



# 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



First Quarterly Report  
2012/2013

## **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.**

**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2012 together with comparative unaudited figures for the corresponding period of 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended  
30 September

	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (As restated)
<b>Continuing operations</b>			
Turnover	3	8,670	30,086
Cost of sales		(2,142)	(1,559)
Gross profit		6,528	28,527
Other income		5	596
Selling and marketing expenses		(921)	(1,421)
Administrative and other expenses		(9,613)	(5,230)
(Loss)/Profit from operating activities		(4,001)	22,472
Finance costs		(10)	(7)
(Loss)/Profit before income tax		(4,011)	22,465
Income tax expense	4	(1,046)	(6,050)
(Loss)/Profit for the period from continuing operations		(5,057)	16,415
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	8	(147)	(103)
(Loss)/Profit for the period		(5,204)	16,412
Attributable to:			
Owners of the Company		(6,735)	7,470
Non-controlling interests		1,531	8,842
(Loss)/Earnings per share	5	(0.29)	0.38
– basic (in HK cents)			
– diluted (in HK cents)		N/A	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
(Loss)/Profit for the period	(5,204)	16,312
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	1	16
Total comprehensive (loss)/income for the period	(5,203)	16,328
Attributable to:		
Owners of the Company	(6,734)	7,486
Non-controlling interests	1,531	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 2012. 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 2012.

The unaudited condensed consolidated financial statements for the three months ended 30 September 2012 have not been audited or reviewed by the Company's auditors, but have been reviewed by the audit committee of the Company.

### 3. Turnover

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

	For the three months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Traffic signboard advertising revenue	8,147	28,924
Sales of telecommunication products and providing wireless services	523	1,162
	<b>8,670</b>	<b>30,086</b>
<b>Discontinued operations</b>		
Film exhibition film rights licensing and sub-licensing fee income	15	413
Income from artiste management	-	116
	<b>15</b>	<b>529</b>

### 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 2012 (2011: Nil). The Group has no material unprovided deferred taxation in respect of the period under review (2011: 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. (Loss)/Earnings per share

The basic earnings per share for the three months ended 30 September 2012 is calculated based on the unaudited consolidated loss attributable to owners of the Company for the three months ended 30 September 2012 of approximately HK\$6,735,000 (2011: profit of approximately HK\$7,470,000) and the weighted average of 2,326,920,793 ordinary shares of the Company (2011: 1,975,330,109 shares) in issue during the period.

Diluted loss per share for the three months ended 30 September 2012 and 2011 have not been disclosed as no diluting event existed during these periods.

## 6. Share capital and reserves

	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserves HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
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
At 1 July 2012 (Audited)	232,692	943,621	33,187	17,590	983	7,375	(678,992)	556,456	54,597	611,053
Total comprehensive loss for the period (Unaudited)	-	-	-	-	1	-	(6,735)	(6,734)	1,531	(5,203)
At 30 September 2012 (Unaudited)	232,692	943,621	33,187	17,590	984	7,375	(685,727)	549,722	56,128	605,850

## 7. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2012 (2011: Nil).

## 8. Discontinued operations

On 21 June 2012, the Company entered into a sale agreement with an independent third party (the “Purchaser”) in respect of the disposal of 100% equity interests in Getbetter Enterprises Limited, B&S Group Limited and their subsidiaries (collectively referred to as the “Disposal Group”) for a consideration of HK\$8,000,000 (the “Disposal”). The principal activities of the Disposal Group are film exhibition and film rights licensing and sub-licensing and artiste management. The Disposal was completed on 28 September 2012. The results of the Disposal Group are as follows:

	<b>For the three months ended 30 September</b>	
	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000 (As restated)
Turnover	<b>15</b>	529
Loss from operating activities	<b>(144)</b>	(101)
Finance costs	<b>(3)</b>	(2)
Loss before income tax	<b>(147)</b>	(103)
Income tax expenses	–	–
Loss for the period	<b>(147)</b>	(103)

## 9. Comparative figures

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



## MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ended 30 September 2012, the Group recorded a turnover from continued operations of approximately HK\$8,670,000 (2011: HK\$30,086,000), representing a substantial decrease of approximately HK\$21,416,000 or 71.2% as compared to the same quarter of last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$6,735,000 for the three months ended 30 September 2012, in contrast to a profit of approximately HK\$7,470,000 for the same period in last year. The substantial decrease in turnover and loss for the period was mainly because: 1) approximately 1,000 traffic lights in aggregate located in Xiamen and Nanchang have been temporarily uninstalled due to road expansion and subway construction carried out by the municipal governments; and (2) the number of advertising agents that the Group has co-operated with has dropped from three to one during the period due to fierce competition and the worsening economic situation in the PRC.

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

During the period under review, Ease Ray Group continued to contribute revenue and operating profit to the Group. However, due to road expansion and subway construction carried out by the municipal governments of Xiamen and Nanchang, our pedestrian traffic lights located in the two cities are required to be temporarily uninstalled. In addition, due to fierce competition in the outdoor advertising industry and the worsening economic situation in the PRC, the number of advertising agents which co-operated with us has dropped from three to one.

### **Sales of telecommunication products and provision of wireless services**

Due to the continuous development of broadband wireless mobile telecommunication technology and the increasing popularity of 3G services, the technology of our telecommunication service package has been considered outdated in the market. As a result, China Wimetro Group did not generate any revenue during the three months ended 30 September 2012. Turnover for the period represents telecommunication equipment installation fee income generated by Smart Long Group.

## Film exhibition and film rights licensing and sub-licensing and artiste management

On 21 June 2012, the Company entered into a sale agreement with an independent third party in respect of the disposal of the business of these two segments for a consideration of HK\$8,000,000 (the “Disposal”). The Disposal was completed on 28 September 2012.

## PROSPECTS

The venturing into the telecommunication and outdoor advertising media sectors in the PRC has been an important move of the Group to benefit from these fast growing sectors. Although the Group encountered challenges to survive this harsh economic environment, the Directors are optimistic in the overall economy of the PRC as the Chinese government continues to stimulate domestic demand and consumption.

As the Group has completed the disposal of its non-core business, i.e. film exhibition and film rights licensing and sub-licensing and artiste management, the Group is able to focus its limited resources to develop its telecommunication and outdoor advertising media businesses. In the meantime, the Group will continue to consider various alternatives in obtaining additional resources, such as the entering into an agreement to issue unlisted warrants of the Company on 5 November 2012, and to seek investment opportunities.

The Company is currently under preliminary negotiation with a former director of the Company regarding a possible acquisition of a network service business for higher education institutions in the PRC (the “Possible Acquisition A”).

In addition, on 29 October 2012, the Company entered into a letter of intent with an independent third party (the “Vendor”), pursuant to which the Company intends to acquire from the Vendor the entire issued shares of a company to be incorporated by the Vendor as its wholly-owned subsidiary (the “Target Company”), which will directly and wholly own the Vendor’s five existing subsidiaries in the PRC (the “PRC Subsidiaries”) upon completion of a corporate restructuring (the Target Company and the PRC Subsidiaries collectively referred as the “Target Group”)(the “Possible Acquisition B”).

The Target Group owns a self-developed carrier level cloud computing management system, and possesses the relevant experience, technology and network systems for provision of Internet video services and other online content services.

If the Possible Acquisition A and the Possible Acquisition B proceed, it is expected to create a synergy effect on the business of these two possible acquisitions as well as with the business of China Wimetro Group and Smart Long Group.

## **Share capital**

As at 1 July 2012 and 30 September 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 approximately HK\$232,692,000 divided into 2,326,920,793 shares of HK\$0.10 each.

## **Issue of unlisted warrants**

On 5 November 2012, the Company entered into warrant subscription agreements with six independent third parties (the “Subscribers”), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for an aggregate of 200,000,000 unlisted warrants at an issue price of HK\$0.01 per warrant (the “Warrants”). Each of the Warrants carries the right to subscribe for one new share of the Company at the initial exercise price of HK\$0.54 per Share (subject to adjustment) during a period of two years commencing from (and inclusive of) the date of issue of the Warrants. The issue of the Warrants has not been completed as of the date of this report.

## **Significant investments**

There were no significant investments made by the Group during the three months ended 30 September 2012.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 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 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	13,038,000 Shares	0.56%

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	0.64%

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 2012 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 2012
				At 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Mr. HU Yangjun	8/4/2011	8/4/2011 – 7/4/2021	1.07	15,000,000	-	-	-	15,000,000
Subtotal				15,000,000	-	-	-	15,000,000
<b>Employees and others</b>								
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	1.07	85,000,000	-	-	-	85,000,000
Subtotal				85,000,000	-	-	-	85,000,000
Total				100,000,000	-	-	-	100,000,000

The Scheme expired on 21 July 2012. The Company is considering the adoption of a new share option scheme and announcement and/or circular in this relation will be published as and when appropriate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 September 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	6.71%
	Interest in controlled corporation (Note 1)	6,796,000 Shares	0.29%
	Interest in controlled corporation (Note 2)	49,488,000 Shares	2.13%
	Total	212,462,000 Shares	9.13%

Notes:

- 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.
- 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 three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 2012 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**  
*Chairman*

Hong Kong, 13 November 2012

The Board comprises of:

### *Executive Directors*

Mr. LI Hongrong (*Chairman*)  
Mr. Theo EDE  
Mr. HU Yangjun  
Mr. ZHANG Xinyu (*Chief Executive Officer*)

### *Independent Non-Executive Directors*

Mr. LAM Kin Kau, Mark  
Professor SONG Junde  
Professor CHEN Lujun



*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.*