



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

**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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, 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 announcement.

This announcement, for which the directors (the “Directors”) of Neo Telemedia Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (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 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”) 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 2014 together with comparative unaudited figures for the corresponding period of 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 31 March	
		2014 (Unaudited) <i>HK\$’000</i>	2013 (Unaudited) <i>HK\$’000</i>
	<i>Notes</i>		
Turnover	3	9,763	887
Cost of sales		<u>(3,264)</u>	<u>(1,595)</u>
Gross profit (loss)		6,499	(708)
Other income		1,178	2,546
Selling and marketing expenses		(577)	(2,294)
Administrative and other expenses		(19,126)	(12,575)
Finance costs		<u>(6,157)</u>	<u>–</u>
Loss before income tax		(18,183)	(13,031)
Income tax credit	4	<u>1,337</u>	<u>752</u>
Loss for the period		<u>(16,846)</u>	<u>(12,279)</u>
Attributable to:			
Owners of the Company		(13,337)	(12,585)
Non-controlling interests		<u>(3,509)</u>	<u>306</u>
Loss per share	6		
– basic (<i>in HK cent</i>)		<u>(0.52)</u>	<u>(0.54)</u>
– diluted (<i>in HK cent</i>)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>
Loss for the period	(16,846)	(12,279)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>(2,066)</u>	<u>2,109</u>
Total comprehensive expense for the period	<u>(18,912)</u>	<u>(10,170)</u>
Attributable to:		
Owners of the Company	(15,157)	(10,738)
Non-controlling interests	<u>(3,755)</u>	<u>568</u>

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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company in Hong Kong is located at 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 sale of telecommunication products and services and provision of transmedia advertising services 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, 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.

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 period ended 31 December 2013.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2014 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) sale of telecommunication products and services; and (ii) provision of transmedia advertising services during the three months ended 31 March 2014. An analysis of turnover is as follows:

	For the three months ended 31 March	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sale of telecommunication products and services	9,331	41
Transmedia advertising services	432	846
	9,763	887

4. INCOME TAX CREDIT

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 resolved not to declare any dividend for the three months ended 31 March 2014 (2013: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

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

	For the three months ended 31 March	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss attributable to owners of the Company	<u>(13,337)</u>	<u>(12,585)</u>

	For the three months ended 31 March	
	2014	2013
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at the end of period	<u>2,554,920,793</u>	<u>2,326,920,793</u>

(b) Diluted loss per share

No diluted loss per share has been presented for the period ended 31 March 2014 as no dilutive event existed during this period.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company								Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued 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	Warrant reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2013 (unaudited)	232,692	943,621	32,191	–	718	7,375	14,600	(658,858)	572,339	54,988	627,327
(Loss)/profit for the period	–	–	–	–	–	–	–	(12,585)	(12,585)	306	(12,279)
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	–	1,847	–	–	–	1,847	262	2,109
Total comprehensive income/(expense) for the period	–	–	–	–	1,847	–	–	(12,585)	(10,738)	568	(10,170)
At 31 March 2013 (unaudited)	232,692	943,621	32,191	–	2,565	7,375	14,600	(671,443)	561,601	55,556	617,157
At 1 January 2014 (audited)	255,492	1,024,031	47,084	7,131	1,908	7,375	14,600	(960,545)	397,076	104,488	501,564
Loss for the period	–	–	–	–	–	–	–	(13,337)	(13,337)	(3,509)	(16,846)
Other comprehensive income:											
Exchange difference on translation of foreign operations	–	–	–	–	(1,820)	–	–	–	(1,820)	(246)	(2,066)
Total comprehensive expense for the period	–	–	–	–	(1,820)	–	–	(13,337)	(15,157)	(3,755)	(18,912)
Share options lapsed	–	–	(23,619)	–	–	–	–	23,619	–	–	–
At 31 March 2014 (unaudited)	255,492	1,024,031	23,465	7,131	88	7,375	14,600	(950,263)	381,919	100,733	482,652

MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ended 31 March 2014, the Group recorded a turnover of approximately HK\$9,763,000 (2013: HK\$887,000), representing a substantial increase of approximately HK\$8,876,000 or 10 times as compared to the same quarter of last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$13,337,000 (2013: HK\$12,585,000) for the first quarter ended 31 March 2014, representing an increase of approximately HK\$752,000 or 6% as compared to the corresponding period in last year. The increase in turnover was mainly attributable to contribution from Hughes China Group and CERNET Wifi Group which were acquired on 5 April 2013 and 24 April 2013 respectively. The slight increase in loss attributable to owners of the Company is mainly because certain projects, such as 天地星 and 蒙古包, that the above-mentioned groups are working on were still in the preliminary stage and did not contribute any revenue to the Group but the relevant development costs were incurred during the period under review.

Sale of telecommunication products and services

Hughes China Group

During the period under review, Hughes China Group continued to work on the two major projects, namely “天地星” and “蒙古包”. Revenue contributed to the Group for the period represents sale of satellite communication system devices and related services.

CERNET Wifi Group

During the period under review, CERNET Wifi Group continued to provide personal broadband access services for China Education and Research Network (“CERNET”) developed by the Ministry of Education in the PRC. Revenue contributed to the Group for the period represents economic benefits generated by the assets owned by 塞爾網絡有限公司 (CERNET Company Limited*) (“CCL”) pursuant to asset leasehold and cooperation contracts entered into between CERNET Wifi Group and CCL.

Smart Long Group

In view of the uncertainty of the business of high temperature superconducting (“HTS”) filtering solutions, Smart Long Group has shifted its focus on other projects since the last financial year, particularly mobile Internet lottery, on which Smart Long Group will provide IT support, including design and development of lottery platform and game distribution infrastructure, to lottery operators for a commission income. During the period under review, Smart Long Group continued to work with a number of lottery operators in the PRC on these projects.

Provision of transmedia advertising services

During the period under review, Ease Ray Group’s revenue has decreased as compared to the corresponding period in 2013. It was mainly attributable to the policy implemented by the municipal government of Shangrao to rectify the local over-advertised market and the fierce competition in the outdoor advertising industry in the PRC. As a result, the number of operating traffic signboards has decreased.

* For identification purpose only

PROSPECTS

Sale of telecommunication products and services

The management will continue to monitor the progress of various projects that the group companies are working on. In addition, the Directors are in the process of assessing the performance of these group companies to determine if there are loss making and risky projects that need to be discontinued.

Provision of transmedia advertising services

The management will continue to work with the municipal governments of Xiamen, Nanchang and Shangrao for a timetable of resuming our services and will continue to carry out maintenance work on the aged traffic signboards so as to maintain their normal operation.

On the other hand, the management will explore other outdoor advertising media to diversify the source of revenue and improve profitability of Ease Ray Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2014, 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

Share options

Name of Director	Capacity	Number of options held	Number of underlying shares	Approximate percentage of shareholding
Mr. ZHANG Xinyu	Beneficial owner	20,000,000	20,000,000	0.78%

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 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 2014 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 2014	Exercised during the period	Lapsed during the period	At 31 March 2014
Employees and others							
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	1.07	50,000,000	–	(47,000,000)	3,000,000
Total				50,000,000	–	(47,000,000)	3,000,000

Particulars of the share options under the New Scheme and their movements during the three months ended 31 March 2014 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 2014	Exercised during the period	Lapsed during the period	At 31 March 2014
Directors							
Mr. Theo EDE	3/4/2013	3/4/2013 – 2/4/2018	0.628	10,000,000	–	(10,000,000)	–
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.628	20,000,000	–	–	20,000,000
Mr. LAM Kin Kau, Mark	3/4/2013	3/4/2013 – 2/4/2018	0.628	2,000,000	–	(2,000,000)	–
Professor SONG Junde	3/4/2013	3/4/2013 – 2/4/2018	0.628	<u>2,000,000</u>	<u>–</u>	<u>(2,000,000)</u>	<u>–</u>
Subtotal				<u>34,000,000</u>	<u>–</u>	<u>(14,000,000)</u>	<u>20,000,000</u>
Employees and others							
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.628	60,000,000	–	–	60,000,000
In aggregate	16/5/2013	16/5/2013 – 15/5/2018	0.628	<u>20,000,000</u>	<u>–</u>	<u>(20,000,000)</u>	<u>–</u>
Subtotal				<u>80,000,000</u>	<u>–</u>	<u>–</u>	<u>60,000,000</u>
Total				<u>114,000,000</u>	<u>–</u>	<u>–</u>	<u>80,000,000</u>

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 2014, 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	487,016,000 Shares	19.06%
	Interest in controlled corporation (<i>Note</i>)	<u>208,708,000 Shares</u>	<u>8.17%</u>
	Total	<u>695,724,000 Shares</u>	<u>27.23%</u>

Note: 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 208,708,000 Shares held by Winner Mind 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 2014.

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

Under code provision A.4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors, however, they are subject to retirement by rotation in accordance with the articles of association of the Company (“Articles”) 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 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, Professor SONG Junde, a former independent non-executive Director did not attend the annual general meeting of the Company held on 17 March 2014.

Under code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Except for Mr. Cheung Sing Tai, the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 three months ended 31 March 2014.

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 three months ended 31 March 2014.

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 2014.

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 three months ended 31 March 2014 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, 14 May 2014

As at the date hereof, the Board comprises three executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu and Mr. LIAN Xin; and three independent non-executive Directors, namely Mr. LEUNG Ka Wo, Ms. LU Zhuo and Mr. CHOU Jianzhong.

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.