

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited 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.*



## **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)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcements dated 7 January 2013 and 25 January 2013 (collectively, the “**Announcements**”) and the annual report of Neo Telemedia Limited (the “**Company**”) for the year ended 31 December 2014 of 26 March 2015 (the “**2014 Annual Report**”).

Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as defined in the Announcements and the 2014 Annual Report.

As disclosed in the Announcements and the 2014 Annual Report, the Company has several operating entities controlled through contractual arrangements in Hughes China Group and CERNET Wifi Group (collectively, the “**Contractual Arrangements**”).

The Company would like to provide the following additional information to the 2014 Annual Report relating to the Contractual Arrangements:

#### **Hughes China Group**

##### *Particulars and main business of the operating entity*

北京中衛匯通網路系統技術有限公司(Beijing China Satcom Unified Network Systems Technology Co., Ltd) (“**BUN**”) is a limited liability company established under the laws of the PRC and is owned by three individuals namely Mr. ZHU Mao Wei (朱茂偉) (79%), Mr. HONG Cheng Dao (洪成道) (15%) and Mr. LIU Wan (劉皖) (6%) (hereinafter collectively referred to as the “**BUN Shareholders**”). BUN is controlled by the Group through HughesNet China Co., Ltd (“**HNC**”) by way of certain structured contracts in relation to controlling the BUN by HNC (“**HCH Structured Contracts**”). BUN is principally engaged in the business of VSAT communications.

### *Major terms of the HCH Structured Contracts*

#### a) Promissory notes

On 5 March 2010, the BUN Shareholders issued three promissory notes with a total amount of USD1,400,000 to China UnifiedNet Holdings Limited (“**China UnifiedNet**”) which were then assigned to Hughes UnifiedNet Holding (China) Company Limited, the immediate holding company of HNC. The promissory notes are zero coupon notes with a nominal interest rate of 5% per annum and a term of 10 years.

#### b) Power of attorney

The BUN Shareholders executed an irrevocable power of attorney which enables HNC to exercise all the powers of the shareholders of BUN.

#### c) Exclusive call option agreement

The BUN Shareholders irrevocably and without any additional conditions grant an exclusive option to HNC under which HNC shall have the right to require the BUN Shareholders to transfer the BUN Shareholders’ equity interest in BUN on demand to HNC or its designated entity or individual.

#### d) Exclusive consulting, technical services and equipment supply agreement

HNC shall serve as the exclusive provider of service to BUN, to provide a variety of consulting and technical support services to BUN for its business, including in the areas of business strategy, management, marketing, operations, technology, procurement, contracting, back office support, and technical support. HNC shall also serve as the exclusive provider of satellite communications system equipment, customer premises equipment and other equipment to BUN and customers of BUN.

In return for the provision of various exclusive consulting and technical services, as well as the satellite communications system equipment, BUN shall pay HNC a monthly service fee equivalent to the monthly gross revenue of BUN less any VAT or service taxes payable.

#### e) Equity pledge agreement

The BUN Shareholders agreed to pledge all equity interests in BUN to HNC as a security for the BUN Shareholders’ and BUN’s performance of their obligations under the aforesaid agreements.

### *Significance of business of BUN to the Group*

The HCH Structured Contracts enabled the Group to enter into the broadband satellite communication business and enhance the Group’s development in the value-added telecommunication services.

### *Revenue and assets subject to the HCH Structured Contracts*

The revenue, net profits and total assets subject to the HCH Structured Contracts are set out as follows:

	Year ended 31 December 2014 (HK\$'000)	18 months ended 31 December 2013 (HK\$'000)
Revenue	952	517
Net loss	3,651	2,871
	As at 31 December 2014 (HK\$'000)	As at 31 December 2013 (HK\$'000)
Total assets	5,617	6,063

For the year ended 31 December 2014, the revenue and net loss subject to the HCH Structured Contracts amounted to approximately 2.8% and 0.6% of the revenue and net loss of the Group respectively. As at 31 December 2014, the total assets subject to the HCH Structured Contracts amounted to approximately 3.8% of the total assets of the Group. For the 18 months ended 31 December 2013, the revenue and net loss subject to the HCH Structured Contracts amounted to approximately 0.8% and 0.9% of the revenue and net loss of the Group respectively. As at 31 December 2013, the total assets subject to the HCH Structured Contracts amounted to approximately 0.8% of the total assets of the Group.

### **CERNET Wifi Group**

#### *Particulars and main business of the operating entities*

##### *A1 Net Company*

北京天一金網科技有限公司(A1 Net Technology Company Limited\*) (“**A1 Net Company**”) is a limited liability company established under the laws of the PRC and is owned by Mr. Lian Xin (練新) (2%) and Mr. Zhang Xiaosong (張曉宋) (98%) (hereinafter collectively referred to as “**A1 Net Shareholders**”). A1 Net Company is controlled by 中新賽爾(深圳)網路通信技術有限公司(“**Zhongxin**”) by way of certain structured contracts (“**CERNET Structured Contracts**”). A1 Net Company is principally engaged in investment holding.

##### *CERNET Wifi*

賽爾無線網絡科技(北京)有限公司(CERNET Wifi Technology (Beijing) Company Limited\*) (“**CERNET Wifi**”) is a limited liability company established under the laws of the PRC. CERNET Wifi is owned as to 75% by A1 Net Company and 25% by 賽爾投資有限公司(CERNET Investment Company Limited\*) (“**CERNET Investment**”) respectively. CERNET Wifi is principally engaged in computer, software and associated equipment sales, technology development, transfer, consultancy and computer system services. CERNET Wifi has entered into asset leasehold and cooperation contracts with CERNET pursuant to which CERNET Wifi 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 of the PRC and the related internet content and value-added telecommunication services (the “**Personal Broadband Access Services**”). CERNET Wifi has obtained an internet service provider license which enables it to be an Internet service provider in the PRC.

#### *Major terms of the CERNET Structured Contracts*

##### a) Voting agreement

The A1 Net Shareholders irrevocably agree to authorize individuals as designated by Zhongxin to exercise rights of shareholders of A1 Net Company including voting rights, nomination and appointment rights in legal representative, chairman of the board, general manager and other senior management of A1 Net Company.

##### b) Exclusive call option agreement

The A1 Net Shareholders irrevocably grant an exclusive option to Zhongxin under which Zhongxin or its designated entity or individual shall have the right to acquire the equity interest of A1 Net Company.

##### c) Exclusive business operating agreement

Zhongxin shall serve as the exclusive provider of service to A1 Net Company, to provide a variety of consulting and technical support services to A1 Net Company for its business, including in the areas of business strategy, management, computer and information technology, website maintenance, staff training, customer services, and technical support.

In return for the provision of various exclusive consulting and technical services, A1 Net Company shall pay Zhongxin a service fee as determined by Zhongxin.

##### d) Equity pledge agreement

The A1 Net Shareholders agreed to pledge all equity interests in A1 Net Company to Zhongxin as a security for the A1 Net Shareholders’ and A1 Net Company’s performance of their obligations under the aforesaid agreements.

#### *Significance of business of CERNET Wifi to the Group*

The CERNET Structured Contracts enabled the Group to enter into the business in the Personal Broadband Access Services connecting the higher educational institutions of the PRC and the related internet content and value-added telecommunication services.

### *Revenue and assets subject to the CERNET Structured Contracts*

The revenue, net profits and total assets subject to the CERNET Structured Contracts are set out as follows:

	Year ended 31 December 2014 (HK\$'000)	18 months ended 31 December 2013 (HK\$'000)
Revenue	Nil ( <i>Note</i> )	13,710
Net loss	180,145( <i>Note</i> )	7,993

  

	As at 31 December 2014 (HK\$'000)	As at 31 December 2013 (HK\$'000)
Total assets	965	216,795

*Note:*

*CERNET Wifi was de-consolidated from the Group on 1 January 2014. No revenue was recognised in the Group' consolidated financial statements for the year ended 31 December 2014. The net loss for the year ended represented the net loss of AI Net Company and the loss on de-consolidation of CERNET Wifi.*

For the year ended 31 December 2014, the net loss subject to the CERNET Structured Contracts amounted to approximately 28.5% of the net loss of the Group. As at 31 December 2014, the total assets subject to the CERNET Structured Contracts amounted to approximately 0.7% of the total assets of the Group. For the 18 months ended 31 December 2013, the revenue and net loss subject to the CERNET Structured Contracts amounted to approximately 22.5% and 2.5% of the revenue and net loss of the Group respectively. As at 31 December 2013, the total assets subject to the CERNET Structured Contracts amounted to approximately 29.2% of the total assets of the Group.

### *Reasons for using and risks associated with the Contractual Arrangements*

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the provision of value-added telecommunication services and manufacturing of telecommunication system equipment for satellites business in the PRC. As such, the Company relies on BUN and CERNET Wifi (“OPCOs” and each an “OPCO”) to conduct certain parts of the Group’s businesses in the PRC. The Company manages to maintain an effective control over the financial and operational policies of the OPCOs through the Contractual Arrangements which effectively transfer the economic benefits and pass the risks associated therewith of the OPCO to the Company, and as a result, the OPCOs have been consolidated as subsidiaries of the Group. The Board wishes to emphasise that the Group relies on the Contractual Arrangements to control and obtain the economic benefits from the OPCOs, which may not be as effective in providing operational control as direct ownership. The Company may have to rely on the PRC legal system to enforce the Contractual Arrangements, which remedies may be less effective than those in other developed jurisdictions. Any conflicts of interest or deterioration of the relationship between the registered holders of the equity interest in the OPCOs and our Group may materially and

adversely affect the overall business operations of the Group. The pricing arrangement under the Contractual Arrangements may be challenged by the PRC tax authority. If the Group chooses to exercise the option to acquire all or part of the equity interests in any of the OPCOs under the respective option agreements under the Contractual Arrangements, substantial amount of costs and time may be involved in transferring the ownership of the relevant OPCO held by its registered holder(s) to the subsidiaries equity-owned by the Company. There can be no assurance that the interpretation of the Contractual Arrangements by the PRC legal advisers to the Company is in line with the interpretation of the PRC governmental authorities and that the Contractual Arrangements will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, the PRC governmental authorities may in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws. Despite the above, as advised by the PRC legal advisers to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in the OPCOs.

#### *Material changes*

Save as disclosed in the 2014 Annual Report and above, as at the date of the 2014 Annual Report, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

#### *Unwinding of the Contractual Arrangements*

Up to the date of the 2014 Annual Report, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

#### **2014 Annual Report**

The Board confirms that the above additional information does not affect the other information contained in the 2014 Annual Report.

By Order of the Board  
**Neo Telemedia Limited**  
**CHEUNG Sing Tai**  
*Chairman*

Hong Kong, 24 August 2015

*\* for identification purpose only*

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu, Mr. LIAN Xin and Mr. XU Gang, and four independent non-executive Directors, namely Mr. LEUNG Ka Wo, Mr. CHOU Jianzhong, Ms. XI Lina and Mr. HUANG Zhixiong.*

*This announcement, for which 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 of Hong Kong Limited 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any of the statements in this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the Growth Enterprise Market website at [www.hkgem.com](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](http://www.neo-telemedia.com).*