



Neo Telemedia Limited
中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8167)

INTERIM RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2019 together with comparative unaudited figures for the corresponding period of 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2019

	Notes	For the six months ended		For the three months ended	
		30 June		30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	412,580	1,452,139	216,523	835,696
Cost of sales		(380,086)	(1,310,294)	(198,012)	(748,249)
Gross profit		32,494	141,845	18,511	87,447
Other income and gains		3,646	15,647	1,684	5,657
Gain on disposal of subsidiaries		1,398	–	1,398	–
Gain on disposal of a joint venture		380	–	–	–
Change in expected credit loss recognised in respect of financial assets carried at amortised costs, net		10,975	–	10,975	–
Selling and marketing costs		(16,426)	(21,591)	(11,020)	(11,935)
Administrative and other expenses		(77,321)	(119,998)	(37,950)	(61,529)
Share of results of joint venture		(83)	112	–	21
Finance costs	4	(866)	(3,771)	(702)	(1,734)
(Loss)/profit before tax	5	(45,803)	12,244	(17,104)	17,927
Income tax	6	613	(6,663)	(1,353)	(4,948)
(Loss)/profit for the period		<u>(45,190)</u>	<u>5,581</u>	<u>(18,457)</u>	<u>12,979</u>
(Loss)/profit for the period attributable to:					
Owners of the Company		(35,280)	9,483	(13,159)	18,361
Non-controlling interests		(9,910)	(3,902)	(5,298)	(5,382)
		<u>(45,190)</u>	<u>5,581</u>	<u>(18,457)</u>	<u>12,979</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share – basic and diluted	8	<u>(0.37)</u>	<u>0.10</u>	<u>(0.14)</u>	<u>0.19</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six and three months ended 30 June 2019

	For the six months ended		For the three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(45,190)</u>	<u>5,581</u>	<u>(18,457)</u>	<u>12,979</u>
Other comprehensive income/(loss) for the period, net of tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>7,917</u>	<u>(9,924)</u>	<u>(20,976)</u>	<u>(53,202)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>7,917</u>	<u>(9,924)</u>	<u>(20,976)</u>	<u>(53,202)</u>
Total comprehensive loss for the period	<u><u>(37,273)</u></u>	<u><u>(4,343)</u></u>	<u><u>(39,433)</u></u>	<u><u>(40,223)</u></u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	<u>(27,231)</u>	<u>784</u>	<u>(31,815)</u>	<u>(29,488)</u>
Non-controlling interests	<u>(10,042)</u>	<u>(5,127)</u>	<u>(7,618)</u>	<u>(10,735)</u>
	<u><u>(37,273)</u></u>	<u><u>(4,343)</u></u>	<u><u>(39,433)</u></u>	<u><u>(40,223)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment	9	1,045,060	679,476
Prepaid land lease payments		38,696	39,189
Interests in an associate		–	–
Interests in a joint venture		–	270
Goodwill	10	131,235	131,235
Intangible assets		214,444	230,908
Right-of-use assets		15,051	–
Prepayment for property, plant and equipment		819,284	719,646
Deferred tax assets	16	19,673	22,303
		2,283,443	1,823,027
Total Non-current Assets			
Current Assets			
Inventories		12,036	5,067
Accounts receivable	11	193,610	229,425
Right-of-use assets		8,915	–
Prepayments, deposits and other receivables		165,341	163,118
Note receivable	12	62,030	60,853
Cash and cash equivalents		24,902	36,747
		466,834	495,210
Total Current Assets			
Current Liabilities			
Accounts payable	13	142,940	130,622
Other payables and accruals	14	69,213	57,040
Lease liabilities		9,180	–
Contract liabilities		6,335	3,433
Bank borrowings	15	1,106,577	682,261
Tax liabilities		62,812	65,600
		1,397,057	938,956
Total Current Liabilities			
Net Current Liabilities		(930,223)	(443,746)
Total Assets less Current Liabilities		1,353,220	1,379,281

		30 June	31 December
		2019	2018
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current Liabilities			
Lease liabilities		16,819	–
Deferred tax liabilities	<i>16</i>	49,785	53,667
		<u>66,604</u>	<u>53,667</u>
Total Non-current Liabilities		66,604	53,667
Net Assets		1,286,616	1,325,614
Capital and Reserves			
Share capital	<i>17</i>	952,218	952,218
Reserves		257,094	286,037
		<u>1,209,312</u>	<u>1,238,255</u>
Equity attributable to owners of the Company		1,209,312	1,238,255
Non-controlling interests		77,304	87,359
		<u>1,286,616</u>	<u>1,325,614</u>
Total Equity		1,286,616	1,325,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						Non-controlling interests	Total	
	Share capital	Share premium	Share options reserve	Translation reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2018 (audited)	952,884	1,796,283	15,040	15,365	1,893	(1,271,010)	1,510,455	136,287	1,646,742
Profit/(loss) for the period	–	–	–	–	–	9,483	9,483	(3,902)	5,581
Other comprehensive loss:									
Exchange differences on translation of foreign operations	–	–	–	(8,699)	–	–	(8,699)	(1,225)	(9,924)
Total comprehensive (loss)/income for the period	–	–	–	(8,699)	–	9,483	784	(5,127)	(4,343)
Recognition of equity-settled share-based payment	–	–	17,202	–	–	–	17,202	–	17,202
Final dividend for 2017	–	(36,184)	–	–	–	–	(36,184)	–	(36,184)
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	–	–	180	180
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	5,021	5,021
Repurchases of shares	(666)	(605)	–	–	–	–	(1,271)	–	(1,271)
Share options lapsed	–	–	(14,043)	–	–	14,043	–	–	–
At 30 June 2018 (unaudited)	<u>952,218</u>	<u>1,759,494</u>	<u>18,199</u>	<u>6,666</u>	<u>1,893</u>	<u>(1,247,484)</u>	<u>1,490,986</u>	<u>136,361</u>	<u>1,627,347</u>
At 1 January 2019 (audited)	952,218	1,759,494	17,246	(29,445)	1,893	(1,463,151)	1,238,255	87,359	1,325,614
Impact of adopting HKFRS 16	–	–	–	–	–	(1,712)	(1,712)	(13)	(1,725)
Restated opening balance under HKFRS 16 (Note 2)	952,218	1,759,494	17,246	29,445	1,893	(1,464,863)	1,236,543	87,346	1,323,889
Loss for the period	–	–	–	–	–	(35,280)	(35,280)	(9,910)	(45,190)
Other comprehensive income/(loss):									
Exchange differences on translation of foreign operations	–	–	–	8,049	–	–	8,049	(132)	7,917
Total comprehensive income/(loss) for the period	–	–	–	8,049	–	(35,280)	(27,231)	(10,042)	(37,273)
Share options lapsed	–	–	(89)	–	–	89	–	–	–
At 30 June 2019 (unaudited)	<u>952,218</u>	<u>1,759,494</u>	<u>17,157</u>	<u>(21,396)</u>	<u>1,893</u>	<u>(1,500,054)</u>	<u>1,209,312</u>	<u>77,304</u>	<u>1,286,616</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	46,360	14,843
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(462,474)	(344,632)
NET CASH FLOWS GENERATED FROM FINANCIAL ACTIVITIES	398,158	210,812
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,956)	(118,977)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,747	164,437
Effect on foreign exchange rate changes	6,111	(1,124)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,902	44,336
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:		
Bank balance and cash	24,902	44,336

Note:

MAJOR NON-CASH TRANSACTIONS

Details of an assignment of promissory note are set out in Note 12 to the condensed consolidated interim financial statements. There are no other major non-cash transactions during the six months ended 30 June 2018 and 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months and six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”). Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”) and some subsidiaries’ functional currency is the United States dollars, the functional currency of the Company and its remaining subsidiaries are HK\$. The reason for selecting HK\$ as its presentation currency is that the Company is a public company listed on GEM, where most of the investors are located in Hong Kong.

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

Going Concern

The Group incurred a net loss of approximately HK\$45,190,000 for the six months ended 30 June 2019. As at 30 June 2019, the Group’s current liabilities exceeded its current assets by approximately HK\$930,223,000. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

- (i) the cash flow projections can be achieved that the Group would have sufficient working capital to finance its operation and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period;
- (ii) the net assets of the Group as at 30 June 2019 of approximately HK\$1,286,616,000, the Group should be able to secure additional loan facilities, if necessary;
- (iii) bank loans with carrying amount of approximately HK\$617,978,000 as at 30 June 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 30 June 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\$450,133,000 as at 30 June 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\$1,386,774,000 granted by CCB as at 30 June 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 are the same as those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2018. In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the current period. Of those, details of changes in adoption of HKFRS 16 is set out below:

Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) <i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets	27,101
Increase in deferred tax assets	323
	<hr/>
Increase in total assets	27,424
	<hr/> <hr/>
Liabilities	
Increase in lease liabilities	29,149
	<hr/>
Increase in total liabilities	29,149
	<hr/> <hr/>

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	41,180
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(12,031)
	<hr/>
	29,149
	<hr/> <hr/>

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets	Lease liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
As at 1 January 2019	27,101	29,149
Additions	2,776	2,776
Depreciation charge	(5,972)	–
Interest expense	–	676
Payments	–	(6,592)
Exchange realignment	61	(10)
	<hr/>	<hr/>
As at 30 June 2019	23,966	25,999
	<hr/> <hr/>	<hr/> <hr/>

3. REVENUE AND SEGMENT INFORMATION

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

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

	For the six months ended		For the three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sale of telecommunication products and services	402,453	1,400,622	210,382	810,381
Internet finance platform	–	39,714	–	16,712
Others (<i>Note</i>)	10,127	11,803	6,141	8,603
	<u>412,580</u>	<u>1,452,139</u>	<u>216,523</u>	<u>835,696</u>

Note:

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

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

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

- Sale of telecommunication products and services
- Internet finance platform

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

	For the six months ended		For the three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At a point in time	257,704	1,258,656	138,516	735,502
Over time	146,363	187,309	72,817	96,565
Revenue from other sources:				
– Rental income	8,513	6,174	5,190	3,629
	<u>412,580</u>	<u>1,452,139</u>	<u>216,523</u>	<u>835,696</u>

(a) **Segment revenues and results**

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

	Sale of telecommunication products and services		Internet finance platform		Others		Total	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>402,453</u>	<u>1,400,622</u>	<u>-</u>	<u>39,714</u>	<u>10,127</u>	<u>11,803</u>	<u>412,580</u>	<u>1,452,139</u>
Segment results	<u>(29,152)</u>	<u>37,407</u>	<u>(8,897)</u>	<u>(10,457)</u>	<u>(2,354)</u>	<u>(733)</u>	<u>(40,403)</u>	<u>26,217</u>
Other income and gains							1,468	371
Interest income							1,993	14,222
Gain on disposal of subsidiaries							1,398	-
Gain on disposal of a joint venture							380	-
Share of results of joint venture							(83)	112
Unallocated corporate expenses							<u>(10,556)</u>	<u>(28,678)</u>
(Loss)/profit before tax							<u>(45,803)</u>	<u>12,244</u>
Income tax							<u>613</u>	<u>(6,663)</u>
(Loss)/profit for the period							<u>(45,190)</u>	<u>5,581</u>

(b) **Segment assets and liabilities**

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

	Sale of telecommunication products and services		Internet finance platform		Others		Total	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June		30 June	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	<u>2,616,248</u>	<u>2,183,656</u>	<u>14,132</u>	<u>17,034</u>	<u>24,464</u>	<u>26,698</u>	<u>2,654,844</u>	<u>2,227,388</u>
Unallocated corporate assets							<u>95,433</u>	<u>90,849</u>
Total assets							<u>2,750,277</u>	<u>2,318,237</u>
Segment liabilities	<u>1,398,504</u>	<u>933,235</u>	<u>44,543</u>	<u>43,153</u>	<u>12,417</u>	<u>11,239</u>	<u>1,455,464</u>	<u>987,627</u>
Unallocated corporate liabilities							<u>8,197</u>	<u>4,996</u>
Total liabilities							<u>1,463,661</u>	<u>992,623</u>

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

4. FINANCE COSTS

	For the six months ended 30 June		For the three months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowings	27,536	7,408	12,594	4,721
Less: Capitalised in construction in progress under property, plant and equipment	(27,346)	(3,637)	(12,568)	(2,987)
	<u>190</u>	<u>3,771</u>	<u>26</u>	<u>1,734</u>
Interest on lease liabilities	676	–	676	–
	<u>866</u>	<u>3,771</u>	<u>702</u>	<u>1,734</u>

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Interest income	(1,993)	(14,221)	(429)	(4,688)
Equity-settled share-based payment expense	–	17,202	–	7,717
Depreciation of items of property, plant and equipment	19,598	20,250	9,799	12,064
Depreciation of right-of-use assets	5,972	–	5,972	–
Amortisation of intangible assets	16,713	18,515	8,357	9,257
Amortisation of prepaid land lease payments	420	449	210	225
	<u>(1,993)</u>	<u>(14,221)</u>	<u>(429)</u>	<u>(4,688)</u>

6. INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Current tax:				
– Hong Kong	157	1,326	157	1,226
– PRC	214	9,533	189	5,820
Deferred tax (<i>Note 16</i>)	(984)	(4,196)	1,007	(2,098)
	<u>(613)</u>	<u>6,663</u>	<u>1,353</u>	<u>4,948</u>
Total income tax for the period	<u>(613)</u>	<u>6,663</u>	<u>1,353</u>	<u>4,948</u>

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

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

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

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

7. DIVIDEND

The Directors resolved not to declare any dividend for the six months ended 30 June 2019 (2018: Nil).

8. (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 six months ended 30 June		For the three months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss)/profit attributable to owners of the Company	<u>(35,280)</u>	<u>9,483</u>	<u>(13,159)</u>	<u>18,361</u>
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per ordinary share at the end of the period	<u>9,522,184,345</u>	<u>9,525,054,400</u>	<u>9,522,184,345</u>	<u>9,522,184,345</u>

The computation of diluted earnings per share for the six-month and three-month periods ended 30 June 2018 and 2019 does not assume the exercise of share options since the exercise prices are higher than the average share price.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately HK\$365,570,000 (31 December 2018: HK\$222,441,000) on acquisition of property, plant and equipment, excluding property, plant and equipment acquired through acquisition of subsidiaries.

10. GOODWILL

HK\$'000

Cost

At 1 January 2019 (Audited) and 30 June 2019 (Unaudited) 382,591

Accumulated impairment

At 1 January 2019 (Audited) and 30 June 2019 (Unaudited) 251,356

Carrying value

At 30 June 2019 (Unaudited) 131,235

At 31 December 2018 (Audited) 131,235

11. ACCOUNTS RECEIVABLE

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Accounts receivable	231,818	272,130
Less: Allowance for credit losses	(38,208)	(42,705)
	<u>193,610</u>	<u>229,425</u>

The Group allows an average credit period of 90 days (31 December 2018: 90 days) to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and has applied necessary credit control policies to minimize credit risk. Overdue balances are reviewed regularly by senior management.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	49,425	64,869
31 to 60 days	13,912	38,560
61 to 90 days	11,014	34,066
Over 90 days	119,259	91,930
	193,610	229,425

12. NOTE RECEIVABLE

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

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

At 30 June 2019, the carrying amount of note receivable was HK\$62,030,000 (31 December 2018: HK\$60,853,000). The note receivable is carried at amortised cost using the effective interest method (net of allowance for credit losses of approximately HK\$(9,853,000)).

13. ACCOUNTS PAYABLE

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Accounts payable	<u>142,940</u>	<u>130,622</u>

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

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Within 30 days	45,283	54,717
31 to 60 days	20,232	27,300
61 to 90 days	5,075	6,452
Over 90 days	<u>72,350</u>	<u>42,153</u>
	<u>142,940</u>	<u>130,622</u>

14. OTHER PAYABLES AND ACCRUALS

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Other payables	53,659	41,974
Accruals	<u>15,554</u>	<u>15,066</u>
	<u>69,213</u>	<u>57,040</u>

15. BANK BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Short-term bank borrowings, secured	450,133	375,870
Portion of term loan from bank, secured – repayable within one year	38,466	24,978
– repayable after one year which contain a repayment on demand clause	617,978	281,413
Total borrowings	<u>1,106,577</u>	<u>682,261</u>

As 30 June 2019 and 31 December 2018, all of the bank borrowings are denominated in RMB and bear interest from 3.83% to 5% (31 December 2018: 4.4% to 6.09%) per annum.

The Group's banking facilities amounting to approximately HK\$1,614,847,000 (31 December 2018: HK\$1,675,065,000), of which approximately HK\$1,106,577,000 (31 December 2018: HK\$682,261,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain properties of the Group and of companies substantially owned by Dr. Lie, a non-executive director and substantial shareholder of the Company.

As at 30 June 2019, the carrying value of the Group's properties that secure the above bank loans is approximately HK\$84,765,000 (31 December 2018: HK\$86,899,000).

16. DEFERRED TAX

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

	Deferred tax assets			Deferred tax liabilities	
	ECL provision HK\$000	Right-of-use assets HK\$000	Total HK\$000	Fair value adjustments on business combination HK\$000	Total HK\$000
At 1 January 2019 (Audited)	22,303	–	22,303	(53,667)	(31,364)
Impact of adoption HKFRS16	–	361	361	–	361
At 1 January 2019 (Restated)	22,303	361	22,664	(53,667)	(31,003)
Credited to consolidated statement of profit or loss and other comprehensive income	(2,902)	4	(2,898)	3,882	984
Exchange realignment	(47)	(46)	(93)	–	(93)
As 30 June 2019 (Unaudited)	<u>19,354</u>	<u>319</u>	<u>19,673</u>	<u>(49,785)</u>	<u>(30,112)</u>

17. SHARE CAPITAL

	Par value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised: At 1 January 2019 and 30 June 2019	<u>0.1</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid: At 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	<u>0.1</u>	<u>9,522,184,345</u>	<u>952,218</u>

18. CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitment of approximately HK\$711,386,000 (31 December 2018: HK\$1,161,209,000), HK\$9,093,000 (31 December 2018: HK\$9,112,000) and HK\$nil (31 December 2018: HK\$28,475,000) for acquisition of property, plant and equipment and capital contribution to an associate and a joint venture, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$412,580,000 (2018: HK\$1,452,139,000), representing a decrease of approximately HK\$1,039,559,000 or 71.6% as compared to the same period in last year. 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 Internet data center (“IDC”) services and Wi-Fi, system integration and software development services during the period.

The Group’s loss attributable to owners of the Company for the six months ended 30 June 2019 is approximately HK\$35,280,000 (2018: profit of HK\$9,483,000) for the six months ended 30 June 2019, mainly due to (i) the decrease in loan interest income generated by short-term loans provided to independent third parties and (ii) the significant decrease in revenue due to the aforesaid reasons.

Business Review

Sale of telecommunication products and services

During the period under review, the revenue of sale of telecommunication products and services business was approximately HK\$402,453,000 (2018: HK\$1,400,622,000). Sale of telecommunication products and services represented trading of telecommunication products, provision of IDC, Wi-Fi, system integration and value-added Internet services and software development in the PRC 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 period.

Since the fourth quarter of 2018, revenue from the trading of telecommunication products has decreased significantly compared with previous quarters. 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. Although the Group did not sell any Huawei’s mobile phones, the suspension has negatively impacted consumer confidence in all Chinese-made mobile phones. Thus, the Directors will closely monitor the development of such suspension and assess its impact on the Group’s business of the trading of mobile phones.

Internet finance platform business

During the period under review, the Group's Internet finance platform business did not generate any revenue (2018: HK\$39,714,000). Since the third quarter of 2018, 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co. Ltd.*) (“**Bees Financial**”) has limited its operation to collecting debts from borrowers and repaying the investors and no new loans have been transacted through its platform because Bees Financial is still carrying out rectification work on its operation in accordance with the rectification notice that the local financial regulatory department issued in January 2018.

Business Prospects

Looking forward, the Group will continue to focus on developing its IDC business. As the IDC in Heshan, Guangdong are expected to be put in service in 2020, we expect more revenue will be contributed from this IDC 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.

Share Capital

As at 30 June 2019, the authorised share capital of the Company was HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$952,218,435 divided into 9,522,184,345 shares of HK\$0.10 each.

Financial Position

During the period under review, the Group generally financed its operations with internally generated resources and bank borrowings. As at 30 June 2019, the Group had total assets of approximately HK\$2,750,277,000 (31 December 2018: HK\$2,318,237,000) and total liabilities of approximately HK\$1,463,661,000 (31 December 2018: HK\$992,623,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 53.2% as at 30 June 2019 (31 December 2018: 42.8%).

As at 30 June 2019, the Group had current assets of approximately HK\$466,834,000 (31 December 2018: HK\$495,210,000), including cash and equivalents of approximately HK\$24,902,000 (31 December 2018: HK\$36,747,000), and accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK\$420,981,000 (31 December 2018: HK\$453,396,000); and current liabilities of approximately HK\$1,397,057,000 (31 December 2018: HK\$938,956,000). The Group's current ratio had decreased from approximately 0.5 times as at 31 December 2018 to approximately 0.3 times as at 30 June 2019.

* *for identification purpose only*

Charges on the Group's Assets

Except for the pledged properties of approximately HK\$84,765,000, there were no material charges on the Group's assets as at 30 June 2019.

Foreign Exchange Exposure and Treasury Policies

Most of the Group's cash balances and income 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 six months ended 30 June 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Employee Information

As at 30 June 2019, the Group had approximately 292 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options.

Segmental Information

Details of segmental information of the Group as at 30 June 2019 are set out in note 3 to the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2019, 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	2,127,584,000	9,000,000	22.44%
	Interest in controlled corporations (Note 1)	2,091,923,357	–	21.97%
Mr. CHEUNG Sing Tai	Beneficial owner	–	18,000,000	0.19%
Mr. XU Gang	Beneficial owner	1,422,000	6,000,000	0.08%
	Interest of spouse (Note 3)	72,000	–	Negligible
Mr. TAO Wei	Beneficial owner	–	6,000,000	0.06%
Mr. ZHANG Bo	Beneficial owner	2,000,000	6,000,000	0.08%
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:

- 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.
- These underlying shares are derived from the share options granted by the Company.
- Mr. Xu is interested in 72,000 shares of the Company held by his spouse, Ms. YANG Jintong.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 30 June 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme.

Particulars of the movements share options during the six months ended 30 June 2019 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options					At 30 June 2019
				At 1 January 2019	Granted during the period	Lapsed during the period	Cancelled 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. XU Gang	9.4.2018	9.4.2018 to 8.4.2021	0.250	6,000,000	-	-	-	-	6,000,000
Mr. TAO Wei	9.4.2018	9.4.2018 to 8.4.2021	0.250	6,000,000	-	-	-	-	6,000,000
Mr. ZHANG Bo	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
				<u>48,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,000,000</u>
Employees									
	31.1.2018	31.1.2018 to 30.1.2021	0.250	67,000,000	-	(1,800,000)	-	-	65,200,000
				<u>67,000,000</u>	<u>-</u>	<u>(1,800,000)</u>	<u>-</u>	<u>-</u>	<u>65,200,000</u>
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
				<u>218,840,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,840,000</u>
Total				<u>333,840,000</u>	<u>-</u>	<u>(1,800,000)</u>	<u>-</u>	<u>-</u>	<u>332,040,000</u>

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 June 2019, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interests	Number of shares/ underlying shares held	Approximate percentage of shareholding
Winner Mind (<i>Note</i>)	Beneficial owner	2,055,887,357	21.59%

Note: Winner Mind is wholly-owned by Dr. LIE Haiquan.

CORPORATE GOVERNANCE PRACTICES

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the six months ended 30 June 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 six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal controls systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the six months ended 30 June 2019 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

REVIEW CONCLUSION

At the request of the Audit Committee, the auditors of the Company, HLB Hodgson Impey Cheng Limited, had carried out a review of the unaudited interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Below is extracted from the auditor's review report:

“CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

EMPHASIS OF MATTERS

We draw attention to Note 1 in the condensed consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$45,190,000 during the six months ended 30 June 2019 and, as of that date, the Company's current liabilities exceeded its current assets by approximately HK\$930,223,000. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

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

Hong Kong, 12 August 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. CHEUNG Sing Tai (Deputy Chairman and Chief Executive Officer), Mr. XU Gang, Mr. TAO Wei and Mr. ZHANG Bo, 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 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.