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 2015
AND RETIREMENT OF DIRECTORS AND
CHANGE OF MEMBER OF AUDIT COMMITTEE

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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;*

2. *there are no other matters the omission of which would make any statement in this announcement misleading; and*

3. *all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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 2015, together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Turnover	*4*	**1,914,902**	34,550
Cost of sales		**(1,813,983)**	(23,628)
Gross profit		**100,919**	10,922
Other income and gains		**537**	755
Change in fair value of derivative financial assets		**–**	(711)
Selling and marketing costs		**(18,775)**	(2,718)
Administrative and other expenses		**(87,695)**	(118,345)
Impairment loss recognised in respect of intangible assets		**(6,378)**	(84,802)
Impairment loss recognised in respect of goodwill		**–**	(254,966)
Net loss on de-consolidation of a subsidiary		**–**	(174,024)
Finance costs		**(24,541)**	(23,373)
Loss before tax	*7*	**(35,933)**	(647,262)
Income tax (expense)/credit	*6*	**(8,322)**	14,770
Loss for the year		**(44,255)**	(632,492)
Other comprehensive loss for the year, net of tax			
Exchange difference on translating of foreign operations			
Exchange differences arising during the year		**(7,435)**	(973)
Reclassification adjustment relating to foreign operation de-consolidated during the year		**–**	(355)
		(7,435)	(1,328)
Total comprehensive loss for the year		**(51,690)**	(633,820)

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(32,227)**	(567,394)
Non-controlling interests		**(12,028)**	(65,098)
		(44,255)	(632,492)
Total comprehensive loss attributable to:			
Owners of the Company		**(38,998)**	(568,242)
Non-controlling interests		**(12,692)**	(65,578)
		(51,690)	(633,820)
		HK Cents	*HK Cents*
			(Restated)
Loss per share	*8*		
Basic and diluted		**(0.47)**	(9.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**28,880**	11,957
Interests in an associate		**–**	–
Goodwill		**121,741**	6,403
Intangible assets		**194,866**	59,206
Deposit for acquisition of property, plant and equipment		**–**	21,693
		345,487	99,259
Current assets			
Inventories		**25,286**	277
Trade receivables	*10*	**91,235**	891
Prepayments, deposits and other receivables		**155,613**	15,680
Derivative financial assets		**–**	–
Cash and cash equivalents		**1,111,947**	31,668
		1,384,081	48,516
Current liabilities			
Trade payables	*11*	**46,093**	10,326
Other payables and accruals		**120,971**	84,870
Receipts in advances		**8,688**	76
Bank borrowings		**26,271**	–
Convertible notes		**157,364**	–
Tax liabilities		**14,584**	–
		373,971	95,272
Net current assets/(liabilities)		**1,010,110**	(46,756)
Total assets less current liabilities		**1,355,597**	52,503
Non-current liabilities			
Convertible notes		**–**	148,768
Deferred tax liabilities		**36,737**	6,804
		36,737	155,572
Net assets/(liabilities)		**1,318,860**	(103,069)
Capital and reserves			
Share capital		**952,884**	275,492
Reserves		**337,189**	(406,934)
Equity attributable to owners of the Company		**1,290,073**	(131,442)
Non-controlling interests		**28,787**	28,373
Total equity		**1,318,860**	(103,069)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Warrant reserve** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Statutory reserve** *HK$'000* *(Note)*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	255,492	1,024,031	47,084	14,600	7,131	1,908	7,375	(960,545)	397,076	104,488	501,564
Loss for the year	–	–	–	–	–	–	–	(567,394)	(567,394)	(65,098)	(632,492)
Exchange difference on translating of foreign operations	–	–	–	–	–	(493)	–	–	(493)	(480)	(973)
Exchange differences arising during the year											
Reclassification adjustment relating to foreign operation de-consolidated during the year	–	–	–	–	–	(355)	–	–	(355)	–	(355)
Other comprehensive loss for the year	–	–	–	–	–	(848)	–	–	(848)	(480)	(1,328)
Total comprehensive loss for the year	–	–	–	–	–	(848)	–	(567,394)	(568,242)	(65,578)	(633,820)
Share options lapsed	–	–	(26,427)	–	–	–	–	26,427	–	–	–
Placing of shares	20,000	19,724	–	–	–	–	–	–	39,724	–	39,724
Warrants lapsed	–	–	–	(14,600)	–	–	–	14,600	–	–	–
De-consolidation of a subsidiary	–	–	–	–	–	–	–	–	–	(10,537)	(10,537)
At 31 December 2014	275,492	1,043,755	20,657	–	7,131	1,060	7,375	(1,486,912)	(131,442)	28,373	(103,069)

	Attributable to owners of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Warrant reserve** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Statutory reserve** *HK$'000* *(Note)*	**Accumulated losses** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	275,492	1,043,755	20,657	–	7,131	1,060	7,375	(1,486,912)	(131,442)	28,373	(103,069)
Loss for the year	–	–	–	–	–	–	–	(32,227)	(32,227)	(12,028)	(44,255)
Exchange difference on translating of foreign operations	–	–	–	–	–	(6,771)	–	–	(6,771)	(664)	(7,435)
Total comprehensive loss for the year	–	–	–	–	–	(6,771)	–	(32,227)	(38,998)	(12,692)	(51,690)
Issue of shares in relation to acquisition of subsidiaries	49,972	208,639	–	–	–	–	–	–	258,611	–	258,611
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	4,685	4,685
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	8,421	8,421
Issue of shares upon exercise of share options	2,000	16,177	(5,617)	–	–	–	–	–	12,560	–	12,560
Bonus issue of shares	307,792	(307,792)	–	–	–	–	–	–	–	–	–
Open offer of shares	317,628	889,359	–	–	–	–	–	–	1,206,987	–	1,206,987
Transaction costs attributable to open offer	–	(17,645)	–	–	–	–	–	–	(17,645)	–	(17,645)
At 31 December 2015	952,884	1,832,493	15,040	–	7,131	(5,711)	7,375	(1,519,139)	1,290,073	28,787	1,318,860

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. GENERAL 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 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 Unit 1504, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**") and some subsidiaries' functional currency in US Dollars ("**USD**"), the functional currency of the Company and its remaining subsidiaries are HK$. 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 the provision of transmedia advertising services, sale of telecommunication products and services and operation of peer-to-peer lending platform business.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised 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.

HKAS19 (Amendments)	Defined Benefit Plans: Employee Contribution
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of these new and revised 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 on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and And HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[1]
HKFRS 14 (Amendments)	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier applications permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier applications permitted.

3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

4 No mandatory effective date yet determined but is available for adoption.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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 of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of the new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 1 Disclosure Initiative

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- the materiality requirements in HKAS 1;

- that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

- that entities have flexibility as to the order in which they present the notes to financial statements; and

- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors 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 realizable value in HKAS 2 or value in use in HKAS 36.

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.

De-consolidation

Due to i) the non-cooperation of the key management of CERNET Wifi Technology (Beijing) Company Limited ("**CERNET Wifi**"), and ii) the non-cooperation of the holder of the CERNET Wifi's non-controlling interests who owned the brand name and network of CERNET, which CERNET Wifi had used for its operations pursuant to an asset leasehold agreement, the Company had been unable to both (a) access the complete sets of books and records together with the supporting documents of CERNET Wifi and (b) maintain and operate the business of CERNET Wifi properly. As such, the directors of the Company consider that the Company has lost its control over CERNET Wifi.

As a result, CERNET Wifi had been de-consolidated from the consolidated financial statements of the Group from 1 January 2014. The de-consolidation of CERNET Wifi had resulted in a net loss on de-consolidated subsidiary of approximately HK$174,024,000.

The Group had consolidated the assets and liabilities of CERNET Wifi as at 30 June 2014 and their results from the period from 1 January 2014 to 30 September 2014 in its interim report for the six months ended 30 June 2014 and the third quarterly report for the nine months ended 30 September 2014 based on the unaudited management information received. As the Directors had not been provided with the complete set of books and records together with the supporting documents for them to prepare proper consolidated financial statements and to make the appropriate disclosures under the annual report requirements which are more comprehensive than the disclosure requirements of the interim report and the third quarterly report, the Directors considered that it is more appropriate to de-consolidate CERNET Wifi from the consolidated financial statements of the Group as from 1 January 2014.

The following detailed the unaudited financial information, before intra-group balances and transactions elimination, of CERNET Wifi whose assets and liabilities and results had been consolidated in the Group's interim report for the six months ended 30 June 2014 and third quarterly report for the nine months ended 30 September 2014 respectively, but was excluded in these consolidated financial statements for the year ended 31 December 2014.

	Unaudited 9 months ended 30 September 2014 *HK$'000*
Revenue	8,969
Loss for the period	(2,219)
Other comprehensive expenses	(1,145)
Total comprehensive loss	(3,364)

	Unaudited 30 June 2014 *HK$'000*
Non-current assets	129,620
Current assets	11,764
Current liabilities	(444)
Non-current liabilities	(25,040)
Net assets	115,900

In the opinion of the directors of the Company, the consolidated financial statements for the year ended 31 December 2014 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of CERNET Wifi. However, the de-consolidation of the CERNET Wifi from the beginning of the year is a departure from the requirement of HKFRS 10 "Consolidated Financial Statements".

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:

	2015 ***HK$'000***	2014 *HK$'000*
Sale of telecommunication products and services	**1,842,157**	33,776
Transmedia advertising services	**426**	774
Peer-to-peer lending platform	**64,064**	–
Others	**8,255**	–
	1,914,902	34,550

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

– Transmedia advertising services

– P2P lending 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		P2P lending platform		Transmedia advertising services		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**1,842,157**	33,776	**64,064**	–	**426**	774	**8,255**	–	**1,914,902**	34,550
Segment results	**(23,814)**	(485,849)	**46,428**	–	**(15,370)**	(84,281)	**702**	–	**7,946**	(570,130)
Interest income									**86**	65
Unallocated corporate expenses									**(20,223)**	(53,918)
Unallocated finance costs									**(23,742)**	(23,279)
Loss before tax									**(35,933)**	(647,262)
Income tax credit									**(8,322)**	14,770
Loss for the year									**(44,255)**	(632,492)

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

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sales in both year. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss suffered 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		P2P lending platform		Transmedia advertising services		Others		Consolidated	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**562,029**	121,245	**145,617**	–	**170**	15,059	**5,535**	–	**713,351**	136,304
Unallocated corporate assets									**1,016,217**	11,471
Consolidated assets									**1,729,568**	147,775
Segment liabilities	**165,562**	51,154	**16,963**	–	**1,676**	1,685	**729**	–	**184,930**	52,839
Unallocated corporate liabilities									**225,778**	198,005
Consolidated liabilities									**410,708**	250,844

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 derivative financial assets); and

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

Other segment information

	Sale of telecommunication products and services		P2P lending platform		Transmedia advertising services		Other		Unallocated		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***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	**178,351**	29,257	**24,721**	–	**2**	–	**476**	–	**–**	21	**203.550**	29,278
Depreciation of property, plant and equipment	**1,664**	971	**112**	–	**4,092**	4,617	**31**	–	**185**	183	**6.084**	5,771
Amortisation of intangible assets	**32,524**	27,300	**1,764**	–	**325**	7,574	**–**	–	**–**	–	**34,613**	34,874
Loss/(gain) on disposal of property, plant and equipment	**–**	1	**–**	–	**–**	537	**–**	–	**–**	–	**–**	538
Impairment loss recognised in respect of property, plant and equipment	**–**	454	**–**	–	**2,366**	–	**–**	–	**–**	–	**2,366**	454
Impairment loss recognised in respect of intangible assets	**913**	23,712	**–**	–	**5,465**	61,090	**–**	–	**–**	–	**6,378**	84,802
Impairment loss recognised in respect of goodwill	**–**	254,966	**–**	–	**–**	–	**–**	–	**–**	–	**–**	254,966
Impairment loss recognised in respect of other receivables	**–**	18,364	**–**	–	**1,552**	7,826	**–**	–	**–**	–	**1,552**	26,190
Net loss on de-consolidation of a subsidiary	**–**	174,024	**–**	–	**–**	–	**–**	–	**–**	–	**–**	174,024

Capital expenditure for the year ended 31 December 2015 includes additions resulted from acquisition through business combinations, amounting to approximately HK$172,273,000 (2014: HK$nil).

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		P2P lending platform		Transmedia advertising services		Others		Unallocated		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**61**	25	**22**	–	**–**	39	**2**	–	**1**	1	**86**	65
Finance costs	**799**	94	**–**	–	**–**	–	**–**	–	**23,742**	23,279	**24,541**	23,373
Income tax credit/(expense)	**1,396**	12,631	**(9,718)**	–	**–**	2,139	**–**	–	**–**	–	**(8,322)**	14,770

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:

	2015	2014
	HK$'000	*HK$'000*
[1, 2]Customer A	**574,212**	–
[1, 2]Customer B	**348,854**	–
[1, 2]Customer C	**198,031**	–
[1, 3]Customer D	**–**	12,461
[1, 3]Customer E	**–**	6,550
[1, 3]Customer F	**–**	5,664
	1,121,097	24,675

1 Sale of telecommunication products and services

2 No information on revenue for last year is disclosed for these customers since these customers belong to a newly acquired subsidiary.

3 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 year ended 31 December 2015.

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
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Name of the region				
Hong Kong	**1,730,654**	–	**133,391**	226
The PRC (excluding Hong Kong)	**184,248**	34,550	**212,096**	99,033
	1,914,902	34,550	**345,487**	99,259

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

6. INCOME TAX (EXPENSE)/CREDIT

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**1,800**	–
– PRC Enterprise Income Tax	**13,335**	–
– Over-provision for prior year	**–**	(5,248)
Deferred tax	**(6,813)**	(9,522)
Total tax expense/(credit)	**8,322**	(14,770)

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, a subsidiary of the Company, being qualified as a new and high technology enterprise, is eligible for a preferential Enterprise Income Tax rate of 15%.

7. LOSS BEFORE TAX

	2015	2014
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**29,048**	15,277
– Share-based payments	**–**	–
– Contributions to retirement benefits schemes	**1,280**	113
Total staff costs	**30,328**	15,390
Depreciation of property, plant and equipment	**6,084**	5,771
Amortisation of intangible assets	**34,613**	34,874
Impairment loss recognised in respect of intangible assets	**6,378**	84,802
Impairment loss recognised in respect of goodwill	**–**	254,966
Impairment loss recognised in respect of other receivables	**1,552**	26,190
Impairment loss recognised in respect of property, plant and equipment	**2,366**	454
Net loss on de-consolidation of a subsidiary	**–**	174,024
Exchange difference, net	**280**	595
Loss on disposal of property, plant and equipment, net	**–**	538
Auditors' remuneration		
– audit service	**1,080**	1,080
– non-audit service	**120**	166
Minimum lease payments under operating lease in respect of rented premises	**5,810**	6,118
Cost of inventories recognised as expense	**1,721,026**	10,131

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

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

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**32,227**	567,394

	2015	2014
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,913,795**	6,096,321

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and the exercise of the Company's share options since it would result in an anti-dilutive effect on loss per share.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for bonus issue and open offer that took place on 19 June 2015 and 30 December 2015 respectively. Accordingly, the basic and diluted loss per share for the year ended 31 December 2014 have been restated.

The denominators used are the same as these detailed above for both basic and diluted loss per share.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

10. TRADE RECEIVABLES

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Trade receivables	**91,276**	932
Less: Accumulated allowance for doubtful debts	**(41)**	(41)
	91,235	891

The Group allows an average credit period of 90 days (2014: 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 2015	31 December 2014
	HK$'000	*HK$'000*
Within 30 days	**86,449**	333
31 to 60 days	**4,269**	539
61 to 90 days	**243**	–
Over 90 days	**274**	19
	91,235	891

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$274,000 (2014: HK$19,000) 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. The Group does not hold any collateral over these balances. The ageing of these receivables is over 90 days (2014: over 90 days).

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

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Overdue by:		
Over 90 days	**274**	19

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**41**	41
Impairment loss recognised during the year	**–**	–
At 31 December	**41**	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$41,000 as at 31 December 2015 and 2014. 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

	31 December	31 December
	2015	2014
	HK$'000	*HK$'000*
Trade payables	**46,093**	10,326

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

	31 December	31 December
	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**25,561**	–
61 to 90 days	**487**	10,289
Over 90 days	**20,045**	37
	46,093	10,326

The average credit period on purchases of goods is 90 days (As at 31 December 2014: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. BUSINESS COMBINATION

Acquisition of Bluesea Mobile Group

On 1 April 2015, the Group acquired the entire equity interest in 廣東蔚海移動發展有限公司(Guangdong Bluesea Mobile Development Company Limited*) ("**Bluesea Mobile**") with a total consideration at fair value of approximately HK$128,775,000. Bluesea Mobile and its subsidiaries (collectively referred to as "**Bluesea Mobile Group**") is principally engaged in the operation of a mobile and Internet commercial WIFI platform and a cross-border e-commerce platform. And through its 70% owned subsidiary 廣東阿凡達財富投資管理有限公司(Guangdong Avatar Wealth Investment Management Company Limited*) ("**Avatar Wealth**"), Bluesea Mobile Group also operates a peer to peer (P2P) lending platform business. Goodwill arising from the acquisition of Bluesea Mobile Group was approximately HK$50,150,000.

Acquisition of CNCC Logistics

On 25 June 2015, the Group acquired 43% of the entire equity interest of 中集物流裝備有限公司 (CNCC Logistics Equipment Co., Ltd*) ("**CNCC Logistics**") at a consideration of approximately HK$3,505,000. CNCC logistics is principally engaged in the design, manufacture and sale of logistics equipment, such as containers, road transportation vehicles and emergency rescue equipment, and the provision of relevant technical advisory services. No goodwill was arisen from the acquisition of CNCC Logistics.

Acquisition of Million Ace Group

On 11 September 2015, the Group acquired the entire equity interest of Million Ace Limited ("**Million Ace**") with a total consideration at fair value of approximately HK$129,836,000. Million Ace Limited and its subsidiaries (collectively referred to as "**Million Ace Group**") is principally engaged in trading of mobile phones and tablets. Goodwill arising from the acquisition of Million Ace Group was approximately HK$65,188,000.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's audited financial statements for the year ended 31 December 2015 which has included paragraphs of qualified opinion:

OPINION

BASIS FOR QUALIFIED OPINION

Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2014, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, included disclaimer of opinion related to, i) the de-consolidation of a subsidiary, CERNET Wifi Technology (Beijing) Company Limited ("**CERNET Wifi**"); and ii) appropriateness of using going concern basis in preparing the consolidated financial statements. Details of the disclaimer opinion was set out in the independent auditors' report dated 26 March 2015 which was included in the Company's annual report for the year ended 31 December 2014.

As disclosed note 45 to the consolidated financial statements, on 17 February 2016 the Group entered into agreements to unwind the structure contracts with the immediate holding company of CERNET Wifi.

We were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effect of de-consolidation of CERNET Wifi for the year ended 31 December 2014. Any adjustments found to be necessary to the opening balances as at 1 January 2015 may affect the balance of accumulated loss as at 1 January 2015 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2015. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current period.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

During the year ended 31 December 2015, the Group's operations comprised sales of telecommunications products and services, peer-to-peer ("**P2P**") lending platform business, and transmedia advertising services in the People's Republic of China ("**PRC**").

According to the "Opinions on the implementation of division of work under the report on the work of the government" issued by the State Council of the PRC on 25 March 2015, the PRC government planned to, among others, (i) formulate the "Internet Plus" action plan; (ii) promote the integration of modern manufacturing industry and the mobile internet, cloud computing, big data and internet of things; (iii) encourage the development of e-commerce business; and (iv) guide the expansion of internet enterprises into the international market. In view of the potential growth in the e-commerce business and the favorable support from the PRC government, the Group is positioned to optimize its resources and seize the opportunities brought by the Internet and big data era, and has made several acquisitions of the related businesses in trading of mobile phones and tablets, operation of mobile and Internet WIFI platforms and P2P lending platform.

During the year under review, the Group completed the acquisitions of 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Company Limited*) ("**Bluesea Mobile**") and its subsidiaries (collectively referred to as "**Bluesea Mobile Group**"), 廣東阿凡達財富投資管理有限公司(Guangdong Avatar Wealth Investment Management Company Limited*) ("**Avatar Wealth**"), and Million Ace Limited and its subsidiaries (collectively referred to as "**Million Ace Group**").

Driven by the newly acquired businesses, the Group's turnover increased significantly to approximately HK$1,914.9 million for the year ended 31 December 2015 from approximately HK$34.6 million for the year ended 31 December 2014. These newly acquired businesses have contributed a positive profit stream of approximately HK$47.0 million to the Group. However, due to the burden of debt financing and unsatisfactory performance in the Group's other businesses, the Group recorded a loss attributable to owners of the Company for the year ended 31 December 2015. In the absence of the impairment loss on goodwill arose from various acquisitions completed during previous years, the Group's net loss attributable to owners of the Company decreased significantly from approximately HK$567.4 million for the year ended 31 December 2014 to approximately HK$32.2 million for the year ended 31 December 2015.

Sale of Telecommunications Products and Services

Bluesea Mobile Group

On 1 April 2015, the Group obtained the control of Bluesea Mobile Group through structured contracts. Bluesea Mobile Group is mainly engaged in the operation of a mobile and Internet commercial WIFI platform, a P2P lending platform and a cross-border e-commerce platform. Bluesea Mobile Group's telecommunication business has contributed a positive profit stream of approximately HK$5.2 million since being acquired by the Group.

Million Ace Group

On 11 September 2015, the Group completed the acquisition of the Million Ace Group which is mainly engaged in trading of mobile phones and tablets. Million Ace Group has greatly boosted the revenue of the Group and contributed a positive profit stream of approximately HK$6.2 million since being acquired by the Group.

Hughes China Group

During the year under review, the performance of satellite-related services has declined as compared to the year ended 31 December 2014. Hughes China Group continued to work on the coal-mine surveillance projects, as well as the two other projects namely "**天地星**" and "**蒙古包**".

CERNET Wifi Group

Due to (i) the non-cooperation of the former general manager of 賽爾無線網絡科技（北京）有限公司 (CERNET Wifi Technology (Beijing) Company Limited*) ("**CERNET Wifi**"), and (ii) the non-cooperation of the holders of the non-controlling interests, the Company had been unable to both (a) access the complete sets of books and records together with the supporting documents of CERNET Wifi and (b) maintain and operate the business of CERNET Wifi properly. As such, CERNET Wifi has been de-consolidated from the consolidated financial statements since last financial year. During the year under review, CERNET Wifi has recovered its common seal, contract chop and business registration documents and its duplicate from its former general manager. To resume the operations of and repossess control over CERNET Wifi, the Company had been working on 1) a claim against holders of CERNET Wifi's non-controlling interests who own the brand name and network of CERNET which CERNET Wifi has used for its operations pursuant to an asset leasehold agreement, and 2) recovery of CERNET Wifi's complete books and records together with the relevant supporting documents during the year under review. CERNET Wifi remained de-consolidated from the Group's consolidated financial statements as at 31 December 2015.

Peer-To-Peer Lending Platform Business

Avatar Wealth

On 1 April 2015, the Group completed the acquisition of 70% equity interest of Avatar Wealth through obtaining control of Bluesea Mobile. Avatar Wealth is engaged in running P2P lending platform business. It offers a full range of products to lenders and on the other hand provides simplified, convenient and flexible financing solutions to both SME's and individual borrowers. Since being acquired, Avatar Wealth has contributed a positive profit stream of approximately HK$36.9 million to the Group.

Bees Financial

In addition to Avatar Wealth, the Group also launched a P2P lending platform 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.*) ("**Bees Financial**"), a 45% owned subsidiary of the Company. Bees Financial has entered into a funds depository business cooperation agreement with 廣東華興銀行(Guangdong Huaxing Bank*) ("**Guangdong Huaxing**") pursuant to which Guangdong Huaxing agreed to provide funds depository services to clients of Bees Financial's P2P online lending platform. Guangdong Huaxing also agreed to continue to cooperate with Bees Financial in the areas of payment and settlement, client resources sharing, wealth management and other internet finance services. The cooperation with Guangdong Huaxing promotes transparency and significantly reduces the credit risk and liquidity risk of Bees Financial's P2P online lending business.

Provision of Transmedia Advertising Services

During the year under review, Ease Ray Group's revenue has decreased as compared to 2014 due to the temporary suspension of its services in various cities as a result of the policies implemented to regulate the traffic signboard advertising by the municipal governments.

PROSPECTS

Sale of Telecommunication Products and Services

Bluesea Mobile Group

Upon the completion of open offer, the Group is ready to expand further in the telecommunication sector. An Internet data center ("**IDC**") in Panyu, the PRC with gross floor area of approximately 40,000 sq.m. and 3,000 server cabinets will be set up for provision of, among others, value-added services including data distribution and analysis and cloud related services.

In addition to IDC in Panyu, Bluesea Mobile has entered into a strategic cooperation framework agreement in respect of joint development of Zhuxishugu (Cloud Computing Center) to further rigorous drive the joint development of information-based industry with core big data in Jiangmen City. Pursuant to the framework agreement, Bluesea Mobile shall be responsible for, among others, the overall investment, construction, planning and coordination of the development project. With the support of Jiangmen Municipal Government, Bluesea Mobile shall jointly develop and construct with China Telecom Guangdong a main station of big data industrial base in Binjiang New Area, Jiangmen City and the resource centre of big data industrial base in Taishan City, introduce well-known enterprises and promote the high-speed development of cloud services and cloud application in Jiangmen.

Bluesea Mobile's WIFI services network, "bluesea-free WIFI", will also be expanded to cover not less than 21 municipalities in Guangdong Province, the PRC. A cross-border e-commerce integrated zone of at least 180,000 sq.m. is also being set up in Foshan International Furniture Expo Mall in support of the Group's cross-border e-commerce platform "bluesea-gou.com". Facilities of the integrated zone include a Type B customs warehouse and an Online to Offline (O2O) experience zone.

CERNET Wifi Group

As the outcome of the legal proceedings had remained uncertain, operations of CERNET Wifi and the Group's control over CERNET Wifi had remained suspended during the year under review. With a view to saving time and costs involved in the legal proceedings, on 17 February 2016, the Group entered into agreements (the "**Unwinding Agreements**") with 北京天一金網科技有限公司 ("**A1 Net**"), the immediate holding company of CERNET Wifi and a subsidiary of the Company by way of structured contracts (the "**Structured Contracts**"), the shareholders of A1 Net and two independent third parties (the "**Purchasers**") to unwind the Structured Contracts. Pursuant to the Unwinding Agreements, among others, 1) the Structured Contracts under which the Group had obtained control over CERNET Wifi would be unwound; and 2) the shareholders of A1 Net disposed of their entire interests in A1 Net to the Purchasers.

The Directors are of the view that the entering into the Unwinding Agreements is in the interest of the Company and its shareholders as a whole and would not result in any material adverse impact on the operation and financial position of the Group.

Hughes China Group

The management of the Hughes China Group will continue to work on additional coverage of the coal-mine surveillance projects and develop its "天地星" and "蒙古包" projects.

Peer-To-Peer Lending Platform Business

The Group is ready to expand further in the P2P business and plans to establish a third-party payment company, develop personal credit information platform, set up integrated service shops in the Pearl River Delta and expand its customer base.

With the launch of the P2P lending platform business in Avatar Wealth and Bees Financial, the Group aims to establish an integrated data transfer, mobile marketing and sales, and financial transactions system and become one of the leading P2P Internet financial group in China.

Other Projects

CNCC Logistics

In June 2015, the Group completed the acquisition of 43% of the equity interest in 中集物流裝備有限公司(CNCC Logistics Equipment Co., Ltd.*) ("**CNCC Logistics**"). CNCC Logistics is principally engaged in the design, manufacture and sale of logistics equipment, and the provision of relevant technical advisory services. Through CNCC Logistics, the Group will set up 50 skid mounted liquefied natural gas (LNG) filling stations and related business, as well as manufacturing plants in Jinan, Shandong Province and in Northwest China.

Shenzhou Aerospace Institute

廣東神舟航天智能製造技術研究院(Guangdong Shenzhou Aerospace Manufacturing Technology Institute*) ("**Shenzhou Aerospace Institute**") has been set up as a private non-enterprise entity of which Bluesea Mobile is one of the organizers. The objective of Shenzhou Aerospace Institute is to, among others, (i) promote aerospace technology amongst the general public; (ii) expand the aerospace technology industry; and (iii) promote the manufacturing technology information within traditional manufacturing industry in the Foshan region by integrating aerospace related technology, for commercial use in the Pearl River Delta region with a focus on industrial information technology and communication, intelligent manufacturing technology and the relevant manufacturing services. Further, depending on the development and progress of various projects, Shenzhou Aerospace Institute may establish future joint venture companies with the Company.

Overall

The acquisitions of Bluesea Mobile, Avatar Wealth and Million Ace Group have been important moves for the Group in picking up its growth momentum. Moving forward, the Group will continue to explore potential investment opportunities in the telecommunication and Internet finance sectors. With the 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 POSITION

During the year under review, the Group completed an open offer of 3,176,281,448 shares at the subscription price of HK$0.38 per offer share on the basis of one open offer share for every two shares held on 7 December 2015 (the "**Open Offer**"). The Open Offer was completed on 30 December 2015 and the net proceeds raised from the open offer were approximately HK$1,089 million. The net proceeds were intended to be used according to the prospectus of the Company issued on 8 December 2015.

As at 31 December 2015, the Group had interest-bearing bank borrowings of HK$26.2 million (2014: HK$ nil) and other loan of HK$27.3 million (2014: HK$27.3 million) which are repayable within one year.

As at 31 December 2015, the Group had current assets of approximately HK$1,384.1 million (2014: HK$48.5 million), including cash and cash equivalents of approximately HK$1,111.9 million (2014: HK$31.7 million), trade receivables, prepayments and other receivables and payments in advance of approximately HK$246.9 million (2014: HK$16.6 million); and current liabilities of approximately HK$374.0 million (2014: HK$95.3 million). The Group's current ratio had been increased from approximately 0.5 times as at 31 December 2014 to approximately 3.7 times as at 31 December 2015.

The Group had total assets of approximately HK$1,729.6 million (2014: HK$147.8 million) and total liabilities of approximately HK$410.7 million (2014: HK$250.8 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 23.7% as at 31 December 2015 (2014: 170%).

The Group's turnover for the year ended 31 December 2015 amounted to approximately HK$1,914.9 million (2014: HK$34.6 million).

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Most of the Group's cash balances and transactions are either denominated in Renminbi or 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 2015 and 2014, the Group did not have any outstanding hedging instruments.

LEGAL PROCEEDINGS

The Company

Winding-up petition

Reference is made to the announcement of the Company dated 15 October 2014 regarding the receipt of a winding-up petition (the "**Winding-up Petition**") by the Company on 15 October 2014, presented by Beyond Net Service Limited (the "**Petitioner**") at the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against the Company. The Winding-up Petition concerns a sum of HK$3,067,500 (the "**Claim**"), being the amount of a cheque issued by the Company on behalf of Cloud Computing Investment Limited ("**Cloud Computing**"), a wholly owned subsidiary of the Company, to the Petitioner pursuant to a consultancy agreement entered into between the Petitioner and Cloud Computing on 1 August 2012 (the "**Consultancy Agreement**"). In accordance with the Consultancy Agreement, the Petitioner should provide certain consultation and services to Cloud Computing within one year from the date of the agreement but the Petitioner has failed to do so. Having reviewed the details of the Winding-up Petition and the relevant facts, the Company has instructed its legal advisers to apply for striking out and dismissal of the Winding-up Petition (the "**Application**"), which was heard at the High Court on 4 May 2015, and the Company received on 12 May 2015 the decision (the "**Decision**") from the High Court that the Application has failed. The Company has instructed its legal advisers to appeal the Decision. The appeal was dismissed by the Court of Appeal of the High Court on 8 October 2015 (the "**Order**"). Pursuant to the Order, the sum of HK$3,067,500 paid into the High Court by the Company had been paid out to the Petitioner in satisfaction of the Claim and the Winding-up Petition was dismissed on 19 October 2015.

The Company has further instructed its legal advisers to advise and take action on behalf of Cloud Computing against the Petitioner on the Petitioner's failure to perform the Consultancy Agreement. Pursuant to such instructions, the legal adviser has issued a High Court Action on 5 December 2014 against the Petitioner.

Writ of summons

Reference is made to the announcement of the Company dated 14 June 2015, a writ of summons (the "**Writ**") was issued by Arch Capital Limited and Hillgo Asia Limited against the Company under Court of First Instance of the High Court of Hong Kong Action No.1281 of 2015 ("**Action**"). In the statement of claim under the Writ, the said two companies purportedly claim as the holders for value of two convertible notes in an aggregate principal amount of HK$144,000,000 issued by the Company (the "**Convertible Note(s)**"), and claim for the principal amount of HK$144,000,000 under the said Convertible Notes together with interest and costs.

The Convertible Notes were issued by the Company in relation to the acquisition of HCH Investments Limited in April 2013 as part of the consideration payable to Oberlin Asia Inc. (the "**Vendor**"). The Vendor nominated the said two companies to hold the Convertible Notes; and it was expressly provided in the Convertible Notes that they were non-transferable. There are on-going disputes between the Company and the Vendor regarding the said acquisition. Further, subsequent to the said acquisition and without the prior knowledge or consent of the Company, the ultimate beneficial ownership of the said two companies was transferred to Next-Generation Satellite Communications Limited ("**Next-Gen**"), a company listed on the Singapore Stock Exchange. It is the Company's position that the said transfer was in breach of aforesaid provision of non-transferability, and therefore the said two companies and Next-Gen are not entitled to claim on the Convertible Notes.

The Directors have therefore given instructions to the Company's legal adviser to contest and defend the Action and to raise a counterclaim against the said two companies. A Defence and Counterclaim has accordingly been filed on behalf of the Company on 26 August 2015, disputing the claim of the said two companies and counterclaiming them for damages (the "**Counterclaim**").

On 6 January 2016, an order for discontinuance of the Counterclaim and a Tomlin order were filed with the High Court that all further proceedings in relation to the Action be stayed except for carrying out the terms that include the following, among other things, into effect.

– The Company shall, within 3 business days after closing of the Open Offer, pay to the said two companies the sum of HK$10,080,000, representing the outstanding interest on the Convertible Notes for the period from 5 October 2014 to 4 October 2015.

– The Company shall comply with all terms of the Convertible Notes.

– The obligation of the Company to pay interest of the Convertible Notes at the rate of 7% per annum from 5 October 2015 until full payment is expressly waived by the said two companies.

The Directors consider that with a view to saving time and costs involved in the Action and the Counterclaim, the filing of the said orders is in the interest of the Company and its shareholders as a whole and would not result in any material adverse impact on the operation and financial position of the Group.

CERNET WIFI

Asset Leasehold Arbitration claim

Reference is made to the announcement the Company dated 19 December 2014 in relation to the application by CERNET Wifi to the China International Economic And Trade Arbitration Commission（中國國際經濟貿易仲裁委員會）("**CIETAC**") to claim against CCL and 賽爾投資有限公司 (CERNET Investment Company Limited*) ("**CERNET Investment**") for, *inter alia*, an amount of RMB22,529,555, being the benefits after deduction of tax generated from the assets leased by CCL and CERNET Investment to CERNET Wifi pursuant to the Asset Leasehold Agreement (the "**Asset Leasehold Arbitration**").

On 5 February 2015, CERNET Wifi received a counter claim from CCL and CERNET Investment claiming for, *inter alia*, a total amount of RMB26,528,148.

On 13 February 2015, in addition to the claims made in the Asset Leasehold Arbitration, CERNET Wifi has further claimed against CCL and CERNET Investment for, *inter alia*, (i) the continuation of the Asset Leasehold Agreement and (ii) the benefits after deduction of tax generated from the assets leased by CCL and CERNET Investment to CERNET Wifi since 1 October 2014.

On 4 June 2015, CCL and CERNET Investment revised their counter claim amount to RMB17,786,802.

On 15 June 2015, CERNET Wifi further revised its claim amount to RMB23,330,550.

CIETAC has deferred its decision to 12 September 2015 in order to gather more information before arriving at a conclusion. In early September 2015, CIETAC further deferred its decision to 14 December 2015. In mid January 2016, CIETAC further deferred its decision to a date to be determined as more time is required to review the audit report on the financial information in relation to this claim.

CERNET Wifi's PRC legal advisor is of the opinion that the outcome of the Asset Leasehold Arbitration will be based upon calculation and settlement of cost, revenue and benefits under the Asset Leasehold Agreement. As such, as at the date of this announcement, the outcome is uncertain.

Common Seal and Documents Claim

On 12 January 2015, CERNET Wifi filed a claim against the former general manager of CERNET Wifi (the "**Former GM**"), in 北京市海淀區人民法院 (Beijing Haidian District People's Court*) (the "**Beijing Haidian Court**") for, inter alia, the return of CERNET Wifi's common seal, contract chop, business registration, and license to carry out value-added telecommunication business ("**CERNET Wifi's Documents**"). On 17 November 2014, the Former GM was dismissed in response to CERNET Wifi's declining business by way of board resolution passed by the CERNET Wifi's board. On 5 December 2014, CERNET Wifi passed a shareholders' resolution that CERNET Wifi's Documents be under the custody of CERNET Wifi's legal representative, Mr. Zhang Xinyu, a director of the Company. On 26 December 2014, CERNET Wifi requested the Former GM for the return of CERNET Wifi's Documents but the Former GM had failed to do so. Beijing Haidian Court issued the judgement on 18 March 2015, pursuant to which the Former GM shall return CERNET Wifi's common seal, contract chop and business registration and its duplicate.

The Former GM has brought the claim to 北京市第一中級人民法院 (Beijing No.1 Intermediate People's Court*) as an appeal to the Beijing Haidian Court's decision. On 21 May 2015, Beijing No.1 Intermediate People's Court issued the final judgement and upheld the original judgement. As at 31 December 2015, the CERNET Wifi's common seal, contract chop and business registration and its duplicate were received by CERNET Wifi.

Labour Arbitration Claim

On 12 January 2015, notices of claim of 69 former employees of CERNET Wifi were served on CERNET Wifi by 北京市海淀區勞動人事爭議仲裁委員會 (Haidian District Labour Dispute Arbitration Committee of Beijing Municipality*) (the "**HDLDAC**") pursuant to which, the applicants claimed for the amount of RMB1,361,993.57, being the salary, over-time payment, meals fee, disbursement, annual leave fee, and dismissal fees payable by CERNET Wifi. CERNET Wifi has counter-claimed against 34 applicants for the return of company properties and payment of commissions (the "**Labour Arbitration Claim**").

The HDLDAC rendered its decision with respect to the Labour Arbitration Claim and CERNET Wifi has brought the claim to the Beijing Haidian Court as an appeal to the HDLDAC's decision.

On 19 May 2015, Beijing Haidian Court upheld the decision rendered by HDLDAC. CERNET Wifi has brought the claim to Beijing No.1 Intermediate People's Court as an appeal to the Beijing Haidian Court's decision.

EMPLOYEES

As at 31 December 2015, the Group had approximately 320 staff (2014: 45). The total remuneration, including that of the Directors, for the year under review is approximately HK$30.3 million (2014: HK$16.0 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Director's 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 Board resolved not to recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

COMPLIANCE WITH THE CODE ON 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 Rules Governing the Listing of Securities on the GEM (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 2015, with the exception for the following deviations:

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be divided. Mr. Cheung Sing Tai is the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive directors.

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 on Corporate Governance Practices of the GEM Listing Rules. 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 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 2015.

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 2015.

AUDIT COMMITTEE

The Company has established an audit committee (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 all the Company's independent non-executive Directors, namely Mr. LEUNG Ka Wo, Mr. CHOU Jianzhong and Ms. XI Lina. The chairman of the Audit Committee is Mr. LEUNG Ka Wo, who possesses extensive experience in finance and accounting.

The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2015.

RETIREMENT OF DIRECTORS AND CHANGE OF MEMBER OF AUDIT COMMITTEE

The Board announces that Mr. LIAN Xin ("**Mr. Lian**") and Mr. CHOU Jianzhong ("**Mr. Chou**") will retire from office by rotation pursuant to Article 87(1) of the Articles.

Mr. Lian confirmed that he will not offer himself for re-election at the forthcoming annual general meeting of the Company to be held on 1 April 2016 (the "**2016 AGM**") as he would like to commit more time on pursuance of his own business. Mr. Chou also confirmed that he will not offer himself for re-election at the 2016 AGM due to the increased commitment on his own business.

Each of Mr. Lian and Mr. Chou confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company or The Stock Exchange of Hong Kong Limited.

Following the retirement of Mr. Chou as an independent non-executive Director, Mr. Chou will also cease to be a member of the Audit Committee. The Board also announces that Mr. HUANG Zhixiong will be appointed as a member of the Audit Committee with effect from the conclusion of the 2016 AGM in place of Mr. Chou.

The Board would like to extend its appreciation to Mr. Lian and Mr. Chou for their valuable contributions during their tenure of office in the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Thursday, 31 March 2016 to Friday, 1 April 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 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, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 March 2016.

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

Hong Kong, 18 February 2016

* *for identification purpose only*

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu, Mr. LIAN Xin and Mr. XU Gang, and four independent non-executive Directors, namely Mr. LEUNG Ka Wo, Mr. CHOU Jianzhong, Ms. XI Lina and Mr. HUANG Zhixiong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.neo-telemedia.com.