



Neo Telemedia Limited 中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8167

## FIRST QUARTERLY REPORT 2019



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

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

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

## UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months ended 31 March 2019 together with comparative unaudited figures for the corresponding period of 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 31 March	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Turnover	3	196,057	616,443
Cost of sales		(182,074)	(562,045)
Gross profit		13,983	54,398
Other income and gains		1,962	9,990
Gain on disposal of a joint venture		380	–
Selling and marketing costs		(5,406)	(9,656)
Administrative and other expenses		(39,371)	(58,469)
Share of results of joint venture		(83)	91
Finance costs		(164)	(2,037)
Loss before income tax		(28,699)	(5,683)
Income tax credit/(expense)	4	1,966	(1,715)
Loss for the period		(26,733)	(7,398)
Attributable to:			
Owners of the Company		(22,121)	(8,878)
Non-controlling interests		(4,612)	1,480
		<b>HK cents</b>	<b>HK cents</b>
Loss per share	6		
– basic		(0.23)	(0.09)
– diluted		(0.23)	(0.09)

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

	For the three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss for the period	(26,733)	(7,398)
Other comprehensive income: Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	28,893	43,278
<b>Total comprehensive income for the period</b>	<b>2,160</b>	<b>35,880</b>
Attributable to:		
Owners of the Company	4,584	30,272
Non-controlling interests	(2,424)	5,608

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Neo Telemedia Limited (the “**Company**”) (together with its subsidiaries, collectively referred to as the “**Group**”) was 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 1906-8, 19th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

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

The Company is an investment holding company and the principal activity of its subsidiaries is sale of telecommunication products and services.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements have been consistently applied by the Group and are consistent with those used in preparing the Company’s annual audited financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2019 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

### 3. TURNOVER

The Group was principally engaged in sale of telecommunication products and services during the three months ended 31 March 2019. An analysis of turnover is as follows:

	For the three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Sale of telecommunication products and services	192,071	590,241
Internet finance platform	–	23,002
Others	3,986	3,200
	<b>196,057</b>	<b>616,443</b>

Note:

Others include logistics related business, insurance brokerage and software development business.

### 4. INCOME TAX CREDIT/(EXPENSE)

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

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

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

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

## 5. DIVIDEND

The Directors resolved not to declare any dividend for the three months ended 31 March 2019 (2018: Nil).

## 6. LOSS PER SHARE

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

	For the three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss attributable to owners of the Company	(22,121)	(8,878)

	For the three months ended 31 March	
	2019 (Unaudited)	2018 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per ordinary share at the end of period	9,522,184,345	9,527,956,345
Effect of dilutive potential ordinary share: share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per ordinary share at the end of period	9,522,184,345	9,527,956,345

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

## 7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
<b>At 1 January 2018 (audited)</b>	952,884	1,796,283	15,040	15,365	1,893	(1,271,010)	1,510,455	136,287	1,646,742
(Loss)/profit for the period	-	-	-	-	-	(8,878)	(8,878)	1,480	(7,398)
<b>Other comprehensive income:</b>									
Exchange difference on translation of foreign operations	-	-	-	39,150	-	-	39,150	4,128	43,278
Total comprehensive income/(loss) for the period	-	-	-	39,150	-	(8,878)	30,272	5,608	35,880
Recognition of equity-settled share-based payment	-	-	9,485	-	-	-	9,485	-	9,485
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	1,875	1,875
Repurchase of shares	(666)	(605)	-	-	-	-	(1,271)	-	(1,271)
<b>At 31 March 2018 (unaudited)</b>	952,218	1,795,678	24,525	54,515	1,893	(1,279,888)	1,548,941	143,770	1,692,711
<b>At 1 January 2019 (audited)</b>	952,218	1,759,494	17,246	(29,445)	1,893	(1,463,151)	1,238,255	87,359	1,325,614
Loss for the period	-	-	-	-	-	(22,121)	(22,121)	(4,612)	(26,733)
<b>Other comprehensive income:</b>									
Exchange difference on translation of foreign operations	-	-	-	26,705	-	-	26,705	2,188	28,893
Total comprehensive income/(loss) for the period	-	-	-	26,705	-	(22,121)	4,584	(2,424)	2,160
<b>At 31 March 2019 (unaudited)</b>	952,218	1,759,494	17,246	(2,740)	1,893	(1,485,272)	1,242,839	84,935	1,327,774



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the three months ended 31 March 2019, the Group recorded a turnover of approximately HK\$196,057,000 (2018: HK\$616,443,000), representing an decrease of approximately HK\$420,386,000 or 68.2% as compared to the same period in last year. The decrease in turnover was mainly due to the downturn and keen competition of the global mobile business environment and decrease in consultancy fee income in relation to Internet data center (“IDC”) services during the period under review. The Group also recorded a loss attributable to owners of the Company of approximately HK\$22,121,000 (2018: HK\$8,878,000) for the three months ended 31 March 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 turnover 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\$192.1 million (2018: HK\$590.2 million). Sale of telecommunication products and services represented trading of telecommunication products, provision of IDC, WIFI, system integration and value-added Internet services and software development in the PRC and Hong Kong. The decrease in turnover was mainly due to (i) the downturn and keen competition of the global mobile business environment that led to reduced orders from customers; and (ii) decrease in consultancy fee income in relation to IDC services during the period under review.

#### *Internet finance platform business*

During the period under review, the Group’s Internet finance platform business did not generate any revenue (2018: HK\$23 million). 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 expand its IDC business. As the IDC in Heshan, Guangdong is 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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 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 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	2,100,140,000	9,000,000	22.15%
	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	–	6,000,000	0.06%
Mr. ZHANG Zihua	Beneficial owner	–	1,000,000	0.01%
Ms. XI Lina	Beneficial owner	–	1,000,000	0.01%
Mr. HUANG Zhixiong	Beneficial owner	–	1,000,000	0.01%

Notes:

- 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 31 March 2019.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## SHARE OPTION SCHEMES

On 19 December 2012, the Company adopted a new share option scheme (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 (including independent non-executive directors) or any of its subsidiaries, employees of the Group, and suppliers of goods or services to the Group.

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options under the Old Scheme and their movements during the three months ended 31 March 2019 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2019	Exercised during the period	Lapsed during the period	At 31 March 2019
<b>Employees and others</b>							
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	0.469	6,840,000	–	–	6,840,000
Total				6,840,000	–	–	6,840,000

Particulars of the share options under the New Scheme and their movements during the three months ended 31 March 2019 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2019	Exercised during the period	Lapsed during the period	At 31 March 2019
<b>Directors</b>							
Dr. LIE Haiquan	9/4/2018	9/4/2018 – 8/4/2021	0.250	9,000,000	–	–	9,000,000
Mr. CHEUNG Sing Tai	9/4/2018	9/4/2018 – 8/4/2021	0.250	18,000,000	–	–	18,000,000
Mr. XU Gang	9/4/2018	9/4/2018 – 8/4/2021	0.250	6,000,000	–	–	6,000,000
Mr. TAO Wei	9/4/2018	9/4/2018 – 8/4/2021	0.250	6,000,000	–	–	6,000,000
Mr. ZHANG Bo	9/4/2018	9/4/2018 – 8/4/2021	0.250	6,000,000	–	–	6,000,000
Mr. ZHANG Zihua	9/4/2018	9/4/2018 – 8/4/2021	0.250	1,000,000	–	–	1,000,000
Ms. XI Lina	9/4/2018	9/4/2018 – 8/4/2021	0.250	1,000,000	–	–	1,000,000
Mr. HUANG Zhixiong	9/4/2018	9/4/2018 – 8/4/2021	0.250	1,000,000	–	–	1,000,000
Subtotal				48,000,000	–	–	48,000,000
<b>Employees and others</b>							
In aggregate	31/1/2018	31/1/2018 – 30/1/2021	0.250	193,000,000	–	–	193,000,000
In aggregate	9/4/2018	9/4/2018 – 8/4/2021	0.250	86,000,000	–	–	86,000,000
Subtotal				279,000,000	–	–	279,000,000
Total				327,000,000	–	–	327,000,000

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 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 held	Approximate percentage of shareholding
Winner Mind (Note)	Beneficial owner	2,055,887,357	21.59%

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

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 31 March 2019.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 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 three months ended 31 March 2019 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

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

Hong Kong, 10 May 2019

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