



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

THIRD
QUARTERLY
REPORT
2023



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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 nine and three months ended 30 September 2023 together with comparative unaudited figures for the corresponding periods of 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	333,540	392,272	99,124	131,951
Cost of sales		(328,690)	(352,135)	(101,293)	(127,905)
Gross profit/(loss)		4,850	40,137	(2,169)	4,046
Other income and gains		4,831	69,589	1,171	59,710
Gain on disposal of a subsidiary		5,081	203,668	62	(3,598)
Net change in impairment losses under expected credit loss model		(6,037)	(2,963)	31	(184)
Selling and marketing costs		(16,154)	(23,750)	(4,674)	(7,237)
Administrative and other expenses		(79,989)	(98,317)	(21,305)	(29,601)
Finance costs		(109,780)	(75,937)	(33,766)	(26,689)
(Loss)/profit before tax		(197,198)	112,427	(60,650)	(3,553)
Income tax credit/(expenses)	4	6,717	(32,195)	1,178	(20,094)
(Loss)/profit for the period		(190,481)	80,232	(59,472)	(23,647)
(Loss)/profit for the period attributable to:					
Owners of the Company		(179,606)	23,036	(55,924)	(16,943)
Non-controlling interests		(10,875)	57,196	(3,548)	(6,704)
		(190,481)	80,232	(59,472)	(23,647)
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share	6				
– basic		(1.89)	0.24	(0.59)	(0.18)
– diluted		(1.89)	0.24	(0.59)	(0.18)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss)/profit for the period	(190,481)	80,232	(59,472)	(23,647)
Other comprehensive (loss)/income, net of income tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations	(47,808)	(116,846)	(5,688)	(68,594)
Reclassification adjustment relating to disposal of foreign operations during the period	1,898	14,242	562	9,573
Other comprehensive (loss)/income for the period, net of tax	(45,910)	(102,604)	(5,126)	(59,021)
Total comprehensive loss for the period	(236,391)	(22,372)	(64,598)	(82,668)
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(220,833)	(61,523)	(60,651)	(64,307)
Non-controlling interests	(15,558)	39,151	(3,947)	(18,361)
	(236,391)	(22,372)	(64,598)	(82,668)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and the principal activity of its subsidiaries is the provision of data centre services.

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 unaudited 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 2022, except that the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of these new or revised HKFRSs has had no material effect on the Group’s financial statements.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2023 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 during the nine and three months ended 30 September 2023. An analysis of revenue is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Provision of data centre services	323,426	385,580	94,346	130,567
Others (Note)	10,114	6,692	4,778	1,384
	333,540	392,272	99,124	131,951

Note: Others mainly represent income arising from the trading of telecommunication products, the provision of system integration services and leasing of properties.

4. INCOME TAX

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong during the nine months ended 30 September 2023 and 2022.

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%.

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 nine months ended 30 September 2023 (2022: Nil).

6. (LOSS)/EARNINGS PER SHARE

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss)/earnings attributable to owners of the Company	(179,606)	23,036	(55,924)	(16,943)
	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per ordinary share at the end of the period	9,522,184,345	9,522,184,345	9,522,184,345	9,522,184,345

No diluted (loss)/earnings per share for the nine months and three months ended 30 September 2023 and 2022 was presented as there were no potential ordinary shares in issue for the periods.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company						Non-controlling interests		Total
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (audited)	952,218	1,759,494	25,421	1,893	(1,735,471)	1,003,555	54,733	1,058,288	
Profit for the period	-	-	-	-	23,036	23,036	57,196	80,232	
Other comprehensive expenses									
Exchange difference on translation of foreign operations	-	-	(98,801)	-	-	(98,801)	(18,045)	(116,846)	
Reclassification of cumulative translation reserve upon disposal of foreign operations during the period	-	-	14,242	-	-	14,242	-	14,242	
Total comprehensive expenses for the period	-	-	(84,559)	-	23,036	(61,523)	39,151	(22,372)	
Disposal of a subsidiary	-	-	-	-	-	-	35,955	35,955	
At 30 September 2022 (unaudited)	952,218	1,759,494	(59,138)	1,893	(1,712,435)	942,032	129,839	1,071,871	
At 1 January 2023 (audited)	952,218	1,759,494	(40,578)	1,893	(1,791,128)	881,899	126,317	1,008,216	
Loss for the period	-	-	-	-	(179,606)	(179,606)	(10,875)	(190,481)	
Other comprehensive (loss)/income									
Exchange difference on translation of foreign operations	-	-	(43,125)	-	-	(43,125)	(4,683)	(47,808)	
Reclassification of cumulative translation reserve upon disposal of foreign operations during the period	-	-	1,898	-	-	1,898	-	1,898	
Total comprehensive loss for the period	-	-	(41,227)	-	(179,606)	(220,833)	(15,558)	(236,391)	
At 30 September 2023 (unaudited)	952,218	1,759,494	(81,805)	1,893	(1,970,734)	661,066	110,759	771,825	

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2023 (the “Period”), the Group recorded a revenue of approximately HK\$333.5 million (2022: HK\$392.3 million), representing a decrease of approximately HK\$58.8 million or 15% as compared to the same period in last year. The decrease in revenue was mainly due to the negative impact of the COVID-19 pandemic on the business environment which led to a decrease in the average rate per server cabinet charged to the Group’s customers and the utilisation rate of the Group’s self-developed data centres.

The Group recorded a loss attributable to owners of the Company of approximately HK\$179.6 million for the nine months ended 30 September 2023 as compared to a profit attributable to the owners of the Company for the nine months ended 30 September 2022 of approximately HK\$23 million. The increase in loss for the period is mainly due to the net effect of (i) the gain of approximately HK\$5.1 million on the disposal of the entire equity interest in an indirect wholly owned subsidiary of the Company completed during the Period (2022: HK\$203.7 million) and (ii) increase in depreciation of approximately HK\$12.3 million and finance cost of approximately HK\$33.8 million as compared to the same period in last year as a result of certain sale and lease arrangements completed in the third quarter of 2022.

Other Financial Information

	For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
EBITDA (a)	20,326	283,407
EBITDA margin (b)	6.1%	72.3%

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 September 2023 is set out below.

Name of data centre	Number of server cabinets			Server cabinets % of total
	Available for service	Under construction (Note 1)	Total	
Guangzhou Lotus Hill Data Centre	1,499	–	1,499	4.6
Guangzhou (Nanxiang) Cloud Data Centre	2,871	–	2,871	8.8
Bluesea Intelligence Valley Mega Data Centre (Note 2)	8,112	18,900	27,012	82.8
Shanghai Baoshan Data Centre	310	942	1,252	3.8
Total	12,792	19,842	32,634	100

Notes:

- (1) This is an estimate and is subject to change upon completion of the construction.
- (2) 8,112 server cabinets included herein were under sale and leaseback arrangements with an independent third party as at 30 September 2023.

Save for the above, the Group also operated an aggregate of approximately 308 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 September 2023, based on the number of server cabinets available for service, the utilisation rate of the Group's self-developed data centres was approximately 21.9% (2022: 28%). The decrease in the utilisation rate is mainly due to the negative impact of the COVID-19 pandemic on the business environment which led to a decrease in the utilisation rate of the Group's self-developed data centres.

During the Period, revenue from the provision of data centre services was approximately HK\$323.4 million (2022: HK\$385.6 million), representing a decrease of approximately HK\$62.2 million or 16.1% as compared to the same period in last year. The decrease was mainly due to the negative impact of COVID-19 pandemic on the business environment which led to a decrease in the average rate per server cabinet charged to the Group's customers and the utilisation rate of the Group's self-developed data centres. Revenue for the period under review is analysed as follows:

	For the nine months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Self-developed data centres	271,749	313,243
Server cabinets leased from third parties	51,677	72,337
	323,426	385,580

As the server cabinets available for service are not fully utilised and the construction of approximately 4,000 server cabinets is in progress, financial performance of the Group is expected to improve over the next few years when China's economy has shown recovery after COVID-19 reopening.

Others

Others mainly consist of the trading of telecommunication products, provision of system integration services and leasing of properties. The revenue, results and assets of which are individually immaterial to the Group.

During the Period, revenue from others was approximately HK\$10.1 million (2022: HK\$6.7 million), representing a decrease of approximately HK\$3.4 million or 50.7% as compared to the same period in last year which was mainly due to increase in provision of system integration service income.

Business Prospects

With the pick-up of the Chinese economy as a result of the lifting of the COVID-19 epidemic prevention and containment measures, and the rapid growth in data traffic and accelerating trend of digitalisation, demand for high quality data centres in mainland China will continuously increase over the next few years. Thus, we are cautiously optimistic about the outlook of the Group for the coming years although there has been a decrease in utilisation rate for the first nine months of 2023. Increase the Group's revenue growth and utilisation rate of its data centres will continue to be our top priorities for 2023. The Group has always committed to providing first-class data centre services to support our customers' operational needs. Our Bluesea Intelligence Valley Mega Data Centre had more than 8,000 server cabinets available for service as at 30 September 2023. With the construction of an additional 4,000 server cabinets in progress, over 12,000 server cabinets in Bluesea Intelligence Valley Mega Data Centre will be available for service and the occupation of these server cabinets have been committed by two of the major telecommunication operators in mainland China. In addition, on 13 October 2023, the Group entered into an agreement with another major telecommunication operator in mainland China, pursuant to which both parties agreed to jointly operate 1,300 server cabinets in Bluesea Intelligence Valley Mega Data Centre. Together with the growing capacity of data centres in other locations, the Group will be able to provide our customers ample room for growth.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2023, 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 5.67 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	2,289,784,000	24.05%
	Interest in controlled corporations (Note 1)	2,091,923,357	21.97%

Note:

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.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 30 September 2023.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 September 2023, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interests	Number of shares/underlying shares held	Approximate percentage of shareholding
Winner Mind (Note 1)	Beneficial owner	2,055,887,357	21.59%
Mr. YAN Wai Ping	Beneficial owner	504,832,000	5.30%
	Interest of spouse (Note 2)	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.

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 nine months ended 30 September 2023.

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 nine months ended 30 September 2023.

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 controls systems of the Group. The Audit Committee has reviewed the Company’s unaudited financial statements for the nine months ended 30 September 2023 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, 10 November 2023

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

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.