible asset of approximately HK\$33,358,000 in respect of the trading of telecommunication product business in mainland China.

### 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\$291,146,000 (2019: HK\$402,453,000). Under the business segment of sale of telecommunication products and services, there are two main businesses, namely (1) provision of Internet data center (“IDC”) services, and (2) trading of telecommunication products.

For the provision of IDC services, the Group provides IDC services to its customers in mainland China through self-owned IDCs and server cabinets leased from independent third parties. The Group currently owns two IDCs in Guangzhou, namely Guangzhou Lotus Hill Data Center and Guangzhou (Nanxiang) Cloud Data Center, which provide 1,499 and 1,355 server cabinets, respectively. For the six months period ended 30 June 2020, the provision of IDC service business had contributed revenue of approximately HK\$171 million (2019: HK\$169 million).

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

For the trading of telecommunication products, 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 outbreak of COVID-19 and the fierce competition of the telecommunication market have also negatively impacted the Group's trading of telecommunication product business in mainland China. After fulfilling the sale orders in the first quarter of 2020, the Group did not generate any revenue from the trading business in mainland China during the second quarter of 2020. Having reviewed its profitability and assessed its prospects, the Group has decided to suspend its trading business in mainland China in order to concentrate its resources in its IDC operations, a more profitable business. As it is uncertain whether the trading business in mainland China will generate cash flow in future, the Group has fully written off the relevant intangible assets, i.e. customer relationships, of approximately HK\$33,358,000.

### ***Internet finance platform business***

During the period under review, the Group's Internet finance platform business did not generate any revenue (2019: 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.\*) ("**Bees Financial**") 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.

\* for identification purpose only

## 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, while the Group is focusing on increasing the utilisation of its two IDCs in Guangzhou, 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.

## Share Capital

As at 30 June 2020, the authorised share capital of the Company was HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$952,218,435 divided into 9,522,184,345 shares of HK\$0.10 each.

## Financial Position

During the period under review, the Group generally financed its operations with internally generated resources and bank borrowings. As at 30 June 2020, the Group had total assets of approximately HK\$2,617,807,000 (31 December 2019: HK\$2,558,023,000) and total liabilities of approximately HK\$1,500,848,000 (31 December 2019: HK\$1,370,877,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 57.3% as at 30 June 2020 (31 December 2019: 53.6%).



As at 30 June 2020, the Group had current assets of approximately HK\$252,002,000 (31 December 2019: HK\$331,617,000), including cash and equivalents of approximately HK\$26,310,000 (31 December 2019: HK\$17,926,000), and accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK\$222,716,000 (31 December 2019: HK\$308,813,000); and current liabilities of approximately HK\$1,438,341,000 (31 December 2019: HK\$1,291,505,000). The Group's current ratio had decreased from approximately 0.26 times as at 31 December 2019 to approximately 0.18 times as at 30 June 2020.

## **Charges on the Group's Assets**

Except for the pledged properties, plant and equipment of approximately HK\$225,240,000, there were no material charges on the Group's assets as at 30 June 2020.

## **Foreign Exchange Exposure and Treasury Policies**

Most of the Group's cash balances and income are denominated in Renminbi, United States dollars and Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the six months ended 30 June 2020. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

## **Employee Information**

As at 30 June 2020, the Group had approximately 314 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options.

## Segmental Information

Details of segmental information of the Group as at 30 June 2020 are set out in Note 3 to the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 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	2,227,644,000	9,000,000	23.49%
	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 30 June 2020.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading “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 (the “**New 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 and 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 movements share options during the six months ended 30 June 2020 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options			At 30 June 2020
				At 1 January 2020	Lapsed during the period	Reallocated during the period	
<b>Directors</b>							
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
<b>Employees</b>							
	31.1.2018	31.1.2018 to 30.1.2021	0.250	65,200,000	-	-	65,200,000
				65,200,000	-	-	65,200,000
<b>Others</b>							
	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 30 June 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/underlying 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.

## CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "**Code**") as set out in the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. The Company has complied with the Code throughout the period under review, with the exception for the following deviations:

Under code provision A.4.1, non-executive Directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors; however, they are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "**Articles**") and the Code. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

Under code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Dr. LIE Haiquan and Mr. CHEUNG Sing Tai, the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2020.

## **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 six months ended 30 June 2020.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2020.

## CHANGE OF DIRECTORS

On 10 July 2020, Mr. XU Gang resigned as an executive Director due to his other work commitments and Mr. WU Di was appointed as an executive Director. Mr. Xu has remained as a deputy general manager of 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Co., Ltd.\*), a wholly-owned subsidiary of the Company.

## 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 controls systems of the Group. The Audit Committee has reviewed the Company’s unaudited financial statements for the six months ended 30 June 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, 12 August 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. TAO Wei and Mr. Wu Di 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](http://www.neo-telemedia.com).*

\* for identification purpose only