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 REPORT
2010 – 2011

For the three months and nine months ended
31 March 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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 of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of the Company (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:

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

UNAUDITED RESULTS

The board of directors (the "Board") of Neo Telemedia Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months and nine months ended 31 March 2011 together with comparative unaudited figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March		**For the nine months ended 31 March**	
	Notes	**2011 (unaudited) *HK$'000***	2010 (unaudited) *HK$'000*	**2011 (unaudited) *HK$'000***	2010 (unaudited) *HK$'000*
Turnover	*3*	**5,928**	13,471	**13,775**	24,299
Cost of sales		**(4,124)**	(9,998)	**(6,401)**	(17,752)
Gross profit		**1,804**	3,473	**7,374**	6,547
Other income	*3*	**1,161**	2,892	**9,025**	2,990
Selling and marketing costs		**(1,334)**	(1,206)	**(3,104)**	(3,673)
Administrative and other expenses		**(6,944)**	(5,038)	**(16,295)**	(14,505)
(Loss) profit from operations		**(5,313)**	121	**(3,000)**	(8,641)
Finance costs		**(2)**	(3)	**(9)**	(16)
(Loss) profit before income tax		**(5,315)**	118	**(3,009)**	(8,657)
Income tax expenses	*4*	**—**	—	**—**	—
(Loss) profit for the period attributable to:					
Owners of the Company		**(5,315)**	118	**(3,009)**	(8,657)
(Loss) earnings per share	*5*				
— basic (in HK cents)		**(0.03)**	0.0009	**(0.02)**	(0.07)
— diluted (in HK cents)		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March		**For the nine months ended 31 March**	
	2011 (unaudited) *HK$'000*	2010 (unaudited) *HK$'000*	**2011 (unaudited) *HK$'000***	2010 (unaudited) *HK$'000*
(Loss) profit for the period	**(5,315)**	118	**(3,009)**	(8,657)
Other comprehensive (loss) income:				
Exchange difference arising on translation of foreign operations	**(362)**	108	**(356)**	(3)
Total comprehensive (loss) income for the period	**(5,677)**	226	**(3,365)**	(8,660)
Attributable to:				
Owners of the Company	**(5,677)**	226	**(3,365)**	(8,660)

Notes:

1. GENERAL INFORMATION

Neo Telemedia Limited (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 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 condensed consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which include all applicable Hong Kong Accounting Standards and Interpretations, issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong and 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.

The preparation of condensed consolidated 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 2010. 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 Company's annual financial statements for the year ended 30 June 2010.

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 March 2011 have not been audited or reviewed by the Company's auditors, but have been reviewed by the audit committee of the Company.

3. TURNOVER AND OTHER INCOME

Turnover represents licensing and sub-licensing fee income, income from artiste management and sales of telecommunication products.

An analysis of the Group's turnover and other income is as follows:

	For the three months ended 31 March		**For the nine months ended 31 March**	
	2011	2010	**2011**	2010
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Licensing and sub-licensing fee income	**2,642**	9,300	**2,790**	17,557
Sales of telecommunication products	**2,409**	3,188	**6,465**	3,236
Income from artiste management	**877**	983	**4,520**	3,506
Turnover	**5,928**	13,471	**13,775**	24,299
Other income	**1,161**	2,892	**9,025**	2,990
Total	**7,089**	16,363	**22,800**	27,289

4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax and PRC corporate income tax has been made for the three months and nine months ended 31 March 2011 as the Group does not have any assessable profits arising from Hong Kong and the PRC for the periods (2010: Nil).

The Group has no material unprovided deferred taxation for the three months and nine months ended 31 March 2011 (2010: Nil).

5. (LOSS) EARNINGS PER SHARE

The basic earnings per share for the three months and nine months ended 31 March 2011 are calculated based on the unaudited consolidated loss attributable to owners of the Company of approximately HK$5,315,000 and HK$3,009,000 respectively (2010 : profit of approximately HK$118,000 and loss of HK$8,657,000 respectively) and based on the weighted average number of approximately 15,428,200,000 shares in issue during the periods (2010: 12,725,363,000 shares).

No diluted (loss) earnings per share has been presented for the three months and nine months ended 31 March 2011 and 2010 as there was no dilutive potential ordinary share outstanding for both periods.

6. SHARE CAPITAL AND RESERVES

	Issued share Capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009 (audited)	125,000	28,463	17,590	—	(133,993)	37,060
Issue of shares for consideration inrespect of acquisition ofinvestment *(Note)*	3,632	50,848	—	—	—	54,480
Total comprehensive loss for the period (unaudited)	—	—	—	(3)	(8,657)	(8,660)
At 31 March 2010 (unaudited)	128,632	79,311	17,590	(3)	(142,650)	82,880
At 1 July 2010 (audited)	154,282	457,855	17,590	(57)	(178,457)	451,213
Total comprehensive loss for the period (unaudited)	—	—	—	(356)	(3,009)	(3,365)
At 31 March 2011 (unaudited)	154,282	457,855	17,590	(413)	(181,466)	447,848

Note: 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 Company's 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.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months and nine months ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review

For the nine months ended 31 March 2011, the Group recorded a turnover of approximately HK$13,775,000, representing a decrease of approximately HK$10,524,000 or 43% as compared to the corresponding period of last year. The decrease in the Group's turnover is mainly due to the significant decrease in sales from licensing and sub-licensing of film rights, which is mainly attributable to the decrease in the number of films managed during the period. Sales of telecommunication products have achieved a revenue of approximately HK$6,465,000, representing an increase of approximately HK$3,229,000 or 100% as compared to the corresponding period of last year. The substantial increase in sales of telecommunication products is mainly due to the strong growth of this sector in mainland China in which the Group intends to pursue aggressively to expand the sales. Turnover from artiste management has increased to approximately HK$4,520,000 for the nine months ended 31 March 2011 from approximately HK$3,506,000 for the corresponding period of last year. The increase is mainly attributable to the increase in revenue generated by artists.

As for the analysis of gross profit, the significant increase in gross profit ratio to approximately 54% for the nine months ended 31 March 2011 from approximately 27% for the corresponding period of last year is mainly attributable to the measure implemented by the Group to manage the cost of sales to a reasonable level.

The substantial decrease in loss before tax to approximately HK$3,009,000 for the nine months ended 31 March 2011 from approximately HK$8,657,000 for the corresponding period of last year is mainly due to the increase in gross profit and other income while the operating expenses for the period remained relatively stable as compared to the corresponding period of last year. The increase in other income by approximately HK$6,035,000 in the current period is mainly attributable to the write-back of impairment loss of approximately HK$5,410,000 recognized in respect of film rights and film in progress during the current period.

Prospects

Upon the completion of the acquisition of Ease Ray Limited and its subsidiaries (collectively referred to as "Ease Ray Group") on 29 April 2011, the Group has entered into the media sector in the PRC. The Directors consider that the acquisition of Ease Ray Group provides the Group an opportunity to benefit from the high growth advertising market in the PRC so as to broaden its source of income as well as attain a favorable return to the shareholders of the Company.

In the meantime, the Directors will scale down non-profitable operations and reduce overheads and costs with an aim to maximize the Group's profits.

MATERIAL INVESTMENTS

Pursuant to the announcement of the Company dated 14 June 2010, the Company has entered into a conditional agreement for the acquisition of the entire issued share capital of Ease Ray Limited for a consideration of HK$1,100,000,000, subject to downward adjustment according to the terms of the agreement, on 3 June 2010 ("Ease Ray Acquisition"). Ease Ray Limited and its subsidiaries are principally engaged in the design and production of traffic signboards and computer graphics, research, development and production of signal systems equipment, design and production of advertisements in the PRC. Ease Ray Acquisition was completed on 29 April 2011.

Pursuant to the announcement of the Company dated 4 August 2010, the Company has entered into a conditional agreement for the acquisition of the entire issued share capital of Smart Long Limited for a consideration of HK$230,000,000 ("Smart Long Acquisition"). Smart Long Limited and its subsidiaries are principally engaged in research and development and sales of communication products, telecommunication products, electronic products and computer software and hardware in the PRC. Smart Long Acquisition has not yet completed as of the date of this report.

Save for the above, there was no other material acquisition and disposal of subsidiaries and affiliated companies during the nine months ended 31 March 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2011, 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 Stock 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 or underlying shares of the Company

Name of director	Nature of interest	Ordinary shares	Approximate percentage of shareholding
LI Hongrong	Interest of controlled corporation *(Note)*	143,380,000	0.93%
ZHOU Zhibin	Beneficial owner	24,860,000	0.16%

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 143,380,000 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 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, independent non-executive Directors and employees of the Group, and suppliers of goods or services to the Group.

No share option has been granted by the Company under the Scheme up to 31 March 2011.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 31 March 2011, no shareholder (other than Directors) 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.

CORPORATE GOVERNANCE

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 the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Zhuo Wu resigned as chief executive officer and executive Director with effect from 16 July 2010. No replacement for the post of chief executive officer has been appointed until 9 September 2010 on which Mr. Zhang Fan has been appointed as chief executive officer and executive Director.

Under code provision A.4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors; however, they are subject to retirement by rotation in accordance with the articles of association of the Company and the Code on Corporate Governance Practices of the GEM Listing Rules. Accordingly the Company considers that sufficient measures have been taken to dealt with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

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 and nine months ended 31 March 2011.

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 nine months ended 31 March 2011.

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 nine months ended 31 March 2011.

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 nine months ended 31 March 2011 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

By order of the Board
Neo Telemedia Limited
LI Hongrong
Executive Director

Hong Kong, 12 May 2011

The Board comprises of:
Mr. LI Hongrong *(Executive Director)*
Mr. ZHOU Zhibin *(Executive Director)*
Mr. Theo EDE *(Executive Director)*
Mr. OU Bai *(Executive Director)*
Mr. ZHANG Fan *(Executive Director)*
Mr. HU Yangjun *(Executive Director)*
Mr. LAM Kin Kau, Mark *(Independent Non-Executive Director)*
Professor SONG Junde *(Independent Non-Executive Director)*
Professor CHEN Lujun *(Independent Non-Executive Director)*

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report 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.