



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

This announcement, for which the directors (the “Directors”) of Neo Telemedia Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the 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.*

ANNUAL RESULTS

The board of Directors (“**Board**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	464,908	817,141
Cost of sales		(394,191)	(743,785)
Gross profit		70,717	73,356
Other income and gains		7,011	10,651
Gain on disposal of subsidiaries		2,535	28,384
Gain on disposal of a joint venture		–	373
Selling and marketing costs		(24,462)	(30,020)
Administrative and other expenses		(153,037)	(144,372)
Net change in impairment losses under expected credit loss model		7,671	(2,549)
Write-off/impairment loss recognised in respect of intangible assets		(33,358)	(39,524)
Impairment loss recognised in respect of goodwill		–	(15,188)
Share of results of joint venture		–	(82)
Finance costs		(17,069)	(3,317)
Loss before tax	7	(139,992)	(122,288)
Income tax credit	6	12,421	6,645
Loss for the year		(127,571)	(115,643)
Other comprehensive income/(loss) for the year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations during the year		48,647	(20,276)
Reclassification of cumulative translation reserve upon disposal of foreign operations during the year		(1,110)	–
Other comprehensive income/(loss) for the year, net of tax		47,537	(20,276)
Total comprehensive loss for the year		(80,034)	(135,919)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(110,344)	(94,550)
Non-controlling interests		(17,227)	(21,093)
		<u>(127,571)</u>	<u>(115,643)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(65,070)	(112,431)
Non-controlling interests		(14,964)	(23,488)
		<u>(80,034)</u>	<u>(135,919)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Basic and diluted loss per share	<i>8</i>	<u>(1.16)</u>	<u>(0.99)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current Assets			
Property, plant and equipment		2,618,404	1,671,490
Right-of-use assets		307,574	83,983
Goodwill		116,047	116,047
Intangible assets		101,231	157,816
Prepayment for property, plant and equipment		2,647	189,802
Deferred tax assets		5,920	7,268
		<u>3,151,823</u>	<u>2,226,406</u>
Current Assets			
Inventories		2,417	4,878
Accounts receivable	10	90,808	112,279
Prepayments, deposits and other receivables		161,049	134,948
Note receivable		–	61,586
Cash and cash equivalents		31,143	17,926
		<u>285,417</u>	<u>331,617</u>
Current Liabilities			
Accounts payable	11	52,811	68,195
Other payables and accruals		124,034	78,226
Contract liabilities		31,149	1,529
Lease liabilities		205,569	9,364
Borrowings		1,601,122	1,081,449
Tax liabilities		36,089	52,742
		<u>2,050,774</u>	<u>1,291,505</u>
Net Current Liabilities		<u>(1,765,357)</u>	<u>(959,888)</u>
Total Assets less Current Liabilities		<u>1,386,466</u>	<u>1,266,518</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current Liabilities		
Deferred tax liabilities	25,308	39,382
Lease liabilities	260,136	39,990
	<u>285,444</u>	<u>79,372</u>
Net Assets	<u>1,101,022</u>	<u>1,187,146</u>
Capital and Reserves		
Share capital	952,218	952,218
Reserves	86,243	169,213
	<u>1,038,461</u>	<u>1,121,431</u>
Equity attributable to owners of the Company	1,038,461	1,121,431
Non-controlling interests	62,561	65,715
	<u>1,101,022</u>	<u>1,187,146</u>
Total Equity	<u>1,101,022</u>	<u>1,187,146</u>

Notes:

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company and the principal activities of its subsidiaries are provision of data centre services and trading of telecommunication products.

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

Amendments to HKFRSs that are Mandatorily Effective for the Current Year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and Amendments to HKFRSs in Issue But Not Yet Effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The application of the above new and amendments to HKFRSs is not expected to have material impact on the financial position and results of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing rules**”).

For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group incurred a net loss of approximately HK\$127,571,000 (2019: HK\$115,643,000) for the year ended 31 December 2020. As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately HK\$1,765,357,000 (2019: HK\$959,888,000). Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In the opinion of the directors, the Group is able to maintain itself as a going concern in the next twelve months from the end of reporting period by taking into consideration that:

- (i) the cash flow projections can be achieved that the Group would have sufficient working capital to finance its operation and to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period;
- (ii) the net assets of the Group of approximately HK\$1,101,022,000 (2019: HK\$1,187,146,000) as at 31 December 2020, the Group should be able to secure additional loan facilities, if necessary;
- (iii) bank loans with carrying amount of approximately HK\$1,223,277,000 (2019: HK\$802,454,000) as at 31 December 2020 that are repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreements, with a repayment on demand clause, have been classified as current liability as at 31 December 2020 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“**HK-Int 5**”). Taking into account the Group's financial position and the security provided to the banks, the directors believe that the banks will not exercise its discretionary rights to demand immediate repayment. The Directors believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements;
- (iv) other loans with carrying amount of approximately HK\$220,119,000 (2019: Nil) as at 31 December 2020 that are repayable more than one year after the end of the reporting period pursuant to the repayment schedule included in the loan agreements, with a repayment on demand clause, have been classified as current liability as at 31 December 2020 in accordance with HK-Int 5. Taking into account the Group's financial position and the security provided to the lenders, the Directors believe that the lenders will not exercise its discretionary rights to demand immediate repayment. The Directors believe that the other loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements;

- (v) as at 31 December 2020, there were unutilised banking facilities of approximately HK\$674,501,000 (2019: HK\$517,296,000) which are expiring between 2026 and 2032; and
- (vi) Dr. Lie, the substantial shareholder of the Company, has committed to provide continuous financial support to the Group to enable the Group to meet its financial obligations as and when they fall due in the next twelve months from the date of approval of the consolidated financial statements for the year ended 31 December 2020.

4. REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of data centre services	324,685	320,413
Trading of telecommunication products	115,762	468,361
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	440,447	788,774
Others (<i>Note</i>)	24,461	28,367
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	464,908	817,141
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Note: Others mainly represent income arising from provision of bus services and system integration services and rental income (2019: others mainly represent income arising from provision of bus services, rental income, insurance brokerage income and software development business services income).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregation by timing of revenue recognition:		
At a point in time	119,525	467,373
Over time	336,146	330,565
Revenue from other source	9,237	19,203
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	464,908	817,141
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5. SEGMENT INFORMATION

The Group previously reported its financial results by combining its operating entities into two reportable operating segments: 1) sale of telecommunication products and services, and 2) internet finance platform. During the year ended 31 December 2020, the Company realigned its reportable operating segments consistent with the Company's strategic focus and growth initiative. Such focus and growth have resulted in a change in the internal organisation of the Company and how its chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources. Accordingly, the Group's financial results are reported in two new reportable operating segments: 1) provision of data centre services, and 2) trading of telecommunication products. Comparative information has been recast to conform to the current year's presentation.

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

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

- Provision of data centre services
- Trading of telecommunication products

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

In addition to the above reportable segments, other operating segments include provision of bus services, property rental, insurance brokerage, software development business and internet finance platform, of which internet finance platform was being reported as separate segments in prior years. None of these segments met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these are grouped into "Others". Prior year segment disclosures have been recast to conform to the current year's presentation.

Segment Revenues and Results

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

	Provision of data centre services		Trading of telecommunication products		Others		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<u>324,685</u>	<u>320,413</u>	<u>115,762</u>	<u>468,361</u>	<u>24,461</u>	<u>28,367</u>	<u>464,908</u>	<u>817,141</u>
Segment results	<u>(85,554)</u>	<u>(48,149)</u>	<u>(33,099)</u>	<u>(71,386)</u>	<u>(19,925)</u>	<u>(22,109)</u>	<u>(138,578)</u>	<u>(141,644)</u>
Interest income							966	4,848
Gain on disposal of subsidiaries							2,535	28,384
Gain on disposal of a joint venture							-	373
Other income and gains							6,045	5,803
Share of results of joint venture							-	(82)
Unallocated corporate expenses							<u>(10,960)</u>	<u>(19,970)</u>
Loss before tax							<u>(139,992)</u>	<u>(122,288)</u>
Income tax credit							<u>12,421</u>	<u>6,645</u>
Loss for the year							<u>(127,571)</u>	<u>(115,643)</u>

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

Segment Assets and Liabilities

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

	Provision of data centre services		Trading of telecommunication products		Others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment asset	3,296,982	2,335,795	34	62,823	126,853	69,011	3,423,869	2,467,629
Unallocated corporate assets							13,371	90,394
Consolidated assets							<u>3,437,240</u>	<u>2,558,023</u>
Segment liabilities	2,276,344	1,297,165	-	27,396	46,616	38,548	2,322,960	1,363,109
Unallocated corporate liabilities							13,258	7,768
Consolidated liabilities							<u>2,336,218</u>	<u>1,370,877</u>

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

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of prepayments, deposits and other receivables and property, plant and equipment); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising other payables and accruals).

Other Segment Information

	Provision of data centre services		Trading of telecommunication products		Others		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount included in the measure of segment result										
Capital expenditure	747,425	997,421	-	-	595	1,841	-	797	748,020	1,000,059
Depreciation of property, plant and equipment	37,515	30,304	-	-	4,594	7,072	2,588	1,683	44,697	39,059
Depreciation of right-of-use assets	17,060	9,854	-	-	1,249	880	1,410	2,582	19,719	13,316
Amortisation of intangible assets	19,428	19,428	3,512	13,997	90	137	-	-	23,030	33,562
Impairment loss recognised in respect of goodwill	-	-	-	15,188	-	-	-	-	-	15,188
Write-off/impairment loss recognised in respect of intangible assets	-	-	33,358	39,524	-	-	-	-	33,358	39,524
Net change in impairment losses under expected credit loss model	(2,997)	(4,667)	(4,069)	659	8,443	6,248	(9,048)	309	(7,671)	2,549

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

	Provision of data centre services		Trading of telecommunication products		Others		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	106	199	-	969	13	1	847	3,679	966	4,848
Finance costs	11,557	3,020	4,991	66	416	19	105	212	17,069	3,317
Income tax credit	(14,115)	-	-	(9,619)	-	2,783	1,694	191	(12,421)	(6,645)

Information about major customers

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

	2020 HK\$'000	2019 HK\$'000
Customer A ^{1,3}	-	148,987
Customer B ¹	115,587	122,989
Customer C ^{2,4}	57,374	-
	<u>172,961</u>	<u>271,976</u>

¹ Trading of telecommunication products.

² Provision of data centre services .

³ No information on revenue for current year is disclosed for this customers since it contributed less than 10% to the Group's revenue for the year ended 31 December 2020.

⁴ No information on revenue for prior year is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2019.

Geographical information

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

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

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

Name of the region	Revenue from external customers		Non-current assets*	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
Hong Kong	–	263,837	708	2,678
The PRC (excluding Hong Kong)	464,908	548,898	3,145,195	2,216,460
Other Asian Country	–	4,406	–	–
	<u>464,908</u>	<u>817,141</u>	<u>3,145,903</u>	<u>2,219,138</u>

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

6. INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits tax		
– Current tax	–	40
– Over provision for prior year	–	(20)
	<u>–</u>	<u>20</u>
PRC Enterprise Income tax		
– Current tax	1,169	682
– Over provision for prior year	(1,233)	–
	<u>(64)</u>	<u>682</u>
Deferred tax	<u>(12,357)</u>	<u>(7,347)</u>
Total income tax credit	<u>(12,421)</u>	<u>(6,645)</u>

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%.

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 year ended 31 December 2020.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

7. LOSS BEFORE TAX

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

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Staff costs, including directors’ remuneration		
– Salaries, wages and other benefits	42,584	41,633
– Contributions to retirement benefits schemes	1,690	2,521
	<hr/>	<hr/>
Total staff costs	44,274	44,154
	<hr/>	<hr/>
Depreciation of property, plant and equipment	44,697	39,059
Depreciation of right-of-use assets	19,719	13,316
Amortisation of intangible assets	23,030	33,562
	<hr/>	<hr/>
Total depreciation and amortisation	87,446	85,937
	<hr/>	<hr/>
Expected credit loss expenses in respect of financial assets carried at amortised cost, net of reversal	(7,671)	2,549
Write-off/impairment loss recognised in respect of intangible assets	33,358	39,524
Impairment loss recognised in respect of goodwill	–	15,188
Write-off of property, plant and equipment	–	5,332
Auditors’ remuneration		
– audit service	830	980
– non-audit service	198	200
Expenses relating to short term leases and low value leases	2,119	14,888
Cost of inventories recognised as expense	116,045	448,921
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8. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	<u>(110,344)</u>	<u>(94,550)</u>
	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>9,522,184</u>	<u>9,522,184</u>

The computation of diluted loss per share for the year ended 31 December 2019 and 2020 does not assume the exercise of share options since it would result in an anti-dilutive effect on loss per share.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	115,097	157,332
Less: Allowance for expected credit losses	<u>(24,289)</u>	<u>(45,053)</u>
	<u>90,808</u>	<u>112,279</u>

The Group allows an average credit period of 90 days (2019: 90 days) to its trade customers. The following is an ageing analysis of accounts receivable net of accumulated allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	35,246	26,997
31 to 60 days	14,210	44,882
61 to 90 days	8,867	9,782
91 to 180 days	19,915	19,961
Over 180 days	<u>12,570</u>	<u>10,657</u>
	<u>90,808</u>	<u>112,279</u>

11. ACCOUNTS PAYABLE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	28,535	25,542
31 to 60 days	4,235	15,049
61 to 90 days	2,455	5,637
Over 90 days	<u>17,586</u>	<u>21,967</u>
	<u>52,811</u>	<u>68,195</u>

The average credit period on purchases of goods is 90 days (As at 31 December 2019: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

To better reflect the Group's strategic focus and growth initiatives, the Group has realigned its reportable operating segments for the year ended 31 December 2020. The new reportable operating segments are provision of data centre services and trading of telecommunication products.

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.

As of 31 December 2020, the Group operated two data centres with an aggregate of 2,854 server cabinets in service. The Group also operated an aggregate of approximately 1,380 server cabinets in service, which were leased from third parties. In addition, the Group had a further three new self-developed data centres with an aggregate of 32,353 server cabinets under construction.

A summary of the Group's self-developed data centres by data centre as of 31 December 2020 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
Bluesea Intelligence Valley Mega Data Centre	–	26,500	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	<u>2,854</u>	<u>32,353</u>	<u>35,207</u>	<u>100.0</u>

The Group's profitability is largely determined by the utilisation of its self-developed data centres. As of 31 December 2020, the utilisation rates of Guangzhou Lotus Hill Data Centre and Guangzhou (Nanxiang) Cloud Data Centre were approximately 60% and 83.6%, 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 year under review.

During the year under review, revenue from provision of data centre services was approximately HK\$324.7 million (2019: HK\$320.4 million), representing an increase of approximately HK\$4.3 million or 1.3% year-on-year, and is analysed as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Self-developed data centres	153,861	127,549
Server cabinets leased from third parties	170,824	192,864
Total	324,685	320,413

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 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 year 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 year under review.

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. As it was uncertain whether the trading business in mainland China would generate cash flow in future, the relevant intangible assets, i.e., customer relationships, of approximately HK\$33,358,000 were fully written off during the year under review although the Group has strategically maintained the trading of telecommunication product business in mainland China.

During the year under review, revenue from the trading of telecommunication products was approximately HK\$115.8 million (2019: HK\$468.4 million), representing a decrease of 75.2% year-on-year.

OTHERS

Others mainly consist of internet finance platform business, provision of bus services and system integration services and leasing of properties; the revenue, results and assets of which are individually immaterial to the Group.

During the year under review, the Group's Internet finance platform business did not generate any revenue (2019: Nil). 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 in order to comply with the relevant rules and regulations.

Due to the above reasons and in order to save costs of debt collection and to realise the investment in Bees Financial, the Group disposed of Bees Financial to an independent third party for a consideration of HK\$1,126,000 in the third quarter of 2020. The Group recorded a gain on disposal of approximately HK\$6,225,000.

During the year under review, revenue from others was approximately HK\$24.5 million (2019: HK\$28.4 million), representing a decrease of 13.7% year-on-year which was mainly due to decrease in system integration services and school bus services caused by the COVID-19 pandemic.

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.

FINANCIAL PERFORMANCE

	2020	2019
Revenue (<i>HK\$'000</i>)	464,908	817,141
Net loss (<i>HK\$'000</i>)	(127,571)	(115,643)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(110,344)	(94,550)
Basic loss earnings per share (<i>HK Cents</i>)	(1.16)	(0.99)

For the year under review, the Group recorded a revenue of approximately HK\$464.9 million (2019: HK\$817.1 million), representing a decrease of approximately HK\$352.2 million or 43.1% as compared to the year ended 31 December 2019. The decrease in revenue was mainly due to the decrease in revenue from the trading of mobile device business in Hong Kong which was ceased in March 2020.

The Group recorded a loss attributable to owners of the Company of approximately HK\$110.3 million for the year ended 31 December 2020 (2019: HK\$94.6 million), representing an increase of approximately HK\$15.7 million or 16.6% year-on-year, primarily due to the decrease in gain on disposal of subsidiaries approximately HK\$25.8 million to approximately HK\$2.5 million (2019: HK\$28.3 million).

FINANCIAL POSITION

As at 31 December 2020, the Group had interest-bearing borrowings of approximately HK\$1,601.1 million (2019: HK\$1,081.4 million), which are analysed as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans		
Short-term bank borrowing, secured and guaranteed	–	223,500
Short-term bank borrowing, unsecured and unguaranteed	3,576	3,353
Portion of bank loans, secured and guaranteed		
– repayable within one year	79,922	51,360
– repayable after one year which contain a repayment on demand clause	1,035,672	795,414
Portion of bank loans, unsecured and guaranteed		
– repayable within one year	7,807	782
– repayable after one year which contain a repayment on demand clause	5,244	7,040
Portion of bank loans, secured and unguaranteed		
– repayable after one year which contain a repayment on demand clause	182,361	–
Total bank loans	1,314,582	1,081,449
Other loans		
Portion of other loans, secured and guaranteed		
– repayable within one year	27,486	–
– repayable after one year which contain a repayment on demand clause	119,055	–
Portion of bank loans, unsecured and unguaranteed		
– repayable within one year	38,935	–
– repayable after one year which contain a repayment on demand clause	101,064	–
Total other loans	286,540	–
Total borrowings	1,601,122	1,081,449

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

	2020	2019
	HK\$'000	HK\$'000
Amounts of bank loans that are repayable:		
– within 1 year	91,305	278,995
– between 1 and 2 years	134,274	79,320
– between 2 and 5 years	543,733	331,540
– beyond 5 years	545,270	391,594
	<hr/>	<hr/>
Total bank borrowings	1,314,582	1,081,449
	<hr/>	<hr/>
Amounts of other loans that are repayable:		
– within 1 year	66,421	–
– between 1 and 2 years	60,555	–
– between 2 and 5 years	159,564	–
– beyond 5 years	–	–
	<hr/>	<hr/>
Total other loans	286,540	–
	<hr/>	<hr/>
Total borrowings	1,601,122	1,081,449
	<hr/> <hr/>	<hr/> <hr/>

The borrowings are denominated in Renminbi and bear interest at floating rates.

As at 31 December 2020, the Group had current assets of approximately HK\$285.4 million (2019: HK\$331.6 million), including cash and cash equivalents of approximately HK\$31.1 million (2019: HK\$17.9 million), accounts receivable, prepayments, deposits and other receivables, note receivable and other financial assets of approximately HK\$251.9 million (2019: HK\$308.8 million); and current liabilities of approximately HK\$2,050.8 million (2019: HK\$1,291.5 million). The Group's current ratio had been decreased from approximately 0.26 times as at 31 December 2019 to approximately 0.14 times as at 31 December 2020.

The Group had total assets of approximately HK\$3,437.2 million (2019: HK\$2,558.0 million) and total liabilities of approximately HK\$2,336.2 million (2019: HK\$1,370.9 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 68.0% as at 31 December 2020 (2019: 53.6%).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2020, total available banking facilities of the Group of approximately HK\$1,989.1 million, which were mainly granted by (i) China Construction Bank Corporation (“**CCB**”); (ii) Industrial and Commercial Bank of China Limited (“**ICBC**”) and (iii) China Merchants Bank Company Limited (“**CMB**”), are detailed below:

Name of Bank	Purpose of Banking Facilities	Expiry Date	Banking Facilities	
			Total Amount <i>HK\$'million</i>	Unutilised Amount as at 31 December 2020 <i>HK\$'million</i>
CCB	Construction of Bluesea Intelligence Valley Mega Data Centre	August 2028	1,454.1	517.3
ICBC	Construction of Bluesea Intelligence Valley Mega Data Centre	December 2032	273.6	94.8
CMB	Construction of Shenzhen Guanlan Flagship Data Centre	June 2026	243.5	61.1
Others	General working capital	Between November 2021 and May 2022	17.9	1.3
			1,989.1	674.5

Due to the repayment on demand clause of the banking facilities, which is a general term of banking facilities granted by the aforesaid banks, the long-term bank loans of approximately HK\$1,223.3 million drawn from the aforesaid banking facilities are classified as current liabilities in the consolidated statement of financial position as at 31 December 2020.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Most of the Group’s cash balances and transactions are either denominated in Renminbi, United States dollars and Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the year ended 31 December 2020. Nevertheless, the management will continue to monitor the Group’s foreign exchange exposure and will take prudent measures as and when appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 242 staff (2019: 310). The total remuneration, including that of the Directors, for the year under review is approximately HK\$44.3 million (2019: HK\$44.2 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 31 December 2020, with the exception for the following deviations:

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

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

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Dr. LIE Haiquan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16 June 2020 (the “AGM”) due to his other engagement. Mr. CHEUNG Sing Tai, deputy chairman of the Board and Chief Executive Officer of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2020.

AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the accounting policies and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2020.

EXTRACT FROM INDEPENDENT AUDITORS’ REPORT

The following is an extract of the independent auditors’ report on the Group’s audited financial statements for the year ended 31 December 2020:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related To Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$127,751,000 during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$1,765,357,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 13 May 2021 ("2021 AGM"), the register of members of the Company will be closed from Friday, 7 May 2021 to Thursday, 13 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 May 2021.

By order of the Board
Neo Telemedia Limited
Dr. LIE Haiquan
Chairman

Hong Kong, 24 March 2021

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

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

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