# 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)**

## UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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, 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 Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*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 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 ANNUAL RESULTS

The board of Directors ("**Board**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

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

*For the year ended 31 December 2019*

| | *Notes* | **2019**<br>***HK$'000***<br>**(Unaudited)** | 2018<br>*HK$'000*<br>(Audited) |
|---|---|---|---|
| **Revenue** | *4* | **817,141** | 2,529,051 |
| Cost of sales | | **(743,785)** | (2,340,730) |
| **Gross profit** | | **73,356** | 188,321 |
| Other income and gains | | **10,651** | 26,205 |
| Gain on disposal of subsidiaries | | **28,384** | – |
| Gain on disposal of a joint venture | | **373** | – |
| Selling and marketing costs | | **(30,020)** | (35,625) |
| Administrative and other expenses | | **(144,372)** | (185,195) |
| Credit loss expenses recognised in respect of financial assets carried at amortised costs, net | | **(2,549)** | (7,294) |
| Impairment loss on intangible assets | | **(39,524)** | (23,883) |
| Impairment loss recognised in respect of goodwill | | **(15,188)** | (63,904) |
| Equity-settled share-based payment expenses | | **–** | (17,202) |
| Share of results of joint venture | | **(82)** | (194) |
| Finance costs | | **(3,317)** | (7,726) |
| **Loss before tax** | *7* | **(122,288)** | (126,497) |
| Income tax credit/(expense) | *6* | **6,645** | (498) |
| **Loss for the year** | | **(115,643)** | (126,995) |
| **Other comprehensive loss for the year, net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising during the year | | **(20,276)** | (49,604) |
| | | **(20,276)** | (49,604) |
| **Total comprehensive loss for the year** | | **(135,919)** | (176,599) |

| | Notes | 2019<br>*HK$'000*<br>(Unaudited) | 2018<br>*HK$'000*<br>(Audited) |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(94,550)** | (84,425) |
| Non-controlling interests | | **(21,093)** | (42,570) |
| | | **(115,643)** | (126,995) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(112,431)** | (129,235) |
| Non-controlling interests | | **(23,488)** | (47,364) |
| | | **(135,919)** | (176,599) |
| | | ***HK Cents*** | *HK Cents* |
| **Basic and diluted loss per share** | *8* | **(0.99)** | (0.89) |

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*For the year ended 31 December 2019*

| | *Notes* | **2019 *HK$'000* (Unaudited)** | 2018 *HK$'000* (Audited) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **1,671,490** | 679,476 |
| Right-of-use assets | | **83,983** | – |
| Prepaid lease payments | | **–** | 39,189 |
| Interests in an associate | | **–** | – |
| Interests in a joint venture | | **–** | 270 |
| Goodwill | | **116,048** | 131,235 |
| Intangible assets | | **157,816** | 230,908 |
| Prepayment for property, plant and equipment | | **189,801** | 719,646 |
| Deferred tax assets | | **7,268** | 22,303 |
| | | **2,226,406** | 1,823,027 |
| **Current Assets** | | | |
| Inventories | | **4,878** | 5,067 |
| Accounts receivable | *10* | **112,279** | 229,425 |
| Prepayments, deposits and other receivables | | **134,948** | 163,118 |
| Note receivable | | **61,586** | 60,853 |
| Cash and cash equivalents | | **17,926** | 36,747 |
| | | **331,617** | 495,210 |
| **Current Liabilities** | | | |
| Accounts payable | *11* | **68,195** | 130,622 |
| Other payables and accruals | | **78,226** | 57,040 |
| Lease liabilities | | **9,364** | – |
| Contract liabilities | | **1,529** | 3,433 |
| Bank borrowings | | **1,081,449** | 682,261 |
| Tax liabilities | | **52,742** | 65,600 |
| | | **1,291,505** | 938,956 |
| **Net Current Liabilities** | | **(959,888)** | (443,746) |
| **Total Assets less Current Liabilities** | | **1,266,518** | 1,379,281 |

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Non-current Liabilities** | | |
| Deferred tax liabilities | **39,382** | 53,667 |
| Lease liabilities | **39,990** | – |
| | **79,372** | 53,667 |
| **Net Assets** | **1,187,146** | 1,325,614 |
| **Capital and Reserves** | | |
| Share capital | **952,218** | 952,218 |
| Reserves | **169,213** | 286,037 |
| Equity attributable to owners of the Company | **1,121,431** | 1,238,255 |
| Non-controlling interests | **65,715** | 87,359 |
| **Total Equity** | **1,187,146** | 1,325,614 |

*Notes:*

## 1. CORPORATE AND GROUP INFORMATION

Neo Telemedia Limited (the "**Company**") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the 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 unaudited consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**") and some subsidiaries' functional currency in US Dollars, the functional currency of the Company and its remaining subsidiaries are HK$. The reason for selecting HK$ as its presentation currency is that the Company is a public company listed on the 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.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are Mandatorily Effective for the Current Year**

The Group has applied the following amendments to HKFRSs and Hong Kong Accounting Standards ("**HKASs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement |
| HKAS 28 (Amendments) | Long-term interests in Associates and Joint Ventures |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2015-2017 Cycle |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation |
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

**Impact on the consolidated financial statements**

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

| **Consolidated statement of financial position (extract)** | **31 December 2018** *HK$'000* | **HKFRS 16** *HK$'000* | **1 January 2019** *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Right of use asset | **–** | **96,013** | **96,013** |
| Prepaid lease payments | **39,189** | **(39,189)** | **–** |
| Deferred tax assets | **22,303** | **577** | **22,880** |
| **Current assets** | | | |
| Deposits and other receivables | **163,118** | **(865)** | **162,253** |
| **Current liabilities** | | | |
| Leases liabilities | **–** | **9,720** | **9,720** |
| **Non-current liabilities** | | | |
| Leases liabilities | **–** | **49,374** | **49,374** |
| **Net assets** | **1,325,614** | **(2,558)** | **1,323,056** |
| **Capital and reserves** | | | |
| Reserves | **286,037** | **(1,813)** | **284,224** |
| Non-controlling interests | **87,359** | **(745)** | **86,614** |
| Total equity | **1,325,614** | **(2,558)** | **1,323,056** |

**HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Leases and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

***As a lessee***

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied following practical expedients to lease previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to respective lease contracts.

i. relied on the assessment of whether leases are onerous by applying HKAS 27 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for lease with lease term ends within 12 months of the date of initial applications;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial applications;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain lease of assets was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.3% to 9.6%.

| | **2019** |
|---|---|
| | ***HK$'000*** |
| Operating lease commitments disclosed as at 31 December 2018 | **45,594** |
| Less: short-term leases and low-value leases not recognised as a liability | **(12,197)** |
| Add: extension options reasonably certain to be exercised | **40,090** |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | **(14,393)** |
| Lease liability recognised as at 1 January 2019 | **59,094** |
| On which are: | |
| Current lease liabilities | **9,720** |
| Non-current lease liabilities | **49,374** |
| | **59,094** |

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

| | *Notes* | Right-of-use assets *HK$'000* |
|---|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | | 55,959 |
| Reclassified from prepaid lease payments as at 1 January 2019 | *(a)* | 40,054 |
| | | 96,013 |

(a) Upfront payment for leasehold lands in PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$865,000 and HK$39,189,000 respectively were reclassified to right-of-use assets.

***Lessor accounting***

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

**New and Amendments to HKFRSs in Issue But Not Yet Effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts [2] |
| Amendments to HKFRS 3 | Definition of a Business [3] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material [4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform [4] |
| Conceptual Framework (Revised) | Conceptual Framework for Financial Reporting 2018 [4] |

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[4] Effective for annual periods beginning on or after 1 January 2020

The application of the others amendments are not expected to have significant impact on the financial position and performance of the Group.

## 3. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

**Going concern**

The Group incurred a net loss of approximately HK$115,643,000 (2018: HK$126,995,000) for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK$959,888,000 (2018: HK$443,746,000). Notwithstanding the above-mentioned, 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, 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 of approximately HK$1,187,146,000 (2018: HK$1,325,164,000) as at 31 December 2019, the Group should be able to secure additional loan facilities, if necessary;

(iii) bank loans with carrying amount of approximately HK$802,454,000 (2018: HK$281,413,000) as at 31 December 2019 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, has been classified as current liability as at 31 December 2019 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; and

(iv) bank loans with carrying amount of approximately HK$223,500,000 (2018: HK$223,244,000) as at 31 December 2019 that is repayable within one year after the end of the reporting period, will be refinanced with China Construction Bank Corporation ("**CCB**") upon maturity since the Group has a 10-year unutilised banking facilities of approximately HK$517,296,000 (2018: HK$1,169,753,000) granted by CCB as at 31 December 2019.

## 4. REVENUE

Revenue represents 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 service lines is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sale of telecommunication products and services | **788,774** | 2,460,271 |
| Internet finance platform | **–** | 43,906 |
| Others *(Note)* | **28,367** | 24,874 |
| | **817,141** | 2,529,051 |

*Note:* Others mainly represent income arising from rental income, brokerage income and software development service.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Disaggregation by timing of revenue recognition: | | |
| At a point in time | **467,373** | 2,094,396 |
| Over time | **330,565** | 421,572 |
| Revenue from other source | | |
| – Rental income | **19,203** | 13,083 |
| | **817,141** | 2,529,051 |

## 5. SEGMENT INFORMATION

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:

– Sale of telecommunication products and services

– Internet finance platform

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

**Segment Revenues and Results**

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

| | **Sale of telecommunication products and services** | | **Internet finance platform** | | **Others** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Revenue** | **788,774** | 2,460,271 | **–** | 43,906 | **28,367** | 24,874 | **817,141** | 2,529,051 |
| **Segment results** | **(123,642)** | (5,091) | **(23,747)** | (88,107) | **1,958** | (17,291) | **(145,431)** | (110,489) |
| Interest income | | | | | | | **4,848** | 24,908 |
| Gain on disposal of subsidiaries | | | | | | | **28,384** | – |
| Gain on disposal of joint venture | | | | | | | **373** | – |
| Other income and gain | | | | | | | **5,177** | 124 |
| Share of results of joint venture | | | | | | | **(82)** | (194) |
| Unallocated corporate expenses | | | | | | | **(15,557)** | (40,846) |
| Loss before tax | | | | | | | **(122,288)** | (126,497) |
| Income tax credit/(expense) | | | | | | | **6,645** | (498) |
| Loss for the year | | | | | | | **(115,643)** | (126,995) |

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

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sales in both year. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit or loss from each segment without allocation of interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**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 | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment assets | **2,435,173** | 2,183,656 | **–** | 17,034 | **32,456** | 26,698 | **2,467,629** | 2,227,388 |
| Unallocated corporate assets | | | | | | | **90,394** | 90,849 |
| Consolidated assets | | | | | | | **2,558,023** | 2,318,237 |
| Segment liabilities | **1,304,312** | 933,235 | **44,181** | 43,153 | **14,616** | 11,239 | **1,363,109** | 987,627 |
| Unallocated corporate liabilities | | | | | | | **7,768** | 4,996 |
| Consolidated liabilities | | | | | | | **1,370,877** | 992,623 |

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of prepayments, deposits and other receivables, and derivative financial assets); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising receipts in advances, contingent consideration payable and other payables and accruals).

**Other Segment Information**

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amount included in the measure of segment results | | | | | | | | | | |
| Capital expenditure | **997,421** | 893,625 | **–** | 829 | **1,841** | 3,350 | **797** | 14 | **1,000,059** | 897,818 |
| Depreciation of property, plant and equipment | **30,304** | 31,116 | **982** | 1,372 | **6,090** | 6,489 | **1,683** | 1,860 | **39,059** | 40,837 |
| Depreciation of right-of-use assets | **9,854** | – | **–** | – | **880** | – | **2,582** | – | **13,316** | – |
| Amortisation of intangible assets | **33,425** | 34,380 | **137** | 2,445 | **–** | 314 | **–** | – | **33,562** | 37,139 |
| Amortisation of prepaid lease payments | **–** | 864 | **–** | – | **–** | – | **–** | – | **–** | 864 |
| Impairment loss on goodwill | **15,188** | 50,000 | **–** | 13,904 | **–** | – | **–** | – | **15,188** | 63,904 |
| Impairment loss on intangible assets | **39,524** | – | **–** | 14,412 | **–** | 9,471 | **–** | – | **39,524** | 23,883 |
| Credit loss (reversal)/expenses recognised in respect of financial assets carried at amortised cost | **(4,008)** | (26,562) | **5,777** | 32,885 | **471** | 414 | **309** | 557 | **2,549** | 7,294 |

Capital expenditure for the year ended 31 December 2019 includes acquisition of assets through business combinations and prepayment for property, plant and equipment of Nil (2018: HK$7,000) and Nil (2018: HK$748,646,000), respectively.

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Interest income | **1,168** | 21,188 | **1** | 3 | **–** | – | **3,679** | 3,717 | **4,848** | 24,908 |
| Finance costs | **3,086** | 7,726 | **–** | – | **19** | – | **212** | – | **3,317** | 7,726 |
| Income tax (expense)/credit | **9,619** | (6,314) | **(2,992)** | 5,399 | **209** | 323 | **(191)** | 94 | **6,645** | (498) |

***Information about major customers***

Revenue from major customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A[1] | **148,987** | 771,413 |
| Customer B[1,2] | **–** | 771,461 |
| Customer C[1,3] | **122,989** | – |
| | **271,976** | 1,542,874 |

1 Sale of telecommunication products and services.

2 No information on revenue for current year is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2019.

3 No information on revenue for prior year is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2018.

***Geographical information***

The Group's operations are mainly located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the geographical location of the customer, and non-current assets information is presented based on the geographical location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| | **Revenue from external customers** | | **Non-current assets*** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Name of the region | | | | |
| – Hong Kong | **263,837** | 1,595,602 | **2,678** | 62,810 |
| – The PRC (excluding Hong Kong) | **548,898** | 933,449 | **2,216,460** | 1,737,644 |
| – Other Asian country | **4,406** | – | **–** | – |
| | **817,141** | 2,529,051 | **2,219,138** | 1,800,454 |

* Information about the Group's non-current assets, other than interests in an associate and a joint venture, and deferred tax assets, is presented based on the geographical location of the assets.

## 6. INCOME TAX (CREDIT)/EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits tax | | |
| – Current tax | **40** | 2,394 |
| – (Over)/under provision for prior year | **(20)** | 1 |
| | **20** | 2,395 |
| PRC Enterprise Income tax | | |
| – Current tax | **682** | 7,706 |
| – Over provision for prior year | **–** | (988) |
| | **682** | 6,718 |
| Deferred tax | **(7,347)** | (8,615) |
| Total income tax (credit)/expense | **(6,645)** | 498 |

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 is 25%.

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%.

## 7. LOSS BEFORE TAX

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax has been arrived at after charging: | | |
| Staff costs, including directors' remuneration | | |
| – Salaries, wages and other benefits | **41,633** | 48,069 |
| – Contributions to retirement benefits schemes | **2,521** | 3,409 |
| Total staff costs | **44,154** | 51,478 |
| Depreciation of property, plant and equipment | **39,059** | 40,837 |
| Depreciation of right-of-use assets | **13,316** | – |
| Amortisation of intangible assets | **33,562** | 37,139 |
| Amortisation of prepaid lease payments | **–** | 864 |
| Credit loss expenses in respect of financial assets carried at amortised cost, net | **2,549** | 7,294 |
| Impairment loss recognised on intangible assets | **39,524** | 23,883 |
| Impairment loss recognised in respect of goodwill | **15,188** | 63,904 |
| Write-off of property, plant and equipment | **5,321** | 253 |
| Equity-settled shared-based payment expenses | **–** | 17,202 |
| Auditors' remuneration | | |
| – audit service | **980** | 1,080 |
| – non-audit service | **200** | 150 |
| Expenses relating to short term leases and low value leases | **14,888** | – |
| Minimum lease payments under operating lease in respect of rented premises | **–** | 23,720 |
| Cost of inventories recognised as expense | **448,921** | 1,967,537 |

## 8. LOSS PER SHARE

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share | **(94,550)** | (84,425) |

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **9,522,184** | 9,523,608 |

The computation of diluted loss per share for the year ended 31 December 2018 and 2019 does not assume the exercise of share options since it would result in an anti-dilutive effect on loss per share.

## 9. DIVIDENDS

No dividend was proposed during the year ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

## 10. ACCOUNTS RECEIVABLE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accounts receivable | **157,332** | 272,130 |
| Less: Allowance for credit losses | **(45,053)** | (42,705) |
| | **112,279** | 229,425 |

The Group allows an average credit period of 90 days (2018: 90 days) to its accounts customers. The following is an ageing analysis of accounts receivable net of accumulated allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **26,997** | 64,869 |
| 31 to 60 days | **44,882** | 38,560 |
| 61 to 90 days | **9,782** | 34,066 |
| 91 to 180 days | **19,961** | 16,611 |
| Over 180 days | **10,657** | 75,319 |
| | **112,279** | 229,425 |

## 11. ACCOUNTS PAYABLE

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 30 days | **25,542** | 54,717 |
| 31 to 60 days | **15,049** | 27,300 |
| 61 to 90 days | **5,637** | 6,452 |
| Over 90 days | **21,967** | 42,153 |
| | **68,195** | 130,622 |

The average credit period on purchases of goods is 90 days (As at 31 December 2018: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW AND ANALYSIS

During the year ended 31 December 2019, the Group's operations mainly comprise sales of telecommunication products and services and operation of Internet finance platform business.

### Sale of Telecommunications Products and Services

During the year under review, the revenue of sale of telecommunication products and services business was approximately HK$788.8 million (2018: HK$2,460.3 million). Sale of telecommunication products and services represented trading of telecommunication products, provision of Internet data center ("**IDC**"), Wi-Fi, system integration and value-added Internet services and software development in mainland China and Hong Kong.

The decrease in revenue was mainly due to the downturn and keen competition of the global mobile business environment and the decrease in consultancy fee income in relation to IDC services and Wi-Fi, system integration and software development services during the year ended 31 December 2019.

As at 31 December 2019, the Group had two IDCs under operation in Guangzhou, namely Guangzhou Lotus Hill Data Center and Guangzhou (Nanxiang) Cloud Data Center. There are three IDCs under development, the major one in Heshan City and the remaining in Shenzhen and Shanghai. Due to the outbreak of coronavirus disease, the construction work of these IDCs has been delayed. It is expected that these three IDCs will commence operation in the first half of 2021. For the year ended 31 December 2019, the provision of IDC service business had contributed revenue of approximately HK$321.0 million (2018: HK$353.6 million) to the Group.

Despite the relatively stable revenue stream from provision of IDC services, revenue from trading of telecommunication products, mainly mobile devices, has significantly decreased compared with 2018. Such decrease was mainly attributable to the downturn and keen competition of the global mobile business environment that led to reduced orders from customers. In addition, due to the China-United States trade war, one of the Android's biggest phone manufacturers in China, Huawei, was suspended from Android updates after the Trump administration barred the Chinese organization from trading with US companies in May 2019. The suspension has negatively impacted consumer confidence in all Chinese-branded mobile phones. On the other hand, the arrival of 5G era could potentially lead to a mobile phone replacement cycle. However, the Group was uncertain that if the Group could secure the source of 5G devices from its suppliers. Should the Group be unable to secure the supply of the next generation devices, future profitability of the business would be negatively impacted.

Due to the above reasons, in order to save costs and realize the Group's investment, the Group has restructured its trading of mobile device business and disposed of Million Ace Limited and its subsidiaries (collectively, "**Million Ace Group**"), excluding Million Ace Trading (Hong Kong) Limited ("**MAHK**") that had continued to carry out the trading of mobile device business in the Group, to an independent third party for a consideration of HK$10 million (the "**Disposal**") in the third quarter of 2019. The Group has recorded a gain on the Disposal of approximately HK$27.0 million.

Since the Disposal, however, there has been no improvement in the global mobile business environment. Together with the impact of the outbreak of coronavirus disease, MAHK did not receive any purchase order from its customer after the Chinese New Year. On the other hand, despite continued negotiation with its suppliers, MAHK was still unable to secure the supply of the next generation mobile devices.

In light of the above, the Board resolved to cease the operation of MAHK on 13 March 2020. The Board considered that the cessation of operation of MAHK will enable the Group to better utilize its resources and to focus on its core business, i.e. provision of IDC services, particularly the IDC project in Heshan City and it is in the best interest of the Company and its shareholders as a whole.

For the year ended 31 December 2019, revenue and net loss derived from MAHK are approximately HK$268.2 million (2018: HK$1,118 million) and HK$1.0 million (2018: net profit of HK$8.8 million), respectively.

As a result of the cessation of the operation of MAHK, the cash generating unit of the trading of mobile device business will no longer generate any cash flow. The Group has therefore written off the relevant goodwill of approximately HK$15.2 million and intangible assets of approximately of HK$39.5 million in accordance with the relevant financial reporting requirements.

**INTERNET FINANCE PLATFORM BUSINESS**

As 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 for repayment to the investors, Bees Financial did not generate any revenue (2018: HK$43.9 million) for the year ended 31 December 2019.

In July 2018, the Group engaged lawyers to provide services to the Group in relation to the operations of the platform, particularly conducting due diligence review of the operations, identifying defaulted loans and receivables (including the impaired accounts receivable as mentioned below) and taking necessary actions to recover the same, and assisting the Group to: 1) comply with the laws and regulations that are applicable to the Internet finance platform business, and 2) carry out rectification work on the operations of the platform in accordance with the rectification notice that the local financial regulatory department issued to the Group in January 2018 and complete the relevant filings.

Based on the results of the due diligence review conducted by the lawyers, total lifetime expected credit loss allowance of approximately HK$42.3 million was recognised in respect of accounts receivable. The lawyers have commenced the procedures of recovering the aforesaid accounts receivable. As at 31 December 2019, approximate HK$661,000 (net of the relevant expenses) had been recovered from such receivables. Legal actions against the remaining debtors are still in progress. The lawyers advised that policies, laws and regulations in relation to P2P online lending in mainland China have kept changing significantly from 2018 to 2019. In addition, in the fourth quarter of 2019, people's courts at various levels in mainland China indicated that cases involving P2P online lending and online arbitration will not be executed for the time being. Thus, it is expected that more time is required to recover the remaining receivables. The Company will update its shareholders on any material development as and when required.

As of the date of this announcement, Bees Financial has carried out rectification work on the platform and submitted the relevant filings to the local financial regulatory department and is pending its reply.

**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 coronavirus disease, it is expected that it will be put in service in the first half of 2021 and more revenue will be contributed therefrom in the coming years.

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

**FINANCIAL HIGHLIGHTS**

| | **2019** | 2018 |
|---|---|---|
| Revenue *(HK$'000)* | **817,141** | 2,529,051 |
| Net loss *(HK$'000)* | **(115,643)** | (126,995) |
| Loss attributable to owners of the Company *(HK$'000)* | **(94,550)** | (84,425) |
| Basic loss per share *(HK Cents)* | **(0.99)** | (0.89) |

For the year under review, the Group recorded a revenue of approximately HK$817.1 million (2018: HK$2,529.1 million), representing a decrease of approximately HK$1,712.0 million or 67.7% as compared to the year ended 31 December 2018. The decrease in revenue was mainly due to the downturn and keen competition of the global mobile business environment and the decrease in consultancy fee income in relation to IDC services and Wi-Fi, system integration and software development services during the year ended 31 December 2019. The Group recorded a loss attributable to owners of the Company of approximately HK$94.6 million for the year ended 31 December 2019 (2018: HK$84.4 million), primarily due to (i) the impairment losses of goodwill and intangible assets of approximately HK$15.2 million and HK$39.5 million respectively in relation to Million Ace Group and its sales telecommunication products and services business; and (ii) the significant decrease in revenue due to the aforesaid reasons.

## FINANCIAL POSITION

As at 31 December 2019, the Group had interest-bearing bank borrowings of approximately HK$1,081.4 million (2018: HK$682.3 million), which are analyzed as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short-term bank borrowings, secured | **226,853** | 375,870 |
| Portion of term loan from bank, secured | | |
| – repayable within one year | **52,142** | 24,978 |
| – repayable after one year which contain a repayment on demand clause | **802,454** | 281,413 |
| Total borrowings | **1,081,449** | 682,261 |

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's bank borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amounts of bank borrowings that are repayable: | | |
| – within 1 year | **278,995** | 400,848 |
| – between 1 and 2 years | **79,320** | 31,573 |
| – between 2 and 5 years | **331,540** | 95,961 |
| – beyond 5 years | **391,594** | 153,879 |
| Total borrowings | **1,081,449** | 682,261 |

The interest-bearing bank borrowings are denominated in Renminbi and at floating rates.

As at 31 December 2019, the Group had current assets of approximately HK$331.6 million (2018: HK$495.2 million), including cash and cash equivalents of approximately HK$17.9 million (2018: HK$36.7 million), accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK$308.8 million (2018: HK$453.4 million); and current liabilities of approximately HK$1,291.5 million (2018: HK$938.9 million). The Group's current ratio had been decreased from approximately 0.53 times as at 31 December 2018 to approximately 0.26 times as at 31 December 2019.

The Group had total assets of approximately HK$2,558.0 million (2018: HK$2,318.2 million) and total liabilities of approximately HK$1,370.9 million (2018: HK$992.6 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 53.6% as at 31 December 2019 (2018: 42.8%).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2019, total available banking facilities of the Group amounted to approximately HK$1,587.6 million from China Construction Bank Corporation ("**CCB**"), which is mainly for the construction cost of the "Bluesea Intelligence Valley" located in Heshan City. The aforesaid banking facilities will expire on or before 2028 and the unutilised amount was approximately HK$517.3 million. Due to the repayment on demand clause of the aforesaid banking facilities, which is a general term of banking facilities granted by CCB, the long-term bank loans of approximately HK$1,070.3 million drawn from the aforesaid banking facilities are classified as current liabilities in the statement of financial position as at 31 December 2019.

Besides, bank loans with carrying amount of approximately HK$223.5 million as at 31 December 2019 that is repayable within one year after the end of the reporting period, will be refinanced with CCB upon maturity under the aforesaid CCB's banking facilities.

## FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Most of the Group's cash balances and transactions are either 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 year ended 31 December 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 310 staff (2018: 378). The total remuneration, including that of the Directors, for the year under review is approximately HK$44.2 million (2018: HK$68.7 million, which includes share-based payments of approximately HK$17.2 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

## DIVIDEND

No dividend was proposed during the year ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") 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. In the opinion of the Board, the Company has complied with the Code for the year ended 31 December 2019, 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 ("**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.

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 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 had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also 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 Directors during the year ended 31 December 2019.

## 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 year ended 31 December 2019.

## AUDIT COMMITTEE

### Review of Unaudited Annual Results

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## FURTHER ANNOUNCEMENT(S) AND DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to: (i) the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed dated on which the forthcoming annual general meeting (the "**AGM**") of the Company will be held, and (iii) the period during which the register of members holding ordinary shares of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM.

It is expected that the auditing process will resume as soon as practicable once the travel restrictions to mainland China and the quarantine arrangements are relieved. Barring any unforeseen circumstances, the Company expects to despatch its annual report on or before 15 May 2020.

**The financial information contained herein in respect of the annual results of the Group have neither been audited nor agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board
**Neo Telemedia Limited**
**CHEUNG Sing Tai**
*Deputy Chairman*

Hong Kong, 26 March 2020

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at 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.*