



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 NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2014**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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.

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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 nine and three months ended 30 September 2014 together with comparative unaudited figures for the corresponding period of 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the nine months ended		For the three months ended	
		30 September		30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	3	26,583	8,735	6,916	4,191
Cost of sales		(13,164)	(8,234)	(3,878)	(3,006)
Gross profit		13,419	501	3,038	1,185
Other income and gains		756	7,296	(454)	583
Gain on contingent consideration		–	29,463	–	8,666
Selling and marketing costs		(1,860)	(4,439)	(590)	(1,968)
Administrative and other expenses		(72,982)	(83,508)	(25,966)	(19,586)
Share of loss of an associate		–	(455)	–	–
Finance costs		(17,641)	(6,411)	(5,508)	(3,570)
Loss before tax		(78,308)	(57,553)	(29,480)	(14,690)
Income tax credit	4	4,012	5,681	1,337	1,968
Loss for the period		(74,296)	(51,872)	(28,143)	(12,722)
Loss for the period attributable to:					
Owners of the Company		(65,639)	(48,313)	(24,802)	(5,869)
Non-controlling interests		(8,657)	(3,559)	(3,341)	(6,853)
Loss per share	6				
– basic (<i>in HK cent</i>)		(2.43)	(1.99)	(0.90)	(0.23)
– diluted (<i>in HK cent</i>)		(2.43)	(1.99)	(0.90)	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine months ended		For the three months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(74,296)	(51,872)	(28,143)	(12,722)
Other comprehensive (loss)/income, net of income tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	<u>(1,571)</u>	<u>2,302</u>	<u>774</u>	<u>(1,493)</u>
Total comprehensive loss for the period	<u>(75,867)</u>	<u>(49,570)</u>	<u>(27,369)</u>	<u>(14,215)</u>
Total comprehensive loss for the period attributable to:				
Owners of the Company	(66,945)	(47,382)	(24,135)	(7,311)
Non-controlling interests	<u>(8,922)</u>	<u>(2,188)</u>	<u>(3,234)</u>	<u>(6,904)</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 address of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 1504, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong respectively.

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 nine months ended 30 September 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 nine and three months ended 30 September 2014. An analysis of turnover is as follows:

	For the nine months ended 30 September 2014 (unaudited) <i>HK\$'000</i>		For the three months ended 30 September 2014 (unaudited) <i>HK\$'000</i>	
		2013 (unaudited) <i>HK\$'000</i>		2013 (unaudited) <i>HK\$'000</i>
Sale of telecommunication products and services	25,872	6,318	6,771	3,981
Transmedia advertising services	711	2,417	145	210
	<u>26,583</u>	<u>8,735</u>	<u>6,916</u>	<u>4,191</u>

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 nine months ended 30 September 2014 (2013: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the nine months ended 30 September 2014 of approximately HK\$65,639,000 (nine months ended 30 September 2013: HK\$48,313,000) and the three months ended 30 September 2014 of approximately HK\$24,802,000 (three months ended 30 September 2013: HK\$5,869,000), attributable to equity holders of the Company, and the weighted average of the nine months ended 30 September 2014 of approximately 2,691,532,000 (nine months ended 30 September 2013: 2,424,510,000) and the three months ended 30 September 2014 of approximately 2,754,920,000 (three months ended 30 September 2013: 2,502,789,000) ordinary shares in issue during the period.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since it would result in an anti-dilutive effect on loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's share options and warrants because the exercise prices of those share options and warrants were higher than the average share price for the periods.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Convertible notes reserve	Translation reserve	Statutory reserve	Warrant reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sub-total HK\$'000	HK\$'000
At 1 January 2013 (unaudited)	232,692	943,621	32,191	–	718	7,375	14,600	(658,858)	572,339	54,988
Loss for the period	–	–	–	–	–	–	–	(48,313)	(48,313)	(3,559)
Other comprehensive income:										
Exchange differences on translation of foreign operations	–	–	–	–	931	–	–	–	931	1,371
Total comprehensive income/(loss) for the period	–	–	–	–	931	–	–	(48,313)	(47,382)	(2,188)
Recognition of equity-settled share based payment	–	–	30,490	–	–	–	–	–	30,490	–
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	57,504
Issue of shares in relation to the acquisition of subsidiaries	11,900	55,930	–	–	–	–	–	–	67,830	–
Lapse of share option	–	–	(15,597)	–	–	–	–	15,597	–	–
Recognition of the equity component of convertible notes in relation to acquisition of subsidiaries	–	–	–	7,131	–	–	–	–	7,131	–
Placing of shares	10,900	24,480	–	–	–	–	–	–	35,380	–
At 30 September 2013 (unaudited)	255,492	1,024,031	47,084	7,131	1,649	7,375	14,600	(691,574)	665,788	110,304
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
Loss for the period	–	–	–	–	–	–	–	(65,639)	(65,639)	(8,657)
Other comprehensive loss:										
Exchange difference on translation of foreign operations	–	–	–	–	(1,306)	–	–	–	(1,306)	(265)
Total comprehensive loss for the period	–	–	–	–	(1,306)	–	–	(65,639)	(66,945)	(8,922)
Share options lapsed	–	–	(26,427)	–	–	–	–	26,427	–	–
Placing of shares	20,000	19,723	–	–	–	–	–	–	39,723	–
At 30 September 2014 (unaudited)	275,492	1,043,754	20,657	7,131	602	7,375	14,600	(999,757)	369,854	95,566

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2014, the Group recorded a turnover of approximately HK\$26,583,000 (2013: HK\$8,735,000), representing a substantial increase of approximately HK\$17,848,000 or 2 times as compared to the same period of last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$65,639,000 (2013: HK\$48,313,000) for the nine months ended 30 September 2014, representing an increase of approximately HK\$17,326,000 or 36% 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 increase in loss attributable to owners of the Company was mainly because of (i) the lack of the gain on fair value of contingent consideration payable of approximately HK\$29,463,000 in relation to the acquisition of CERNET Wifi Group as recorded in the last corresponding period which is a non-recurring item; and (ii) the increase in finance costs on the convertible notes and short term loan of the Company.

Sale of telecommunication products and services

Hughes China Group

During the period under review, Hughes China Group entered into an agreement with 貴州中大星網網絡科技有限公司 (Guizhou Zhongda Star Network Science And Technology Co., Ltd*) (“Guizhou Zhongda”) for the sale of coal-mine surveillance systems, which is expected to generate revenue during the remaining period of 2014. Hughes China Group also 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. During the period under review, Smart Long Group entered into co-operation agreements with 深圳市中航系統集成有限公司 (Shenzhen CATIC System Integration Co., Ltd*) for promotion of Internet lottery sales. Lottery platform and website is being developed for the launch of this project.

* For identification purpose only

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.

PROSPECTS

Sale of telecommunication products and services

Upon the entering into of the agreement with Guizhou Zhongda, Hughes China Group has kicked off its coal mine surveillance projects. Initially, it will cover 11 coal mines in Guizhou, the PRC and is expected to generate revenue during the last quarter of 2014. The management of Hughes China Group is working on additional coverage and expects to secure the opportunity within the next financial year.

The Directors will continue to monitor the progress of various projects that the group companies are working on. In the meantime, the Directors are in the process of reassessing these projects, particularly those are risky, loss making or require a significant amount of investment, to determine if any of them needs 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.

Share Capital

As at 30 September 2014, the authorised share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$275,492,000 divided into 2,754,920,793 shares of HK\$0.10 each.

Significant Investments

During the nine months ended 30 September 2014, no significant investments were made by the Group.

Legal Proceedings

Reference is made to the announcement of the Company on 15 October 2014 regarding the receipt of a winding-up petition (the “Winding-up Petition”) by the Company on 15 October 2014, presented by Beyond Net Service Limited (the “Petitioner”) at the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “High Court”) against the Company. The Winding-up Petition concerns a sum of HK\$3,067,500 (the “Claim”), being the amount of a cheque issued by the Company on behalf of Cloud Computing Investment Limited (“Cloud Computing”), a wholly-owned subsidiary of the Company, to the Petitioner pursuant to a consultancy agreement entered into between the Petitioner and Cloud Computing on 1 August 2012 (the “Consultancy Agreement”). In accordance with the Consultancy Agreement, the Petitioner should provide certain consultation to Cloud Computing within one year from the date of the agreement but the Petitioner has failed to do so. The Winding-up Petition will be heard at the High Court on 24 December 2014.

The Directors have instructed the Company’s legal advisers to review the details of the Winding-up Petition and to provide legal advice and take such action as may be appropriate to contest the Claim. The Directors have further instructed the Company’s legal advisers to advise and take action on behalf of Cloud Computing against the Petitioner on the Petitioner’s failure to perform the Consultancy Agreement.

Having considered the Claim and the financial position of the Company, the Directors are of the view that the Winding-up Petition would not result in any material adverse impact on the operation and financial position of the Group.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 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	0.73%

Save as disclosed above, the Directors do not have any interests or short positions in the securities of the Company as at 30 September 2014.

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 nine months ended 30 September 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 30 September 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 nine months ended 30 September 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 30 September 2014
Director							
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.628	20,000,000	–	–	20,000,000
Subtotal				20,000,000	–	–	20,000,000
Employees and others							
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.628	74,000,000	–	(24,000,000)	50,000,000
In aggregate	16/5/2013	16/5/2013 – 15/5/2018	0.628	20,000,000	–	(20,000,000)	–
Subtotal				94,000,000	–	(44,000,000)	50,000,000
Total				114,000,000	–	(44,000,000)	70,000,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 September 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	565,396,000 Shares	20.52%
	Interest in controlled corporation		
	(Note)	220,400,000 Shares	8.00%
	Total	785,796,000 Shares	28.52%

Note: 210,000,000 shares and 10,400,000 shares are held by Winner Mind Investments Limited and Golden Ocean Assets Management Limited respectively; both companies are wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in these 220,400,000 shares pursuant to the SFO.

Save as disclosed above, the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 and the nine months ended 30 September 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, 12 November 2014

As at the date of this announcement, 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, Mr. CHOU Jianzhong and Ms. XI Lina.

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.