



**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 RESULTS ANNOUNCEMENT**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2021**

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

**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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This announcement, 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 announcement 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 announcement 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 and six months ended 30 June 2021 together with comparative unaudited figures for the corresponding period of 2020 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2021

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	264,904	293,610	153,263	89,095
Cost of sales		(198,521)	(262,747)	(119,175)	(67,845)
Gross profit		66,383	30,863	34,088	21,250
Other income and gains		624	3,096	300	1,996
Net change in impairment losses under expected credit loss model		(929)	12,601	(90)	12,556
Impairment loss recognised in respect of intangible asset		–	(33,358)	–	(33,358)
Selling and marketing costs		(13,121)	(9,002)	(6,993)	(4,816)
Administrative and other expenses		(67,076)	(69,728)	(31,606)	(27,955)
Finance costs	4	(18,805)	(2,149)	(9,858)	(1,097)
Loss before tax	5	(32,924)	(67,677)	(14,159)	(31,424)
Income tax	6	3,656	10,775	2,303	9,473
Loss for the period		<u>(29,268)</u>	<u>(56,902)</u>	<u>(11,856)</u>	<u>(21,951)</u>
<b>Loss for the period attributable to:</b>					
Owners of the Company		(25,242)	(46,504)	(11,039)	(18,936)
Non-controlling interests		(4,026)	(10,398)	(817)	(3,015)
		<u>(29,268)</u>	<u>(56,902)</u>	<u>(11,856)</u>	<u>(21,951)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	8				
– basic and diluted		<u>(0.27)</u>	<u>(0.49)</u>	<u>(0.12)</u>	<u>(0.20)</u>

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

*For the six and three months ended 30 June 2021*

	For the six months ended		For the three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(29,268)</b>	(56,902)	<b>(11,856)</b>	(21,951)
<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>8,033</b>	(13,285)	<b>13,509</b>	10,821
Other comprehensive (loss)/income for the period, net of tax	<b>8,033</b>	(13,285)	<b>13,509</b>	10,821
<b>Total comprehensive (loss)/income for the period</b>	<b>(21,235)</b>	(70,187)	<b>1,653</b>	(11,130)
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Owners of the Company	<b>(17,523)</b>	(58,674)	<b>1,956</b>	(10,775)
Non-controlling interests	<b>(3,712)</b>	(11,513)	<b>(303)</b>	(355)
	<b>(21,235)</b>	(70,187)	<b>1,653</b>	(11,130)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Non-current Assets</b>			
Property, plant and equipment	9	3,337,082	2,618,404
Right-of-use assets		306,900	307,574
Goodwill	10	116,047	116,047
Intangible assets		91,517	101,231
Prepayment for property, plant and equipment		11,284	2,647
Deferred tax assets	15	6,825	5,920
Deposits paid		8,111	7,289
		3,877,766	3,159,112
<b>Total Non-current Assets</b>			
<b>Current Assets</b>			
Properties held for sale		54,102	–
Inventories		2,643	2,417
Accounts receivable	11	102,186	90,808
Prepayments, deposits and other receivables		217,721	153,760
Cash and cash equivalents		100,462	31,143
		477,114	278,128
<b>Total Current Assets</b>			
<b>Current Liabilities</b>			
Accounts payable	12	87,798	52,811
Other payables and accruals	13	444,541	124,034
Contract liabilities		55,449	31,149
Lease liabilities		276,523	205,569
Borrowings	14	2,086,889	1,601,122
Tax liabilities		36,336	36,089
		2,987,536	2,050,774
<b>Total Current Liabilities</b>			
<b>Net Current Liabilities</b>		<b>(2,510,422)</b>	<b>(1,772,646)</b>
<b>Total Assets less Current Liabilities</b>		<b>1,367,344</b>	<b>1,386,466</b>

		<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current Liabilities</b>			
Other payables	<i>13</i>	<b>8,624</b>	–
Deferred tax liabilities	<i>15</i>	<b>22,879</b>	25,308
Lease liabilities		<b>256,054</b>	260,136
		<hr/>	<hr/>
<b>Total Non-current Liabilities</b>		<b>287,557</b>	285,444
		<hr/>	<hr/>
<b>Net Assets</b>		<b>1,079,787</b>	1,101,022
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
Share capital	<i>16</i>	<b>952,218</b>	952,218
Reserves		<b>68,720</b>	86,243
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>1,020,938</b>	1,038,461
Non-controlling interests		<b>58,849</b>	62,561
		<hr/>	<hr/>
<b>Total Equity</b>		<b>1,079,787</b>	1,101,022
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

	Attributable to owners of the Company						Sub-total HK\$'000	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			
<b>At 1 January 2020 (audited)</b>	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	-	-	-	-	-	(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)
<b>Total comprehensive loss for the period</b>	-	-	-	(12,170)	-	(46,504)	(58,674)	(11,513)	(70,187)
<b>At 30 June 2020 (unaudited)</b>	<u>952,218</u>	<u>1,759,494</u>	<u>17,157</u>	<u>(59,784)</u>	<u>1,893</u>	<u>(1,608,221)</u>	<u>1,062,757</u>	<u>54,202</u>	<u>1,116,959</u>
<b>At 1 January 2021 (audited)</b>	952,218	1,759,494	15,863	(2,340)	1,893	(1,688,667)	1,038,461	62,561	1,101,022
Loss for the period	-	-	-	-	-	(25,242)	(25,242)	(4,026)	(29,268)
<b>Other comprehensive income:</b>									
Exchange differences on translation of foreign operations	-	-	-	7,719	-	-	7,719	314	8,033
<b>Total comprehensive loss for the period</b>	-	-	-	7,719	-	(25,242)	(17,523)	(3,712)	(21,235)
Share options lapsed	-	-	(15,863)	-	-	15,863	-	-	-
<b>At 30 June 2021 (unaudited)</b>	<u>952,218</u>	<u>1,759,494</u>	<u>-</u>	<u>5,379</u>	<u>1,893</u>	<u>(1,698,046)</u>	<u>1,020,938</u>	<u>58,849</u>	<u>1,079,787</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	<b>213,535</b>	99,419
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(478,171)</b>	(191,857)
NET CASH FLOWS GENERATED FROM FINANCIAL ACTIVITIES	<b>327,420</b>	101,173
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>62,784</b>	8,735
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>31,143</b>	17,926
Effect on foreign exchange rate changes	<b>6,535</b>	(351)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>100,462</b>	26,310
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:</b>		
Bank balance and cash	<b>100,462</b>	26,310

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the three months and six months ended 30 June 2021*

### 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 activities of its subsidiaries are the provision of data centre services and trading of telecommunication products.

### 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 2020.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”) and all amounts are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

#### **Going Concern**

The Group incurred a net loss of approximately HK\$29,268,000 for the six months ended 30 June 2021. As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$2,510,422,000. 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 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 2021 of approximately HK\$1,079,787,000, the Group should be able to secure additional loan facilities, if necessary;
- (iii) bank loans of approximately HK\$1,451,794,000 as at 30 June 2021 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 2021 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 (“**HK-Int 5**”). Taking into account the Group’s financial position and the security provided to the banks, the Directors believe that the banks 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.
- (iv) other loans of approximately HK\$449,785,000 as at 30 June 2021 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 2021 in accordance with HK-Int 5. Taking into account the Group’s financial position and the security provided to the lenders, the Directors believe that the lenders will not exercise its discretionary rights to demand immediate repayment. The Directors believe that the other loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements; and
- (v) as at 30 June 2021, there were unutilised banking facilities of approximately HK\$725,111,000 which are expiring between 2026 and 2033.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 are the same as those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2020. 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.

Amendment to HKFRS 16  
Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

COVID-19-Related Rent Concessions  
Interest Rate Benchmark Reform – Phase 2

The adoption of the above new or amended HKFRSs has had no significant impact on the Group’s financial performance and position.

### 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		For the three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of data centre services	258,089	170,389	150,405	81,314
Trading of telecommunication products	457	113,098	214	(1,099)
	<u>258,546</u>	<u>283,487</u>	<u>150,619</u>	<u>80,215</u>
Others ( <i>Note</i> )	6,358	10,123	2,644	8,880
	<u>264,904</u>	<u>293,610</u>	<u>153,263</u>	<u>89,095</u>

*Note:* Others mainly represent income arising from the provision of system integration services and leasing of properties (2020: others mainly represent income arising from the provision of system integration services, the provision of bus services and leasing of properties).

Segment information reported to the board of Directors, 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:

- Provision of data centre services
- Trading of telecommunication products

Disaggregation by timing of revenue recognition for the period is as follows:

	For the six months ended		For the three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At a point in time	457	115,196	214	879
Over time	263,449	175,760	152,611	86,733
Revenue from other sources	998	2,654	438	1,483
	<u>264,904</u>	<u>293,610</u>	<u>153,263</u>	<u>89,095</u>

(a) **Segment revenues and results**

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

	Provision of data centre services		Trading of telecommunication products		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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>258,089</u>	<u>170,389</u>	<u>457</u>	<u>113,098</u>	<u>6,358</u>	<u>10,123</u>	<u>264,904</u>	<u>293,610</u>
Segment results	<u>(18,033)</u>	<u>(22,626)</u>	<u>23</u>	<u>(33,026)</u>	<u>(4,269)</u>	<u>(14,469)</u>	<u>(22,279)</u>	<u>(70,121)</u>
Other income and gains							596	2,237
Interest income							28	859
Unallocated corporate expenses							<u>(11,269)</u>	<u>(652)</u>
Loss before tax							<u>(32,924)</u>	<u>(67,677)</u>
Income tax							<u>3,656</u>	<u>10,775</u>
Loss for the period							<u>(29,268)</u>	<u>(56,902)</u>

(b) **Segment assets and liabilities**

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

	Provision of data centre services		Trading of telecommunication products		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	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	<u>4,169,657</u>	<u>3,296,982</u>	<u>37</u>	<u>34</u>	<u>152,061</u>	<u>126,853</u>	<u>4,321,755</u>	<u>3,423,869</u>
Unallocated corporate assets							<u>33,125</u>	<u>13,371</u>
<b>Total assets</b>							<u><b>4,354,880</b></u>	<u><b>3,437,240</b></u>
Segment liabilities	<u>3,055,324</u>	<u>2,276,344</u>	<u>-</u>	<u>-</u>	<u>71,210</u>	<u>46,616</u>	<u>3,126,534</u>	<u>2,322,960</u>
Unallocated corporate liabilities							<u>148,559</u>	<u>13,258</u>
<b>Total liabilities</b>							<u><b>3,275,093</b></u>	<u><b>2,336,218</b></u>

*Note:* Others represent other operating segments that are not reportable segments under HKFRS 8, which include the provision of system integration services and leasing of properties.

#### 4. FINANCE COSTS

	For the six months ended 30 June		For the three months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest on borrowings	43,642	39,249	22,854	15,145
Interest on lease liabilities	9,077	1,251	5,511	613
Other interest expense	3,785	–	2,828	–
	<u>56,504</u>	<u>40,500</u>	<u>31,193</u>	<u>15,758</u>
Less: Capitalised in construction in progress under property, plant and equipment	<u>(37,699)</u>	<u>(38,351)</u>	<u>(21,335)</u>	<u>(14,661)</u>
	<u><u>18,805</u></u>	<u><u>2,149</u></u>	<u><u>9,858</u></u>	<u><u>1,097</u></u>

#### 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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest income	(28)	(859)	(13)	(8)
Depreciation of items of property, plant and equipment	33,337	21,323	18,112	10,661
Depreciation of right-of-use assets	13,803	5,796	7,138	2,898
Amortisation of intangible assets	9,714	14,096	4,857	7,048
	<u><u>(28)</u></u>	<u><u>(859)</u></u>	<u><u>(13)</u></u>	<u><u>(8)</u></u>

#### 6. INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current tax:				
– Hong Kong	–	–	–	–
– PRC	(379)	(525)	(733)	110
Deferred tax ( <i>Note 16</i> )	<u>(3,277)</u>	<u>(10,250)</u>	<u>(1,570)</u>	<u>(9,583)</u>
Total income tax for the period	<u><u>(3,656)</u></u>	<u><u>(10,775)</u></u>	<u><u>(2,303)</u></u>	<u><u>(9,473)</u></u>

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.

## 7. DIVIDEND

The Directors resolved not to declare any dividend for the six months ended 30 June 2021 (2020: 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		For the three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	<u>(25,242)</u>	<u>(46,504)</u>	<u>(11,039)</u>	<u>(18,936)</u>
	For the six months ended		For the three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share at the end of the period	<u>9,522,184,345</u>	<u>9,522,184,345</u>	<u>9,522,184,345</u>	<u>9,522,184,345</u>

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group incurred approximately HK\$785,652,000 (31 December 2020: HK\$748,020,000) on acquisition of property, plant and equipment.

## 10. GOODWILL

*HK\$'000*

### Cost

At 1 January 2021 (Audited) and 30 June 2021 (Unaudited)

382,591

### Accumulated impairment

At 1 January 2021 (Audited) and 30 June 2021 (Unaudited)

266,544

### Carrying value

At 30 June 2021 (Unaudited)

116,047

At 31 December 2020 (Audited)

116,047

## 11. ACCOUNTS RECEIVABLE

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Accounts receivable	128,264	115,097
Less: Allowance for credit losses	(26,078)	(24,289)
	<u>102,186</u>	<u>90,808</u>

The Group allows an average credit period of 90 days (31 December 2020: 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.

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

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	30,873	35,246
31 to 60 days	11,301	14,210
61 to 90 days	6,986	8,867
91 to 180 days	39,882	19,915
Over 180 days	13,144	12,570
	<u>102,186</u>	<u>90,808</u>

## 12. ACCOUNTS PAYABLE

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Accounts payable	<u><b>87,798</b></u>	<u>52,811</u>

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

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	44,345	28,535
31 to 60 days	20,871	4,235
61 to 90 days	4,672	2,455
Over 90 days	<u>17,910</u>	<u>17,586</u>
	<u><b>87,798</b></u>	<u>52,811</u>

## 13. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	31 December 2020 <i>HK\$'000</i> (Audited)
Other payables	445,280	111,655
Accruals	<u>7,885</u>	<u>12,379</u>
	<b>453,165</b>	124,034
Less: non-current portion	<u>(8,624)</u>	<u>–</u>
Current portion	<u><b>444,541</b></u>	<u>124,034</u>

## 14. BORROWINGS

	<i>Notes</i>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>Bank loans</b>			
Short-term bank borrowing, unsecured and unguaranteed	<i>a</i>	<b>3,609</b>	3,576
Portion of bank loans, secured and guaranteed	<i>b</i>		
– repayable within one year		<b>88,392</b>	79,922
– repayable after one year which contain a repayment on demand clause		<b>1,225,683</b>	1,035,672
Portion of bank loans, unsecured and guaranteed	<i>a</i>		
– repayable within one year		<b>11,970</b>	7,807
– repayable after one year which contain a repayment on demand clause		–	5,244
Portion of bank loans, secured and unguaranteed	<i>c</i>		
– repayable within one year		<b>19,662</b>	–
– repayable after one year which contain a repayment on demand clause		<b>226,111</b>	182,361
		<u><b>1,575,427</b></u>	<u>1,314,582</u>
Total bank loans		<u><b>1,575,427</b></u>	<u>1,314,582</u>
<b>Other loans</b>			
Portion of other loans, secured and guaranteed	<i>d</i>		
– repayable within one year		<b>57,873</b>	27,486
– repayable after one year which contain a repayment on demand clause		<b>223,019</b>	119,055
Portion of other loans, unsecured and unguaranteed			
– repayable within one year		<b>3,804</b>	38,935
– repayable after one year which contain a repayment on demand clause		<b>226,766</b>	101,064
		<u><b>511,462</b></u>	<u>286,540</u>
Total other loans		<u><b>511,462</b></u>	<u>286,540</u>
Total borrowings		<u><b>2,086,889</b></u>	<u>1,601,122</u>



*Notes:*

- a) As at 30 June 2021 and 31 December 2020, the bank loans are guaranteed by (i) Dr. LIE Haiquan (“**Dr. Lie**”), an executive Director and a controlling shareholder of the Company, and (ii) Mr. WANG Kun (“**Mr. Wang**”), the legal representative, a director and a substantial shareholder of a subsidiary of the Company.
- b) As at 30 June 2021 and 31 December 2020, 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\$1,816,813,000 (31 December 2020: HK\$1,077,107,000) and certain properties of companies substantially owned by Dr. Lie.
- c) As at 30 June 2021, the Group’s bank loans are secured by the equity interest of a subsidiary of the Company with carrying value of approximately HK\$120,300,000 (31 December 2020: HK\$119,190,000).
- d) As at 30 June 2021 and 31 December 2020, 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\$345,319,000 (31 December 2020: HK\$127,973,000), accounts receivable with carrying value of approximately HK\$36,858,000 (31 December 2020: HK\$30,423,000) and equity interest of a subsidiary of the Company with carrying value of approximately HK\$60,150,000 (31 December 2020: HK\$59,595,000).

As at 30 June 2021 and 31 December 2020, all of the borrowings are denominated in Renminbi and bear interest from 4.45% to 8% per annum.

As at 30 June 2021, the Group’s banking facilities were approximately HK\$2,300,538,000 (31 December 2020: HK\$1,989,083,000), of which approximately HK\$1,575,427,000 (31 December 2020: HK\$1,314,582,000) had been utilised as at the end of the reporting period.

## 15. 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 <i>HK\$000</i>	Right-of-use assets <i>HK\$000</i>	Total <i>HK\$000</i>	Fair value adjustments on business combination <i>HK\$000</i>	
At 1 January 2021 (Audited)	4,230	1,690	5,920	(25,308)	(19,388)
Credited to consolidated statement of profit or loss and other comprehensive income	18	830	848	2,429	3,277
Exchange realignment	39	18	57	–	57
As 30 June 2021 (Unaudited)	<u>4,287</u>	<u>2,538</u>	<u>6,825</u>	<u>(22,879)</u>	<u>(16,054)</u>

## 16. SHARE CAPITAL

	<b>Par value per share HK\$</b>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised: At 1 January 2021 and 30 June 2021	<u>0.1</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid: At 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	<u>0.1</u>	<u>9,522,184,345</u>	<u>952,218</u>

## 17. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment of approximately HK\$175,390,000 (31 December 2020: HK\$828,762,000), for acquisition of property, plant and equipment.

## 18. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2021, Guangdong Bluesea Data Development Company Limited\* (廣東蔚海數據發展有限公司) (“**Bluesea Data**”), an indirect wholly owned subsidiary of the Company, and KDCR Guangdong Co., Ltd\* (吉寶數據(廣東)有限公司) (“**KDCR**”) entered into sale and lease agreements pursuant to which (i) KDCR would purchase from Bluesea Data a premises located at the Group’s Bluesea Intelligence Valley in Heshan, Guangdong Province and the facilities and equipment that are built and installed therein (collectively, the “Subject Assets”) in an aggregate consideration of RMB700,000,000 (equivalent to approximately HK\$840,000,000) (inclusive of VAT); and (ii) KDCR agreed to lease the Subject Assets to Bluesea Data for its operation at the initial monthly payment of RMB5,250,000 (equivalent to approximately HK\$6,300,000) (inclusive of VAT and subject to adjustment).

For details of the above transactions, please refer to the Company’s announcement dated 28 July 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$264.9 million (2020: HK\$293.6 million), representing a decrease of approximately HK\$28.7 million or 9.8% 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 mainland China. The Group recorded a loss attributable to owners of the Company of approximately HK\$25.2 million (2020: HK\$46.5 million) for the six months ended 30 June 2021, representing a decrease of approximately HK\$21.3 million or 45.8% as compared to the same period in last year. The decrease in loss for the period is mainly due to no impairment loss on intangible asset in respect of the trading of telecommunication products business in mainland China for the six months ended 30 June 2021 (2020: HK\$33.4 million).

### Other Financial Information

	For the three months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
EBITDA (a)	42,707	(25,172)
EBITDA margin (b)	16.1%	(8.6%)

Note:

- (a) EBITDA is defined as profit or loss for the period excluding net interest income or expense, income tax expense or credit, depreciation and amortisation.
- (b) EBITDA margin is calculated by dividing EBITDA by revenue.

### Business Review

#### *Provision of Data Centre Services*

The Group provides data centre services to its customers in mainland China through self-developed data centres and server cabinets leased from third parties.

A summary of the Group's self-developed data centres by data centre as of 30 June 2021 is set out below.

Name of data centre	Number of server cabinets			Server cabinets % of total
	Available for service	Under construction (Note)	Total	
Guangzhou Lotus Hill Data Centre	1,499	–	1,499	4.3
Guangzhou (Nanxiang) Cloud Data Centre	2,508	363	2,871	8.2
Blueseas Intelligence Valley Mega Data Centre	3,912	22,222	26,134	74.9
Shanghai Baoshan Data Centre	310	942	1,252	3.6
Shenzhen Guanlan Flagship Data Centre	–	3,147	3,147	9.0
Total	<u>8,229</u>	<u>26,674</u>	<u>34,903</u>	<u>100.0</u>

Note: This is an estimate and is subject to change upon completion of the construction.

The Group also operated an aggregate of approximately 1,437 server cabinets that were leased from third parties.

The Group's profitability is largely determined by the utilisation of its self-developed data centres. As of 30 June 2021, based on the number of server cabinets available for service, the utilisation rates of Guangzhou Lotus Hill Data Centre, Guangzhou (Nanxiang) Cloud Data Centre, Blueseas Intelligence Valley Mega Data Centre and Shanghai Baoshan Data Centre were approximately 63.4%, 52.7%, 23.0% and 48.4%, respectively. Due to the outbreak of COVID-19, the Group's customers had delayed to house their servers and data storage in the abovementioned data centres in service, which adversely affected the Group's profitability for the period under review. During the period under review, revenue from the provision of data centre services was approximately HK\$258.1 million (2020: HK\$170.4 million), representing an increase of approximately HK\$87.7 million or 51.5% as compared to the same period in last year due to the commencement of operation of Blueseas 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-developed data centres, the Group has gradually relocated servers of certain customers from leased server cabinets to its self-developed 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 26,000 server cabinets is expected to complete gradually during the period of the third quarter of 2021 to the fourth quarter of 2022, financial performance of the Group will substantially improve in the next two years.

### Trading of Telecommunication Products

As there has been no improvement in the global mobile business environment since the third quarter of 2019 and due to 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 resolved to cease the trading of mobile device business in Hong Kong during the first quarter of 2020.

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 scale down its trading business in mainland China in order to better utilise its resources in its data centre operations, a more profitable business.

During the period under review, revenue from the trading of telecommunication products was approximately HK\$0.5 million (2020: HK\$113.1 million), representing a decrease of approximately HK\$112.6 million or 99.6% as compared to the same period in last year.

### **Others**

Others mainly consist of the provision of system integration services and leasing of properties (2020: Others mainly consisted of the provision of system integration services, the provision of bus services and leasing of properties); the revenue, results and assets of which are individually immaterial to the Group.

During the period under review, revenue from others was approximately HK\$6.4 million (2020: HK\$10.1 million), representing a decrease of approximately HK\$3.7 million or 36.6% as compared to the same period in last year which was mainly due to decrease in provision of system integration services income and the provision of bus services income.

### **Business Prospects**

The COVID-19 pandemic has brought upon unprecedented challenges to the economy. The necessary protection measures have been severely impacting on economic activities.

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.

In 2021, we will see the operations of three new data centres being commenced, namely Bluesea Intelligence Valley Mega Data Centre, Shanghai Baoshan Data Centre and Shenzhen Guanlan Data Centre. In particular, Bluesea Intelligence Valley Mega Data Centre in Heshan, Guangdong province will provide over 26,000 server cabinets with excellent infrastructures. The launch of these three new data centres will increase the capacity of the Group in terms of number of server cabinets by over 10 times (compared to the number of the Group's server cabinets in 2020) which will provide our customers ample room for growth.

### **Share Capital**

As at 30 June 2021, 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 2021, the Group had total assets of approximately HK\$4,354.9 million (31 December 2020: HK\$3,437.2 million) and total liabilities of approximately HK\$3,275.1 million (31 December 2020: HK\$2,336.2 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 75.2% as at 30 June 2021 (31 December 2020: 68.0%).

As at 30 June 2021, the Group had current assets of approximately HK\$477.1 million (31 December 2020: HK\$278.1 million), including cash and equivalents of approximately HK\$100.5 million (31 December 2020: HK\$31.1 million), and accounts receivable, prepayments, deposits and other receivables and other financial assets of approximately HK\$319.9 million (31 December 2020: HK\$244.6 million); and current liabilities of approximately HK\$2,987.5 million (31 December 2020: HK\$2,050.8 million). The Group's current ratio had increased from approximately 0.14 times as at 31 December 2020 to approximately 0.16 times as at 30 June 2021.

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

As at 30 June 2021, bank loans of approximately HK\$1,559.8 million (31 December 2020: HK\$1,298.0 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$1,816.8 million (31 December 2020: HK\$1,077.1 million) and equity interest of a subsidiary of the Company with carrying value of approximately HK\$120.3 million (31 December 2020: HK\$119.2 million).

As at 30 June 2021, other loans of approximately HK\$280.9 million (31 December 2020: HK\$146.5 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$345.3 million (31 December 2020: HK\$128.0 million), accounts receivable with carrying value of approximately HK\$36.9 million (31 December 2020: HK\$30.4 million) and equity interest of a subsidiary of the Company with carrying value of approximately HK\$60,150,000 (31 December 2020: HK\$59,595,000).

Except for the aforesaid, there were no material charges on the Group's assets as at 30 June 2021.

### **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 2021. 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 2021, the Group had approximately 241 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 2021 are set out in Note 3 to the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2021, 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	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	2,252,124,000	23.65%
	Interest in controlled corporations (Note 1)	2,091,923,357	21.97%

#### Notes:

- 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 above, the Directors did not have any interests or short positions in the securities of the Company as at 30 June 2021.

## 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 2021 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options		
				At 1 January 2021	Lapsed during the period	At 30 June 2021
<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. 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)	–
				36,000,000	(36,000,000)	–
<b>Employees</b>	31.1.2018	31.1.2018 to 30.1.2021	0.250	54,300,000	(54,300,000)	–
				54,300,000	(54,300,000)	–
<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	86,000,000	(86,000,000)	–
				218,840,000	(218,840,000)	–
Total				309,140,000	(309,140,000)	–

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 June 2021, 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 ( <i>Note 1</i> )	Beneficial owner	2,055,887,357	21.59%
Mr. YAN Wai Ping	Beneficial owner	373,588,000	3.92%
	Interest of spouse ( <i>Note 2</i> )	106,702,000	1.12%

*Note:*

- (1) Winner Mind is wholly-owned by Dr. LIE Haiquan.
- (2) Mr. Yan is interested in 106,702,000 shares held by his spouse, Ms. Wong Pui Yan.

## 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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Dr. LIE Haiquan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 13 May 2021 (the “AGM”) due to his other engagement. Mr. CHEUNG Sing Tai, deputy chairman of the Board and Chief Executive Officer of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

#### **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 2021.

#### **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 2021.

#### **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 2021.

## 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 2021 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, 11 August 2021

*As at the date of this announcement, 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 announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](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*