



THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

21 March 2012

The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “GEM Listing Committee”) censures Mr Li Hongrong (“Mr Li”), the Chairman and an executive director of Neo Telemedia Limited (the “Company”) (Stock Code: 8167) for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GLR”).

The GEM Listing Committee also criticises Mr Zhou Zhibin (“Mr Zhou”), a former executive director of the Company (resigned with effect from 16 December 2011), for breaching the GLR.

On 7 February 2012, the GEM Listing Committee conducted a hearing into the conduct of Mr Li and Mr Zhou (together, the “**Directors**”) in relation to their obligations under GLR 5.56 and 5.61 and the Declaration, Undertaking and Acknowledgement given by them to the Exchange in the form set out in Appendix 6A to the GLR (the “**Director’s Undertaking**”).

Facts

GLR provisions

GLR 5.56(a)(ii) provides, among other matters, that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 30 days immediately before the publication date of the quarterly results and the half-year results (or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results).

GLR 5.61 provides that a director must not deal in securities of the listed issuer without first notifying in writing a director designated by the board for the specific purpose and receiving a dated written acknowledgement. GLR 5.61(2) provides that the clearance to deal must be valid for no longer than five business days of clearance being received.

Mr Li's dealings in the Company's shares

A February Disposals

On 6 January 2010, the Company informed Mr Li that the board meeting to approve the Company's interim results for the six months ended 31 December 2009 (the "**Interim Results**") would be held on 8 February 2010, and the relevant black-out period commenced on 9 January and ended on 8 February 2010.

It transpired that the Company announced its Interim Results on 9 February 2010 (at 6:54 am). Under GLR 5.56, the relevant black-out period ("**BOP 1**") therefore commenced on 9 January and continued up to and including 9 February 2010.

5 February Disposal

On 5 February 2010, Mr Li disposed of 670,000,000 shares of the Company at the average price of \$0.129 per share. The disposal fell within BOP 1 during which Mr Li was prohibited from disposing of the Company's shares. Furthermore, Mr Li did not give prior written notification to the Company nor did he receive the Company's written approval before the share disposal.

9 February Disposal

In the evening of 8 February 2010, Mr Li and a purchaser agreed on the transfer of 238 million shares by Tread Up Investments Limited ("**Tread Up**") (of which Mr Li was the sole beneficial owner) to the purchaser at \$0.14 per share. As the purchaser would be leaving Hong Kong the next day (9 February), they signed and dated the share transfer documents on 8 February but agreed that the share transfer documents be (a) held in escrow until completion of the share sale on 9 February 2010 and (b) stamped on 9 February 2010.

Later that evening on 8 February, Mr Li notified Mr Zhou (designated director for receiving written notification and giving written acknowledgement for directors' securities dealings under GLR 5.61) in writing of his intention to dispose of 238 million shares via Tread Up "*within 3 business days from 9.2.10*". Mr Zhou gave a written acknowledgement to Mr Li in the terms as requested.

B *March Disposals*

On 19 February 2010, Mr Li submitted to Mr Zhou a written notification of his intention to deal in the Company's shares "*within 2 months starting from 22.2.10*". On 20 February 2010, Mr Zhou gave his written acknowledgment in the terms as requested by Mr Li.

According to Mr Li, with this clearance received on 20 February 2010, he (a) thought he could deal in the Company's shares between 22 February and 21 April 2010 without further clearance from Mr Zhou and (b) conducted the following share disposals in March 2010 (and the April Disposals referred to below) under such a belief:

March 2010	Number of shares	Average price per share (\$)
1	30,000,000	0.119
2	4,600,000	0.115
3	105,000,000	0.116
4	56,200,000	0.113
5	61,600,000	0.113
8	8,900,000	0.116
12	28,100,000	0.177
15	16,640,000	0.162
16	13,400,000	0.159
29	26,000,000	0.178
30	8,800,000	0.187
31	8,000,000	0.187

C *April Disposals*

On 31 March 2010, the Company informed Mr Li that the board meeting to approve the Company's results for the three months and nine months ended 31 March 2010 ("**Q3 Results**") would be held on 7 May 2010, and the black-out period commenced on 7 April and ended on 7 May 2010 ("**BOP 2**").

On 15 April 2010, Mr Li was notified of the postponement of the publication of the Q3 Results to 13 May 2010 and the extension of the black-out period to 13 May 2010.

On 13 May 2010 (at 10:42 pm), the Company announced its Q3 Results. Under GLR 5.56, the relevant black-out period therefore commenced on 7 April 2010 and ended on 13 May 2010 (the "**extended BOP 2**").

Mr Li disposed of the Company's shares on the following days in April 2010 ("**April Disposals**"), all within BOP 2, without first notifying Mr Zhou and obtaining from him a dated written acknowledgement.

April 2010	No of Shares	Average price per share (\$)
7	5,300,000	0.193
9	20,000,000	0.190
12	1,280,000	0.203

Findings of breach by the GEM Listing Committee

The GEM Listing Committee considered the written and oral submissions of the Listing Division (the “**Division**”) and the written submissions of Mr Li and Mr Zhou, including the admissions of liability by Mr Li and Mr Zhou, and concluded as follows:

Mr Li’s breach of GLR 5.56 and 5.61

5 February Disposal

- (1) Under GLR 5.56, BOP 1 commenced on 9 January and ended on 9 February 2010.
- (2) The 5 February Disposal was conducted within BOP 1 and without Mr Li first notifying Mr Zhou and obtaining a dated written acknowledgement. The GEM Listing Committee therefore concluded that Mr Li breached GLR 5.56 and 5.61.

9 February Disposal

- (3) Under GLR 5.52(1), the definition of “*dealing*” includes the entering into an agreement for share disposal. Given the share transfer documents for disposal of the 238 million shares were signed on 8 February 2010, the GEM Listing Committee concluded that the dealing had already taken place on 8 February 2010, which fell within the BOP 1. Mr Li therefore breached GLR 5.56.
- (4) Given Mr Li’s dealing in the Company’s shares occurred on 8 February 2010 as referred to at (3) above, and Mr Li did not give written notification and obtain Mr Zhou’s written acknowledgment before such dealing, the GEM Listing Committee concluded that Mr Li breached GLR 5.61.

March Disposals

- (5) On 19 February 2010, Mr Li submitted to Mr Zhou a prior written notification of his intention to deal “*within 2 months starting from 22.2.10*”. He received a written acknowledgment from Mr Zhou (giving clearance to deal on the terms as requested) on 20 February 2010.
- (6) Under GLR 5.61(2), the clearance to deal should only be valid for five business days after clearance being given, i.e. five business days after 20 February 2010 (i.e., up to and including 26 February 2010).
- (7) The March Disposals were all conducted after 26 February 2010. The clearance given by Mr Zhou on 20 February 2010 did not apply to any of the March Disposals. There was no prior notification or clearance in respect of all of the March Disposals. The GEM Listing Committee therefore concluded that Mr Li breached GLR 5.61 in respect of the March Disposals.

April Disposals

- (8) When the April Disposals took place, BOP 2 under GLR 5.56 in force at the time and as notified to Mr Li on 31 March 2010 was from 7 April 2010 to 7 May 2010.
- (9) The April Disposals all fell within BOP 2 (and the extended BOP 2) during which Mr Li was prohibited from dealing in the Company's shares. The GEM Listing Committee therefore concluded that Mr Li breached GLR5.56 in relation to his dealings in the Company's shares on each of 7, 9 and 12 April 2010.
- (10) As Mr Li did not give prior written notification to nor did he receive dated written acknowledgement by Mr Zhou in relation to the April Disposals, the GEM Listing Committee also concluded that Mr Li breached GLR 5.61.

Breach of the Director's Undertaking by Mr Li

- (11) The GEM Listing Committee also concluded that Mr Li breached the Director's Undertaking to comply with the GLR to the best of his ability in the light of the circumstances and for the reasons set out below:
 - (a) Mr Li has been the Chairman and an Executive Director of the Company since 2008. His role requires him to be part of executive management. He should be aware of (i) the periodic financial reporting period to which the Company is subject; and (ii) broadly when the Company's black-out period usually commences and ends.
 - (b) Mr Li has undertaken to the Exchange that he would comply with the GLR to the best of his ability, and that he would use his best endeavours to ensure that the Company complies with the GLR. Directors of the Company are collectively and individually responsible for the Company's GLR compliance. As an executive director of the Company, Mr Li is required and expected to be familiar with the GLR, including those governing share dealings by a director in order that he may duly perform his Director's Undertakings as such.
 - (c) As the Chairman and an executive director of the Company since 2008, Mr Li ought to have been aware of the procedures the Company had in place in relation to directors' dealings in the Company's shares, including provision of black-out period notice before the black-out period commences.
 - (d) Mr Li had been informed of BOP 1 before his February Disposals. He signed the Company's letter to the Division advising of BOP 1. Mr Li had been informed of BOP 2 before his April Disposals. Mr Li was required to pay heed to the notices received.

- (e) It was open to Mr Li (and Mr Li was required) to take steps to collate relevant information from and make enquiries with the Company to ensure that his proposed share dealings would be GLR compliant, including that his proposed share dealings would not fall within the black-out periods.
- (f) Mr Li received a warning letter from the Company regarding the 5 February Disposal. He submitted to the Exchange on 9 February 2010 that he would “*act more cautiously in the future to ensure compliance with the GLR*”. Nonetheless, Mr Li continued to repeatedly breach the GLR in relation to his subsequent March and April Disposals. In particular, he breached both GLR 5.56 and 5.61 in relation to his share disposals on each of 7, 9 and 12 April 2010 without taking any steps at all to ensure such share dealings complied with the GLR.
- (g) Against the backgrounds and matters referred to in (a) to (f), complying with the GLR “*to the best of his ability*” would have required Mr Li to:
 - (i) understand fully the GLR requirements with which he had undertaken to comply;
 - (ii) be fully aware of the Company’s internal procedures and their updates;
 - (iii) take heed of the black-out period notices he had received from the Company; and
 - (iv) take steps to ensure that his proposed share dealings would comply with established procedures of the Company and the relevant GLR requirements.
- (h) However, Mr Li had failed to take any such steps. He repeatedly breached the GLR in relation to his share dealings notwithstanding his receipt of prior notice of the relevant black-out periods. He also lacked a proper understanding of the GLR requirements and flagrantly ignored GLR compliance. These are clearly inconsistent with Mr Li having complied with the GLR to the best of his ability. Accordingly, Mr Li breached the Director’s Undertaking to comply with the GLR to the best of his ability.

Mr Zhou’s breach of GLR 5.61(2)

- (12) As Mr Zhou gave Mr Li clearance to deal for a period which exceeded five business days on 20 February 2010, the GEM Listing Committee concluded that Mr Zhou breached GLR 5.61(2).

Breach of the Director's Undertaking by Mr Zhou

- (13) The GEM Listing Committee also found that Mr Zhou breached his Director's Undertaking to comply with the GLR to the best of his ability for the following reasons:
- (a) As the designated director under GLR 5.61, Mr Zhou had an important role in ensuring directors' share dealings comply with the GLR insofar as he was given prior written notification of directors' share dealings. He was reasonably expected to have a proper understanding of the GLR provisions governing directors' securities dealings, including GLR 5.61(2); and
 - (b) Mr Zhou gave clearance to Mr Li for his proposed share dealings for a period which exceeded the period permitted under GLR 5.61(2). He failed to demonstrate proper understanding of the rule, and there is nothing to suggest Mr Zhou took any steps to check the period of clearance permitted under GLR 5.61(2) before he gave the written acknowledgment in the terms as requested by Mr Li.

Regulatory Concern

The GEM Listing Committee strongly condemns Mr Li's conduct. He flagrantly and repeatedly breached the GLR by his share dealings in the manner described above and ignored simple and clear rules prescribing the manner in which a director should deal in shares of their own company.

In the GEM Listing Committee's view, Mr Li's conduct and the circumstances in which Mr Li repeatedly breached the GLR as described above also demonstrate Mr Li's lack of proper regard to GLR compliance. The disposals were significant. They involved a total of 1,301,820,000 shares realising proceeds of \$173,025,120. The value of the February and April Disposals (in breach of the black-out period provision under GLR 5.56) was \$124,832,740.

Mr Li engaged in disposals during the black-out periods ostensibly to fund property investment in the Mainland. A mechanism does exist under the GLR to permit share trading in exceptional circumstances, for example in order to meet pressing financial needs. However, Mr Li was not aware of or chose to ignore this opportunity to conduct legitimate share trades in compliance with the GLR. No evidence was provided to the GEM Listing Committee which supported the assertion that Mr Li was compelled to raise the money at that time or that he made an effort to arrange his affairs so that he would be able to raise money from disposals in a manner compliant with the GLR.

The GEM Listing Committee therefore concluded that Mr Li ignored his responsibilities as a director of a listed company and elevated his personal financial and business interests above that owed to the market in defiance of his personal Director's Undertaking to the Exchange.

His conduct was unacceptable and did not meet the standards of conduct expected of him as a director of a listed issuer under GLR 5.02.

As to Mr Zhou, the GEM Listing Committee emphasises that a designated director has a crucial role in the compliance structure to ensure that share dealings are GLR compliant. The GEM Listing Committee notes with concern that Mr Zhou did not appear to understand his duty as a designated director under GLR 5.61 and did not take steps to check the period of clearance permitted by the GLR. This in turn has also contributed towards Mr Li's repeated breaches of GLR 5.61 relating to the March and April Disposals. Mr Zhou has failed to properly serve as a gatekeeper to ensure that Mr Li's share dealings, as notified to him beforehand, complied with the GLR.

Sanctions

Having made the findings of breach against Mr Li and Mr Zhou stated above, and having concluded that the breaches are serious, the GEM Listing Committee decided to:

- (1) censure Mr Li for his breach of (a) Rules 5.56 and 5.61 of the GEM Listing Rules in relation to his share disposals in February, March and April 2010 identified above and (b) the Director's Undertaking; and
- (2) criticise Mr Zhou for his breach of (a) Rule 5.61(2) of the GEM Listing Rules and (b) the Director's Undertaking.

Further, the GEM Listing Committee directed that:

- (1) Mr Li, who remains a current director of the Company, undergo 24 hours training on GEM Listing Rule compliance (including the requirements on directors' dealings), director's duties and corporate governance matters to be given by the Hong Kong Institute of Chartered Secretaries, Hong Kong Institute of Directors or other course providers approved by the Division, such training to be completed within 90 days from the publication of this News Release;
- (2) Mr Zhou, who has resigned as a director of the Company and who is not currently a director of any other company listed on the Exchange, (a) attend 24 hours training as a pre-requisite of future appointment as a director of any company listed on the Exchange on GEM Listing Rule compliance (including the requirements on directors' dealings), director's duties and corporate governance matters to be given by the Hong Kong Institute of Chartered Secretaries, Hong Kong Institute of Directors or other course providers approved by the Division, before the effective date of any such appointment; and (b) provide the Division with the course provider's written certification of compliance; and
- (3) Mr Li is to confirm to the Division in writing that he has fully complied with the training requirement and provide the Division with the training provider's written certification of compliance within two weeks after completion of the training.

For the avoidance of doubt, the Exchange confirms that this public censure and public statement which involves criticism apply only to the Directors named above and not to the Company or any other past or present member of the Company's Board of Directors.