



Neo Telemedia Limited 中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8167

FIRST
QUARTERLY
REPORT
2021



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*This report, for which the directors (the “**Directors**”) of Neo Telemedia Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:–*

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

UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months ended 31 March 2021 together with comparative unaudited figures for the corresponding period of 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 31 March	
	Notes	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	111,641	204,515
Cost of sales		(79,346)	(194,902)
Gross profit		32,295	9,613
Other income and gains		324	1,100
Net change in impairment losses under expected credit loss model		(839)	45
Selling and marketing costs		(6,128)	(4,186)
Administrative and other expenses		(35,470)	(41,773)
Finance costs		(8,947)	(1,052)
Loss before tax		(18,765)	(36,253)
Income tax credit	4	1,353	1,302
Loss for the period		(17,412)	(34,951)
Loss for the period attributable to:			
Owners of the Company		(14,203)	(27,568)
Non-controlling interests		(3,209)	(7,383)
		(17,412)	(34,951)
		HK cents	HK cents
Loss per share	6		
– basic and diluted		(0.15)	(0.29)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss for the period	(17,412)	(34,951)
Other comprehensive loss net of tax: Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	(5,476)	(24,106)
Total comprehensive loss for the period	(22,888)	(59,057)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(19,479)	(47,899)
Non-controlling interests	(3,409)	(11,158)
	(22,888)	(59,057)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements have been consistently applied by the Group and are consistent with those used in preparing the Company’s annual audited financial statements for the year ended 31 December 2020 except that the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of these new or revised HKFRSs has had no material effect on the Group’s financial statements.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2021 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

3. REVENUE

The Group was principally engaged in the provision of data centre services and trading of telecommunication products during the three months ended 31 March 2021. An analysis of revenue is as follows:

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Provision of data centre services	107,684	89,075
Trading of telecommunication products	243	114,197
	107,927	203,272
Others (Note)	3,714	1,243
	111,641	204,515

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 bus services and leasing of properties).

4. INCOME TAX

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

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

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

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

5. DIVIDEND

The Directors resolved not to declare any dividend for the three months ended 31 March 2021 (2020: Nil).

6. LOSS PER SHARE

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

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Loss attributable to owners of the Company	(14,203)	(27,568)

	For the three months ended 31 March	
	2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per ordinary share at the end of period	9,522,184,345	9,522,184,345

The computation of diluted loss per share for the periods ended 31 March 2020 and 2021 does not assume the exercise of share options since the exercise prices are higher than the average share price.

7. SHARE CAPITAL AND RESERVES

	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			
At 1 January 2020 (audited)	952,218	1,759,494	17,157	(47,614)	1,893	(1,561,717)	1,121,431	65,715	1,187,146
Loss for the period	-	-	-	-	-	(27,568)	(27,568)	(7,383)	(34,951)
Other comprehensive loss									
Exchange difference on translation of foreign operations	-	-	-	(20,331)	-	-	(20,331)	(3,775)	(24,106)
Total comprehensive loss for the period	-	-	-	(20,331)	-	(27,568)	(47,899)	(11,158)	(59,057)
At 31 March 2020 (unaudited)	952,218	1,759,494	17,157	(67,945)	1,893	(1,589,285)	1,073,532	54,557	1,128,089
At 1 January 2021 (audited)	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	-	-	-	-	-	(14,203)	(14,203)	(3,209)	(17,412)
Other comprehensive loss									
Exchange difference on translation of foreign operations	-	-	-	(5,276)	-	-	(5,276)	(200)	(5,476)
Total comprehensive loss for the period	-	-	-	(5,276)	-	(14,203)	(19,479)	(3,409)	(22,888)
Share options lapsed	-	-	(8,770)	-	-	8,770	-	-	-
At 31 March 2021 (unaudited)	952,218	1,759,494	7,093	(7,616)	1,893	(1,694,100)	1,018,982	59,152	1,078,134

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2021, the Group recorded a revenue of approximately HK\$111.6 million (2020: HK\$204.5 million), representing a decrease of approximately HK\$92.9 million or 45.4% 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\$14.2 million (2020: HK\$27.6 million) for the three months ended 31 March 2021. The decrease in loss for the period is mainly due to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre in Heshan, Guangdong province during the period under review, which led to the increase in revenue and operating profit arising from the provision of data centre services business.

Other Financial Information

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
EBITDA (a)	16,913	(14,647)
EBITDA margin (b)	15.2%	(7.2%)

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 31 March 2021 is set out below.

Name of data centre	Number of server cabinets			Server cabinets % of total
	In service	Under construction	Total	
Guangzhou Lotus Hill Data Centre	1,499	–	1,499	4.3
Guangzhou (Nanxiang) Cloud Data Centre	1,355	1,510	2,865	8.1
Blueseas Intelligence Valley Mega Data Centre	3,800	22,700	26,500	75.3
Shanghai Baoshan Data Centre	–	1,328	1,328	3.8
Shenzhen Guanlan Flagship Data Centre	–	3,015	3,015	8.5
Total	6,654	28,553	35,207	100.0

The Group also operated an aggregate of approximately 1,490 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 31 March 2021, based on the number of server cabinets in service, the utilisation rates of Guangzhou Lotus Hill Data Centre, Guangzhou (Nanxiang) Cloud Data Centre and Bluesea Intelligence Valley Mega Data Centre were approximately 61.3%, 87.5% and 23.7%, 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\$107.7 million (2020: HK\$89.1 million), representing an increase of approximately HK\$18.6 million or 20.9% as compared to the same period in last year due to the commencement of operation of Bluesea Intelligence Valley Mega Data Centre which contributed revenue of approximately HK\$12.9 million 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 data centres in service are not fully utilised and three new data centres are expected to complete in the third quarter of 2021, 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\$0.2 million (2020: HK\$114.2 million), representing a decrease of approximately HK\$114.0 million or 100% 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 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\$3.7 million (2020: HK\$1.2 million), representing an increase of approximately HK\$2.5 million or 208.3% as compared to the same period in last year which was mainly due to increase in provision of system integration 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 three new data centres being completed, 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 which will provide our customers ample room for growth.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 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	Number of underlying shares held (Note 2)	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	2,244,936,000	9,000,000	23.67%
	Interest in controlled corporations (Note 1)	2,091,923,357	–	21.97%
Mr. CHEUNG Sing Tai	Beneficial owner	–	18,000,000	0.19%
Mr. TAO Wei	Beneficial owner	–	6,000,000	0.06%
Mr. ZHANG Zihua	Beneficial owner	–	1,000,000	0.01%
Ms. XI Lina	Beneficial owner	–	1,000,000	0.01%
Mr. HUANG Zhixiong	Beneficial owner	–	1,000,000	0.01%

Notes:

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

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 31 March 2021.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options and their movements during the three months ended 31 March 2021 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options			At 31 March 2021
				At 1 January 2021	Lapsed during the period	Reallocated during the period	
Directors							
Dr. LIE Haiquan	9.4.2018	9.4.2018 to 8.4.2021	0.250	9,000,000	-	-	9,000,000
Mr. CHEUNG Sing Tai	9.4.2018	9.4.2018 to 8.4.2021	0.250	18,000,000	-	-	18,000,000
Mr. 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
Employees							
	31.1.2018	31.1.2018 to 30.1.2021	0.250	54,300,000	(54,300,000)	-	-
				54,300,000	(54,300,000)	-	-
Others							
	8.4.2011	8.4.2011 to 7.4.2021	0.469	6,840,000	-	-	6,840,000
	31.1.2018	31.1.2018 to 30.1.2021	0.250	126,000,000	(126,000,000)	-	-
	9.4.2018	9.4.2018 to 8.4.2021	0.250	86,000,000	-	-	86,000,000
				218,840,000	(126,000,000)	-	92,840,000
Total				309,140,000	(180,300,000)	-	128,840,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 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 held	Approximate percentage of shareholding
Winner Mind (Note 1)	Beneficial owner	2,055,887,357	21.59%
Mr. YAN Wai Ping	Beneficial owner	373,588,000	3.92%
	Interest of spouse (Note 2)	106,702,000	1.12%

Note:

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 31 March 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 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 the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the three months ended 31 March 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 May 2021

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

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