



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

2022

INTERIM  
REPORT



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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.*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2022

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	260,321	264,904	130,428	153,263
Cost of sales		(224,230)	(198,521)	(117,995)	(119,175)
Gross profit		36,091	66,383	12,433	34,088
Other income and gains		9,879	624	2,139	300
Gain on disposal of a subsidiary		207,266	–	207,266	–
Net change in impairment losses under expected credit loss model		(2,779)	(929)	(2,779)	(90)
Selling and marketing costs		(16,513)	(13,121)	(8,170)	(6,993)
Administrative and other expenses		(68,716)	(67,076)	(32,751)	(31,606)
Finance costs	4	(49,248)	(18,805)	(23,670)	(9,858)
Profit/(loss) before tax	5	115,980	(32,924)	154,468	(14,159)
Income tax (expenses)/credit	6	(12,101)	3,656	(12,971)	2,303
Profit/(loss) for the period		103,879	(29,268)	141,497	(11,856)
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		39,979	(25,242)	73,089	(11,039)
Non-controlling interests		63,900	(4,026)	68,408	(817)
		103,879	(29,268)	141,497	(11,856)
		HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share – basic and diluted	8	0.42	(0.27)	0.77	(0.12)

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

For the six and three months ended 30 June 2022

	For the six months ended 30 June		For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Profit/(loss) for the period</b>	<b>103,879</b>	(29,268)	<b>141,497</b>	(11,856)
<b>Other comprehensive (loss)/income for the period, net of tax</b>				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations	(48,252)	8,033	(52,972)	13,509
Reclassification of cumulative translation reserve upon disposal of foreign operations during the period	4,669	–	4,669	–
Other comprehensive (loss)/income for the period, net of tax	(43,583)	8,033	(48,303)	13,509
<b>Total comprehensive income/(loss) for the period</b>	<b>60,296</b>	(21,235)	<b>93,194</b>	1,653
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Owners of the Company	2,784	(17,523)	31,421	1,956
Non-controlling interests	57,512	(3,712)	61,773	(303)
	<b>60,296</b>	(21,235)	<b>93,194</b>	1,653

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	9	2,370,140	3,030,457
Right-of-use assets		514,446	773,920
Goodwill	10	87,105	116,047
Intangible assets		72,089	81,803
Prepayment for property, plant and equipment		385,323	14,510
Deferred tax assets	15	4,937	6,645
<b>Total Non-current Assets</b>		<b>3,434,040</b>	<b>4,023,282</b>
<b>Current Assets</b>			
Inventories		2,202	2,276
Accounts receivable	11	161,638	142,660
Prepayments, deposits and other receivables		512,596	244,722
Cash and cash equivalents		116,637	20,198
		793,073	409,856
Assets held for sale		3,918	5,994
<b>Total Current Assets</b>		<b>796,991</b>	<b>415,850</b>

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Accounts payable	12	158,222	147,271
Other payables and accruals	13	302,432	383,818
Contract liabilities		188,003	59,673
Lease liabilities		347,766	43,135
Borrowings	14	1,449,455	1,841,800
Tax liabilities		49,892	51,616
<b>Total Current Liabilities</b>		<b>2,495,770</b>	2,527,313
<b>Net Current Liabilities</b>		<b>(1,698,779)</b>	(2,111,463)
<b>Total Assets less Current Liabilities</b>		<b>1,735,261</b>	1,911,919
<b>Non-current Liabilities</b>			
Other payables	13	3,376	8,778
Deferred tax liabilities	15	18,022	20,451
Lease liabilities		565,629	824,402
<b>Total Non-current Liabilities</b>		<b>587,027</b>	853,631
<b>Net Assets</b>		<b>1,148,234</b>	1,058,288
<b>Capital and Reserves</b>			
Share capital	16	952,218	952,218
Reserves		54,121	51,337
<b>Equity attributable to owners of the Company</b>		<b>1,006,339</b>	1,003,555
Non-controlling interests		141,895	54,733
<b>Total Equity</b>		<b>1,148,234</b>	1,058,288

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2021 (audited)</b>	952,218	1,759,494	15,863	(2,340)	1,893	(1,688,667)	1,038,461	62,561	1,101,022
Loss for the period	-	-	-	-	-	(25,242)	(25,242)	(4,026)	(29,268)
<b>Other comprehensive income:</b>									
Exchange differences on translation of foreign operations	-	-	-	7,719	-	-	7,719	314	8,033
Total comprehensive loss for the period	-	-	-	7,719	-	(25,242)	(17,523)	(3,712)	(21,235)
Share options lapsed	-	-	(15,863)	-	-	15,863	-	-	-
<b>At 30 June 2021 (unaudited)</b>	952,218	1,759,494	-	5,379	1,893	(1,698,046)	1,020,938	58,849	1,079,787
<b>At 1 January 2022 (audited)</b>	952,218	1,759,494	-	25,421	1,893	(1,735,471)	1,003,555	54,733	1,058,288
Profit for the period	-	-	-	-	-	39,979	39,979	63,900	103,879
<b>Other comprehensive loss:</b>									
Exchange differences on translation of foreign operations	-	-	-	(41,864)	-	-	(41,864)	(6,388)	(48,252)
Reclassification of cumulative translation reserve upon disposal of foreign operations during the period	-	-	-	4,669	-	-	4,669	-	4,669
Total comprehensive income for the period	-	-	-	(37,195)	-	39,979	2,784	57,512	60,296
Disposal of a subsidiary	-	-	-	-	-	-	-	29,660	29,660
<b>At 30 June 2022 (unaudited)</b>	952,218	1,759,494	-	(11,774)	1,893	(1,695,492)	1,006,339	141,895	1,148,234

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	64,258	213,535
NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES	173,252	(478,171)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCIAL ACTIVITIES	(137,109)	327,420
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>100,401</b>	<b>62,784</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20,198	31,143
Effect on foreign exchange rate changes	(3,962)	6,535
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>116,637</b>	<b>100,462</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:</b>		
Bank balance and cash	116,637	100,462



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the three months and six months ended 30 June 2022*

## 1. GENERAL INFORMATION

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

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

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

## 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**”). The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

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

The unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### *Going Concern*

As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately HK\$1,698,779,000. 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 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 2022 of approximately HK\$1,148,234,000, the Group should be able to secure additional loan facilities, if necessary;
- (iii) bank loans with carrying amount of approximately HK\$855,231,000 as at 30 June 2022 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 liabilities as at 30 June 2022 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;

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### *Going Concern (Continued)*

- (iv) other loans with carrying amount of approximately HK\$336,700,000 as at 30 June 2022 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 liabilities as at 30 June 2022 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; and
- (v) as at 30 June 2022, there were unutilised banking facilities of approximately HK\$1,217,572,000 which are expiring between 2024 to 2032.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2021. In the current interim period, the Group has applied, for the first time, the following new or amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The adoption of the above new or amended HKFRSs has had no significant impact on the Group's financial performance and position.

### 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 30 June		For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Provision of data centre services	255,013	258,089	127,640	150,405
Others (Note)	5,308	6,815	2,788	2,858
	<b>260,321</b>	264,904	<b>130,428</b>	153,263

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

Segment 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
- Others

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation by timing of revenue recognition for the period is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At a point in time	70	457	15	214
Over time	256,867	263,449	128,679	152,611
Revenue from other sources	3,384	998	1,734	438
	<b>260,321</b>	264,904	<b>130,428</b>	153,263

#### (a) Segment revenues and results

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

	Provision of data centre services For the six months ended 30 June		Others For the six months ended 30 June		Total For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	255,013	258,089	5,308	6,815	260,321	264,904
Segment results	(89,753)	(18,033)	(1,803)	(4,246)	(91,556)	(22,279)
Other income and gains					9,558	596
Gain on disposal of subsidiary					207,266	-
Interest income					321	28
Unallocated corporate expenses					(9,609)	(11,269)
Profit/(loss) before tax					115,980	(32,924)
Income tax (expenses)/credit					(12,101)	3,656
Profit/(loss) for the period					<b>103,879</b>	(29,268)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment assets and liabilities

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

	Provision of data centre services		Others		Total	
	For the six months ended		For the six months ended		For the six months ended	
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	4,081,364	4,270,500	138,031	156,080	4,219,395	4,426,580
Unallocated corporate assets					11,636	12,652
<b>Total assets</b>					<b>4,231,031</b>	<b>4,439,232</b>
Segment liabilities	2,994,119	3,273,547	68,996	78,221	3,063,115	3,351,768
Unallocated corporate liabilities					19,682	29,176
<b>Total liabilities</b>					<b>3,082,797</b>	<b>3,380,944</b>

Note: Others represent other operating segments that are not reportable segments under HKFRS 8, which include the trading of telecommunication products, the provision of system integration services and leasing of properties.

### 4. FINANCE COSTS

	For the six months ended		For the three months ended	
	30 June	30 June	30 June	30 June
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on borrowings	45,090	47,427	17,034	25,682
Interest on lease liabilities	28,294	9,077	13,007	5,511
	73,384	56,504	30,041	31,193
Less: Capitalised in construction in progress under property, plant and equipment	(24,136)	(37,699)	(6,371)	(21,335)
	49,248	18,805	23,670	9,858

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income	(321)	(28)	(291)	(13)
Depreciation of items of property, plant and equipment	27,733	33,337	13,669	18,112
Depreciation of right-of-use assets	30,853	13,803	13,877	7,138
Amortisation of intangible assets*	9,714	9,714	4,857	4,857

\* The amortisation of intangible assets for the period is included in "Administrative and other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

## 6. INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:				
– Hong Kong	–	–	–	–
– PRC	15,595	(379)	14,857	(733)
Deferred tax (Note 15)	(3,494)	(3,277)	(1,886)	(1,570)
Total income tax expenses/ (credit) for the period	12,101	(3,656)	12,971	(2,303)

Under the two-tiered profits tax rate regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

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%.

## 6. INCOME TAX (Continued)

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 2022 (2021: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings/(loss) attributable to owners of the Company	39,979	(25,242)	73,089	(11,039)

  

	For the six months ended 30 June		For the three months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per ordinary share at the end of the period	9,522,184,345	9,522,184,345	9,522,184,345	9,522,184,345

No diluted earnings/(loss) per share for the six months ended 30 June 2022 and 2021 was presented as there were no potential ordinary shares in issue for the period.



## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group incurred approximately HK\$118,418,000 (31 December 2021: HK\$906,481,000) on acquisition of property, plant and equipment.

## 10. GOODWILL

	HK\$'000
<b>Cost</b>	
At 1 January 2021 (Audited)	382,591
Disposal of a subsidiary	(28,942)
At 30 June 2022 (Unaudited)	353,649
<b>Accumulated impairment</b>	
At 1 January 2021 (Audited) and 30 June 2022 (Unaudited)	266,544
<b>Carrying value</b>	
At 30 June 2022 (Unaudited)	87,105
At 31 December 2021 (Audited)	116,047

## 11. ACCOUNTS RECEIVABLE

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Accounts receivable	186,118	165,430
Less: Allowance for credit losses	(24,480)	(22,770)
	161,638	142,660

The Group allows an average credit period of 90 days (31 December 2021: 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.

## 11. ACCOUNTS RECEIVABLE (Continued)

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 30 days	33,134	31,351
31 to 60 days	39,802	14,338
61 to 90 days	16,742	12,361
91 to 180 days	32,038	40,479
Over 180 days	39,922	44,131
	<b>161,638</b>	142,660

## 12. ACCOUNTS PAYABLE

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Accounts payable	<b>158,222</b>	147,271

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 30 days	45,285	38,002
31 to 60 days	15,263	26,946
61 to 90 days	4,311	16,126
Over 90 days	93,363	66,197
	<b>158,222</b>	147,271

### 13. OTHER PAYABLES AND ACCRUALS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Other payables	285,789	374,491
Accruals	20,019	18,105
	<b>305,808</b>	392,596
Less: non-current portion	<b>(3,376)</b>	(8,778)
Current portion	<b>302,432</b>	383,818

### 14. BORROWINGS

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Bank loans</b>			
Short-term bank loan, unsecured and guaranteed	a	11,714	–
Portion of bank loans, secured and guaranteed	b		
– repayable within one year		96,670	98,205
– repayable after one year which contain a repayment on demand clause		844,688	915,079
Portion of bank loans, unsecured and guaranteed	a		
– repayable within one year		1,171	5,388
– repayable after one year which contain a repayment on demand clause		10,543	–
Portion of bank loans, secured and unguaranteed	c		
– repayable within one year		–	48,782
– repayable after one year which contain a repayment on demand clause		–	201,883
Total bank loans		<b>964,786</b>	1,268,837

#### 14. BORROWINGS (Continued)

Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Other loans</b>		
Portion of other loans, secured and guaranteed	d	
– repayable within one year	79,748	70,083
– repayable after one year which contain a repayment on demand clause	232,409	285,437
Portion of other loans, unsecured and unguaranteed		
– repayable within one year	68,221	94,993
– repayable after one year which contain a repayment on demand clause	104,291	122,450
Total other loans	484,669	572,963
Total borrowings	1,449,455	1,841,800

Notes:

- a) As at 30 June 2022, the bank loan was guaranteed by (i) Dr. LIE Haiquan (“**Dr. Lie**”), an executive Director and a controlling shareholder of the Company, and (ii) Mr. WANG Kun (“**Mr. Wang**”), the legal representative, a director and a substantial shareholder of a subsidiary of the Company.
- b) As at 30 June 2022 and 31 December 2021, the bank loans were guaranteed by Dr. Lie and secured by the pledge of certain properties, plant and equipment of the Group with net book value of approximately HK\$978,019,000 (31 December 2021: HK\$980,027,000) and certain properties of companies substantially owned by Dr. Lie.
- c) As at 31 December 2021, the Group’s bank loans were secured by the equity interest of a subsidiary of the Company with carrying value of approximately HK\$120,300,000.
- d) As at 30 June 2022 and 31 December 2021, the Group’s other loans were guaranteed by Dr. Lie, Mr. Wang and Ms. TAO Huiqin, spouse of Mr. Wang, and secured by the Group’s properties, plant and equipment with net book value of approximately HK\$458,932,000 (31 December 2021: HK\$463,873,000), accounts receivable with carrying value of approximately HK\$33,165,000 (31 December 2021: HK\$37,459,000) and equity interest of subsidiaries of the Company with carrying value of approximately HK\$101,982,000 (31 December 2021: HK\$106,605,000).

#### 14. BORROWINGS (Continued)

As at 30 June 2022 and 31 December 2021, all of the borrowings are denominated in Renminbi and bear interest from 3.95% to 8% (31 December 2021: 4.45% to 8%) per annum.

As at 30 June 2022, the Group's banking facilities were approximately HK\$2,170,644,000 (31 December 2021: HK\$2,513,083,000), of which approximately HK\$953,072,000 (31 December 2021: HK\$1,268,837,000) had been utilised as at the end of the reporting period.

#### 15. DEFERRED TAX

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

	Deferred tax assets			Deferred tax liabilities	Total
	ECL provision HK\$000	Right-of-use assets HK\$000	Total HK\$000	Fair value adjustments on business combination HK\$000	
At 1 January 2022 (Audited)	3,202	3,443	6,645	(20,451)	(13,806)
Credited to consolidated statement of profit or loss and other comprehensive income	533	532	1,065	2,429	3,494
Disposal of a subsidiary	–	(2,469)	(2,469)	–	(2,469)
Exchange realignment	(139)	(165)	(304)	–	(304)
As 30 June 2022 (Unaudited)	3,596	1,341	4,937	(18,022)	(13,085)

## 16. SHARE CAPITAL

	Par value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2022 and 30 June 2022	0.1	20,000,000,000	2,000,000
Issued and fully paid:			
At 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	0.1	9,522,184,345	952,218

## 17. CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitment of approximately HK\$433,036,000 (31 December 2021: HK\$259,800,000), for acquisition of property, plant and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2022 (the “**Period**”), the Group recorded a revenue of approximately HK\$260.3 million (2021: HK\$264.9 million), representing a decrease of approximately HK\$4.6 million or 1.7% as compared to the same period in last year. The decrease in revenue was mainly due to (i) the negative impact of the ongoing COVID-19 pandemic on the business environment the average rate per server cabinet charged to the Group’s customers which led to a slight decrease in, and (ii) decrease in revenue from the provision of system integration services.

The Group recorded a profit attributable to owners of the Company of approximately HK\$40 million for the six months ended 30 June 2022 as compared to a loss attributable to the owners of the Company for the six months ended 30 June 2021 of approximately HK\$25.2 million, mainly due to the net effect of (i) the gain of approximately HK\$207 million on the disposal of the entire equity interest in an indirect non-wholly owned subsidiary of the Company completed during the Period (2021: Nil), (ii) the increase in depreciation of approximately HK\$11.5 million and finance cost of approximately HK\$30.4 million during the Period as a result of certain sale and lease arrangements completed in the fourth quarter of 2021, and (iii) the increase in cost of services provided to certain customers of the Group of approximately HK\$9.4 million due to the increase in electricity consumption during the Period.

### Other Financial Information

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
EBITDA (a)	233,206	42,707
EBITDA margin (b)	89.6%	16.1%

Note:

- (a) EBITDA is defined as profit or loss for the period excluding net interest income or expense, income tax expense or credit, depreciation and amortisation.
- (b) EBITDA margin is calculated by dividing EBITDA by revenue.

## Business Review

### *Provision of Data Centre Services*

The Group provides data centre services to its customers in mainland China through self-developed data centres and server cabinets leased from third parties.

A summary of the Group's self-developed data centres by data centre as of 30 June 2022 is set out below.

Name of data centre	Number of server cabinets		Total	Server cabinets % of total
	Available for service	Under construction (Note 1)		
Guangzhou Lotus Hill Data Centre	1,499	–	1,499	4.6
Guangzhou (Nanxiang) Cloud Data Centre	2,871	–	2,871	8.8
Blueseas Intelligence Valley Mega Data Centre (Note 2)	3,912	23,100	27,012	82.8
Shanghai Baoshan Data Centre	310	942	1,252	3.8
<b>Total</b>	<b>8,592</b>	<b>24,042</b>	<b>32,634</b>	<b>100.0</b>

Notes:

- 1) This is an estimate and is subject to change upon completion of the construction.
- 2) 3,912 server cabinets included herein are under sale and leaseback arrangements entered into with an independent third party during the year ended 31 December 2021.

Save for the above, the Group also operated an aggregate of approximately 489 server cabinets that were leased from third parties.



The Group's profitability is largely determined by the utilisation of its self-developed data centres. As of 30 June 2022, the utilisation rates of the Group's self-developed data centres were approximately 46.2% (2021: 40.4%).

During the Period, revenue from the provision of data centre services was approximately HK\$255 million (2021: HK\$258.1 million), representing a decrease of approximately HK\$3.1 million or 1.2% as compared to the same period in last year. The decrease was mainly due to the negative impact of the ongoing COVID-19 pandemic on the business environment which led to a slight decrease in the average rate per server cabinet charged to the Group's customers.

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited) HK\$'000</b>	2021 (Unaudited) HK\$'000
Self-developed data centres	<b>205,168</b>	203,760
Server cabinets leased from third parties	<b>49,845</b>	54,329
<b>Total</b>	<b>255,013</b>	258,089

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 server cabinets available for service are not fully utilised and the construction of approximately 24,000 server cabinets (including 4,200 server cabinets of Bluesea Intelligence Valley Mega Data Centre no. 6 which will be available for service in the fourth quarter of 2022) is expected to complete in the next two years, financial performance of the Group is expected to improve substantially.

## *Others*

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

During the Period, revenue from others was approximately HK\$5.3 million (2021: HK\$6.8 million), representing a decrease of approximately HK\$1.5 million or 22.1% as compared to the same period in last year which was mainly due to decrease in provision of system integration services income.

## *Disposal of the Entire Interest in a Subsidiary*

On 10 March 2022, (i) Shenzhen Pengyu Data Technology Co., Ltd\* (深圳鵬裕數據科技有限公司) (the “**Purchaser**”); (ii) GDS (Shanghai) Investment Co., Ltd.\* (萬數(上海)投資有限公司) (“**GDS (Shanghai)**”); (iii) EDSUZ (HK) Limited (“**EDSUZ**”); (iv) Guangzhou Zituo Technology Company Limited (“**Guangzhou Zituo**”), an indirect non-wholly-owned subsidiary of the Company; (v) Guangdong Bluesea Mobile Development Company Limited (“**Bluesea Mobile**”), an indirect wholly-owned subsidiary of the Company; (vi) Mr. Wang Kun (the legal representative, a director and a substantial shareholder of Guangzhou Zituo); and (vii) Shenzhen Zituo Yunqi Technology Company Limited\* (深圳市資拓雲啓科技有限公司) (“**Shenzhen Zituo**”), an indirect non-wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which Guangzhou Zituo conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in Shenzhen Zituo at a total consideration of approximately RMB475.5 million (equivalent to approximately HK\$582.2 million) (subject to adjustment) (the “**Disposal**”). Bluesea Mobile and Mr. Wang agreed to provide warranties and undertakings in relation to Shenzhen Zituo under the Sale and Purchase Agreement and EDSUZ and GDS (Shanghai) agreed to guarantee the payment obligations of the Purchaser under the Sale and Purchase Agreement.

The Directors are of the view that the Disposal provides the Group with an opportunity to realise a capital gain of considerable size to provide immediate cash for the Group’s business development, particularly the remaining portion of Bluesea Intelligence Valley Mega Data Centre.

During the Period, the Disposal completed and contributed a gain of HK\$207 million to the Group.

## ***Sale and Lease Transactions***

On 20 June 2022, Guangdong Bluesea Data Development Company Limited\* (廣東蔚海數據發展有限公司) (“**Bluesea Data**”), an indirect wholly owned subsidiary of the Company, and KDCR Guangdong Co., Ltd\* (吉寶數據(廣東)有限公司) (“**KDCR**”) entered into sale and lease agreements pursuant to which (i) KDCR would purchase from Bluesea Data premises located at the Group’s Bluesea Intelligence Valley in Heshan, Guangdong Province and the facilities and equipment that are built and installed therein (collectively, the “**Subject Assets**”) in an aggregate consideration of RMB1,520,000,000 (equivalent to approximately HK\$1,767,760,000) (inclusive of VAT); and (ii) KDCR agreed to lease the Subject Assets to Bluesea Data for its operation at an initial monthly payment of RMB10,500,000 (equivalent to approximately HK\$12,212,000) (inclusive of VAT and subject to adjustment).

For details of the above transactions, please refer to the Company’s announcement dated 23 June 2022.

As of the date of this report, the above sale and lease transactions have not been completed but have been approved by the shareholders of the Company at an extraordinary general meeting held on 2 August 2022.

\* For identification purpose only



## Business Prospects

Year 2022 started with some significant events that may impact the Chinese economy, such as the resurgence of domestic COVID-19 cases and geopolitical tension that would inflate energy prices. Growth of the Chinese economy is expected to slow down in 2022.

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.

We have seen that the operations of two new data centres namely Bluesea Intelligence Valley Mega Data Centre in Heshan, Jiangmen, Guangdong province and Shanghai Baoshan Data Centre, have commenced since 2021. In particular, Bluesea Intelligence Valley Mega Data Centre will provide over 23,000 server cabinets (including 4,200 server cabinets of data centre no.6 which will be available for service in the fourth quarter of 2022) with excellent infrastructures upon completion of its construction. The launch of these data centres will increase the capacity of the Group in terms of number of self-developed server cabinets by approximately 2 times (compared to the number of the Group's server cabinets available for service as at 30 June 2022) which will provide our customers ample room for growth.

## Share Capital

As at 30 June 2022, 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, the Group generally financed its operations with internally generated resources and bank borrowings. As at 30 June 2022, the Group had total assets of approximately HK\$4,231 million (31 December 2021: HK\$4,439.2 million) and total liabilities of approximately HK\$3,082.8 million (31 December 2021: HK\$3,380.9 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 72.9% as at 30 June 2022 (31 December 2021: 76.2%).

As at 30 June 2022, the Group had current assets of approximately HK\$797 million (31 December 2021: HK\$415.9 million), including cash and equivalents of approximately HK\$116.6 million (31 December 2021: HK\$20.2 million), and accounts receivable, prepayments, deposits and other receivables and other financial assets of approximately HK\$674.2 million (31 December 2021: HK\$387.4 million); and current liabilities of approximately HK\$2,495.8 million (31 December 2021: HK\$2,527.3 million). The Group's current ratio had been increased from approximately 0.16 times as at 31 December 2021 to approximately 0.32 times as at 30 June 2022.

## Charges on the Group's Assets

As at 30 June 2022, bank loans of approximately HK\$941.4 million (31 December 2021: HK\$1,263.4 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$978 million (31 December 2021: properties, plant and equipment of the Group with net book value of approximately HK\$980.0 million and equity interest of a subsidiary of the Company with carrying value of approximately HK\$120 million).

As at 30 June 2022, other loans of approximately HK\$312.2 million (31 December 2021: HK\$355.5 million) were secured by certain properties, plant and equipment of the Group with net book value of approximately HK\$458.9 million (31 December 2021: HK\$463.9 million), accounts receivable with carrying value of approximately HK\$33.2 million (31 December 2021: HK\$37.5 million) and equity interest of a subsidiary of the Company with carrying value of approximately HK\$102 million (31 December 2021: HK\$106.6 million).

Except for the aforesaid, there were no material charges on the Group's assets as at 30 June 2022.



## Foreign Exchange Exposure and Treasury Policies

Most of the Group's cash balances and income are 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 2022. 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 2022, the Group had approximately 238 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 2022 are set out in Note 3 to the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2022, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

## Long positions in the securities of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	2,275,252,000	23.89%
	Interest in controlled corporations (Note)	2,091,923,357	21.97%

Note: 2,055,887,357 shares and 36,036,000 shares are held by Winner Mind Investments Limited (“Winner Mind”) and Golden Ocean Assets Management Limited respectively, both companies are wholly-owned by Dr. LIE Haiquan. Thus, he was deemed to be interested in these 2,091,923,357 shares pursuant to the SFO.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 30 June 2022.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## SHARE OPTION SCHEMES

On 19 December 2012, the Company adopted a new share option scheme as the share option scheme adopted on 22 July 2002 expired on 21 July 2012. The purpose of the share option scheme 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 scheme include directors of the Company or any of its subsidiaries, independent non-executive Directors, employees of the Group, and suppliers of goods or services to the Group.

During the six months ended 30 June 2022, no share option was granted, exercised or cancelled and there is no outstanding share option as at 30 June 2022.

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

So far is known to the Directors, as at 30 June 2021, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares of the Company

Name	Nature of interests	Number of shares/underlying shares held	Approximate percentage of shareholding
Winner Mind (Note 1)	Beneficial owner	2,055,887,357	21.59%
Mr. YAN Wai Ping	Beneficial owner	504,832,000	5.30%
	Interest of spouse (Note 2)	106,702,000	1.12%

Note:

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



## 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 Corporate Governance Code in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. The Company has complied with the Code throughout the Period, with the exception for the following deviations:

Under code provision C.3.3, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Dr. LIE Haiquan and 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 F.2.2, 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 28 June 2022 (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 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 2022.

## **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 2022.

## **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 2022.

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal controls systems of the Group. The Audit Committee has reviewed the Company’s unaudited financial statements for the six months ended 30 June 2022 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

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

Hong Kong, 8 August 2022

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

*This report will remain on the “Latest Listed Company Information” page of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its posting and on the website of the Company at [www.neo-telemedia.com](http://www.neo-telemedia.com).*