



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

INTERIM REPORT
2009–2010

For the three months and six months ended
31 December 2009

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.

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This document, 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 “Company”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this document 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 document misleading; and
3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors (the “Board”) of Neo Telemedia Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months and six months ended 31 December 2009 together with comparative unaudited figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Turnover	3	6,905	23,285	10,828	27,164
Cost of sales		<u>(4,338)</u>	<u>(19,209)</u>	<u>(7,754)</u>	<u>(22,455)</u>
Gross profit		2,567	4,076	3,074	4,709
Other revenues	3	15	49	98	127
Selling and marketing costs		(1,634)	(8,214)	(2,467)	(10,046)
Administrative and other expenses		<u>(6,236)</u>	<u>(9,456)</u>	<u>(9,467)</u>	<u>(10,779)</u>
Loss from operating activities	4	(5,288)	(13,545)	(8,762)	(15,989)
Finance costs	5	<u>(5)</u>	<u>(1)</u>	<u>(13)</u>	<u>(7)</u>
Loss before income tax		(5,293)	(13,546)	(8,775)	(15,996)
Income tax expense	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period attributable to: Owners of the Company		<u>(5,293)</u>	<u>(13,546)</u>	<u>(8,775)</u>	<u>(15,996)</u>
Loss per share for loss attributable to owners of the Company during the period	7		(0.11)		(0.12)
— basic (in HK cents)		<u>(0.04)</u>	(restated)	<u>(0.07)</u>	(restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended 31 December		For the six months ended 31 December	
	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
Loss for the period	(5,293)	(13,546)	(8,775)	(15,996)
Other comprehensive loss: Exchange difference arising on translation of foreign operations	<u>(107)</u>	<u>—</u>	<u>(111)</u>	<u>—</u>
Total comprehensive loss for the period	<u>(5,400)</u>	<u>(13,546)</u>	<u>(8,886)</u>	<u>(15,996)</u>
Attributable to: Owners of the Company	<u>(5,400)</u>	<u>(13,546)</u>	<u>(8,886)</u>	<u>(15,996)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2009 (unaudited) HK\$'000	30 June 2009 (audited) HK\$'000
ASSETS			
Non-current assets			
Goodwill		135,563	—
Property, plant and equipment		14,245	517
Film rights and films in progress	9	<u>46,029</u>	<u>28,332</u>
		<u>195,837</u>	<u>28,849</u>
Current assets			
Inventory		6,351	—
Accounts receivable	10	784	17,193
Prepayment, deposits and other receivables		19,253	3,584
Cash and cash equivalents		<u>3,404</u>	<u>1,456</u>
		<u>29,792</u>	<u>22,233</u>
LIABILITIES			
Current liabilities			
Bills payable		(46)	—
Accounts payable	11	(95)	(92)
Deposits received, accrued liabilities and other payables		(134,908)	(13,660)
Obligations under finance leases		(147)	(249)
Amount due to director		(1,288)	—
Amount due to related company		<u>(6,491)</u>	<u>—</u>
		<u>(142,975)</u>	<u>(14,001)</u>
Net current (liabilities) assets		<u>(113,183)</u>	<u>8,232</u>
Total assets less current liabilities		<u>82,654</u>	<u>37,081</u>
Non-current liability			
Obligations under finance leases-non-current portion		—	(21)
NET ASSETS		<u>82,654</u>	<u>37,060</u>
CAPITAL AND RESERVES			
Share capital	12	128,632	125,000
Reserves		<u>(45,978)</u>	<u>(87,940)</u>
		<u>82,654</u>	<u>37,060</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Issued share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2008 (audited)	125,000	28,463	17,590	—	(100,158)	70,895
Total comprehensive loss for the period (unaudited)	—	—	—	—	(15,996)	(15,996)
At 31 December 2008 (unaudited)	<u>125,000</u>	<u>28,463</u>	<u>17,590</u>	<u>—</u>	<u>(116,154)</u>	<u>54,899</u>
At 1 July 2009 (audited)	125,000	28,463	17,590	—	(133,993)	37,060
Issue of shares for consideration in respect of acquisition of investment (Note 12)	3,632	50,848	—	—	—	54,480
Total comprehensive loss for the period (unaudited)	—	—	—	(111)	(8,775)	(8,886)
At 31 December 2009 (unaudited)	<u>128,632</u>	<u>79,311</u>	<u>17,590</u>	<u>(111)</u>	<u>(142,768)</u>	<u>82,654</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	For the six months ended	
	31 December	
	2009	2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash inflow (outflow) from operating activities	12,455	(5,569)
Net cash outflow from investing activities	(10,384)	(165)
Net cash outflow from financing activities	(123)	(12,353)
Increase (decrease) in cash and cash equivalents	1,948	(18,087)
Cash and cash equivalents at 1 July	1,456	19,752
Cash and cash equivalents at 31 December	3,404	1,665
Analysis of balances of cash and cash equivalents		
Cash and bank balances	3,404	1,665

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Group is principally engaged in (i) the production and sales of videos and films, licensing of video and copyrights/film rights, (ii) artiste management and (iii) sales and distribution of telecommunication products.

These unaudited condensed consolidated results are presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA"). The unaudited consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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 HKICPA, which are either effective for accounting periods beginning on or after 1 July 2009. The adopting of the new HKFRSs has had no material effect on the Group's financial statements.

The accounting policies have been consistently applied by the Group and are consistent with those used in the 2009 annual report.

3. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

Turnover represents licensing and sub-licensing fee income and income from artiste management. The Group is principally engaged in (i) the production of video and films, licensing of video and copyrights/film rights; (ii) artiste management; and (iii) sales and distribution of telecommunication products. The Group's operations are situated in Asia in which its revenue was derived principally therefrom. Accordingly, no analysis by geographical area of operations are presented.

Consolidated income statement

	Licensing of film rights		Artiste management		Sales of telecommunication products		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 December		31 December		31 December		31 December	
	2009	2008	2009	2008	2009	2008	2009	2008
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	8,257	25,380	2,523	1,784	48	—	10,828	27,164
Segment results	(1,757)	(13,371)	1,267	360	(3,016)	—	(3,506)	(13,011)
Other income							98	127
Unallocated corporate expenses							(5,354)	(3,105)
Finance costs							(13)	(7)
Loss before income tax							(8,775)	(15,996)
Income tax expense							—	—
Loss for the period							(8,775)	(15,996)

Consolidated statement of financial position

	Licensing of film rights		Artiste management		Sales of telecommunication products		Consolidated	
	31 December 2009	30 June 2008	31 December 2009	30 June 2008	31 December 2009	30 June 2008	31 December 2009	30 June 2008
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Segment assets	38,487	37,384	15,156	11,940	23,722	—	77,365	49,324
Unallocate corporate assets							148,264	1,758
Total assets							225,629	51,082
Liabilities								
Segment liabilities	(27,458)	(5,695)	(227)	(399)	(29,232)	—	(56,917)	(6,094)
Unallocate corporate liabilities							(86,058)	(7,928)
Total liabilities							(142,975)	(14,022)

4. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is stated after charging:

	For the three months ended		For the six months ended	
	31 December	2008	31 December	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of film rights	3,967	21,290	5,910	18,363
Impairment losses on film rights	—	—	—	6,000
Depreciation	410	—	580	70
Staff costs	1,782	707	2,754	2,396

5. FINANCE COSTS

	For the three months ended		For the six months ended	
	31 December	2008	31 December	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on obligations under finance leases	5	1	13	7

6. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the period (2008: Nil). The Group has no material unprovided deferred taxation in respect of the period under review (2008: Nil).

7. LOSS PER SHARE

The basic loss per share for the three months and six months ended 31 December 2009 are calculated based on the unaudited consolidated loss attributable to owners of the Company of approximately HK\$5,293,000 and HK\$8,775,000 respectively (2008: approximately HK\$13,546,000 and HK\$15,996,000 respectively) and on a weighted average number of 12,863,200,000 shares in issue during the periods (2008: 12,863,200,000 shares as restated to reflect the effect of the issuance of share for consideration in respect of acquisition of China Wimetro Communications Company Limited effective from 12 October 2009).

Diluted loss per share for the three months and six months ended 31 December 2009 and 2008 has not been disclosed as no dilutive event existed during these periods.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2009 (2008: Nil).

9. FILM RIGHTS AND FILMS IN PROGRESS

	31 December	30 June
	2009	2009
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Film rights	40,884	13,323
Films in progress	5,145	15,009
	46,029	28,332

10. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable at the reporting date, is as follows:

	31 December 2009 (unaudited) HK\$'000	30 June 2009 (audited) HK\$'000
Within 30 days	—	7,216
Between 31 to 60 days	—	—
Between 61 to 90 days	—	3,400
Between 91 to 180 days	—	6,547
Over 180 days	784	30
	<u>784</u>	<u>30</u>
	<u>784</u>	<u>17,193</u>

11. ACCOUNTS PAYABLE

An ageing analysis of accounts payable at the reporting date, based on invoice date, is as follows:

	31 December 2009 (unaudited) HK\$'000	30 June 2009 (audited) HK\$'000
Within 30 days	—	—
Between 31 to 60 days	—	—
Between 61 to 90 days	—	—
Over 90 days	95	92
	<u>95</u>	<u>92</u>
	<u>95</u>	<u>92</u>

12. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Value HK\$'000
<i>Authorised:</i>		
At 1 July 2008, 1 July 2009 and 31 December 2009	<u>40,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
At 1 July 2008 and 1 July 2009	12,500,000,000	125,000
Issue of shares for consideration in respect of acquisition of investment (<i>Note a</i>)	<u>363,200,000</u>	<u>3,632</u>
At 31 December 2009	<u>12,863,200,000</u>	<u>128,632</u>

Note a: Pursuant to the announcement dated 10 June 2009 and 10 September 2009, the acquisition of the entire issued share capital of China Wimetro Communications Company Limited was completed on 9 September 2009. According to the sale and purchase agreement dated 5 June 2009 and the announcement dated 12 October 2009, 363,200,000 ordinary shares have been allotted and issued by the Company to Mr. Lee Tak Ming (the "Vendor") and parties nominated by the Vendor on 12 October 2009.

And, as at 31 December 2009, there is 544,800,000 ordinary shares with an issue price of HK\$0.15 have not yet allotted to Vendor and parties nominated by the Vendor. As a result, there is an amount of HK\$81,720,000 included in other payables as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 31 December 2009, the Group recorded a turnover of approximately HK\$10,828,000 (2008: HK\$27,164,000), representing a decline of about 60% as compared to last year. The decline was mainly due to the lack of significant movie premier and the investment revenue from the Company's recent acquisition of China Wimetro Telecommunication Company Limited was not immediately reflected.

As results were dropped as compared to the same period last year, we will continue to pay attention on the Company's operating position in the coming period. Profit warning will be issued to shareholders when necessary.

The Group has recorded a loss of HK\$8,775,000 in the period, which accounted for a decrease of HK\$7,221,000 or 45% as compared to the same period last year. The loss was mainly caused by a higher decrease in turnover and a higher operating cost.

Gross profit for the period was HK\$3,074,000 which was a decrease of HK\$1,635,000 or 35% less when compared to the same period last year. Gross profit margin for the period was 28%, while that of the same period last year was 17%. Despite there was an upsurge in gross profit margin as compared to the same period last year, the overall turnover of the Company was excessively dropped, causing an operating costs and administrative costs, which could not be offset by the gross profit generated, and hence resulting in operating loss.

Business Review

The Company maintained its regular core businesses in two main areas, namely, licensing and sub licensing fee income and also from artiste management. Turnover for the period remained small and showed a substantial drop when compared to the same period last year.

The cost of sales for the period was HK\$7,754,000, which represented a decrease of HK\$14,701,000 or 65% less than HK\$22,455,000 for the same period last year. Generally, it remained dropping at a similar pace as that of operating income for the same period. Sales revenue of the Company for the period was 72%, representing a relatively high decline when compared to 83% of the same period last year. This was also a major factor for the increase of the Company's gross profit margin for the period.

Apart from the cost of sales, the total operating costs was HK\$11,934,000, which represented a decline of HK\$8,891,000 or 43% less than the same period last year. The major cost was administrative cost, accounting for 79% of the total operating costs. The decrease in the cost amounted to a HK\$1,312,000 drop or 12% less than the same period last year was mainly due to the down-size in operation.

Other major expenses included selling and marketing costs of HK\$2,467,000, accounting for 21% of the total operating costs. The costs were substantially decreased by HK\$7,579,000 or 75% as compared to the same period last year.

Subsequent to becoming the sole cooperating partner in Guangzhou Province of Baidu for its map search business, the Company has signed certain agents in several provinces currently and comprehensively expanded the business.

Business Outlook and Prospect

The management of the Company will set up a specialize organization for monitoring the operating costs and improve the internal control, so as to manage the business growth and the increase in expenses within a reasonable range.

The Company has progressively obtained cooperation with Broadcast Television Network (廣電網) and undergone investments on projects like superconducting filter. The Company will also keep an eye out for potential businesses for investments to raise the Company's business technology proportion, change the Company's business direction and category of growth gradually, and eventually boost the Company's business volume.

On 5 June 2009, Joyful New Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire issued share capital of China Wimetro Communications Company Limited (which together with its subsidiaries are principally engaged in sale and distribution of telecommunication products in People's Republic of China) and its subsidiaries at a consideration of HK\$136,200,000. The consideration will be paid by allotment and issue of consideration shares at an issue price of HK\$0.15 per share. Details of the Acquisition were set out in the Company's announcement dated 10 June 2009, 10 September 2009 and 12 October 2009 and the circular dated 30 June 2009. The completion of the Acquisition had taken place on 9 September 2009.

Save for the above, there was no other material acquisition and disposal of subsidiaries during the period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the six months ended 31 December 2009.

GEARING RATIO

As at 31 December 2009, the Group's gearing ratio, which was based on the obligations under finance leases of HK\$147,000 divided by net asset value of HK\$82,654,000, was 0.2%.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Since most of the Group's borrowings, cash balances and income are primarily denominated in Hong Kong dollars, no hedging or other alternatives have been implemented. The Group has not experienced any material difficulty or effect on its operations of liquidity as a result of fluctuations in currency exchange rates. As at 31 December 2009, the Group did not have outstanding hedging instruments.

CHARGES ON GROUP ASSETS

At 31 December 2009, there were no charges on the Group's assets.

EMPLOYEES

As at 31 December 2009, the Group had 52 full-time staffs. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including discretionary bonus and mandatory provident fund.

CONTINGENT LIABILITIES

As at 31 December 2009, the Company has no contingent liabilities.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, the Group did not have any plan for material investments and acquisition of material capital assets as at 31 December 2009.

ACQUISITIONS OF MAJOR SUBSIDIARIES

On 5 June 2009, Joyful New Limited, a subsidiary of the Company entered into a sale and purchase agreement to acquire the entire issued share capital of China Wimetro Communications Company Limited (the "Acquisition") which, together with its subsidiaries, are principally engaged in sale and distribution of telecommunication products in People's Republic of China. Details of the Acquisition were set out in the Company's announcement dated 10 June 2009, 10 September 2009 and 12 October 2009 and the circular dated 30 June 2009. The completion of the Acquisition had taken place on 9 September 2009.

Save for the above, there was no other material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 31 December 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2009, 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 shares of the Company

Name of Director	Nature of interest	No. of ordinary shares held	Approximate shareholding percentage
Li Hongrong	Interest of controlled corporation (<i>Note</i>)	2,000,000,000 Shares	16.00%
Chen Xiao Rong	Beneficial owner	3,000,000 Shares	0.02%
Zhou Zhibin	Beneficial owner	24,860,000 Shares	0.19%

Note: These Shares are held by Tread Up Investments Limited, of which Mr. Li Hongrong has 100% control. Thus, he is deemed to be interested in the 2,000,000,000 Shares held by Tread Up Investments Limited pursuant to the SFO.

Save as disclosed above, the Directors do not have any interests or short positions in the shares 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 SCHEME

On 22 July 2002, a share option scheme (the "Scheme") was approved by the Company. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors of the Company or any of its subsidiaries, non-executive directors and employees of the Group, and suppliers of goods or service to the Group.

No share option has been granted by the Company under the Scheme.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director of the Company, as at 31 December 2009, shareholders (other than Directors of the Company) 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
ITC Corporation Limited	Interest of controlled corporation (<i>Note 1</i>)	899,980,000 Shares	6.99%
ITC Investment Holdings Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.48%
Mankar Assets Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.48%
Famex Investment Limited	Interest of controlled corporation (<i>Note 1</i>)	705,000,000 Shares	5.48%
Hanny Holdings Limited	Beneficial owner	20,000,000 Shares	0.16%
	Interest of controlled corporation (<i>Note 1</i>)	685,000,000 Shares	5.33%
Hanny Magnetics (B.V.I.) Limited	Interest of controlled corporation (<i>Note 1</i>)	685,000,000 Shares	5.33%
Richeast Holdings Limited	Beneficial owner	685,000,000 Shares	5.33%
Lu Yan Tong	Beneficial owner	753,500,000 Shares	5.86%
Lee Tak Ming	Beneficial owner (<i>Note 2</i>)	908,000,000 Shares	7.06%
Chan Kwok Keung, Charles	Interest of controlled corporation (<i>Note 3</i>)	810,620,000 Shares	6.30%
Ng Yuen Lan Macy	Interest of spouse (<i>Note 4</i>)	810,620,000 Shares	6.30%

Notes:

1. The 899,980,000 Shares deemed to be interested by ITC Corporation Limited are held as to (i) 685,000,000 Shares by Richeast Holdings Limited, which is 100% controlled by Hanny Magnetics (B.V.I.) Limited, which is 100% controlled by Hanny Holdings Limited (the issue shares of which are listed on the Stock Exchange), which is 42.77% controlled by Famex Investment Limited, which is 100% controlled by Mankar Assets Limited, which is 100% controlled by ITC Investment Holdings Limited, which in turn is 100% controlled by ITC Corporation Limited (the issue shares of which are listed on the Stock Exchange); (ii) 20,000,000 Shares by Hanny Holdings Limited; and (iii) 194,980,000 Shares held by Great Intelligence Holdings Limited, which is 100% controlled by ITC Management Group Limited, which in turn is 100% controlled by ITC Corporation Limited.
2. These Shares represent the consideration shares to be allotted and issued under the conditional sale and purchase agreement dated 5 June 2009 entered into between the Group and Mr. Lee Tak Ming in relation to the acquisition of entire issued capital of China Wimetro Communications Company Limited. The acquisition was completed on 9 September 2009.
3. 810,620,000 Shares are held by ITC Corporation Limited, a company 33.65% owned by Dr. Chan Kwok Keung, Charles. By virtue of the SFO, Dr. Chan Kwok Keung, Charles is deemed to have interest 810,620,000 Shares held by ITC Corporation Limited.
4. Ms. Ng Yuen Lan Macy, is the spouse of Dr. Chan Kwok Keung, Charles. By virtue of the SFO, Ms. Ng Yuen Lan Macy is deemed to have interest of the 810,620,000 Shares held by Dr. Chan Kwok Keung, Charles.

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

CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, with the exception of the deviation in respect of the appointment term of 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 of the Company, however, they are subject to retirement by rotation in accordance with the Articles of Association of the Company. 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.

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 six months ended 31 December 2009.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or and 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 and six months ended 31 December 2009.

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 and six months ended 31 December 2009.

AUDIT COMMITTEE

The Company established an audit committee which comprises the three independent non-executive directors of the Company, with written terms of reference in compliance with Rules 5.28 to 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 interim results and report were reviewed by the audit committee.

By order of the Board
Neo Telemidia Limited
Li Hongrong
Executive Director

Hong Kong, 8 February 2010

The Board comprises of:

Mr. Li Hongrong (*Executive Director*)
Mr. Tong Hing Chi (*Executive Director*)
Mr. Zhuo Wu (*Executive Director*)
Mr. Zhou Zhibin (*Executive Director*)
Mr. Lam Kin Kau, Mark (*Independent non-executive Director*)
Mr. Law Kwok Leung (*Independent non-executive Director*)
Mr. Fung Wing Keung (*Independent non-executive Director*)
Ms. Chen Xiao Rong (*Independent non-executive Director*)