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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)

MAJOR TRANSACTION

DISPOSAL OF SUBSIDIARIES

On 21 June 2012, the Company as vendor entered into the Agreement with the Purchaser as purchaser pursuant to which the Company agreed to sell to the Purchaser the Sale Shares, representing the entire issued share capital of Getbetter and the entire issued share capital of B&S, at a total consideration of HK\$8,000,000, which is payable in full on completion. Upon completion of the Disposal, the Company will not hold any interest in the Target Companies and the Target Companies will cease to be subsidiaries of the Company.

As the Disposal exceeds 25% but does not exceed 75% of one or more of the applicable percentage ratios (as defined in the GEM Listing Rules), it constitutes a major disposal for the Company under the GEM Listing Rules and is therefore subject to the approval of the Shareholders at the EGM.

A circular containing, among other things, (i) further information regarding the Disposal, (ii) a notice of EGM, and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 13 July 2012.

The Board is pleased to announce that on 21 June 2012, the Company as vendor entered into the Agreement with the Purchaser as purchaser pursuant to which the Company agreed to sell to the Purchaser the Sale Shares, representing the entire issued share capital of Getbetter and the entire issued share capital of B&S, at a total consideration of HK\$8,000,000, which is payable on completion.

THE AGREEMENT

1. Date of the Agreement

21 June 2012

2. Parties to the Agreement

- (1) The Company.
- (2) The Purchaser, an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) and is not a connected person of the Company.

3. Assets to be disposed of

Subject to the terms and conditions of the Agreement, the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, comprising all the issued shares of Getbetter and all the issued shares of B&S.

Prior to the Disposal, the Company is the legal and beneficial owner of the Sale Shares and the Target Companies. Upon completion of the Disposal, the Company will not hold any interest in the Target Companies, and the Target Companies will cease to be subsidiaries of the Company.

Getbetter and its three wholly-owned subsidiaries

- | | | | |
|-----|------------------------|---|---------------------------------|
| (a) | Company name | : | Getbetter Enterprises Limited |
| | Date of incorporation | : | 6 January 2005 |
| | Place of incorporation | : | British Virgin Islands |
| | Shareholder | : | The Company |
| | Nature of business | : | Investment holding |
| (b) | Company name | : | Big Pictures Limited |
| | Date of incorporation | : | 3 January 2005 |
| | Place of incorporation | : | Hong Kong |
| | Shareholder | : | Getbetter |
| | Nature of business | : | Film production in Hong Kong |
| (c) | Company name | : | Big Artiste Management Limited |
| | Date of incorporation | : | 26 January 2005 |
| | Place of incorporation | : | Hong Kong |
| | Shareholder | : | Getbetter |
| | Nature of business | : | Artiste management in Hong Kong |
| (d) | Company name | : | Total Big Limited |
| | Date of incorporation | : | 18 June 2008 |
| | Place of incorporation | : | Hong Kong |
| | Shareholder | : | Getbetter |
| | Nature of business | : | Film production in Hong Kong |

B&S and its four wholly-owned subsidiaries

- (a) Company name : B&S Group Limited
Date of incorporation : 20 March 2002
Place of incorporation : British Virgin Islands
Shareholder : The Company
Nature of business : Investment holding
- (b) Company name : Fleur Group Limited
Date of incorporation : 2 January 2002
Place of incorporation : British Virgin Islands
Shareholder : B&S
Nature of business : Holding of copyrights in Hong Kong
- (c) Company name : Best Faith (Hong Kong) Limited
Date of incorporation : 16 May 1997
Place of incorporation : Hong Kong
Shareholder : B&S
Nature of business : Production and sale of videos and films, and licensing of videos and copyrights/film rights in Hong Kong
- (d) Company name : B&S Films Distribution Company Limited
Date of incorporation : 30 September 1998
Place of incorporation : Hong Kong
Shareholder : B&S
Nature of business : Inactive
- (e) Company name : B&S Films Production Limited
Date of incorporation : 14 January 1998
Place of incorporation : Hong Kong
Shareholder : B&S
Nature of business : Inactive

4. Consideration

The total consideration payable by the Purchaser to the Company for the Sale Shares amounts to HK\$8,000,000 and shall be paid in cash on completion of the Agreement.

The consideration under the Agreement was arrived at after arm's length negotiations between the Company and the Purchaser and was determined with reference to, among others, the expected unaudited net asset value of the Target Companies on completion of the Agreement.

5. Conditions

Completion of the Agreement is conditional upon:

- (a) if necessary, the Company having convened an extraordinary general meeting at which resolutions shall have been duly passed by the Shareholders to approve the Agreement and the transactions contemplated thereunder; and
- (b) the warranties set out in the Agreement remaining true and correct as at the date of completion and as if repeated at all time between the date of the Agreement and the date of completion.

The Purchaser may waive in writing any of the conditions precedents specified above (save and except condition (a)) at any time. If all the conditions specified above have not been satisfied or waived by 5:00 p.m. on 28 September 2012 (or such later date to be agreed between the parties to the Agreement in writing), then the Agreement shall lapse immediately and have no further effect and the parties shall be released from all their respective obligations under the Agreement save and except for any antecedent breach.

6. Financial information of Getbetter and its subsidiaries

The unaudited consolidated net liabilities of Getbetter and its subsidiaries were approximately HK\$71,589,000 as at 30 June 2011. The unaudited consolidated net loss attributable to Getbetter and its subsidiaries for the two years ended 30 June 2010 and 2011 were as follows:

	Year ended 30 June	
	2011	2010
Loss before taxation and extraordinary items	HK\$1,917,000	HK\$19,925,000
Loss after taxation and extraordinary items	HK\$1,954,000	HK\$19,928,000

7. Financial information of B&S and its subsidiaries

The unaudited consolidated net liabilities of B&S and its subsidiaries were approximately HK\$46,622,000 as at 30 June 2011. The unaudited consolidated net loss attributable to B&S and its subsidiaries for the two years ended 30 June 2010 and 2011 were as follows:

	Year ended 30 June	
	2011	2010
Loss before taxation and extraordinary items	HK\$1,000	HK\$56,000
Loss after taxation and extraordinary items	HK\$1,000	HK\$56,000

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company completed an acquisition of a group of companies which is engaged in the business of traffic signboard advertising media in April 2011 and completed an acquisition of a group of companies which is engaged in the business of research and development and sale of telecommunication products, electronic products and computer software and hardware in the PRC in July 2011. The Directors believe that these newly acquired businesses have much potential for growth in the PRC and the venturing into these businesses in the PRC is an important move of the Group to benefit from these fast growing sectors.

The Company has decided to dispose of the businesses of film exhibition and film rights licensing and sub-licensing and artiste management, which have been continuously downsizing since the last financial year. The Directors do not foresee a significant turnaround in the near future and believe that it is more commercially favourable to dispose of the Target Companies and to put more focus and resources on the development and expansion of the newly acquired businesses. The Directors further believe that the Disposal would enable the Group to streamline its business and is therefore fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Upon completion of the Disposal, an expected loss of approximately HK\$10,964,000 will arise, being the sale proceeds less the unaudited net liabilities of the Target Companies of approximately HK\$118,204,000 as at 31 March 2012 and the total amount due from the Target Companies to the Company of approximately HK\$137,168,000 as at 31 March 2012 which will be waived by the Company prior to completion of the Agreement. Shareholders should note that the actual loss on the Disposal to be recorded by the Group will depend on the net asset value of the Target Companies as at the date of completion. The cash proceeds from the Disposal of approximately HK\$8,000,000 will be used as general working capital of the Group.

GENERAL

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are sales and distribution of telecommunication products, provision of wireless services, production and sales of videos and films, the design and production of traffic signboards, computer graphics, advertisements and signal systems equipment in the PRC, the licensing of video and copyrights/film rights and artiste management in Hong Kong.

As the Disposal exceeds 25% but does not exceed 75% of one or more of the applicable percentage ratios (as defined in the GEM Listing Rules), it constitutes a major disposal for the Company under the GEM Listing Rules and is therefore subject to the approval of the Shareholders at the EGM. To the best knowledge, information and belief of the Directors having made all reasonable enquires, no shareholder of the Company is required to abstain from voting for the resolution to be proposed at the EGM to approve the Agreement.

A circular containing, among other things, (i) further information regarding the Disposal, (ii) a notice of EGM, and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 13 July 2012.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	sale and purchase agreement dated 21 June 2012 entered into between the Company as vendor and the Purchaser as purchaser in relation to the sale and purchase of the Sale Shares
“Board”	board of directors of the Company
“B&S”	B&S Group Limited, a company incorporated under the laws of the BVI with limited liability and a direct wholly-owned subsidiary of the Company prior to the Disposal
“BVI”	British Virgin Islands
“Company”	Neo Telemedia Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on GEM (stock code: 8167)
“Directors”	director(s) of the Company
“Disposal”	disposal of the Sale Shares pursuant to the provisions of the Agreement

“EGM”	extraordinary general meeting of the Company to be convened for approving the Agreement and the transaction contemplated thereunder
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Getbetter”	Getbetter Enterprises Limited, a company incorporated under the laws of the BVI with limited liability and a direct wholly-owned subsidiary of the Company prior to the Disposal
“Group”	Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	People’s Republic of China, excluding for the purpose of this announcement Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Purchaser”	Fintage Asia Corporation, a company incorporated under the laws of the BVI with limited liability and the purchaser under the Agreement
“Sale Shares”	all issued shares of Getbetter and all issued shares of B&S
“Shareholder(s)”	holder(s) of shares of the Company
“subsidiary(ies)”	as defined under the GEM Listing Rules
“Target Companies”	Getbetter and its subsidiaries and B&S and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Neo Telemedia Limited
LI Hongrong
Chairman

Hong Kong, 21 June 2012

As at the date hereof, the Board is comprised of four executive directors namely Mr. LI Hongrong, Mr. Theo EDE, Mr. HU Yangjun and Mr. ZHANG Xinyu; and three independent non-executive directors, namely Mr. LAM Kin Kau, Mark, Professor SONG Junde and Professor CHEN Lujun.

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: (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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <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.