Third Quarterly Report 2011/2012

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 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 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 and nine months ended 31 March 2012 together with comparative unaudited figures for the corresponding periods of 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the nine months ended 31 March		For the three months ended 31 March	
		2012 (unaudited) HK$'000	2011 (unaudited) HK$'000 (As restated)	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)
Continuing operations					
Turnover	3	**89,175**	6,465	**43,797**	2,409
Cost of sales		**(5,440)**	(798)	**(1,255)**	(798)
Gross profit		**83,735**	5,667	**42,542**	1,611
Other income		**2,674**	3,207	**223**	3,207
Selling and marketing costs		**(17,084)**	—	**(5,518)**	—
Administrative and other expenses		**(26,451)**	(12,297)	**(5,109)**	(3,465)
Profit (loss) from operating activities		**42,874**	(3,423)	**32,138**	1,353
Finance costs		**(2,204)**	(7)	**—**	—
Profit (loss) before income tax		**40,670**	(3,430)	**32,138**	1,353
Income tax expense	4	**(15,405)**	—	**(1,541)**	—
Profit (loss) for the period from continuing operations		**25,265**	(3,430)	**30,597**	1,353
Discontinuing operations					
Profit (loss) for the period from discontinuing operations	8	**7**	421	**147**	(6,668)
Profit (loss) for the period		**25,272**	(3,009)	**30,744**	(5,315)
Attributable to:					
Owners of the Company		**1,286**	(3,009)	**14,630**	(5,315)
Non-Controlling Interest		**23,986**	—	**16,114**	—
		25,272	(3,009)	**30,744**	(5,315)
Dividend	5	**—**	—	**—**	—

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the nine months ended 31 March 2012 (unaudited) HK$	For the nine months ended 31 March 2011 (unaudited) HK$ (As restated)	For the three months ended 31 March 2012 (unaudited) HK$	For the three months ended 31 March 2011 (unaudited) HK$ (As restated)
Earnings (loss) per share from continuing operations attributable to owners of the Company during the period					
Basic (in HK cents): Current period/prior period as retrospectively restated	6	**0.06**	(0.22)	**0.64**	(0.09)
Diluted:	6	**N/A**	N/A	**N/A**	N/A
Earnings (loss) per share from discontinuing operations attributable to owners of the Company during the period					
Basic (in HK cents): Current period/prior period as retrospectively restated	6	**0.00**	0.03	**0.01**	(0.43)
Diluted:	6	**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the nine months ended 31 March		For the three months ended 31 March	
	Notes	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)
Profit (loss) for the period		**25,272**	(3,009)	**30,744**	(5,315)
Other comprehensive income:					
Exchange difference arising on translation of foreign operations		**1,727**	(356)	**1,210**	(362)
Total comprehensive income (loss) for the period		**26,999**	(3,365)	**31,954**	(5,677)
Attributable to:					
Owners of the Company		**3,013**	(3,365)	**15,840**	(5,677)
Non-Controlling Interest		**23,986**	—	**16,114**	—

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Neo Telemedia Limited (the "Company") (together with its subsidiaries, collectively referred to as the "Group") is 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 Unit 1303, 13/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong.

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 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.

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.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 30 June 2011 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and interpretations, amendments to standards and interpretations (collectively "New Standards") which are effective for accounting periods beginning on or after 1 July 2011 as set out below.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above New Standards has no material impact on the accounting policies of the Group and the methods of computation in the Groups' unaudited condensed consolidated financial statements.

3. TURNOVER

The Group is principally engaged in (i) design and production of traffic signboards, computer graphics, advertisements and signal system equipment; and (ii) sales of telecommunication products and provision of wireless services. An analysis of turnover for both continuing and discontinuing operations is as follows:

	For the nine months ended 31 March		For the three months ended 31 March	
	2012 (unaudited) HK$'000	2011 (unaudited) HK$'000 (As restated)	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)
Continuing operations				
Design and production of traffic signboards, computer graphics, advertisements and signal system equipment	**87,065**	—	**43,797**	—
Sales of telecommunication products and provision of wireless services	**2,110**	6,465	**—**	2,409
	89,175	6,465	**43,797**	2,409
	HK$'000	HK$'000 (As restated)	**HK$'000**	HK$'000 (As restated)
Discontinuing operations				
Film exhibition and film rights licensing and sub-licensing	**898**	8,200	**389**	2,642
Artiste management	**222**	4,520	**12**	877
	1,120	12,720	**401**	3,519

4. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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.

The Group has no material unprovided deferred taxation for the three months and nine months ended 31 March 2012 (2011: Nil).

5. DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 31 March 2012 (2011: Nil).

6. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	For the nine months ended 31 March		For the three months ended 31 March	
	2012 (unaudited) HK$'000	2011 (unaudited) HK$'000 (As restated)	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)
Profit (loss) attributable to owners of the Company — continuing operations	**1,279**	(3,430)	**14,483**	1,353
Profit (loss) attributable to owners of the Company — discontinued operations	**7**	421	**147**	(6,668)
Profit (loss) attributable to owners of the Company	**1,286**	(3,009)	**14,630**	(5,315)

	For the nine months ended 31 March		For the three months ended 31 March	
	2012 (unaudited)	2011 (unaudited) (As restated)	**2012 (unaudited)**	2011 (unaudited) (As restated)
Issued ordinary shares at the beginning of period	**1,932,820,000**	1,542,820,000	**2,271,570,000**	1,542,820,000
Effect of issuance of consideration shares	**67,227,860**	—	**—**	—
Effect of issuance of placing shares	**120,553,505**	—	**—**	—
Weighted average number of ordinary shares at the end of period	**2,120,601,365**	1,542,820,000	**2,271,570,000**	1,542,820,000

(b) Diluted earnings (loss) per share

No diluted earnings (loss) per share has been presented for the periods ended 31 March 2012 as no dilutive event existed during these periods.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital and other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2010 (audited)	154,282	457,855	—	17,590	(57)	(178,457)	451,213	—	451,213
Loss for the period	—	—	—	—	—	(3,009)	(3,009)	—	(3,009)
Other comprehensive loss:									
Exchange difference arising on translation of foreign operations	—	—	—	—	(356)	—	(356)	—	(356)
Total comprehensive loss for the period (unaudited)	—	—	—	—	(356)	(3,009)	(3,365)	—	(3,365)
At 31 March 2011 (unaudited)	**154,282**	**457,855**	**—**	**17,590**	**(413)**	**(181,466)**	**447,848**	**—**	**447,848**
At 1 July 2011 (audited)	193,282	828,355	38,331	238,090	27	(214,711)	1,083,374	22,453	1,105,827
Profit for the period	—	—	—	—	—	1,286	1,286	23,986	25,272
Other comprehensive income:									
Exchange difference arising on translation of foreign operations	—	—	—	—	1,727	—	1,727	—	1,727
Total comprehensive income for the period (unaudited)	—	—	—	—	1,727	1,286	3,013	23,986	26,999
Issue of shares for acquisition of subsidiaries	6,875	26,125	—	—	—	—	33,000	—	33,000
Placing of shares	27,000	52,779	—	—	—	—	79,779	—	79,779
At 31 March 2012 (unaudited)	**227,157**	**907,259**	**38,331**	**238,090**	**1,754**	**(213,425)**	**1,119,166**	**46,439**	**1,245,605**

8. DISCONTINUING OPERATIONS AND DISPOSAL GROUPS

On 30 December 2011, the Company entered into a non-legally binding framework agreement with an independent third party (the "Potential Purchaser") in respect of a proposed disposal of certain wholly-owned subsidiaries of the Company, being Getbetter Enterprises Limited, B&S Group Limited and their subsidiaries, (collectively referred to as the "Disposal Groups") to the Potential Purchaser. The Disposal Groups are engaged in film exhibition and film rights licensing and sub-licensing and artiste management. The results of the Disposal Groups are presented in this condensed consolidated financial information as discontinuing operations.

The results for the period are as follows:

	For the nine months ended 31 March		For the three months ended 31 March	
	2012 (unaudited) HK$'000	2011 (unaudited) HK$'000 (As restated)	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000 (As restated)
Turnover	**1,120**	12,720	**401**	3,519
Profit (loss) from operating activities	**10**	426	**147**	(6,663)
Finance costs	**(3)**	(5)	**—**	(5)
Profit (loss) before income tax	**7**	421	**147**	(6,668)
Income tax expenses	**—**	—	**—**	—
Profit (loss) for the period	**7**	421	**147**	(6,668)

9. BUSINESS COMBINATIONS

On 30 June 2011, the Group acquired 100% of the issued shares in Smart Long Limited, a company that is engaged in research and development and sales of communication products, telecommunication products, electronic products, computer software and hardware in the PRC, for a consideration of HK$155,000,000. The acquisition has been accounted for using the purchase method of accounting. The acquisition is expected to enhance the Group's existing development on the telecommunication value-added products.

10. COMPARATIVE FIGURES

For the purpose of presenting discontinuing operations, certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 March 2012, the Group recorded a turnover of approximately HK$89,175,000 (2011: HK$6,465,000) from continuing operations, representing a remarkable increase of approximately HK$82,710,000 or 1,279.4% as compared to the same period of last year, mainly contributed by Ease Ray Group. The Group recorded a profit attributable to owners of the Company of approximately HK$1,286,000 for the nine months ended 31 March 2012, in contrast to a loss of approximately HK$3,009,000 for the corresponding period in last year. Profit for the period was mainly attributable to the combined effect of: 1) tax provision for the first two quarters of the financial year 2011/12 of approximately HK$5.5 million written back in this quarter as a result of the accreditation of one of the Company's subsidiaries as high-tech enterprise in the PRC, i.e., the subsidiary is entitled to a preferential tax rate of 15%; 2) unsatisfactory results of the business of telecommunication products due to the supply shortage of high temperature superconducting ("HTS") filters, which has adversely affected the performance of newly acquired Smart Long Group, as well as the decreasing demand for telecommunication service package offered by the Group; 3) the scale down of the businesses of film exhibition and film rights licensing and sub-licensing and artiste management, which the Group is in the process of disposing of; and 4) the continued contribution of revenue and profit from the business operated by Ease Ray Group.

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

In April 2011, the Group completed the acquisition of Ease Ray Group that is 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 the public through pedestrian traffic lights. During the nine months ended 31 March 2012, Ease Ray Group continued to contribute revenue as well as profit to the Group.

During the period under review, the Group did not increase the number of pedestrian traffic lights mainly because the Group has been upgrading the software as well as hardware of the old traffic lights in order to enhance their stability-ness and safetyness. In the meantime, the Group has successfully operated in Panyu District, Guangzhou on a trial-run basis.

Sales of telecommunication products and provision of wireless services

During the period under review, China Wimetro Group remained the sole contributor of revenue to this segment of business. Although the Group completed the acquisition of Smart Long Group during the period, its business was still in the development stage and there was a supply shortage of its main product, HTS filters. In addition, due to the changes of the relevant regulations in mainland China, the procurement policy of the targeted customers of HTS filters, i.e. the major telecommunication operators in mainland China, has changed. This has delayed the procurement process of these companies. As a result, our business with these companies has been adversely affected.

Turnover of this segment for the nine months ended 31 March 2012 was approximately HK$2,110,000 (2011: 6,465,000), representing a decrease of approximately 67.4% as compared with the last corresponding period. The decrease was mainly attributable to fierce market competition and the decreasing demand in the telecommunication service package offered by the Group.

Discontinuing operations

As the Board believes that the newly acquired businesses, i.e. telecommunication products and outdoor advertising media, have much potential for growth in mainland China, the Group has decided to dispose of the businesses of film exhibition and film rights licensing and sub-licensing and artiste management, which have been continuously downsizing since the last financial year. The Group will be able to put more focus and resources in the development and expansion of the newly acquired businesses.

On 30 December 2011, the Company entered into a non-legally binding framework agreement with the Potential Purchaser in respect of a proposed disposal of the above-mentioned businesses to the Potential Purchaser. While the due diligence review carried out by the Potential Purchaser is still in progress, the Company is working with them towards entering into a formal agreement.

For the nine months ended 31 March 2012, these discontinuing operations recorded a profit of approximately HK$7,000.

PROSPECTS

Although the supply shortage of HTS filters and the changes in the regulatory environment in mainland China have deferred the development of Smart Long Group's business, the Directors are positive towards the newly acquired businesses that are expected to be the key profit driver of the Group in the foreseeable future.

Smart Long Group

The Group has been working closely with the supplier of HTS filters in order to secure a stable supply over the remaining term of the exclusive rights to sell HTS filtering solutions in Guangdong and Guangxi, the PRC. The Group is also working on promoting its services and products to other provinces in the PRC. In addition, the procurement process of the major telecommunication operators in mainland China is expected to return to normal in the fourth quarter of the financial year 2011/12. The Directors expect that Smart Long Group's business will improve accordingly.

Ease Ray Group

With the positive feedback on the trial run in Panyu District in Guangzhou from the Guangzhou Traffic Police Department (the "GZTPD"), the Group is working with GZTPD to expand its trial run to other districts in Guangzhou.

In addition, during the period under review, the Group entered into a letter of intent with Xinhua News Agency, Anhui branch, ("Xinhua Anhui") to cooperate in the business of outdoor media through pedestrian traffic lights in Anhui, the PRC. The Group is working with Xinhua Anhui to install traffic lights on a trial-run basis in cities, such as Hefei and Wuhu, in Anhui province.

Overall

Whilst the Group expects to enter into a formal agreement with the Potential Purchaser to dispose of the Disposal Groups before the end of the Group's financial year 2011/12, the Group will continue to focus on developing the businesses of Ease Ray Group and Smart Long Group. Furthermore, the Directors are considering various alternatives to increase resources for the development of such 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.

Pursuant to the terms of the agreement dated 22 November 2011 entered into between the Company and an independent third party in relation to the placing of a maximum of 270,000,000 ordinary shares at HK$0.3 per share (the "Placing"), 270,000,000 ordinary shares were placed at HK$0.3 per share to one placee who is independent of the Company and its connected persons (as defined under the GEM Listing Rules) on 30 November 2011.

As at 31 March 2012, 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$227,157,000 divided into 2,271,570,000 shares of HK$0.10 each.

Charges on the Group's Assets

There were no material charges on the Group's assets as at 31 March 2012.

Use of Net Proceeds from the Placing

The Company successfully completed the Placing on 30 November 2011, raising net proceeds (after deduction of the relation expenses) of approximately HK$79.78 million. The Company has utilized the net proceeds in the manner consistent with that disclosed in its announcement dated 22 November 2011. As at 31 March 2012, HK$27 million has been used for the redemption (at 108% of the principal amount) of convertible bonds issued by the Company on 3 June 2011 and the remaining balance of the net proceeds has been used as the general working capital of the Group.

Significant Investments

Save for the acquisition of Smart Long Group, there were no significant investments made by the Group during the nine months ended 31 March 2012.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2012, 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 HK$0.10 each of the Company

Name of Director	Capacity	Position	Number of shares held	Approximate percentage of shareholding
Mr. LI Hongrong	Interest of controlled corporation (Note)	Long	13,038,000 Shares	0.57%

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 13,038,000 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. HU Yangjun	Beneficial owner	15,000,000	15,000,000	0.66%

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 nine months ended 31 March 2012 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options: At 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 31 March 2012
Directors								
Mr. HU Yangjun	8/4/2011	8/4/2011 — 7/4/2021	1.07	15,000,000	—	—	—	15,000,000
Mr. ZHANG Fan (Note)	8/4/2011	8/4/2011 — 7/4/2021	1.07	15,000,000	—	—	—	15,000,000
Subtotal				30,000,000	—	—	—	30,000,000
Employees and others								
In aggregate	8/4/2011	8/4/2011 — 7/4/2021	1.07	85,500,000	—	—	—	85,500,000
Subtotal				85,500,000	—	—	—	85,500,000
Total				115,500,000	—	—	—	115,500,000

Note: Mr. ZHANG Fan resigned as executive Director and chief executive officer of the Company on 23 March 2012 and the share options granted to him outstanding as at 31 March 2012 lapsed on 22 April 2012.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 31 March 2012, 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	156,178,000 Shares	6.87%
	Interest in controlled corporation (Note 1)	6,796,000 Shares	0.30%
	Interest in controlled corporation (Note 2)	49,488,000 Shares	2.18%
	Total	212,462,000 Shares	9.35%

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 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 nine months ended 31 March 2012.

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 31 March 2012.

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 31 March 2012.

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 nine months ended 31 March 2012 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

RESIGNATION OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

On 23 March 2012, Mr. ZHANG Fan resigned as executive Director and chief executive officer of the Company and Mr. OU Bai resigned as executive Director.

By order of the Board
Neo Telemedia Limited
LI Hongrong
Chairman

Hong Kong, 14 May 2012

The Board comprises of:
Mr. LI Hongrong *(Executive Director)*
Mr. Theo EDE *(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.