# 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)**

## RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2017

**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 companies, 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.**



*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.*

## FINAL 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 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

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

*For the year ended 31 December 2017*

| | *Notes* | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| **Turnover** | *4* | **1,214,772** | 2,513,845 |
| Cost of sales | | **(981,079)** | (2,290,382) |
| **Gross profit** | | **233,693** | 223,463 |
| Other income and gains | | **28,876** | 19,873 |
| Gain on disposal of subsidiaries | | **8,960** | 143,229 |
| Changes in fair value of contingent consideration payable | | **(5,650)** | (6,029) |
| Selling and marketing costs | | **(29,631)** | (15,540) |
| Administrative and other expenses | | **(161,271)** | (108,874) |
| Impairment loss recognised in respect of trade receivables | | **(3,260)** | – |
| Impairment loss recognised in respect of promissory note | | **–** | (22,800) |
| Share of results of joint venture | | **(106)** | – |
| Finance costs | | **(3,884)** | (10,356) |
| **Profit before tax** | *7* | **67,727** | 222,966 |
| Income tax expense | *6* | **(14,667)** | (20,779) |
| **Profit for the year** | | **53,060** | 202,187 |
| **Other comprehensive income/(loss) for the year, net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising during the year | | **69,544** | (39,599) |
| Reclassification adjustment relating to disposal of foreign operations during the year | | **(2,275)** | (2,353) |
| Reclassification adjustment relating to deregistration of foreign branch during the year | | **–** | (105) |
| | | **67,269** | (42,057) |
| **Total comprehensive income for the year** | | **120,329** | 160,130 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **40,905** | 192,009 |
| Non-controlling interests | | **12,155** | 10,178 |
| | | **53,060** | 202,187 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **101,657** | 152,333 |
| Non-controlling interests | | **18,672** | 7,797 |
| | | **120,329** | 160,130 |
| | | ***HK Cents*** | *HK Cents* |
| **Earnings per share** | *8* | | |
| Basic | | **0.43** | 2.02 |
| Diluted | | **0.43** | 2.01 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*For the year ended 31 December 2017*

| | *Notes* | **2017** **HK$'000** | 2016 *HK$'000* |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **593,000** | 414,662 |
| Prepaid lease payments | | **42,129** | – |
| Interests in an associate | | **–** | – |
| Interests in a joint venture | | **469** | – |
| Goodwill | | **195,139** | 195,139 |
| Intangible assets | | **292,059** | 317,058 |
| Note receivable | | **67,692** | – |
| | | **1,190,488** | 926,859 |
| **Current Assets** | | | |
| Inventories | | **8,124** | 26,033 |
| Trade receivables | *10* | **725,354** | 192,956 |
| Prepayments, deposits and other receivables | | **357,161** | 239,239 |
| Promissory note | | **–** | 65,200 |
| Loan receivables | | **–** | 165,000 |
| Financial assets at fair value through profit or loss | | **59,900** | 48,631 |
| Cash and cash equivalents | | **164,437** | 188,882 |
| | | **1,314,976** | 925,941 |
| **Current Liabilities** | | | |
| Trade payables | *11* | **537,769** | 30,353 |
| Other payables and accruals | | **38,770** | 59,101 |
| Receipt in advances | | **10,216** | 2,029 |
| Bank borrowings | | **119,800** | 55,897 |
| Contingent consideration payable | | **30,000** | 20,000 |
| Tax liabilities | | **56,337** | 39,613 |
| | | **792,892** | 206,993 |
| **Net Current Assets** | | **522,084** | 718,948 |
| **Total Assets less Current Liabilities** | | **1,712,572** | 1,645,807 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current Liabilities** | | | |
| Contingent consideration payable | | **–** | 24,350 |
| Deferred tax liabilities | | **65,830** | 73,950 |
| | | **65,830** | 98,300 |
| **Net Assets** | | **1,646,742** | 1,547,507 |
| **Capital and Reserves** | | | |
| Share capital | | **952,884** | 952,884 |
| Reserves | | **557,571** | 489,522 |
| Equity attributable to owners of the Company | | **1,510,455** | 1,442,406 |
| Non-controlling interests | | **136,287** | 105,101 |
| **Total Equity** | | **1,646,742** | 1,547,507 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2017*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital<br>*HK$'000* | Share premium<br>*HK$'000* | Share options reserve<br>*HK$'000* | Convertible notes reserve<br>*HK$'000* | Translation reserve<br>*HK$'000* | Statutory reserve<br>*HK$'000*<br>*(Note)* | Accumulated losses<br>*HK$'000* | Sub-total<br>*HK$'000* | Non-controlling interests<br>*HK$'000* | Total<br>*HK$'000* |
| At 1 January 2016 | 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 year | – | – | – | – | – | – | 192,009 | 192,009 | 10,178 | 202,187 |
| Other comprehensive (loss)/income | | | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | | | |
| Exchange difference on translation of foreign operations | – | – | – | – | (37,218) | – | – | (37,218) | (2,381) | (39,599) |
| Reclassification adjustment relating to disposal of foreign operations during the year | – | – | – | – | (2,353) | – | – | (2,353) | – | (2,353) |
| Reclassification adjustment relating to deregistration of foreign branch during the year | – | – | – | – | (105) | – | – | (105) | – | (105) |
| Total comprehensive (loss)/income for the year | – | – | – | – | (39,676) | – | 192,009 | 152,333 | 7,797 | 160,130 |
| Disposal of subsidiaries | – | – | – | – | – | – | – | – | 4,155 | 4,155 |
| Early redemption of convertible notes | – | – | – | (713) | – | – | 713 | – | – | – |
| Release of reserve upon maturity of convertible notes | – | – | – | (6,418) | – | – | 6,418 | – | – | – |
| Capital contribution by non-controlling interests | – | – | – | – | – | – | – | – | 4,149 | 4,149 |
| Non-controlling interests arising from acquisition of a subsidiary | – | – | – | – | – | – | – | – | 60,213 | 60,213 |
| At 31 December 2016 and 1 January 2017 | 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 year | – | – | – | – | – | – | 40,905 | 40,905 | 12,155 | 53,060 |
| Other comprehensive income/(loss) | | | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | | | |
| Exchange difference on translation of foreign operations | – | – | – | – | 63,027 | – | – | 63,027 | 6,517 | 69,544 |
| Reclassification adjustment relating to disposal of foreign operations during the year | – | – | – | – | (2,275) | – | – | (2,275) | – | (2,275) |
| Total comprehensive income for the year | – | – | – | – | 60,752 | – | 40,905 | 101,657 | 18,672 | 120,329 |
| Transfer to reserve | – | – | – | – | – | 863 | (863) | – | – | – |
| Disposal of subsidiaries | – | – | – | – | – | – | – | – | (5,491) | (5,491) |
| Capital contribution by non-controlling interests | – | – | – | – | – | – | – | – | 22,191 | 22,191 |
| Release of reserve upon disposal of subsidiaries | – | – | – | – | – | (6,345) | 6,345 | – | – | – |
| Final dividend for 2016 | – | (36,210) | – | – | – | – | – | (36,210) | – | (36,210) |
| Acquisition of non-controlling interests | – | – | – | – | – | – | 2,602 | 2,602 | (4,186) | (1,584) |
| At 31 December 2017 | 952,884 | 1,796,283 | 15,040 | – | 15,365 | 1,893 | (1,271,010) | 1,510,455 | 136,287 | 1,646,742 |

*Note:*

According to the relevant rules and regulations in the People's Republic of China ("**PRC**"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

## 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 the 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 consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("**RMB**") and some subsidiaries' functional currency in US Dollars ("**USD**"), the functional currency of the Company and its remaining subsidiaries are HK$. 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs and Hong Kong Accounting Standards ("**HKASs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKAS 7 (Amendments) | Disclosure Initiative |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses |
| HKFRS 12 (Amendments) | As Part of the Annual Improvements to HKFRSs 2014-2016 Cycle |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to HKAS 7 Disclosure Initiative**

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

**Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The Group has applied the amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses for the first time in the current year. The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

**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:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2014-2016 Cycle[5] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2015-2017 Cycle[2] |
| HKAS 28 (Amendment) | Investments in Associate and joint venture[2] |
| HKAS 40 (Amendments) | Transfer of Investment Property[1] |
| HKFRS 2 (Amendments) | Classification and Measurement of Share-based Payment Transactions[1] |
| HKFRS 4 (Amendments) | Applying HKFRS 9, Financial Instruments with HKFRS 4, Insurance Contracts[1] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 9 (Amendments) | Prepayments Features with Negative Companies[2] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 15 (Amendments) | Clarification to HKFRS 15, Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[3] |
| HKFRS 17 | Insurance Contract[6] |
| HK(IFRIC)-Int 22 | Foreign currency Transactions and Advance Considerations[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[2] |

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided HKFRS 15 Revenue from contracts with Customers also applied.

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

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

**HKFRS 9 Financial Instruments**

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFR 9:

**Impairment**

In general, the directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors of the Company do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening accumulated losses at 1 January 2018.

Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

**HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The Group's future minimum lease payments under non-cancellable operating leases for its leased premises amount to approximately HK$17,809,000 as at 31 December 2017. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result, but is expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

**Amendments to HKFRS 2 Classification and Measurement of Share-Based Payment Transactions**

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    (i) the original liability is derecognised;

    (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

    (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

**Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

The principal accounting policies are set out below.

**BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

## 4. TURNOVER

Turnover represents 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 year is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sale of telecommunication products and services | **1,097,916** | 2,429,088 |
| Internet finance platform | **108,273** | 72,873 |
| Others | **8,583** | 11,884 |
| | **1,214,772** | 2,513,845 |

## 5. SEGMENT INFORMATION

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

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.

**Segment revenues and results**

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

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Turnover** | **1,097,916** | 2,429,088 | **108,273** | 72,873 | **8,583** | 11,884 | **1,214,772** | 2,513,845 |
| **Segment results** | **34,343** | 91,125 | **29,482** | 43,934 | **(3,932)** | (1,028) | **59,893** | 134,031 |
| Interest income | | | | | | | **13,183** | 271 |
| Gain on disposal of subsidiaries | | | | | | | **8,960** | 143,229 |
| Recovery of debts from of disposed subsidiaries | | | | | | | **11,516** | – |
| Impairment loss recognised in respect of promissory note | | | | | | | **–** | (22,800) |
| Share of results of joint venture | | | | | | | **(106)** | – |
| Unallocated corporate expenses | | | | | | | **(25,719)** | (23,543) |
| Unallocated finance costs | | | | | | | **–** | (8,222) |
| Profit before tax | | | | | | | **67,727** | 222,966 |
| Income tax expense | | | | | | | **(14,667)** | (20,779) |
| Profit for the year | | | | | | | **53,060** | 202,187 |

*Note:* Others represent other operating segments that are not reportable segments under HKFRS 8, which include logistics related business, software development and loan financing business.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sales in both years. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit or loss from each segment without allocation of interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**Segment assets and liabilities**

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

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment assets | **2,257,823** | 1,426,302 | **112,892** | 130,760 | **26,994** | 201,025 | **2,397,709** | 1,758,087 |
| Unallocated corporate assets | | | | | | | **107,755** | 94,713 |
| Consolidated assets | | | | | | | **2,505,464** | 1,852,800 |
| Segment liabilities | **792,226** | 272,828 | **49,732** | 23,432 | **13,334** | 6,459 | **855,292** | 302,719 |
| Unallocated corporate liabilities | | | | | | | **3,430** | 2,574 |
| Consolidated liabilities | | | | | | | **858,722** | 305,293 |

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
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising receipts in advances, contingent consideration payable and other payables and accruals).

**Other segment information**

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amount included in the measure of segment results | | | | | | | | | | |
| Capital expenditure | **195,182** | 594,063 | **740** | 1,087 | **6,907** | – | **164** | 2,135 | **202,993** | 597,285 |
| Depreciation of property, plant and equipment | **14,236** | 4,435 | **1,211** | 293 | **2,847** | – | **1,890** | 1,449 | **20,184** | 6,177 |
| Amortisation of intangible assets | **33,494** | 33,516 | **2,459** | 2,454 | **235** | – | **–** | – | **36,188** | 35,970 |
| Amortisation of prepaid lease payments | **616** | – | – | – | – | – | – | – | **616** | – |
| Impairment loss recognised in respect of promissory note | **–** | – | **–** | – | **–** | – | **–** | 22,800 | **–** | 22,800 |
| Impairment loss recognised in respect of trade receivables | **3,260** | – | **–** | – | **–** | – | **–** | – | **3,260** | – |

Capital expenditure for the year ended 31 December 2017 includes additions of an insurance brokerage license and prepaid lease payments amounting to approximately HK$1,568,000 and HK$41,099,000 respectively. Capital expenditure for the year ended 31 December 2016 includes acquisition of assets through business combinations of approximately HK$192,297,000.

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

| | Sale of telecommunication products and services | | Internet finance platform | | Others | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Interest income | **10,660** | 185 | **27** | 49 | **2** | 9 | **2,494** | 28 | **13,183** | 271 |
| Finance costs | **3,884** | 2,134 | **–** | – | **–** | – | **–** | 8,222 | **3,884** | 10,356 |
| Income tax (expense)/credit | **(5,834)** | (10,791) | **(8,871)** | (9,988) | **38** | – | **–** | – | **(14,667)** | (20,779) |

***Information about major customers***

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| [1, 3]Customer A | **134,184** | – |
| [1, 2]Customer B | **–** | 501,555 |
| [1, 2]Customer C | **–** | 753,587 |
| | **134,184** | 1,255,142 |

[1] Sale of telecommunication products and services

[2] No information on revenue for current year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 December 2017.

[3] No information on revenue for prior year is disclosed for this customer since this customer contributed less than 10% to the Group's revenue for the year ended 31 December 2016.

***Geographical information***

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

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

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

| | Revenue from external customers | | Non-current assets* | |
|---|---|---|---|---|
| | | | **31 December** | 31 December |
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Name of the region | | | | |
| Hong Kong | **699,037** | 2,105,165 | **189,430** | 128,123 |
| The PRC (excluding Hong Kong) | **515,735** | 343,922 | **1,000,589** | 798,736 |
| South-east Asia | **–** | 64,758 | **–** | – |
| | **1,214,772** | 2,513,845 | **1,190,019** | 926,859 |

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

## 6. INCOME TAX EXPENSE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits tax | | |
| – Current tax | **3,980** | 10,480 |
| – Under provision for prior year | **331** | – |
| | **4,311** | 10,480 |
| PRC Enterprise Income tax | | |
| – Current tax | **18,735** | 20,086 |
| – Over provision for prior year | **–** | (1,686) |
| | **18,735** | 18,400 |
| Deferred tax | **(8,379)** | (8,101) |
| Total tax expense | **14,667** | 20,779 |

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

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% 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%.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before tax | **67,727** | 222,966 |
| Tax at domestic income tax rates applicable to profits in the respective jurisdiction (note) | **8,478** | 35,852 |
| Tax effect of share result of joint venture | **(16)** | – |
| Tax effect of expense not deductible for tax purpose | **20,319** | 4,662 |
| Tax effect of income not taxable for tax purpose | **(18,622)** | (26,056) |
| Under/(Over) provision for prior year | **331** | (1,686) |
| Tax effect of tax losses not recognised | **4,249** | 7,852 |
| Tax effect of deductible temporary differences not recognised | **(72)** | 155 |
| Income tax expense for the year | **14,667** | 20,779 |

*Note:* As the Group operates in several different jurisdictions, the tax rate applied in the tax reconciliation represents the weighted average domestic tax rates of the individual tax jurisdiction.

## 7. PROFIT BEFORE TAX

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before tax has been arrived at after charging: | | |
| Staff costs, including directors' remuneration | | |
| – Salaries, wages and other benefits | **36,476** | 38,034 |
| – Contributions to retirement benefits schemes | **3,122** | 2,756 |
| Total staff costs | **39,598** | 40,790 |
| Depreciation of property, plant and equipment | **20,184** | 6,177 |
| Amortisation of intangible assets | **36,188** | 35,970 |
| Amortisation of prepared lease payments | **616** | – |
| Impairment loss recognised in respect of promissory note | **–** | 22,800 |
| Impairment loss recognised in respect of trade receivables | **3,260** | – |
| Exchange difference, net | **–** | (5) |
| Auditors' remuneration | | |
| – audit service | **1,160** | 1,080 |
| – non-audit service | **120** | 120 |
| Minimum lease payments under operating lease in respect of rented premises | **9,797** | 6,137 |
| Cost of inventories recognised as expense | **783,427** | 2,100,937 |

## 8. EARNINGS PER SHARE

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year attributable to owners of the Company and profit for the purpose of basic and diluted earnings per share | **40,905** | 192,009 |

| | **2017** | 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **9,528,844** | 9,528,844 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **7,196** | 37,057 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **9,536,040** | 9,565,901 |

The computation of diluted earnings per share for the years ended 31 December 2017 and 2016 does not assume the exercise of certain share options since the exercise prices are higher than the average market share price.

## 9. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of 0.38 HK cent (2016: 0.38 HK cent) per ordinary share, in an aggregate amount of HK$36,184,000 (2016: HK$36,210,000), after accounting for the cancellation of 6,660,000 ordinary shares repurchased during the period from 1 to 14 February 2018, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

During the year ended 31 December 2017, final dividend in respect of the previous financial year of 0.38 HK cent (2016: Nil) per ordinary share, in an aggregate amount of HK$36,210,000 (2016: Nil) was approved and paid.

## 10. TRADE RECEIVABLES

| | **31 December** | 31 December |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **728,858** | 192,997 |
| Less: Accumulated allowance for doubtful debts | **(3,504)** | (41) |
| | **725,354** | 192,956 |

The Group allows an average credit period of 90 days (2016: 90 days) to its trade customers. The following is an ageing analysis of trade receivables net of accumulated allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Within 30 days | **286,613** | 81,395 |
| 31 to 60 days | **203,718** | 27,574 |
| 61 to 90 days | **161,306** | 2,571 |
| 91 to 180 days | **56,573** | 75,892 |
| Over 180 days | **17,144** | 5,524 |
| | **725,354** | 192,956 |

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$73,717,000 (2016: HK$81,416,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the balances are still considered to be recoverable. Subsequent to the end of the reporting period, a large portion of trade receivables were settled.

Ageing of trade receivables which are past due but not impaired:

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Overdue by: | | |
| Within 90 days | **56,573** | 75,892 |
| Over 90 days | **17,144** | 5,524 |
| | **73,717** | 81,416 |

Movements in the accumulated allowance for doubtful debts for trade receivables:

| | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| At 1 January | **41** | 41 |
| Impairment loss recognised during the year | **3,260** | – |
| Exchange realignment | **203** | – |
| At 31 December | **3,504** | 41 |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the report period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the Group's accumulated allowance for doubtful debts of trade receivables are individually impaired trade receivables with an aggregated balances of approximately HK$3,504,000 and HK$41,000 as at 31 December 2017 and 2016 respectively. The directors of the Company considered that the Group was unlikely to recover these debts as they were long outstanding over one year. The Group does not hold any collateral over these balances.

## 11. TRADE PAYABLES

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

| | **31 December 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **258,720** | 22,066 |
| 31 to 60 days | **141,832** | 1,354 |
| 61 to 90 days | **135,547** | 194 |
| Over 90 days | **1,670** | 6,739 |
| | **537,769** | 30,353 |

The average credit period on purchases of goods is 90 days (As at 31 December 2016: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

* *for identification purpose only*

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW AND ANALYSIS

During the year ended 31 December 2017, the Group's operations mainly comprises sales of telecommunication products and services and operation of Internet finance platform business.

### Sale of Telecommunucations Products and Services

#### *Bluesea Mobile Group*

During the year 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 "**Bluesea 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 "Bluesea Intelligence Valley" which will feature a big data enterprise incubation platform for the development of big data industry in Hong Kong, Macau and Taiwan. Moreover, the construction of the Internet data center ("**IDC**") in Panyu, namely Guangzhou Lotus Mountain Data Center, was completed and its trial run was started in the third quarter of the year. Together with a turnover of approximately HK$208.1 million contributed by 廣州市資拓科技有限公司 (Guangzhou Nowtop Technology Company Limited*) and its subsidiaries, Bluesea Mobile Group recorded an aggregate turnover of approximately HK$399.3 million for the year under review, representing revenue from trading of telecommunication products, provision of IDC, WIFI, system integration and value-added Internet services and software development.

#### *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 during the year ended 31 December 2017, Million Ace Group managed to record a turnover of approximately HK$698.6 million in the year under review.

### Internet Finance Platform Business

During the year under review, the Group continued to expand its customer base of its Internet finance platforms in 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 contributed to the Group amounted to approximately HK$108.3 million represented service or commission income through the operations of these platforms.

## BUSINESS PROSPECTS

Looking forward, the Group will continue to expand its IDC business. On 6 January 2017, the Group made a successful bid on a land parcel in Heshan City. The land parcel will be used for the construction of the "Bluesea Intelligence Valley" which will feature a big data enterprise incubation platform through government guidance, market operation and policy support. On 19 June 2017, the Group had entered into a joint venture cooperation framework agreement (the "**Cooperation Framework Agreement**") with 中海油信息科技有限公司 (China National Offshore Oil Information Technology Limited*) ("**CNOOIT**"). Pursuant to the Cooperation Framework Agreement, the Group and CNOOIT had established a joint venture company for the development of an IDC in Huizhou, which is expected to be put into service in 2018. The Group will continue to explore potential investment opportunities in IDC, Internet-of-Things, cloud computing and related businesses. With favorable policies and support from the PRC government towards these fast growing sectors, the management is optimistic that the Group will regain its strength and be able to reward shareholders with better results in the foreseeable future.

## FINANCIAL HIGHLIGHTS

| | **2017** | 2016 |
|---|---|---|
| Turnover (HK$'000) | **1,214,772** | 2,513,845 |
| Net Profit (HK$'000) | **53,060** | 202,187 |
| Profit attributable to owners of the Company (HK$'000) | **40,905** | 192,009 |
| Basic earnings per share (HK Cents) | **0.43** | 2.02 |

For the year under review, the Group recorded a turnover of approximately HK$1,214.8 million (2016: HK$2,513.8 million), representing a decrease of approximately HK$1,299 million or 51.7% as compared to the year ended 31 December 2016. The decrease in turnover was mainly due to the keen competition of telecommunication industry, particularly the mobile phone sector, during the year ended 31 December 2017. The Group recorded a profit attributable to owners of the Company of approximately HK$40.9 million (2016: HK$192 million) for the year ended 31 December 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 recorded in the year ended 31 December 2016 and the decrease in sale of telecommunication products as mentioned above.

## FINANCIAL POSITION

As at 31 December 2017, the Group had interest-bearing bank borrowings of approximately HK$119.8 million (2016: HK$55.9 million) which are denominated in Renminbi, at floating rates and repayable within one year.

* *for identification purpose only*

As at 31 December 2017, the Group had current assets of approximately HK$1,315 million (2016: HK$925.9 million), including cash and cash equivalents of approximately HK$164.4 million (2016: HK$188.9 million), trade receivables, prepayments, deposits and other receivables and other financial assets of approximately HK$1,142.4 million (2016: HK$711 million); and current liabilities of approximately HK$792.9 million (2016: HK$207 million). The Group's current ratio had been decreased from approximately 4.5 times as at 31 December 2016 to approximately 1.7 times as at 31 December 2017.

The Group had total assets of approximately HK$2,505.5 million (2016: HK$1,852.8 million) and total liabilities of approximately HK$858.7 million (2016: HK$305.3 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 34.3% as at 31 December 2017 (2016: 16.5%).

The Group's turnover for the year ended 31 December 2017 amounted to approximately HK$1,214.8 million (2016: HK$2,513.8 million).

## MATERIAL INVESTMENT

On 21 July 2017, Bluesea Financial Leasing Company Limited ("**Bluesea Financial**"), a wholly-owned subsidiary of the Company, entered into an agreement (the "**Agreement**") with Gold Triumph Holdings Limited, as the vendor and 廣州市雍樺園物業發展有限公司(Guangzhou Yonghuayuan Property Development Co., Ltd.*) and 上海圓金融資租賃有限公司 (Shanghai Yuanjin Financial Leasing Co., Ltd.*) ("**Shanghai Yuanjin**") for acquisition of 50% of the entire equity interest of Shanghai Yuanjin for a consideration of RMB1 and Bluesea Financial shall be required to contribute an additional amount of RMB100,000,000 as capital contribution to Shanghai Yuanjin.

The consideration and the capital contribution are expected to be funded by the internal resources of the Group. The completion of the above transaction will enable the Group to capture investment opportunities in financial leasing related business in the PRC.

For details of the above transaction, please refer to the Company's announcements dated 21 July 2017, 28 September 2017, 22 December 2017, 29 January 2018 and 28 February 2018.

As at the date of this announcement, the Agreement and transactions contemplated thereunder have not been completed.

## FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Most of the Group's cash balances and transactions are denominated in Renminbi, United States dollars and Hong Kong dollars, i.e. functional currencies of relevant group entities. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2017 and 2016, the Group did not have any outstanding hedging instruments.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 390 staff (2016: 460). The total remuneration, including that of the Directors, for the year under review is approximately HK$39.6 million (2016: HK$40.8 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 19 December 2012, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares.

## DIVIDEND

The Directors recommended to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 May 2018 ("AGM") a final dividend of HK cent 0.38 per share for the year ended 31 December 2017 to be paid on Thursday, 26 July 2018 to the shareholders whose names appear on the register of members of the Company on Tuesday, 19 June 2018.

During year ended 31 December 2017, final dividend of aggregate amount of HK$36,210,000 (2016: Nil) was paid.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 31 December 2017, 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 to 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 ("**Articles**") and the Code. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the Code.

Under code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Mr. CHEUNG Sing Tai 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 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 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 year ended 31 December 2017.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group.

The Audit Committee consists of three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong. The chairman of the Audit Committee is Mr. ZHANG Zihua, who possesses extensive experience in finance and accounting.

The Audit Committee held 5 meetings during the year to review the Group's audited annual results for the year ended 31 December 2016 and the unaudited quarterly and interim results for the year ended 31 December 2017, which is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. The Audit Committee also reviewed the internal control systems of the Company and considered the engagement of professionals in relation to the risk management and internal control and environmental, social and governance reporting requirements under the GEM Listing Rules.

## 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 2017 as set out in the announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft 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 AGM, the register of members of the Company will be closed from Wednesday, 23 May 2018 to Tuesday, 29 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 May 2018.

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

Hong Kong, 27 March 2018

*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.*