



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 2022

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.

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*This announcement, for which the directors (the “**Directors**”) of Neo Telemedia Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the 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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	532,358	615,174
Cost of sales		(472,289)	(498,290)
Gross profit		60,069	116,884
Other income and gains		72,847	37,879
Gain on disposal of a subsidiary		199,986	–
Selling and marketing costs		(29,378)	(32,914)
Administrative and other expenses		(131,983)	(144,993)
Net change in impairment losses under expected credit loss model		(16,915)	8,589
Impairment loss recognised in respect of goodwill		(36,246)	–
Finance costs		(112,380)	(46,909)
Profit/(loss) before tax	7	6,000	(61,464)
Income tax	6	(11,573)	(9,892)
Loss for the year		(5,573)	(71,356)
Other comprehensive (loss)/income 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		(79,120)	28,622
Reclassification of cumulative translation reserve upon disposal of foreign operations during the year		751	–
Other comprehensive (loss)/income for the year, net of tax		(78,369)	28,622
Total comprehensive loss for the year		(83,942)	(42,734)

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(55,657)	(62,667)
Non-controlling interests		50,084	(8,689)
		<u>(5,573)</u>	<u>(71,356)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(121,656)	(34,906)
Non-controlling interests		37,714	(7,828)
		<u>(83,942)</u>	<u>(42,734)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Basic and diluted loss per share	<i>8</i>	<u>(0.58)</u>	<u>(0.66)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current Assets			
Property, plant and equipment		1,765,779	3,030,457
Right-of-use assets		1,157,302	773,920
Goodwill		50,859	116,047
Intangible assets		62,375	81,803
Prepayment for property, plant and equipment		76,849	14,510
Deferred tax assets		6,053	6,645
		<u>3,119,217</u>	<u>4,023,382</u>
Current Assets			
Inventories		330	2,276
Accounts receivable	10	146,929	142,660
Prepayments, deposits and other receivables		552,765	244,722
Cash and cash equivalents		17,607	20,198
		<u>717,631</u>	<u>409,856</u>
Assets held for sale		5,574	5,994
		<u>723,205</u>	<u>415,850</u>
Current Liabilities			
Accounts payable	11	129,439	147,271
Other payables and accruals		377,437	383,818
Contract liabilities		20,669	59,673
Lease liabilities		317,463	43,135
Borrowings		927,706	1,841,800
Tax liabilities		52,149	51,616
		<u>1,824,863</u>	<u>2,527,313</u>
Net Current Liabilities		<u>(1,101,658)</u>	<u>(2,111,463)</u>
Total Assets less Current Liabilities		<u>2,017,559</u>	<u>1,911,919</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current Liabilities		
Deferred tax liabilities	15,594	20,451
Lease liabilities	990,498	824,402
Other payables	3,251	8,778
	<u>1,009,343</u>	<u>853,631</u>
Net Assets	<u>1,008,216</u>	<u>1,058,288</u>
Capital and Reserves		
Share capital	952,218	952,218
Reserves	(70,319)	51,337
	<u>881,899</u>	<u>1,003,555</u>
Equity attributable to owners of the Company	881,899	1,003,555
Non-controlling interests	126,317	54,733
	<u>1,008,216</u>	<u>1,058,288</u>
Total Equity	<u>1,008,216</u>	<u>1,058,288</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 GEM of the Stock Exchange, 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 the provision of data centre services.

2. APPLICATION OF 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 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 Group’s annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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 application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial position and performance 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(including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

3. BASIS OF PREPARATION

These 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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing rules**”) and the Hong Kong Companies Ordinance.

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 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 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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\$5,573,000 (2021: HK\$71,356,000) for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK\$1,101,658,000 (2021: HK\$2,111,463,000). 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\$1,008,216,000 (2021: HK\$1,058,288,000) as at 31 December 2022, the Group should be able to secure additional loan facilities, if necessary;
- (iii) bank loans with carrying amount of approximately HK\$486,781,000 (2021: HK\$1,116,462,000) as at 31 December 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 liability as at 31 December 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;
- (iv) other loans with carrying amount of approximately HK\$227,424,000 (2021: HK\$407,887,000) as at 31 December 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 liability as at 31 December 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;

- (v) as at 31 December 2022, there were unutilised banking facilities of approximately HK\$998,363,000 (2021: HK\$1,244,246,000) 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 2022.

4. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision of data centre services	484,357	604,732
Others (<i>Note</i>)	48,001	10,442
	<u>532,358</u>	<u>615,174</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregation by timing of revenue recognition:		
At a point in time	94	511
Over time	528,864	609,353
Revenue from other source	3,400	5,310
	<u>532,358</u>	<u>615,174</u>

The Group has applied the practical expedient under HKFRS 15.121 to which the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue from provision of data centre services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

5. SEGMENT INFORMATION

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

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

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		Others		Consolidated	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>484,357</u>	<u>604,732</u>	<u>48,001</u>	<u>10,442</u>	<u>532,358</u>	<u>615,174</u>
Segment results	<u>(241,511)</u>	<u>(60,129)</u>	<u>(2,931)</u>	<u>(9,126)</u>	<u>(244,442)</u>	<u>(69,255)</u>
Interest income					551	1,024
Gain on disposal of a subsidiary					199,986	–
Gain from sale and leaseback transaction					62,018	33,330
Other income and gains					10,278	3,525
Unallocated corporate expenses					<u>(22,391)</u>	<u>(30,088)</u>
Profit/(loss) before tax					6,000	(61,464)
Income tax					<u>(11,573)</u>	<u>(9,892)</u>
Loss for the year					<u>(5,573)</u>	<u>(71,356)</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 described in Note 3 to the consolidated financial statements. Segment results represent the profit or loss from each segment without allocation of interest income, central administration costs, directors' emoluments, gain on disposal of a subsidiary, gain from sale and leaseback transaction, other income and gains and income tax. 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		Others		Consolidated	
	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment asset	3,725,287	4,270,500	100,571	156,080	3,825,858	4,426,580
Unallocated corporate assets					16,564	12,652
Consolidated assets					3,842,422	4,439,232
Segment liabilities	2,758,542	3,273,547	58,168	78,221	2,816,710	3,351,768
Unallocated corporate liabilities					17,496	29,176
Consolidated liabilities					2,834,206	3,380,944

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

Other Segment Information

	Provision of data centre services		Others		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount included in the measure of segment result								
Addition to non-current assets*	191,125	892,056	33	301	-	9	191,158	892,366
Depreciation of property, plant and equipment	55,498	63,731	201	1,222	960	1,204	56,659	66,157
Depreciation of right-of-use assets	65,062	28,121	298	1,566	1,288	1,245	66,648	30,932
Impairment loss recognised in respect of goodwill	36,246	-	-	-	-	-	36,246	-
Amortisation of intangible assets	19,428	19,428	-	-	-	-	19,428	19,428
Net change in impairment losses under expected credit loss model	12,092	(8,703)	3,323	122	1,500	(8)	16,915	(8,589)

* Additions to non-current assets included property, plant and equipment.

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		Others		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	542	1,020	5	3	4	1	551	1,024
Income tax expenses/(credit)	11,578	9,911	-	-	(5)	(19)	11,573	9,892

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	79,823	149,654
Customer B ^{1,2}	65,498	-
Customer C ^{1,2}	62,667	-
	<u>207,988</u>	<u>149,654</u>

¹ Provision of data centre services.

² No information on revenue is disclosed for this customer since it contributed less than 10% to the Group's revenue for the year ended 31 December 2021.

Geographical information

The Group's operations are mainly located in 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*	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Hong Kong	–	–	545	1,837
The PRC (excluding Hong Kong)	<u>532,358</u>	<u>615,174</u>	<u>3,112,619</u>	<u>4,014,900</u>
	<u>532,358</u>	<u>615,174</u>	<u>3,113,164</u>	<u>4,016,737</u>

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

6. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits tax		
– Current tax	–	–
– Over provision for prior year	–	(20)
	<u>–</u>	<u>(20)</u>
PRC Enterprise Income tax		
– Current tax	<u>18,811</u>	<u>15,321</u>
	<u>18,811</u>	<u>15,321</u>
Deferred tax	<u>(7,238)</u>	<u>(5,409)</u>
Total income tax expense	<u>11,573</u>	<u>9,892</u>

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 years ended 31 December 2022 and 2021.

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. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs, including Directors' remuneration		
– Salaries, wages and other benefits	49,054	50,793
– Contributions to retirement benefits schemes	3,758	4,260
	<u>52,812</u>	<u>55,053</u>
Total staff costs		
	<u>52,812</u>	55,053
Depreciation of property, plant and equipment	56,659	66,157
Depreciation of right-of-use assets	66,648	30,932
Amortisation of intangible assets*	19,428	19,428
	<u>142,735</u>	<u>116,517</u>
Total depreciation and amortisation		
	<u>142,735</u>	116,517
Auditors' remuneration		
– audit service	1,050	830
– non-audit service	238	168
Expenses relating to short term leases and low value leases	863	607
Cost of inventories recognised as expense (including write-down of inventories amounting to approximately HK\$1,912,000)	1,912	477
	<u>1,912</u>	<u>477</u>

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

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:

	2022 <i>HK\$'000</i>	2021 <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>(55,657)</u>	<u>(62,667)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
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>

No diluted loss per share for the year ended 31 December 2022 and 2021 was presented as there were no potential ordinary shares in issue for the years.

9. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

10. ACCOUNTS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivable	174,860	165,430
Less: allowance for ECL	<u>(27,931)</u>	<u>(22,770)</u>
	<u>146,929</u>	<u>142,660</u>

The Group allows an average credit period of 90 days (2021: 90 days) to its trade customers. The following is an ageing analysis of accounts receivable, net of accumulated allowance for ECL, presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	37,448	31,351
31 to 60 days	8,658	14,338
61 to 90 days	15,878	12,361
91 to 180 days	9,923	40,479
Over 180 days	<u>75,022</u>	<u>44,131</u>
	<u>146,929</u>	<u>142,660</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	54,217	38,002
31 to 60 days	9,387	26,946
61 to 90 days	9,591	16,126
Over 90 days	56,244	66,197
	<u>129,439</u>	<u>147,271</u>

The average credit period on purchases of goods is 90 days (2021: 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

REVIEW AND ANALYSIS

During the year ended 31 December 2022, the Group was mainly engaged in the provision of data centre services.

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 31 December 2022 is set out below.

Name of data centre	Number of server cabinets			Server cabinets % of total
	Available for service	Under construction (Note 1)	Total	
Guangzhou Lotus Hill Data Centre	1,499	–	1,499	4.6
Guangzhou (Nanxiang) Cloud Data Centre	2,871	–	2,871	8.8
Blueseas Intelligence Valley Mega Data Centre (Note 2)	8,112	18,900	27,012	82.8
Shanghai Baoshan Data Centre	310	942	1,252	3.8
Total	<u>12,792</u>	<u>19,842</u>	<u>32,634</u>	<u>100.0</u>

Notes

1. This is an estimate and is subject to change upon completion of the construction.
2. 3,912 and 4,200 server cabinets included herein are under sale and leaseback arrangements entered into with an independent third party during the year ended 31 December 2021 and 31 December 2022, respectively.

Save for the above, the Group also operated an aggregate of approximately 495 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 31 December 2022, based on the number of server cabinets available for service, the utilisation rate of the Group's self-developed data centres was approximately 28.9% (2021: 57.6%). The decrease in the utilisation rate is mainly due to the increase in the number of server cabinets available for service from 4,680 as at 31 December 2021 to 12,792 as at 31 December 2022.

During the year under review, the business and operation environment of the Group remained challenging due to the ongoing COVID-19 pandemic. Since the first quarter of 2022, a new wave of COVID-19 has emerged in mainland China. Local government of major provinces, including Guangdong province, imposed measures, such as logistics constraints on movement of goods and people, for prevention and control of the pandemic. There were challenges in achieving scheduled delivery of data centre capacity and the Group's customers have delayed to house their servers and data storage in the Group's data centres. As a result, most enterprises, including the Group and its customers, will take a more conservative approach to their business expansion plan. This has fundamentally changed the business environment as well as the landscape of the data centre industry and will have an impact on the Group's financial performance over the next couple of years. For the year ended 31 December 2022, based on the updated business valuation of Guangdong Bluesea Mobile Development Company Limited* (廣東蔚海移動發展有限公司) and its subsidiaries (collectively referred to as “**Bluesea Mobile Group**”), the Group has recognised impairment loss of approximately HK\$36.2 million on goodwill arose from the acquisition of Bluesea Mobile Group in 2015.

The recoverable amount of Bluesea Mobile Group's cash generating unit (including Guangzhou Lotus Hill Data Centre and Bluesea Intelligence Valley Mega Data Centre) is determined based on value-in-use calculation. Such calculation is based on: 1) the cash flow forecast prepared by Bluesea Mobile Group covering a five-year period, and 2) a discount rate of 12.46% (2021: 11.82%) per annum which reflects current market assessments of time value of money and the credit risk specific to the cash generating unit.

Given the aforesaid factors and the results of the annual review of the existing business by Bluesea Mobile Group's management, a prudent and cautious approach towards revenue and gross profit margin applied on the five-year cash flow forecast has been adopted. The average service fee per server cabinet and the average gross profit margin (excluding depreciation) of the five-year cash flow forecast adopted for the year ended 31 December 2022 decreased by approximately 16.23% and 20.47%, respectively, compared with that of the five-year cash flow forecast adopted for the year ended 31 December 2021.

Other than the aforesaid revision on the five-year cash flow forecast, key assumptions and valuation method have substantially remained the same for the value-in-use calculation as at 31 December 2022 and 31 December 2021.

During the year under review, revenue from the provision of data centre services was approximately HK\$484.4 million (2021: HK\$604.7 million), representing a decrease of approximately HK\$120.3 million or 19.9% 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 decrease in the average rate per server cabinet charged to the Group's customers and the utilisation rate of the Group's self-developed data centres, and the revenue is analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Self-developed data centres	390,600	493,665
Server cabinets leased from third parties	93,757	111,067
	<hr/>	<hr/>
Total	484,357	604,732
	<hr/> <hr/>	<hr/> <hr/>

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 4,000 server cabinets is expected to complete in 2023, financial performance of the Group is expected to improve over the next few years.

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 year under review, revenue from others was approximately HK\$48 million (2021: HK\$10.4 million), representing an increase of 361.5% year-on-year which was mainly due to the completion of several system integration services contracts.

SALE AND LEASE TRANSACTION

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 million (equivalent to approximately HK\$1,767.8 million) (inclusive of VAT); and (ii) KDCR agreed to lease the Subject Assets to Bluesea Data for its operation at an initial monthly payment of RMB10.5 million (equivalent to approximately HK\$12.2 million) (inclusive of VAT and subject to adjustment).

For details of the above transactions, please refer to the Company's announcement dated 23 June 2022 and the Company's circular dated 18 July 2022.

The above sale and lease transactions have been approved by the shareholders of the Company at an extraordinary general meeting held on 2 August 2022 and one of these sale and lease transactions completed and contributed a gain of disposal of approximately HK\$62 million to the Group during the year ended 31 December 2022.

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 which owns Shenzhen Guanlan Flagship Data Centre, 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 RMB462.8 million (equivalent to approximately HK\$538.4 million) (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 year ended 31 December 2022, the Disposal completed and contributed a gain of approximately HK\$200 million to the Group.

PROSPECTS

With the pick-up of the Chinese economy as a result of the lifting of the COVID-19 epidemic prevention and containment measures, and the rapid growth in data traffic and accelerating trend of digitalisation, demand for high quality data centres in mainland China will continuously increase over the next few years. Thus, we are cautiously optimistic about the outlook of the Group for the coming years.

Increase the Group’s revenue growth and utilisation rate of its data centres will continue to be our top priorities for 2023. The Group has always committed to providing first-class data centre services to support our customers’ operational needs. Our Bluesea Intelligence Valley Mega Data Centre has put more than 8,000 server cabinets available for service during the year ended 31 December 2022. With the construction of an additional 4,000 server cabinets expected to be completed in 2023, over 12,000 server cabinets in Bluesea Intelligence Valley Mega Data Centre will be available for service by 2023 and the occupation of these server cabinets have been committed by two of the major telecommunication operators in mainland China. Together with the growing capacity of data centres in other locations, the Group will be able to provide our customers ample room for growth.

FINANCIAL PERFORMANCE

	2022	2021
Revenue (<i>HK\$'000</i>)	532,358	615,174
Net loss (<i>HK\$'000</i>)	(5,573)	(71,356)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(55,657)	(62,667)
Basic loss earnings per share (<i>HK Cents</i>)	(0.58)	(0.66)

For the year under review, the Group recorded a revenue of approximately HK\$532.4 million (2021: HK\$615.2 million), representing a decrease of approximately HK\$82.8 million or 13.5% as compared to the year ended 31 December 2021. The decrease in revenue was mainly due to the net effect of (i) the negative impact of the ongoing COVID-19 pandemic on the business environment which led to a decrease in the average rate per server cabinet charged to the Group's customers and the utilisation rate of the Group's self-developed data centres, and (ii) the completion of several system integration services contracts during the year under review that led to an increase in revenue.

The Group recorded a loss attributable to owners of the Company of approximately HK\$55.7 million for the year ended 31 December 2022 (2021: HK\$62.7 million), representing a decrease of approximately HK\$7 million or 11.2% year-on-year. The decrease was mainly due to the net effect of (i) the gain of approximately HK\$200 million on the disposal of the entire equity interest in an indirect non-wholly owned subsidiary of the Company completed during the year under review (2021: Nil), (ii) the gain of approximately HK\$62 million (2021: HK\$33.3 million) arising from sale and lease transactions completed during the year under review, (iii) the increase in depreciation of approximately HK\$26.3 million and finance cost of approximately HK\$65.5 million during the year as a result of certain sale and lease arrangements completed in the fourth quarter of 2021 and in the third quarter of 2022, (iv) the decrease in the average rate per server cabinet charged to the Group's customers and the utilisation rate of the Group's self-developed data centres due to the negative impact of the ongoing COVID-19 pandemic on the business environment, and (v) impairment loss recognised in respect of goodwill of approximately HK\$36.2 million (2021: Nil).

Other Financial Information

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
EBITDA (a)	260,564	100,939
EBITDA margin (b)	48.9%	16.4%

Note:

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

FINANCIAL POSITION

As at 31 December 2022, the Group had interest-bearing borrowings of approximately HK\$927.7 million (2021: HK\$1,841.8 million), which are analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans		
Short-term bank borrowing, unsecured and guaranteed	11,281	–
Portion of bank loans, secured and guaranteed		
– repayable within one year	69,378	98,205
– repayable after one year which contain a repayment on demand clause	477,756	915,079
Portion of bank loans, unsecured and guaranteed		
– repayable within one year	2,256	5,388
– repayable after one year which contain a repayment on demand clause	9,025	–
Portion of bank loans, secured and unguaranteed		
– repayable within one year	–	48,782
– repayable after one year which contain a repayment on demand clause	–	201,383
Total bank loans	569,696	1,268,837
Other loans		
Portion of other loans, secured and guaranteed		
– repayable within one year	79,155	70,083
– repayable after one year which contain a repayment on demand clause	183,621	285,437
Portion of other loans, unsecured and unguaranteed		
– repayable within one year	51,431	94,993
– repayable after one year which contain a repayment on demand clause	43,803	122,450
Total other loans	358,010	572,963
Total borrowings	927,706	1,841,800

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts of bank loans that are repayable:		
– within 1 year	82,915	152,375
– between 1 and 2 years	217,836	167,131
– between 2 and 5 years	218,099	623,516
– beyond 5 years	50,846	325,815
	<hr/>	<hr/>
Total bank loans	569,696	1,268,837
	<hr/>	<hr/>
Amounts of other loans that are repayable:		
– within 1 year	130,586	165,076
– between 1 and 2 years	97,543	113,110
– between 2 and 5 years	108,026	209,268
– beyond 5 years	21,855	85,509
	<hr/>	<hr/>
Total other loans	358,010	572,963
	<hr/>	<hr/>
Total borrowings	927,706	1,841,800
	<hr/> <hr/>	<hr/> <hr/>

The borrowings are denominated in Renminbi and bear interest from 3.85% to 8% (2021: 4.6% to 8%) per annum.

As at 31 December 2022, the Group had current assets of approximately HK\$723.2 million (2021: HK\$415.9 million), including cash and cash equivalents of approximately HK\$17.6 million (2021: HK\$20.2 million), accounts receivable, prepayments, deposits and other receivables and other financial assets of approximately HK\$699.7 million (2021: HK\$387.4 million); and current liabilities of approximately HK\$1,824.9 million (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 0.4 times as at 31 December 2022.

The Group had total assets of approximately HK\$3,842.4 million (2021: HK\$4,439.2 million) and total liabilities of approximately HK\$2,834.2 million (2021: HK\$3,380.9 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 73.8% as at 31 December 2022 (2021: 76.2%).

The Group has always pursued an effective 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 2022, total available banking facilities of the Group of approximately HK\$1,568.1 million, which were mainly granted by (i) China Construction Bank Corporation (“CCB”); and (ii) Xiamen International Bank (“XMBANK”) 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 2022 <i>HK\$'million</i>
CCB	Construction of Bluesea Intelligence Valley Mega Data Centre	August 2028	1,376.3	981.4
XMBANK	Construction of Bluesea Intelligence Valley MegaData Centre	October 2024	169.2	16.9
Others	General working capital	May 2024	22.6	–
			1,568.1	998.3

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\$486.8 million drawn from the aforesaid banking facilities are classified as current liabilities in the consolidated statement of financial position as at 31 December 2022.

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 2022. 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 2022, the Group had approximately 246 staff (2021: 243). The total remuneration, including that of the Directors, for the year under review is approximately HK\$52.8 million (2021: HK\$55.1 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.

DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2022 and 2021, 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 Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. The Board has adopted the new Corporate Governance Code (version with effect from 1 January 2022), the requirements under which apply to the Company's corporate governance report with effect from the year ended 31 December 2022.

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 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 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 year ended 31 December 2022.

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 2022.

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 2022:

“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 2022, 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\$5,573,000 during the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$1,101,658,000. 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 2022 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 Friday, 12 May 2023 (the “**2023 AGM**”), the register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 May 2023.

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

Hong Kong, 23 March 2023

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 Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.