



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



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

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This report, 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 report 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 report misleading.*

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 ended 30 September 2011 together with comparative unaudited figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended 30 September	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	30,615	6,255
Cost of sales		(1,559)	(2,178)
Gross profit		29,056	4,077
Other revenue	3	633	1,427
Selling and marketing expense		(1,789)	(1,153)
Administrative and other expenses		(5,529)	(4,648)
Profit/(Loss) from operating activities		22,371	(297)
Finance costs		(9)	(2)
Profit/(Loss) before income tax		22,362	(299)
Income tax expense	4	(6,050)	—
Profit/(Loss) for the period		16,312	(299)
Attributable to:			
Owners of the Company		7,470	(299)
Non-controlling interests		8,842	—
Earnings/(Loss) per share			
— basic (in HK cents)	5	0.38	(0.02)
— diluted (in HK cents)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended
30 September

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit/(Loss) for the period	16,312	(299)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	16	2
Total comprehensive income/(loss) for the period	16,328	(297)
Attributable to:		
Owners of the Company	7,486	(297)
Non-controlling interests	8,842	—

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 principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are engaged in sales and distribution of telecommunication products, providing wireless services, production and sales of videos and films, the licensing of video and copyrights/film rights, artiste management, the design and production of traffic signboards, computer graphics, advertisements and signal systems equipment in the PRC.

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 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, a number of new standards, amendments and interpretations (“New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1 July 2011. The adopting of the new 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 year ended 30 June 2011.

The unaudited condensed consolidated financial statements for the three months ended 30 September 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 revenue

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

	For the three months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Traffic signboard advertising revenue	28,924	—
Sales of telecommunication products and providing wireless services	1,162	2,028
Film exhibition film rights licensing and sub-licensing fee income	413	2,224
Income from artiste management	116	2,003
Turnover	30,615	6,255
Other revenue	633	1,427
Total revenue	31,248	7,682

4. Income tax expense

No provision for Hong Kong profits tax has been made for the Group as the Group incurred losses for the three months ended 30 September 2011 (2010: Nil). The Group has no material unprovided deferred taxation in respect of the period under review (2010: Nil).

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.

The amount of income tax expense charged to the unaudited condensed consolidated income statement represents PRC enterprise income tax.

5. Earnings/(Loss) per share

The basic earnings per share for the three months ended 30 September 2011 is calculated based on the unaudited consolidated profit attributable to owners of the Company for the three months ended 30 September 2011 of approximately HK\$7,470,000 (2010: loss of approximately HK\$299,000) and the weighted average of 1,975,330,109 ordinary shares of the Company (2010: 1,383,509,479 shares (restated)) in issue during the period.

The weighted average number of ordinary shares for the three months ended 30 September 2010 has been restated as a result of the share consolidation of every ten ordinary shares of HK\$0.01 each into one ordinary share of HK\$0.1 each with effect from 30 June 2011.

Diluted loss per share for the three months ended 30 September 2011 and 2010 have not been disclosed as no diluting event existed during these periods.

6. Share capital and reserves

	Issued capital	Share premium account	Share option reserve	Capital reserves	Exchange reserve	Accumulated losses	Total	Non- controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010 (Audited)	154,282	457,855	—	17,590	(57)	(178,457)	451,213	—	451,213
Total comprehensive loss for the period (Unaudited)	—	—	—	—	2	(299)	(297)	—	(297)
At 30 September 2010 (Unaudited)	154,282	457,855	—	17,590	(55)	(178,756)	450,916	—	450,916
At 1 July 2011 (Audited)	193,282	828,355	38,331	238,090	27	(214,711)	1,083,374	22,453	1,105,827
Total comprehensive income for the period (Unaudited)	—	—	—	—	16	7,470	7,486	8,842	16,328
Issue of shares for acquisition of subsidiaries	6,875	26,125	—	—	—	—	33,000	—	33,000
At 30 September 2011 (Unaudited)	200,157	854,480	38,331	238,090	43	(207,241)	1,123,860	31,295	1,155,155

7. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ended 30 September 2011, the Group recorded a turnover of approximately HK\$30,615,000 (2010: HK\$6,255,000), representing a remarkable increase of approximately HK\$24,360,000 or 389.4% as compared to the same quarter of last year. The Group recorded a profit attributable to owners of the Company of approximately HK\$7,470,000 for the three months ended 30 September 2011, in contrast to a loss of approximately HK\$299,000 for the same period in last year. Profit for the period was mainly contributed by the traffic signboard business that was acquired on 30 April 2011.

Design and production of traffic signboards, computer graphics, advertisements and signal system equipment

In April 2011, the Group completed the acquisition of Ease Ray Limited and its subsidiaries (collectively referred to as “Ease Ray Group”), companies that are engaged in the business of outdoor advertising media, a fast growing sector in mainland China where Ease Ray Group is authorized to bring advertisements to public via pedestrian traffic lights. During the three months ended 30 September 2011, Ease Ray Group continued to contribute revenue as well as profit to the Group. The Group’s turnover and profit for the first quarter of 2011/12 has therefore increased significantly compared to that for the last corresponding period.

Sales of telecommunication products and provision of wireless services

During the period under review, the Group completed the acquisition of Smart Long Limited and its subsidiaries (collectively known as “Smart Long Group”). While the business of Smart Long Group was still in the development stage during the three months ended 30 September 2011, China Wimetro Group continued to be the sole contributor of revenue to this segment of business. Turnover of this segment for this quarter was approximately HK\$1,162,000 (2010: HK\$2,028,000), representing a decrease of approximately 42.7% as compared with the last corresponding period. The decrease was mainly attributable to fierce market competition and the decreasing demand of the telecommunication service package offered by the Group.

Film exhibition and film rights licensing and sub-licensing

During the three months ended 30 September 2011, the segment of film exhibition and film rights licensing and sub-licensing recorded a turnover of approximately HK\$413,000, representing a decrease of approximately 81.4%, compared with approximately HK\$2,224,000 in the last corresponding period. The decrease is mainly because no new titles were completed during the period. Turnover for the period was mainly derived from residual income, such as licensing fees from video and television, from titles completed in previous years.

Artiste management

During the three months ended 30 September 2011, the segment of artiste management recorded a turnover of approximately HK\$116,000, representing a decrease of approximately 94.2%, compared with approximately HK\$2,003,000 in the last corresponding period. The decrease is mainly attributable to the expiration of the contract signed with a famous artist who used to be the major contributor of revenue of this segment.

PROSPECTS

Although the way forward on the European debt crisis remains unclear, the Directors are still optimistic in the overall economy of China as the Chinese government continues to stimulate domestic demand and consumption. As a result, the Directors remain positive towards the newly-acquired businesses, i.e. telecommunication and outdoor advertising media, in mainland China, which are expected to continue to be the key profit driver of the Group in the foreseeable future.

Going forward, whilst the Group will continue to focus on developing the above newly-acquired businesses, certain loss-making business will be reorganized in order to minimize the Group's exposure to financial as well as business risks. Furthermore, the Directors are considering various alternatives to enlarge the Group's capital base so as to provide additional funding to develop the Group's profitable businesses.

Share capital

As at 1 July 2011, the authorized share capital of the Company was HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was HK\$193,282,000 divided into 1,932,820,000 shares of HK\$0.10 each.

Pursuant to the terms of the agreement dated 2 August 2010 entered into between the Company and an independent third party in relation to the acquisition of the entire interest in Smart Long Group and the Company's announcement dated 30 June 2011, the Company issued 68,750,000 ordinary shares on 7 July 2011 as partial payment of the acquisition consideration. The fair value of the ordinary shares issued was determined by the available published price of HK\$0.48 each at the completion date of the acquisition on 30 June 2011.

As at 30 September 2011, the authorized share capital of the Company was HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was HK\$200,157,000 divided into 2,001,570,000 shares of HK\$0.10 each.

Significant investments

Save for the acquisition of Smart Long Group, there were no significant investments made by the Group during the three months ended 30 September 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 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 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

(a) Ordinary share of HKD0.10 each of the Company

Name of Director	Capacity	Position	No. of shares held	Approximate percentage of shareholding
Mr. LI Hongrong	Interest of controlled corporation (Note)	Long	14,338,000 Shares	0.72%
Mr. ZHOU Zhibin	Beneficial owner	Long	2,486,000 Shares	0.12%

Note: These Shares are held by Tread Up Investments Limited (“Tread Up”). The entire issued share capital of Tread Up was beneficially owned by Mr. LI Hongrong. Thus, he was deemed to be interested in the 14,338,000 Shares held by Tread Up pursuant to the SFO.

(b) Share options

Name of Director	Capacity	Number of options held	Number of underlying shares	Approximate Percentage of shareholding
Mr. ZHOU Zhibin	Beneficial owner	15,000,000	15,000,000	0.75%
Mr. ZHANG Fan	Beneficial owner	15,000,000	15,000,000	0.75%
Mr. HU Yangjun	Beneficial owner	15,000,000	15,000,000	0.75%

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the 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 adopted 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.

Particular of the share options under the Scheme and their movements during the three months ended 30 September 2011 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options				At 30 September 2011
				At 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. HU Yangjun	8/4/2011	8/4/2011 - 7/4/2021	1.07	150,000,000	—	—	—	15,000,000
Mr. ZHANG Fan	8/4/2011	8/4/2011 - 7/4/2021	1.07	150,000,000	—	—	—	15,000,000
Mr. ZHOU Zhibin	8/4/2011	8/4/2011 - 7/4/2021	1.07	150,000,000	—	—	—	15,000,000
Subtotal				450,000,000	—	—	—	45,000,000
Employees and others								
In aggregate	8/4/2011	8/4/2011 - 7/4/2021	1.07	705,000,000	—	—	—	70,500,000
Subtotal				705,000,000	—	—	—	70,500,000
Total				1,155,000,000	—	—	—	115,500,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 September 2011, 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	59,878,000 Shares	2.99%
	Interest in controlled corporation (Note 1)	6,796,000 Shares	0.34%
	Interest in controlled corporation (Note 2)	49,488,000 Shares	2.47%
	Total	116,162,000 Shares	5.80%

Notes:

1. These Shares are held by Ocean Peal Group Limited (“Ocean Peal”) that was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 6,796,000 Shares held by Ocean Peal pursuant to the SFO.
2. These Shares are held by Winner Mind Investment Limited (“Winner Mind”), a company incorporated in the British Virgin Islands, which was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 49,488,000 Shares held by Winner Mind pursuant to the SFO.

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the period under review except for the following deviation:

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 deal 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 ended 30 September 2011.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 30 September 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 ended 30 September 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 ended 30 September 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, 14 November 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.

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