# 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)**

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2013

**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, for which the directors of Neo Telemedia Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Neo Telemedia Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:*

1. *the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and*

2. *there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## UNAUDITED RESULTS

The board of directors (the "Board") of Neo Telemedia Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months and nine months ended 31 March 2013 together with comparative unaudited figures for the corresponding periods of 2012 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | | | | |
| Turnover | *3* | **36,223** | 89,175 | **887** | 43,797 |
| Cost of sales | | **(6,938)** | (5,440) | **(1,595)** | (1,255) |
| Gross profit (loss) | | **29,285** | 83,735 | **(708)** | 42,542 |
| Other income | | **5,310** | 2,674 | **2,546** | 223 |
| Selling and marketing costs | | **(3,232)** | (17,084) | **(2,294)** | (5,518) |
| Administrative and other expenses | | **(39,308)** | (26,451) | **(12,575)** | (5,109) |
| (Loss) profit from operating activities | | **(7,945)** | 42,874 | **(13,031)** | 32,138 |
| Finance costs | | **–** | (2,204) | **–** | – |
| (Loss) profit before income tax | | **(7,945)** | 40,670 | **(13,031)** | 32,138 |
| Income tax (expense)/credit | *4* | **(2,627)** | (15,405) | **752** | (1,541) |
| (Loss) profit for the period from continuing operations | | **(10,572)** | 25,265 | **(12,279)** | 30,597 |
| **Discontinued operations** | | | | | |
| Profit for the period from discontinued operations | *8* | **333** | 7 | **–** | 147 |
| (Loss) profit for the period | | **(10,239)** | 25,272 | **(12,279)** | 30,744 |
| **Attributable to:** | | | | | |
| Owners of the Company | | **(11,037)** | 1,286 | **(12,585)** | 14,630 |
| Non-Controlling Interest | | **798** | 23,986 | **306** | 16,114 |
| | | **(10,239)** | 25,272 | **(12,279)** | 30,744 |

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **(Loss) earnings per share from continuing operations attributable to owners of the Company during the period** | | | | | |
| Basic *(in HK cents)*: | *6* | **(0.49)** | 0.06 | **(0.54)** | 0.64 |
| Diluted *(in HK cents)*: | *6* | **N/A** | N/A | **N/A** | N/A |
| **Earnings per share from discontinued operations attributable to owners of the Company during the period** | | | | | |
| Basic *(in HK cents)*: | *6* | **0.01** | 0.00 | **–** | 0.01 |
| Diluted *(in HK cents)*: | *6* | **N/A** | N/A | **N/A** | N/A |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| (Loss) profit for the period | | **(10,239)** | 25,272 | **(12,279)** | 30,744 |
| Other comprehensive income: | | | | | |
| Exchange difference arising on translation of foreign operations | | **1,743** | 1,727 | **2,109** | 1,210 |
| Total comprehensive (loss) income for the period | | **(8,496)** | 26,999 | **(10,170)** | 31,954 |
| Attributable to: | | | | | |
| Owners of the Company | | **(9,947)** | 3,013 | **(10,738)** | 15,840 |
| Non-Controlling Interest | | **1,451** | 23,986 | **568** | 16,114 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Neo Telemedia Limited (the "Company") (together with its subsidiaries, collectively referred to as the "Group") 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 and principal place of business of the Company are Unit 1303, 13/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries are HK$. 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 principal activity of the Company is investment holding and the principal activities of its operating subsidiaries are the provision of network and satellite telecommunication services and transmedia advertising services, and the sale of telecommunication products in the PRC.

## 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, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1 July 2012. The adopting of the new HKFRSs has had no material effect on the Group's financial statements.

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 30 June 2012.

The unaudited condensed consolidated financial statements for the nine months ended 31 March 2013 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 (i) design and production of traffic signboards, computer graphics, advertisements and signal system equipment; and (ii) sales of telecommunication products and provision of wireless services during the three months and nine months ended 31 March 2013. An analysis of turnover for both continuing and discontinued operations is as follows:

| | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | | | |
| Traffic signboards advertisements income | **13,979** | 87,065 | **846** | 43,797 |
| Sales of telecommunication products and provision of cable and wireless broadband services | **22,244** | 2,110 | **41** | – |
| | **36,223** | 89,175 | **887** | 43,797 |
| **Discontinued operations** | | | | |
| Film exhibition and film rights licensing and sub-licensing fee income | **15** | 898 | **–** | 389 |
| Income from artiste management | **–** | 222 | **–** | 12 |
| | **15** | 1,120 | **–** | 401 |

## 4. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. Hong Kong Profits Tax has not been provided for in the unaudited condensed consolidated financial statements as the Group has no assessable profits arising in Hong Kong 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.

A subsidiary of the Company is qualified as a high-tech enterprise in accordance with the Guidelines for the Accreditation of High-tech Enterprises (高新技術企業認定管理工作指引) and is entitled to a preferential tax rate of 15%.

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

## 5. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 31 March 2013 (2012: Nil).

## 6. (LOSS) EARNINGS PER SHARE

### (a) Basic (loss) earnings per share

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

| | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| (Loss) profit attributable to owners of the Company – continuing operations | **(11,370)** | 1,279 | **(12,585)** | 14,483 |
| Profit attributable to owners of the Company – discontinued operations | **333** | 7 | **–** | 147 |
| (Loss) profit attributable to owners of the Company | **(11,037)** | 1,286 | **(12,585)** | 14,630 |

| | For the nine months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Issued ordinary shares at the beginning of period | **2,326,920,793** | 1,932,820,000 | **2,326,920,793** | 2,271,570,000 |
| Effect of issuance of consideration shares | **–** | 67,227,860 | **–** | – |
| Effect of issuance of placing shares | **–** | 120,553,505 | **–** | – |
| Weighted average number of ordinary shares at the end of period | **2,326,920,793** | 2,120,601,365 | **2,326,920,793** | 2,271,570,000 |

### (b) Diluted loss per share

No diluted loss per share has been presented for the periods ended 31 March 2013 as no dilutive event existed during these periods.

## 7. SHARE CAPITAL AND RESERVES

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* | **Share options reserve** *HK$'000* | **Capital and other reserve (Restated)** *(Note)* *HK$'000* | **Translation reserve** *HK$'000* | **Statutory reserve** *HK$'000* | **Warrant reserve** *HK$'000* | **Accumulated losses** *HK$'000* | **Total** *HK$'000* | **Non-controlling interests** *HK$'000* | **Total** *HK$'000* |
| **At 1 July 2011** (audited) | 193,282 | 828,355 | 38,331 | 17,590 | 27 | – | – | (214,711) | 862,874 | 22,453 | 885,327 |
| Profit for the period | – | – | – | – | – | – | – | 1,286 | 1,286 | 23,986 | 25,272 |
| **Other comprehensive income:** | | | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | – | – | – | – | 1,727 | – | – | – | 1,727 | – | 1,727 |
| Total comprehensive income for the period (unaudited) | – | – | – | – | 1,727 | – | – | 1,286 | 3,013 | 23,986 | 26,999 |
| Issue of shares for acquisition of subsidiaries | 6,875 | 26,125 | – | – | – | – | – | – | 33,000 | – | 33,000 |
| Placing of shares | 27,000 | 52,779 | – | – | – | – | – | – | 79,779 | – | 79,779 |
| **At 31 March 2012 (unaudited)** | **227,157** | **907,259** | **38,331** | **17,590** | **1,754** | – | – | **(213,425)** | **978,666** | **46,439** | **1,025,105** |
| At 1 July 2012 (audited) | 232,692 | 943,621 | 33,187 | 17,590 | 983 | 7,375 | – | (678,992) | 556,456 | 54,597 | 611,053 |
| Loss for the period | – | – | – | – | – | – | – | (11,037) | (11,037) | 798 | (10,239) |
| **Other comprehensive loss:** | | | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | – | – | – | – | 1,090 | – | – | – | 1,090 | 653 | 1,743 |
| Total comprehensive loss for the period (unaudited) | – | – | – | – | 1,090 | – | – | (11,037) | (9,947) | 1,451 | (8,496) |
| Transfer | – | – | – | – | – | 1,563 | – | (1,643) | (80) | 80 | – |
| Transfer upon disposal of subsidiaries | – | – | – | (17,590) | – | – | – | 17,590 | – | – | – |
| Lapse of share options | – | – | (996) | – | – | – | – | 996 | – | – | – |
| Issue of warrants | – | – | – | – | – | – | 14,600 | – | 14,600 | – | 14,600 |
| **At 31 March 2013** (unaudited) | 232,692 | 943,621 | 32,191 | – | 2,073 | 8,938 | 14,600 | (673,086) | 561,029 | 56,128 | 617,157 |

*Note:*

An error in the consolidated financial statements was identified by the directors of the Company subsequent to the issue of the consolidated financial statements for the year ended 30 June 2011. The adjustment represented correction of an error in relation to the incorrect classification of the contingent consideration for the acquisition of Ease Ray Limited (the "Ease Ray Acquisition").

7. **SHARE CAPITAL AND RESERVES** *(continued)*

*Note: (continued)*

Pursuant to the conditional agreement dated 3 June 2010 entered into between the Company and Mr. Chu Yip Wah (the "Ease Ray Vendor") in relation to the Ease Ray Acquisition (the "Ease Ray Agreement"), a maximum of 210,000,000 new shares (after the share consolidation effective from 30 June 2011), subject to the downward adjustment, to be issued by the Company to the Ease Ray Vendor as part of the contingent consideration of the Ease Ray Acquisition (the "Ease Ray Second Batch Consideration Shares"). The Company has recognised the fair value of the Ease Ray Second Batch Consideration Shares in "Capital and Other Reserve" as an equity in the consolidated financial statements during the year ended 30 June 2011. During the year ended 30 June 2012, the directors of the Company discovered that the numbers of the Ease Ray Second Batch Consideration Shares to be issued will vary depending on the audited results of Ease Ray Limited ("Ease Ray") and its subsidiaries (collectively referred to as the "Ease Ray Group") for the year ended 31 December 2011. Therefore according to HKFRS 3 "Business Combination ", the fair value of the Ease Ray Second Batch Consideration Shares at the date of acquisition shall be classified as financial liability instead of equity and the directors have made such correction in the year ended 30 June 2012 as follows:

| | **30 June 2011** | **Adjustment** | **30 June 2011** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (As originally stated) | | (As restated) |
| **CURRENT LIABILITIES** | | | |
| Contingent consideration payable | – | 220,500 | 220,500 |
| Total effect on liability | – | 220,500 | 220,500 |

| | **30 June 2011** | **Adjustment** | **30 June 2011** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (As originally stated) | | (As restated) |
| **CAPITAL AND RESERVES** | | | |
| Capital and other reserve | 238,090 | (220,500) | 17,590 |
| Total effect on equity | 238,090 | (220,500) | 17,590 |

The effect of error described above has no effect on the consolidated profit for the year ended 30 June 2011 and consolidated statement of financial position at 30 June 2010.

## 8. DISCONTINUED OPERATIONS

Pursuant to the Company's circular dated 13 July 2012, the Company entered into a sale agreement on 21 June 2012 with an independent third party (the "Purchaser") in respect of the disposal of 100% equity interests in Getbetter Enterprises Limited and its subsidiaries (collectively referred to as "Getbetter Group") and B&S Group Limited and its subsidiaries (collectively referred to as "B&S Group") at a consideration of HK$8,000,000, payable in cash (the "Disposal").

The principal activities of Getbetter Group and B&S Group (collectively referred to as the "Disposal Group") are the production and sales of videos and films, the licensing of video and copyrights / films rights and artiste management. The Disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The Disposal was completed on 28 September 2012, on which date control of the Disposal Group were passed to the Purchaser.

The profit (loss) for the period from discontinued operations for film exhibition, film rights licensing and sub-licensing and artiste management is analysed as follows:

| | **For the nine months ended 31 March** | | **For the three months ended 31 March** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| (Loss) profit for the period | **(147)** | 7 | **–** | 147 |
| Profit on disposal of film exhibition, film rights licensing and sub-licensing and artiste management operations | **480** | – | **–** | – |
| | **333** | 7 | **–** | 147 |

The results of the film exhibition, film rights licensing and sub-licensing and artiste management, which have been included in the unaudited condensed consolidated statement of comprehensive income, were as follows:

| | **For the nine months ended 31 March** | | **For the three months ended 31 March** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Turnover | **15** | 1,120 | **–** | 401 |
| (Loss) profit from operating activities | **(144)** | 10 | **–** | 147 |
| Finance costs | **(3)** | (3) | **–** | – |
| (Loss) profit before tax | **(147)** | 7 | **–** | 147 |
| Income tax expense | **–** | – | **–** | – |
| (Loss) profit for the period | **(147)** | 7 | **–** | 147 |

## MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 March 2013, the Group recorded a turnover of approximately HK$36,223,000 (2012: HK$89,175,000) from continuing operations, representing a substantial decrease of approximately HK$52,952,000 or 59.4% as compared to the same period of last year. The Group recorded a loss attributable to owners of the Company of approximately HK$11,037,000 for the nine months ended 31 March 2013, in contrast to a profit of approximately HK$1,286,000 for the same period of last year. The substantial decrease in turnover and loss for the period was mainly attributable to the decrease in advertising income as a result of (1) the temporary suspension of the operations in Xiamen and Nanchang due to road expansion and subway construction carried out by the municipal governments; and (2) fierce competition in the industry and the worsening economy in the PRC. The above factors have adversely affected the Group's revenue as well as its operating results for the nine months ended 31 March 2013.

### Design and production of traffic signboards and provision of electronic media services

During the period under review, Ease Ray Group continued to contribute revenue and operating profit to the Group. However, due to road expansion and subway construction carried out by the municipal governments of Xiamen and Nanchang, our pedestrian traffic lights located in the two cities have been temporarily uninstalled. In addition, due to fierce competition in the outdoor advertising industry and the worsening economy in the PRC, the number of advertising agents co-operated with us has dropped from three to one and the advertising income generated by this agent has dropped as well.

### Sales of telecommunication products and provision of cable and wireless broadband services

During the period under review, the performance of Smart Long Group improved significantly. It was mainly attributable to the increase in revenue generated from sale and installation of network platform and the related after-sale services.

Sale of HTS filtering solutions, the main source of revenue Smart Long Group, has been adversely affected by the supply shortage of HTS filters and the change in procurement policy of the major telecommunication operators in the PRC. In order to diversify the sources of revenue, the management of Smart Long Group has developed the sale of other telecommunication products, such as e-commerce network platform and mobile Internet network, as well as its related services, such as installation and training. Although this does not provide a stable stream of revenue, it has significantly improved the performance of Smart Long Group for the period under review.

### Discontinued operations

On 21 June 2012, the Company entered into a sale agreement with an independent third party in respect of the disposal of the business of film exhibition and film rights licensing and sub-licensing and artiste management for a consideration of HK$8,000,000 (the "Disposal"). The Disposal was completed on 28 September 2012.

## PROSPECTS

The venturing into the telecommunication and outdoor advertising media sectors in the PRC has been an important move of the Group to benefit from these fast growing sectors. Although the Group has encountered challenges to survive this harsh economic environment, the Directors are optimistic in the overall economy of the PRC and will continue to develop the existing business of the Group.

For Ease Ray Group, the management will continue to monitor the progress of road expansion and subway construction in Xiamen and Nanchang and work with the municipal governments for a timetable of resuming our services. In addition, the Directors will continue to assess if there is any significant impact on the Group's investment in Ease Ray as a result of this temporary suspension of operation.

For Smart Long Group, the management will continue to work with the supplier of HTS filters and also the major telecommunication operators in the PRC for the sale of HTS filtering solutions. In the meantime, the management will continue to seek other sources of revenue.

During the period under review, the Company entered into agreements with two independent third parties in relation to acquisitions of two separate groups that are engaged in the business of broadband satellite communication services and personal broadband access services in educational institutions respectively. The two acquisitions have been completed as of the date of this announcement. Details of these acquisitions are disclosed under the heading "Material Acquisitions of Subsidiaries and Associated Companies".

In addition, the Company entered into a lease and operation agreement and an amendment agreement with Space Communication Limited ("Spacecom") on 15 April 2013 and 25 April 2013 (collectively the "Satellite Agreement") respectively. Pursuant to the Satellite Agreement, the Company has conditionally agreed to purchase from Spacecom the Ka-Beam of a satellite known as AMOS-4 that is planned to be launched by 31 July 2013 (the "Satellite").

The Directors expect that the two recently completed acquisitions will create a synergy effect amongst themselves as well as with the Group's existing business and that the purchase of the Ka-Beam of the Satellite will enable the Company to capture the high growth opportunity in the value-added telecommunication services and is complementary to the recently acquired business.

### Share Capital

As at 1 July 2012 and 31 March 2013, the authorised share capital of the Company was HK$400,000,000 divided into 4,000,000,000 shares of HK$0.10 each and the issued share capital of the Company was approximately HK$232,692,000 divided into 2,326,920,793 shares of HK$0.10 each.

**Issues of Unlisted Warrants**

On 5 November 2012, the Company entered into warrant subscription agreements with six independent third parties ("Group A Subscribers"), pursuant to which the Company agreed to issue and Group A Subscribers agreed to subscribe for an aggregate of 200,000,000 unlisted warrants at an issue price of HK$0.01 per warrant ("Warrants (A)"). Each of Warrants (A) carries the right to subscribe for one new share of the Company at the initial exercise price of HK$0.54 per share (subject to adjustment) during a period of two years commencing from (and inclusive of) 5 December 2012, the date of issue of Warrants (A).

On 3 December 2012, the Company entered into warrant subscription agreements with another six independent third parties ("Group B Subscribers"), pursuant to which the Company agreed to issue and Group B Subscribers agreed to subscribe for an aggregate of 254,000,000 unlisted warrants at an issue price of HK$0.05 per warrant ("Warrants (B)"). Each of Warrants (B) carries the right to subscribe for one new share of the Company at the initial exercise price of HK$0.59 per Share (subject to adjustment) during a period of two years commencing from (and inclusive of) 21 December 2012, the date of issue of Warrants (B).

**Use of Net Proceeds from the Issues of Unlisted Warrants**

The Company successfully completed the Issues of Warrants (A) and Warrants (B) on 5 December 2012 and 21 December 2012 respectively, raising an aggregate net proceeds (after deduction of the related expenses) of approximately HK$14,600,000. The Company has utilised the net proceeds in the manner consistent with that disclosed in its announcements dated 5 November 2012 and 3 December 2012, i.e. as general working capital of the Group.

**Material Acquisitions of Subsidiaries and Associated Companies**

**Hughes China Group**

On 7 January 2013, the Company entered into an agreement with Oberlin Asia Inc. ("Oberlin") pursuant to which Oberlin conditionally agreed to sell to the Company the entire issued share capital of HCH Investments Limited ("HCH") at a total consideration of HK$273,000,000.

HCH, together with its subsidiaries and associated company (collectively referred to as "Hughes China Group"), is principally engaged in satellite communication business in the PRC, Hong Kong, Macau and Taiwan and provide broadband satellite communication services to enterprises, telecommunication carriers and civil government customers.

For details of the acquisition of HCH, please refer to the Company's announcement dated 7 January 2013.

**Cernet Wifi Group**

On 25 January 2013, the Company entered into an agreement with Lucky Smile Enterprises Limited ("Lucky Smile") pursuant to which Lucky Smile conditionally agreed to sell to the Company the entire issued share capital of Galaxy Palace Group Limited ("Galaxy Palace"), at an initial consideration of approximately HK$69,617,000, subject to adjustments, but in any event subject to a maximum aggregate consideration of HK$194,400,000.

Galaxy Palace, together with its subsidiaries (collectively referred to as "Cernet Wifi Group"), is principally engaged in computer, software and associated equipment sales, technology development, transfer, consultancy and computer system services. CERNET Wifi Group has entered into asset leasehold and cooperation contracts with 賽爾網絡有限公司 (CERNET Company Limited*) ("CERNET") pursuant to which CERNET Wifi Group is entitled to the economic benefits generated by the assets owned by CERNET in relation to the personal broadband access services connecting the higher educational institutions in the PRC and the related internet content and value-added telecommunication services.

For details of the acquisition of Galaxy Palace, please refer to the Company's announcement dated 25 January 2013.

The acquisitions of Hughes China Group and Cernet Wifi Group were completed on 5 April 2013 and 24 April 2013 respectively.

Save as disclosed above, there were no significant investments made by the Group during the nine months ended 31 March 2013.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2013, 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

***(a) Ordinary share of HK$0.10 each of the Company***

| Name of Director | Capacity | Position | Number of shares held | Approximate percentage of shareholding |
|---|---|---|---|---|
| Mr. LI Hongrong | Interest of controlled corporation *(Note)* | Long | 13,038,000 | 0.56% |

*Note:* These Shares are held by Tread Up Investments Limited ("Tread Up"). The entire issued share capital of Tread Up was beneficially owned by Mr. LI Hongrong. Thus, he was deemed to be interested in the 13,038,000 Shares held by Tread Up pursuant to the SFO.

* *For identification purposes only*

### *(b) Share options*

| Name of Director | Capacity | Number of options held | Number of underlying shares | Approximate percentage of shareholding |
|---|---|---|---|---|
| Mr. HU Yangjun | Beneficial owner | 15,000,000 | 15,000,000 | 0.64% |

Save as disclosed above, the Directors do not have any interests or short positions in the securities of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" 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. Particular of the share options under the Old Scheme and their movements during the nine months ended 31 March 2013 are set out below:

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of category of participant | Date of grant | Exercise period | Exercise price per share | At 1 July 2012 | Granted during the period | Exercised during the period | Lapsed during the period | At 31 March 2013 |
| **Directors** | | | | | | | | |
| Mr. HU Yangjun | 8/4/2011 | 8/4/2011 – 7/4/2021 | 1.07 | 15,000,000 | – | – | – | 15,000,000 |
| Subtotal | | | | 15,000,000 | – | – | – | 15,000,000 |
| **Employees and others** | | | | | | | | |
| In aggregate | 8/4/2011 | 8/4/2011 – 7/4/2021 | 1.07 | 85,000,000 | – | – | 3,000,000 | 82,000,000 |
| Subtotal | | | | 85,000,000 | – | – | 3,000,000 | 82,000,000 |
| Total | | | | 100,000,000 | – | – | 3,000,000 | 97,000,000 |

As at 31 March 2013, no share options had been granted under the New Scheme.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 31 March 2013, 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 ordinary shares held | Approximate percentage of shareholding |
|---|---|---|---|
| LIE Haiquan | Beneficial owner | 249,218,000 Shares | 10.71% |
| | Interest in controlled corporation *(Note 1)* | 6,796,000 Shares | 0.29% |
| | Interest in controlled corporation *(Note 2)* | 120,708,000 Shares | 5.19% |
| | Total | 376,722,000 Shares | 16.19% |

*Notes:*

1. These Shares are held by Ocean Pearl Group Limited ("Ocean Pearl") that was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 6,796,000 Shares held by Ocean Pearl pursuant to the SFO.

2. These Shares are held by Winner Mind Investments Limited ("Winner Mind"), a company incorporated in the British Virgin Islands, which was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 120,708,000 Shares held by Winner Mind pursuant to the SFO.

Save as disclosed above and in "Directors' Interests and Short Positions in Securities", the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the period under review except for the following deviations:

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 and the Code on Corporate Governance Practices of the GEM Listing Rules. Accordingly the Company considers that sufficient measures have been taken to dealt with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

Under the Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to business engagements, two independent non-executive Directors could not attend the annual general meeting of the Company held on 19 December 2012.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also 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 the Directors during the nine months ended 31 March 2013.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective 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 nine months ended 31 March 2013.

## 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 nine months ended 31 March 2013.

## 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 Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the nine months ended 31 March 2013 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**
**LI Hongrong**
*Chairman*

Hong Kong, 14 May 2013

*As at the date hereof, the Board comprises four executive Directors, namely LI Hongrong (Chairman), Theo EDE, HU Yangjun and ZHANG Xinyu (Chief Executive Officer); and three independent non-executive Directors, namely 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 http://www.hkgem.com for at least seven days from the date of its posting.*