



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



2017 *FIRST QUARTERLY*
REPORT



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 Stock 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 Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the “**Directors**”) of Neo Telemedia Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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:–*

- 1. the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and*
- 2. there are no other matters the omission of which would make any statement herein or this report misleading.*

UNAUDITED RESULTS

The board of directors (the “**Board**”) of Neo Telemedia Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the three months ended 31 March 2017 together with comparative unaudited figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 31 March	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover	3	147,707	1,076,208
Cost of sales		(122,072)	(1,054,970)
Gross profit		25,635	21,238
Other income and gains		1,474	6,045
Gain on disposal of subsidiaries		1,092	143,069
Selling and marketing costs		(5,940)	(2,828)
Administrative and other expenses		(31,352)	(25,283)
Finance costs		(505)	(4,177)
(Loss)/profit before income tax		(9,596)	138,064
Income tax credit	4	825	1,719
(Loss)/profit for the period		(8,771)	139,783
Attributable to:			
Owners of the Company		(8,608)	141,563
Non-controlling interests		(163)	(1,780)
		HK cents	HK cents
(Loss)/earnings per share	6		
– basic		(0.09)	1.49
– diluted		(0.09)	1.47

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss)/profit for the period	(8,771)	139,783
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	6,355	9,223
Realisation of translation reserve upon disposal of subsidiaries	(25)	(2,353)
Total comprehensive (loss)/income for the period	(2,441)	146,653
Attributable to:		
Owners of the Company	(2,604)	148,010
Non-controlling interests	163	(1,357)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The condensed consolidated 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 is 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

In the current period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of the above new or revised HKFRSs has had no material effect on the Group’s financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements have been consistently applied by the Group and are consistent with those used in preparing the Company's annual audited financial statements for the year ended 31 December 2016.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have not been audited or reviewed by the Company's auditors, but have been reviewed by the audit committee of the Company.

3. TURNOVER

The Group was principally engaged in sale of telecommunication products and services and Internet finance platform business during the three months ended 31 March 2017. An analysis of turnover is as follows:

	For the three months ended 31 March	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Sale of telecommunication products and services	135,326	1,063,638
Internet finance platform	11,785	12,484
Others	596	86
	147,707	1,076,208

Note:

Others include logistics related business and cross-border e-commerce business.

4. INCOME TAX CREDIT

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

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

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

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

5. DIVIDEND

A final dividend for the year ended 31 December 2016 of 0.38 HK cent per ordinary share, in an aggregate amount of approximately HK\$36,210,000, was recommended by the directors of the Company and is subject to approval by the shareholders at the 2017 annual general meeting to be held on 25 May 2017.

The Directors resolved not to declare any dividend for the three months ended 31 March 2017 (2016: Nil).

6. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 31 March	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
(Loss)/profit attributable to owners of the Company	(8,608)	141,563

	For the three months ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per ordinary share at the end of period	9,528,844,345	9,528,844,345
Effect of dilutive potential ordinary share: share options	–	114,000,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per ordinary share at the end of period	9,528,844,345	9,642,844,345

The computation of diluted loss per share for the period ended 31 March 2017 does not assume the exercise of share options since it would result in an anti-dilutive effect on loss per share.

The computation of diluted earnings per share for the period ended 31 March 2016 did not assume the exercise of certain share options since the exercise prices are higher than the average share price. In addition, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since it would result in an anti-dilutive effect on earnings per share.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Convertible notes reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2016 (audited)	952,884	1,832,493	15,040	7,131	(5,711)	7,375	(1,519,139)	1,290,073	28,787	1,318,860
Profit for the period	-	-	-	-	-	-	141,563	141,563	(1,780)	139,783
Other comprehensive income/(loss):										
Exchange difference on translation of foreign operations	-	-	-	-	8,800	-	-	8,800	423	9,223
Realisation of translation reserve upon disposal of subsidiaries	-	-	-	-	(2,353)	-	-	(2,353)	-	(2,353)
Total comprehensive income/(loss) for the period	-	-	-	-	6,447	-	141,563	148,010	(1,357)	146,653
Disposal of subsidiaries	-	-	-	-	-	-	-	-	4,155	4,155
Redemption of convertible notes	-	-	-	(713)	-	-	713	-	-	-
Reserves and non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	600	-	600	3,745	4,345
At 31 March 2016 (unaudited)	952,884	1,832,493	15,040	6,418	736	7,975	(1,376,863)	1,438,683	35,330	1,474,013
At 1 January 2017 (audited)	952,884	1,832,493	15,040	-	(45,387)	7,375	(1,319,999)	1,442,406	105,101	1,547,507
Loss for the period	-	-	-	-	-	-	(8,608)	(8,608)	(163)	(8,771)
Other comprehensive income/(loss):										
Exchange difference on translation of foreign operations	-	-	-	-	6,029	-	-	6,029	326	6,355
Realisation of translation reserve upon disposal of subsidiaries	-	-	-	-	(25)	-	-	(25)	-	(25)
Total comprehensive income/(loss) for the period	-	-	-	-	6,004	-	(8,608)	(2,604)	163	(2,441)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(48)	(48)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	5,513	5,513
At 31 March 2017 (unaudited)	952,884	1,832,493	15,040	-	(39,383)	7,375	(1,328,607)	1,439,802	110,729	1,550,531

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2017, the Group recorded a turnover of approximately HK\$147,707,000 (2016: HK\$1,076,208,000), representing a decrease of approximately HK\$928,501,000 or 86.3% as compared to the same period in last year. The decrease in turnover was mainly due to the keen competition of both telecommunication industry and Internet finance industry and the fact that no new model of mobile phones and tablets was launched during the three months ended 31 March 2017. The Group also recorded a loss attributable to owners of the Company of approximately HK\$8,608,000 (2016: profit of HK\$141,563,000) for the three months ended 31 March 2017, mainly due to the lack of gain on disposal of the HCH Investments Limited of approximately HK\$143,069,000 as recorded in the last corresponding period.

Business Review

Sale of telecommunication products and services

Blueseas Mobile Group

During the period under review, 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Company Limited*) and its subsidiaries (collectively referred to as “**Blueseas Mobile Group**”) had made a successful bid for the land use rights of a parcel of land located at Heshan City, the PRC, for the construction of the “Blueseas Big Data Industrial Park” which will feature a big data enterprise incubation platform for the development of big data industry in Hong Kong, Macau and Taiwan. With a turnover of approximately HK\$45.4 million contributed by 廣州市資拓科技有限公司 (Guangzhou Nowtop Technology Company Limited*) and its subsidiary, Blueseas Mobile Group recorded an aggregate turnover of approximately HK\$73.9 million for the period under review, representing revenue from trading of telecommunication products and provision of Internet Data Center (“**IDC**”), WIFI and value-added Internet services.

* for identification purpose only

Million Ace Group

Million Ace Limited and its subsidiaries (collectively referred to as “**Million Ace Group**”) are mainly engaged in trading of mobile phones, computers and the relevant devices. The first quarter of a year is generally a low season for mobile phone and tablet sales. Despite keen market competition and the fact that no new model of mobile phones and tablets was launched during the three months ended 31 March 2017, Million Ace Group managed to record a turnover of approximately HK\$61.4 million in the period under review.

Internet finance platform business

During the period under review, the Group continued to expand its customer base of its Internet finance platforms in 廣東阿凡達財富投資管理有限公司 (Guangdong Avatar Wealth Investment Management Company Limited*) and 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co. Ltd.*). The revenue of approximately HK\$11.8 million contributed to the Group represented service or commission income through the operations of these platforms.

Business Prospects

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

* for identification purpose only

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2017, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the securities of the Company

Name of Director	Nature of interests	Number of shares/ underlying shares held	Approximate percentage of shareholding
Mr. ZHANG Xinyu	Beneficial owner	45,600,000 (Note 1)	0.48%
Mr. XU Gang	Beneficial owner Interest of spouse (Note 2)	1,422,000 72,000	0.01% Negligible
Mr. HUANG Zhixiong	Interest of spouse (Note 3)	17,034,000	0.18%

Notes:

1. These 45,600,000 underlying shares are derived from the share options granted by the Company.
2. Mr. Xu is interested in 72,000 shares of the Company held by his spouse, Ms. Yang Jintong.
3. Mr. Huang is interested in 17,034,000 shares of the Company held by his spouse, Ms. Gao Suzhen.

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 31 March 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options under the Old Scheme and their movements during the three months ended 31 March 2017 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2017	Exercised during the period	Lapsed during the period	At 31 March 2017
Employees and others							
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	0.469	6,840,000	–	–	6,840,000
Total				6,840,000	–	–	6,840,000

Particulars of the share options under the New Scheme and their movements during the three months ended 31 March 2017 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			
				At 1 January 2017	Exercised during the period	Lapsed during the period	At 31 March 2017
Directors							
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.275	45,600,000	–	–	45,600,000
Subtotal				45,600,000	–	–	45,600,000
Employees and others							
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.275	68,400,000	–	–	68,400,000
Subtotal				68,400,000	–	–	68,400,000
Total				114,000,000	–	–	114,000,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 2017, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interests	Number of shares held	Approximate percentage of shareholding
LIE Haiquan	Beneficial owner	1,910,848,000	20.05%
	Interest in controlled corporations (Note)	2,091,323,357	21.95%
	Total	4,002,171,357	42.00%

Note: 2,055,887,357 shares and 35,436,000 shares are held by Winner Mind Investments Limited and Golden Ocean Assets Management Limited respectively, both companies are wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in these 2,091,323,357 shares pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of interests required to be kept by the Company, the Company had no notice of any interests and short positions pursuant to Section 336 of the SFO as at 31 March 2017.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 31 March 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 three months ended 31 March 2017.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, with written terms of reference in compliance with Corporate Governance Practices as set out in Appendix 15 to 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 review the financial controls and risk management and internal control systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the three months ended 31 March 2017 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

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

Hong Kong, 15 May 2017

As at the date of this report, the Board comprises three executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu and Mr. XU Gang and three independent non-executive Directors, namely Mr. ZHANG Zihua, Ms. XI Lina and Mr. HUANG Zhixiong.

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