



Neo Telemedia Limited
中國新電信集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8167)

INTERIM RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017

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

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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 the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to Neo Telemedia Limited. 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 herein or this announcement misleading.*

UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2017 together with comparative unaudited figures for the corresponding periods of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2017

		For the six months ended 30 June		For the three months ended 30 June	
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	3	291,665	1,753,076	143,958	676,868
Cost of sales		(213,644)	(1,693,766)	(91,572)	(638,796)
Gross profit		78,021	59,310	52,386	38,072
Other income and gains		17,413	5,957	15,939	72
Gain on disposal of subsidiaries	20	8,960	143,229	7,868	–
Change in fair value of contingent consideration payable		(2,152)	–	(2,152)	–
Selling and marketing costs		(12,842)	(8,130)	(6,902)	(5,302)
Administrative and other expenses		(68,300)	(44,677)	(36,948)	(19,394)
Finance costs	4	(1,394)	(4,800)	(889)	(623)
Profit before tax	5	19,706	150,889	29,302	12,825
Income tax (expense)/credit	6	(2,123)	535	(2,948)	(1,184)
Profit for the period		17,583	151,424	26,354	11,641
Profit for the period attributable to:					
Owners of the Company		11,719	145,475	20,327	3,912
Non-controlling interests		5,864	5,949	6,027	7,729
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8				
– basic		0.12	1.53	0.21	0.04
– diluted		0.12	1.52	0.21	0.04

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six and three months ended 30 June 2017

	For the six months ended 30 June		For the three months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Profit for the period	17,583	151,424	26,354	11,641
Other comprehensive income/(loss) for the period, net of tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations	27,940	(6,402)	21,585	(15,625)
Reclassification adjustment relating to disposal of foreign operations during the period	(2,275)	(2,353)	(2,250)	–
Other comprehensive income/(loss) for the period, net of tax	25,665	(8,755)	19,335	(15,625)
Total comprehensive income/(loss) for the period	43,248	142,669	45,689	(3,984)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	35,699	137,099	38,303	(10,911)
Non-controlling interests	7,549	5,570	7,386	6,927

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	449,090	414,662
Interest in an associate		–	–
Goodwill	10	196,448	195,139
Intangible assets		299,130	317,058
Prepaid land lease payments		41,127	–
Prepayment for property, plant and equipment		92,128	–
Note receivable	12	66,048	–
Total non-current assets		1,143,971	926,859
Current assets			
Inventories		13,511	26,033
Trade receivables	11	189,787	192,956
Prepayments, deposits and other receivables		200,606	239,239
Note receivable	12	–	65,200
Loan receivables	13	91,200	165,000
Financial assets at fair value through profit or loss		23,032	48,631
Pledged bank deposits		20,000	–
Cash and cash equivalents		177,280	188,882
Total current assets		715,416	925,941
Current liabilities			
Trade payables	14	44,045	30,353
Other payables and accruals	15	53,539	59,101
Receipts in advances		5,086	2,029
Bank borrowings	16	57,580	55,897
Contingent consideration payable		26,502	20,000
Tax liabilities		44,493	39,613
Total current liabilities		231,245	206,993

		30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
	<i>Notes</i>		
Net current assets		484,171	718,948
Total assets less current liabilities		1,628,142	1,645,807
Non-current liabilities			
Contingent consideration payable		–	24,350
Deferred tax liabilities	17	69,780	73,950
Total non-current liabilities		69,780	98,300
Net assets		1,558,362	1,547,507
Capital and reserves			
Share capital	18	952,884	952,884
Reserves		489,011	489,522
Equity attributable to owners of the Company		1,441,895	1,442,406
Non-controlling interests		116,467	105,101
Total equity		1,558,362	1,547,507

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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	Convertible notes reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2016 (audited)	952,884	1,832,493	15,040	7,131	(5,711)	7,375	(1,519,139)	1,290,073	28,787	1,318,860
Profit for the period	–	–	–	–	–	–	145,475	145,475	5,949	151,424
Other comprehensive income/(expense):										
Exchange differences on translation of foreign operations	–	–	–	–	(6,023)	–	–	(6,023)	(379)	(6,402)
Reclassification adjustment relating to disposal of foreign operations during the period	–	–	–	–	(2,353)	–	–	(2,353)	–	(2,353)
Total comprehensive income for the period	–	–	–	–	(8,376)	–	145,475	137,099	5,570	142,669
Disposal of subsidiaries	–	–	–	–	–	–	–	–	4,155	4,155
Redemption of convertible notes	–	–	–	(713)	–	–	713	–	–	–
Release of reserve upon maturity of convertible notes	–	–	–	(6,418)	–	–	6,418	–	–	–
Non-controlling interest arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	4,227	4,227
At 30 June 2016 (unaudited)	<u>952,884</u>	<u>1,832,493</u>	<u>15,040</u>	<u>–</u>	<u>(14,087)</u>	<u>7,375</u>	<u>(1,366,533)</u>	<u>1,427,172</u>	<u>42,739</u>	<u>1,469,911</u>
At 1 January 2017 (audited)	952,884	1,832,493	15,040	–	(45,387)	7,375	(1,319,999)	1,442,406	105,101	1,547,507
Profit for the period	–	–	–	–	–	–	11,719	11,719	5,864	17,583
Other comprehensive income/(loss):										
Exchange difference on translation of foreign operations	–	–	–	–	26,255	–	–	26,255	1,685	27,940
Reclassification adjustment relating to disposal of foreign operations during the period	–	–	–	–	(2,275)	–	–	(2,275)	–	(2,275)
Total comprehensive income for the period	–	–	–	–	23,980	–	11,719	35,699	7,549	43,248
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(5,491)	(5,491)
Release of reserve upon disposal of subsidiaries	–	–	–	–	–	(6,345)	6,345	–	–	–
Final dividend for 2016	–	(36,210)	–	–	–	–	–	(36,210)	–	(36,210)
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	9,308	9,308
At 30 June 2017 (unaudited)	<u>952,884</u>	<u>1,796,283</u>	<u>15,040</u>	<u>–</u>	<u>(21,407)</u>	<u>1,030</u>	<u>(1,301,935)</u>	<u>1,441,895</u>	<u>116,467</u>	<u>1,558,362</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2017*

	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	<u>241,801</u>	<u>16,004</u>
INVESTING ACTIVITIES		
Disposal of subsidiaries	1,081	57,285
Acquisition of subsidiaries	(1,379)	(124,343)
Other cash flows arising from investing activities	<u>(266,063)</u>	<u>(283,055)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(266,361)</u>	<u>(350,113)</u>
NET CASH FLOWS GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	<u>7,914</u>	<u>(97,525)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,646)	(431,634)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	188,882	1,111,947
Effect on foreign exchange rate changes	<u>5,044</u>	<u>(564)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>177,280</u></u>	<u><u>679,749</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:		
Bank balance and cash	<u><u>177,280</u></u>	<u><u>679,749</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months and six months ended 30 June 2017

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 the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at Room 1906-8, 19th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

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

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

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 GEM Listing Rules.

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 are the same as those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2016. In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the current period.

The application of the new or revised HKFRSs has had no material effect on the Group’s financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover 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.

An analysis of the Group's turnover for the period is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sale of telecommunication products and services	245,455	1,709,757	110,129	646,119
Internet finance platform	43,332	40,988	31,547	28,504
Others	2,878	2,331	2,282	2,245
	<u>291,665</u>	<u>1,753,076</u>	<u>143,958</u>	<u>676,868</u>

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

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

- Sale of telecommunication products and services
- Internet finance platform

(a) Segment revenues and results

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

	Sale of telecommunication products and services For the six months ended 30 June		Internet finance platform For the six months ended 30 June		Others For the six months ended 30 June		Total For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	<u>245,455</u>	<u>1,709,757</u>	<u>43,332</u>	<u>40,988</u>	<u>2,878</u>	<u>2,331</u>	<u>291,665</u>	<u>1,753,076</u>
Segment results	<u>1,575</u>	<u>(3,034)</u>	<u>8,714</u>	<u>29,138</u>	<u>(343)</u>	<u>(3,952)</u>	<u>9,946</u>	<u>22,152</u>
Other income and gains							11,516	–
Interest income							2,690	5,837
Gain on disposal of subsidiaries							8,960	143,229
Unallocated corporate expenses							(13,406)	(15,529)
Unallocated finance costs							–	(4,800)
Profit before tax							19,706	150,889
Income tax (expense)/credit							(2,123)	535
Profit for the period							<u>17,583</u>	<u>151,424</u>

(b) **Segment assets and liabilities**

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

	Sale of telecommunication products and services		Internet finance platform		Others		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Segment assets	1,599,741	1,426,302	89,300	130,760	61,240	201,025	1,750,281	1,758,087
Unallocated corporate assets							109,106	94,713
Total assets							1,859,387	1,852,800
Segment liabilities	219,116	272,828	35,139	23,432	7,237	6,459	261,492	302,719
Unallocated corporate liabilities							39,533	2,574
Total liabilities							301,025	305,293

Note: Others represent other reporting segments that are not reportable segments under HKFRS 8, which include logistics related business and cross-border e-commerce business.

4. FINANCE COSTS

	For the six months ended 30 June		For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Effective interest on convertible notes	–	2,800	–	92
Interest on short-term loans	1,394	2,000	889	531
	1,394	4,800	889	623

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Interest income	(2,690)	(5,837)	(2,662)	(2,298)
Depreciation of items of property, plant and equipment	6,141	1,218	4,800	486
Amortisation of intangible assets	17,866	13,438	8,933	4,416

6. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June		For the three months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Current tax:				
– Hong Kong	250	–	250	–
– PRC	6,043	2,229	4,783	2,102
Deferred tax (<i>Note 17</i>)	(4,170)	(2,764)	(2,085)	(918)
Total income tax expense/ (credit) for the period	2,123	(535)	2,948	1,184

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

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

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

7. DIVIDEND

A final dividend for the year ended 31 December 2016 of 0.38 HK cent per ordinary share, in an aggregate amount of approximately HK\$36,210,000, was recognised during the six months ended 30 June 2017 and paid in July 2017.

The Directors resolved not to declare any dividend for the six months ended 30 June 2017 (2016: Nil).

8. EARNINGS PER SHARE

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

	For the six months ended 30 June		For the three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit attributable to owners of the Company	<u>11,719</u>	<u>145,475</u>	<u>20,327</u>	<u>3,912</u>
	For the six months ended 30 June		For the three months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share at the end of the period	<u>9,528,844,345</u>	<u>9,528,844,345</u>	<u>9,528,844,345</u>	<u>9,528,844,345</u>
Effect of dilutive potential ordinary share: Share options	<u>21,048,518</u>	<u>41,916,749</u>	<u>13,420,881</u>	<u>37,686,690</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per ordinary share at the end of the period	<u>9,549,892,863</u>	<u>9,570,761,094</u>	<u>9,542,265,226</u>	<u>9,566,531,035</u>

The computation of diluted earnings per share for the six-month and three-month periods ended 30 June 2017 and 2016 did not assume the exercise of certain share options since the exercise prices are higher than the average share price.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately HK\$28,227,000 (2016: HK\$283,221,000) on acquisition of property, plant and equipment, excluding property, plant and equipment acquired through acquisition of subsidiaries.

10. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2017 (Audited)	1,094,020
Arising on acquisition of a subsidiary (<i>Note 19</i>)	1,309
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At 30 June 2017 (Unaudited)	1,095,329
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Accumulated impairment	
At 1 January 2017 (Audited) and 30 June 2017 (Unaudited)	898,881
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Carrying values	
At 30 June 2017 (Unaudited)	196,448
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At 31 December 2016 (Audited)	195,139
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11. TRADE RECEIVABLES

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Trade receivables	189,828	192,997
Less: accumulated allowance for doubtful debts	(41)	(41)
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	189,787	192,956
	<hr/>	<hr/>

The Group allows an average credit period of 90 days (31 December 2016: 90 days) to its trade customers.

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Within 30 days	91,957	81,395
31 to 60 days	34,134	27,574
61 to 90 days	13,327	2,571
Over 90 days	50,369	81,416
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	189,787	192,956
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12. NOTE RECEIVABLE

During the six months ended 30 June 2017, the Company entered into a Deed of Assignment (the “**DoA**”) with an independent third party (the “**Assignee**”) pursuant to which the Company agreed to assign, and the Assignee agreed to accept an assignment of a promissory note (the “**Promissory Note**”) with a principal amount of HK\$88,000,000 at carrying amount of HK\$65,200,000 and all rights and benefits derived thereon to the Assignee for a consideration of HK\$71,883,000 (comprising the discounted value of the Promissory Note of HK\$65,200,000 and the interest at 5% per annum thereon of HK\$6,683,000 in aggregate for two years from the date of the DoA), payable on or before 28 March 2019. In relation to the DoA, a Deed of Guarantee in favour of the Company was executed by another independent third party (the “**Guarantor**”) pursuant to which the Guarantor agreed to guarantee to the Company the due and timely performance of the Assignee’s obligations under the DoA.

The note receivable is carried at amortised cost using the effective interest method.

13. LOAN RECEIVABLES

	30 June 2017 <i>HK\$’000</i> (Unaudited)	31 December 2016 <i>HK\$’000</i> (Audited)
Short-term loans		
– Secured	–	75,000
– Unsecured	91,200	90,000
	<u>91,200</u>	<u>165,000</u>

The loans receivables carry effective interest of 5% per annum (2016: 5% to 12% per annum). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at 30 June 2017, based on the maturity date is as follows:

	30 June 2017 <i>HK\$’000</i> (Unaudited)	31 December 2016 <i>HK\$’000</i> (Audited)
Current assets		
Within one year	91,200	165,000

The Group’s loan receivables are denominated in Hong Kong dollars.

As at 31 December 2016, certain loans amounted to approximately HK\$75,000,000 are secured by personal guarantees and undated share charges.

14. TRADE PAYABLES

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Trade payables	<u>44,045</u>	<u>30,353</u>

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Within 30 days	25,277	22,066
31 to 60 days	8,064	1,354
61 to 90 days	2,533	194
Over 90 days	<u>8,171</u>	<u>6,739</u>
	<u>44,045</u>	<u>30,353</u>

15. OTHER PAYABLES AND ACCRUALS

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Other payables	15,646	58,311
Dividend payables	36,210	—
Accruals	<u>1,683</u>	<u>790</u>
	<u>53,539</u>	<u>59,101</u>

16. BANK BORROWINGS

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Bank borrowings repayable:		
Within one year or on demand	<u>57,580</u>	<u>55,897</u>

At 30 June 2017, the Group has unutilised banking facilities of HK\$50,000,000 (31 December 2016: Nil).

At 30 June 2017, the bank borrowings of approximately HK\$57,580,000 (31 December 2016: HK\$55,897,000) are denominated in RMB and carry fixed interest at 6.09% per annum (31 December 2016: 5.66%) and are repayable within one year from the end of the reporting period.

The Group's banking facilities amounting to approximately HK\$57,580,000 (31 December 2016: HK\$55,897,000), which had been utilised as at the end of the reporting period, are secured by the pledge of certain properties of a company substantially owned by Dr. Lie Haiquan, a substantial shareholder and a non-executive director of the Company.

17. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the current period are as follows:

	Intangible assets <i>HK\$'000</i>
At 1 January 2017 (Audited)	73,950
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the period (<i>Note 6</i>)	<u>(4,170)</u>
At 30 June 2017 (Unaudited)	<u>69,780</u>

18. SHARE CAPITAL

	Par value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:			
At 1 January 2017 and 30 June 2017	<u>0.1</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:			
At 1 January 2017 (Audited) and 30 June 2017 (Unaudited)	<u>0.1</u>	<u>9,528,844,345</u>	<u>952,884</u>

19. ACQUISITION OF A SUBSIDIARY

Acquisition of Qianhai Wealth

On 19 April 2017, the Group acquired 100% of the equity interest of Qianhai Wealth Management Limited (“**Qianhai Wealth**”) from an individual, which is an independent third party of the Company, at a consideration of approximately HK\$1,491,000. Qianhai Wealth is principally engaged in the provision of insurance brokerage services. The acquisition was completed on 19 April 2017.

The provisional fair value of the identifiable assets and liabilities acquired and the provisional goodwill arising are as follows:

	<i>HK\$'000</i>
Prepayments and other receivables	76
Cash and cash equivalents	112
Other payables	(6)
	<hr/>
Total identifiable net assets acquired	182
Provisional goodwill on acquisition	1,309
	<hr/>
	1,491
	<hr/>

Provisional goodwill arose from the above acquisition because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Qianhai Wealth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the provisional goodwill arising from this acquisition is expected to be deductible for tax purpose.

The provisional goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the independent valuation to assess the provisional fair value identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date.

The consideration of the acquisition is satisfied by cash.

	<i>HK\$'000</i>
Net Cash outflow arising on acquisition:	
Consideration paid in cash	1,491
Less: Cash and cash equivalent balances acquired	(112)
	<hr/>
	1,379
	<hr/>

Acquisition related costs were insignificant and have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the “administrative and other expenses” line item in the condensed consolidated statement of profit or loss for the six months ended 30 June 2017.

20. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Bluesea Union Post

On 28 February 2017, 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Company Limited*) (“**Bluesea Mobile**”) entered into a sale and purchase agreement with an independent third party (the “**Purchaser A**”) pursuant to which Bluesea Mobile agreed to sell the entire equity interest in 廣東蔚海聯郵有限公司 (Guangdong Bluesea Union Post Limited*) (“**Bluesea Union Post**”) to the Purchaser A at a consideration of RMB1,000,000, equivalent to approximately HK\$1,128,000. The principal activity of Bluesea Union Post and its subsidiary (collectively referred to as “**Bluesea Union Post Group**”) is the operation of cross-border e-commerce business.

The disposal was completed on 28 February 2017. Net assets of Bluesea Union Post Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	54
Inventories	29
Prepayments and other receivables	216
Cash and cash equivalents	24
Other payables and accruals	(215)
	<hr/>
	108
Less: non-controlling interest	(48)
	<hr/>
Net assets disposed of	60
	<hr/>
Gain on disposal of subsidiaries:	
Cash consideration received	1,128
Net assets disposed of	(60)
Release of cumulative exchange difference on translation of foreign operations	(25)
	<hr/>
	1,043
	<hr/>
Net cash inflow arising from disposal:	
Cash consideration	1,128
Cash and cash equivalent disposed of	(24)
	<hr/>
	1,104
	<hr/>

* for identification purpose only

(b) **Disposal of Ease Ray**

On 29 June 2017, the Company entered into a sale and purchase agreement with an independent third party, (the “**Purchaser B**”) pursuant to which the Company agreed to sell the entire equity interest in Ease Ray Limited (“**Ease Ray**”) to the Purchaser B at a consideration of HK\$1. The principal activity of Ease Ray and its subsidiaries (collectively referred to as “**Ease Ray Group**”) is the provision of transmedia advertising services.

The disposal was completed on 30 June 2017. Net liabilities of Ease Ray Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	21
Trade receivables	41
Deposit, prepayments and other receivables	2,019
Cash and cash equivalents	23
Other payables and accruals	<u>(2,278)</u>
	(174)
Less: non-controlling interest	<u>(5,443)</u>
Net liabilities disposed of	<u><u>(5,617)</u></u>
Gain on disposal of subsidiaries:	
Cash consideration received	–
Net liabilities disposed of	5,617
Release of cumulative exchange difference on translation of foreign operations	<u>2,300</u>
	<u><u>7,917</u></u>
Net cash outflow arising from disposal:	
Cash consideration	–
Cash and cash equivalent disposed of	<u>(23)</u>
	<u><u>(23)</u></u>

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset and liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2017 (HK\$'000)	31 December 2016 (HK\$'000)		
Asset				
Financial assets at fair value through profit or loss	23,032	48,631	Level 2	Derived using discounted cash flow approach at a rate by reference to similar products in the markets
Liability				
Contingent consideration payable	26,502	44,350	Level 3	Derived using discounted cash flow approach at a rate of 18.22% (Note)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

Note:

A slight increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration, and vice versa. A 15% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration by approximately HK\$445,000.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Contingent Consideration Payable <i>HK\$'000</i>
At 1 January 2017	44,350
Payment of contingent consideration	(20,000)
Total loss in profit or loss	<u>2,152</u>
At 30 June 2017	<u>26,502</u>

22. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had capital commitment of approximately HK\$22,629,000 (31 December 2016: HK\$32,451,000) and HK\$9,213,000 (31 December 2016: HK\$8,943,000) for acquisition of property, plant and equipment and capital contribution to an associate, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2017, the Group recorded a turnover of approximately HK\$291,665,000 (2016: HK\$1,753,076,000), representing a decrease of approximately HK\$1,461,411,000 or 83.4% as compared to the same period in last year. The decrease in turnover was mainly due to the keen competition of both telecommunication industry and Internet finance industry and the fact that no new model of mobile phones and tablets was launched during the six months ended 30 June 2017. The Group recorded a profit attributable to owners of the Company of approximately HK\$11,719,000 (2016: HK\$145,475,000) for the six months ended 30 June 2017. The decrease of profit attributable to owners of the Company was mainly due to the lack of gain on disposal of the HCH Investments Limited of approximately HK\$143,069,000 as recorded in the last corresponding period.

Business Review

Sale of telecommunication products and services

Blueseas Mobile Group

During the period under review, 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Company Limited*) and its subsidiaries (collectively referred to as “**Blueseas Mobile Group**”) had made a successful bid for the land use rights of a parcel of land located at Heshan City, the PRC, for the construction of the “Blueseas Big Data Industrial Park” which will feature a big data enterprise incubation platform for the development of big data industry in Hong Kong, Macau and Taiwan. With a turnover of approximately HK\$95.0 million contributed by 廣州市資拓科技有限公司 (Guangzhou Nowtop Technology Company Limited*) and its subsidiary, Bluesea Mobile Group recorded an aggregate turnover of approximately HK\$153.2 million for the period under review, representing revenue from trading of telecommunication products and provision of Internet Data Center (“**IDC**”), WIFI and value-added Internet services.

Million Ace Group

Million Ace Limited and its subsidiaries (collectively referred to as “**Million Ace Group**”) are mainly engaged in trading of mobile phones, tablets and the relevant devices. Despite keen market competition and the fact that no new model of mobile phones and tablets was launched during the six months ended 30 June 2017, Million Ace Group managed to record a turnover of approximately HK\$92.3 million in the period under review.

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Internet finance platform business

During the period under review, the Group continued to expand its customer base of its Internet finance platforms operated by 廣東阿凡達財富投資管理有限公司 (Guangdong Avatar Wealth Investment Management Company Limited*) and 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co. Ltd.*). The revenue of approximately HK\$43.3 million contributed to the Group represented service or commission income through the operations of these platforms.

Business Prospects

Looking forward, the Group will continue to expand its IDC business. The construction of the IDC in Panyu will be completed and its trial run will start in the second half of the year. We expect more revenue will be contributed from this newly operated IDC in 2017. In addition, the Group made a successful bid on a land parcel in Heshan City on 6 January 2017. The land parcel will be used for the construction of the “Blueseas Big Data Industrial Park” which will feature a big data enterprise incubation platform through government guidance, market operation and policy support. Moreover, the Group will continue to explore potential investment opportunities in IDC, cloud computing and related businesses. With favorable policies and support from the PRC government towards these fast growing sectors, the management is optimistic that the Group will regain its strength and be able to reward shareholders with better results in the foreseeable future.

Share Capital

As at 30 June 2017, 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\$952,884,000 divided into 9,528,844,345 shares of HK\$0.10 each.

Financial Position

During the period under review, the Group generally financed its operations with internally generated resources and bank borrowings. As at 30 June 2017, the Group had total assets of approximately HK\$1,859,387,000 (31 December 2016: HK\$1,852,800,000) and total liabilities of approximately HK\$301,025,000 (31 December 2016: HK\$305,293,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 16.2% as at 30 June 2017 (31 December 2016: 16.5%).

As at 30 June 2017, the Group had current assets of approximately HK\$715,416,000 (31 December 2016: HK\$925,941,000), including cash and equivalents of approximately HK\$177,280,000 (31 December 2016: HK\$188,882,000), and trade receivables, prepayments, deposits and other receivables, pledged bank deposits, other financial assets and loan receivables of approximately HK\$524,625,000 (31 December 2016: HK\$711,026,000); and current liabilities of approximately HK\$231,245,000 (31 December 2016: HK\$206,993,000). The Group's current ratio had decreased from approximately 4.5 times as at 31 December 2016 to approximately 3.1 times as at 30 June 2017.

* for identification purpose only

Charges on the Group's Assets

Except for the pledged bank deposit of HK\$20,000,000 (31 December 2016: Nil), there were no material charges on the Group's assets as at 30 June 2017.

Foreign Exchange Exposure and Treasury Policies

Most of the Group's cash balances and income are either denominated in Renminbi and Hong Kong dollars. In view of the stability of the exchange rates of Renminbi and Hong Kong dollars, no hedging or other alternatives have been implemented. As at 30 June 2017, the Group did not have any outstanding hedging instrument.

Employee Information

As at 30 June 2017, the Group had approximately 590 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. During the six months ended 30 June 2017, no share options were granted to employees of the Group.

Segmental Information

Details of segmental information of the Group as at 30 June 2017 are set out in note 3 to the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

Profit Guarantee in relation to the Acquisition of Million Ace Group

Reference is made to the announcement of the Company dated 17 August 2015 (the "**Announcement**") in relation to the conditional sale and purchase agreement (the "**Agreement**") entered into between NEO Cloud Computing Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Lin Mingxin as the vendor (the "**Vendor**") on 14 August 2015 for the acquisition of the entire issued share capital of Million Ace Limited.

As disclosed in the Announcement, pursuant to the Agreement, the Vendor has guaranteed and undertaken that the net profit after taxation as shown in the audited consolidated financial statements of Million Ace Group for the 12 months period commenced from the first day of the calendar month immediately following the completion date (i.e. 11 September 2015) (the "**Relevant Period**") shall not be less than HK\$40,000,000.

According to the audited consolidated financial statements of Million Ace Group for the Relevant Period, the actual net profit after taxation is approximately HK\$42,160,000 and therefore the guaranteed profit of HK\$40,000,000 has been fulfilled.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2017, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the securities of the Company

Name of Director	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholding
Dr. LIE Haiquan	Beneficial owner	1,947,100,000	20.43%
	Interest in controlled corporations (<i>Note 1</i>)	2,091,323,357	21.95%
Mr. ZHANG Xinyu	Beneficial owner	45,600,000	0.48%
		(<i>Note 2</i>)	
Mr. XU Gang	Beneficial owner	1,422,000	0.01%
	Interest of spouse (<i>Note 3</i>)	72,000	Negligible

Notes:

1. 2,055,887,357 shares and 35,436,000 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 2,091,323,357 shares pursuant to the SFO.
2. These 45,600,000 underlying shares are derived from the share options granted by the Company.
3. Mr. Xu is interested in 72,000 shares of the Company held by his spouse, Ms. Yang Jintong.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 30 June 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

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

Particulars of the share options under the Old Scheme and their movements during the six months ended 30 June 2017 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2017	Exercised during the period	Lapsed during the period	At 30 June 2017
Employees and others							
In aggregate	8/4/2011	8/4/2011-7/4/2021	0.469	6,840,000	—	—	6,840,000
Total				6,840,000	—	—	6,840,000

Particulars of the share options under the New Scheme and their movements during the six months ended 30 June 2017 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2017	Exercised during the period	Lapsed during the period	At 30 June 2017
Directors							
Mr. ZHANG Xinyu	3/4/2013	3/4/2013-2/4/2018	0.275	45,600,000	–	–	45,600,000
Subtotal				45,600,000	–	–	45,600,000
Employees and others							
In aggregate	3/4/2013	3/4/2013-2/4/2018	0.275	68,400,000	–	–	68,400,000
Subtotal				68,400,000	–	–	68,400,000
Total				114,000,000	–	–	114,000,000

No share option was granted under the New Scheme during the six months ended 30 June 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 June 2017, other than the interests of Directors as disclosed above, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interests	Number of shares/underlying shares held	Approximate percentage of shareholding
Winner Mind (<i>Note</i>)	Beneficial owner	2,055,887,357	21.58%

Note:

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

CORPORATE GOVERNANCE PRACTICES

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

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be divided. The two positions were previously taken up by Mr. CHEUNG Sing Tai. Upon the re-designation of Mr. CHEUNG Sing Tai from Chairman as Deputy Chairman and the appointment of Dr. LIE Haiquan as Chairman on 31 May 2017, the two positions were since then separated.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2017.

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 2017.

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 2017.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal controls systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the six months ended 30 June 2017 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

By Order of the Board
Neo Telemedia Limited
CHEUNG Sing Tai
Deputy Chairman and Chief Executive Officer

Hong Kong, 10 August 2017

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least seven days from the date of its posting.