



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 2015



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”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the nine and three months ended 30 September 2015 together with comparative unaudited figures for the corresponding period of 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited) (Restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited) (Restated)
Turnover	3	399,750	26,583	382,419	6,916
Cost of sales		(376,757)	(13,164)	(366,148)	(3,878)
Gross profit		22,993	13,419	16,271	3,038
Other income and gains		885	756	179	(454)
Change in fair value of derivative financial assets		8,219	–	–	–
Selling and marketing costs		(5,104)	(1,860)	(2,625)	(590)
Administrative and other expenses		(55,545)	(72,982)	(19,655)	(25,966)
Finance costs		(18,875)	(17,641)	(7,131)	(5,508)
Loss before tax		(47,427)	(78,308)	(12,961)	(29,480)
Income tax credit	4	4,314	4,012	1,772	1,337
Loss for the period		(43,113)	(74,296)	(11,189)	(28,143)
Loss for the period attributable to:					
Owners of the Company		(28,990)	(65,639)	(8,455)	(24,802)
Non-controlling interests		(14,123)	(8,657)	(2,734)	(3,341)
Loss per share	6				
– basic (in HK cent)		(0.49)	(1.22)	(0.14)	(0.45)
– diluted (in HK cent)		(0.49)	(1.22)	(0.14)	(0.45)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine months ended 30 September		For the three months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited) (Restated)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited) (Restated)
Loss for the period	(43,113)	(74,296)	(11,189)	(28,143)
Other comprehensive (loss)/income, net of income tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(4,350)	(1,571)	(5,364)	774
Total comprehensive loss for the period	(47,463)	(75,867)	(16,553)	(27,369)
Total comprehensive loss for the period attributable to:				
Owners of the Company	(33,035)	(66,945)	(13,403)	(24,135)
Non-controlling interests	(14,428)	(8,922)	(3,150)	(3,234)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Neo Telemedia Limited (the “Company”) (together with its subsidiaries, collectively referred to as the “Group”) was 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit 1504, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong respectively.

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 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 operating subsidiaries are sale of telecommunication products and services, operation of peer-to-peer lending platform business and provision of transmedia advertising services 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.

In the current period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of the above new or revised 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 31 December 2014.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2015 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

De-consolidation

Due to i) the non-cooperation of the key management of CERNET Wifi Technology (Beijing) Company Limited (“CERNET Wifi”), and ii) the non-cooperation of the holder of the CERNET Wifi’s non-controlling interests who owned the brand name and network of CERNET, which CERNET Wifi had used for its operations pursuant to an asset leasehold agreement, the Company had been unable to both i) access the complete sets of books and records together with the supporting documents of CERNET Wifi and ii) maintain and operate the business of CERNET Wifi’s properly. As such, the directors of the Company consider that the Company has lost its control over CERNET Wifi. As a result, CERNET Wifi had been de-consolidated from the consolidated financial statements of the Group from 1 January 2014. However, the de-consolidation of CERNET Wifi from the beginning of the year was not in compliance with the requirements of Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements”.

The comparative figures of the unaudited condensed consolidated results have not been restated and the previous results of CERNET Wifi for the period from 1 January to 30 September 2014 were included in the comparative figures, based on the books and records maintained by CERNET Wifi at the time.

3. TURNOVER

The Group was principally engaged in (i) sale of telecommunication products and services; (ii) peer-to-peer (P2P) lending platform business; and (iii) provision of transmedia advertising services during the nine and three months ended 30 September 2015. An analysis of turnover is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Sale of telecommunication products and services	382,000	25,872	368,271	6,771
P2P lending platform	17,508	–	14,070	–
Transmedia advertising services	242	711	78	145
	399,750	26,583	382,419	6,916

4. INCOME TAX CREDIT

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. Hong Kong Profits Tax has not been provided for in the unaudited condensed consolidated financial statements as the Group has no assessable profits arising in Hong Kong for both periods.

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.

5. DIVIDEND

The Directors resolved not to declare any dividend for the nine months ended 30 September 2015 (2014: Nil).

6. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the nine months ended 30 September 2015 of approximately HK\$28,990,000 (nine months ended 30 September 2014: HK\$65,639,000) and the three months ended 30 September 2015 of approximately HK\$8,455,000 (three months ended 30 September 2014: HK\$24,802,000), attributable to equity holders of the Company, and the weighted average of the nine months ended 30 September 2015 of approximately 5,947,323,000 (nine months ended 30 September 2014: 5,383,064,000) and the three months ended 30 September 2015 of approximately 6,198,607,000 (three months ended 30 September 2014: 5,509,840,000) ordinary shares in issue during the period.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and the exercise of the Company's share options since it would result in an anti-dilutive effect on loss per share.

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for bonus issue that took place on 19 June 2015. Accordingly, the basic and diluted loss per share for the nine months ended 30 September 2014 have been restated.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Warrant reserve HK\$'000	Convertible notes reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	255,492	1,024,031	47,084	14,600	7,131	1,908	7,375	(960,545)	397,076	104,488	501,564
Loss for the period	-	-	-	-	-	-	-	(65,639)	(65,639)	(8,657)	(74,296)
Other comprehensive loss:											
Exchange difference on translation of foreign operations	-	-	-	-	-	(1,306)	-	-	(1,306)	(265)	(1,571)
Total comprehensive loss for the period	-	-	-	-	-	(1,306)	-	(65,639)	(66,945)	(8,922)	(75,867)
Share options lapsed	-	-	(26,427)	-	-	-	-	26,427	-	-	-
Placing of shares	20,000	19,724	-	-	-	-	-	-	39,724	-	39,724
At 30 September 2014 (unaudited)	275,492	1,043,755	20,657	14,600	7,131	602	7,375	(999,757)	369,855	95,566	465,421
At 1 January 2015 (audited)	275,492	1,043,755	20,657	-	7,131	1,060	7,375	(1,486,912)	(131,442)	28,373	(103,069)
Loss for the period	-	-	-	-	-	-	-	(28,990)	(28,990)	(14,123)	(43,113)
Other comprehensive loss:											
Exchange difference on translation of foreign operations	-	-	-	-	-	(4,045)	-	-	(4,045)	(305)	(4,350)
Total comprehensive loss for the period	-	-	-	-	-	(4,045)	-	-	(33,035)	(14,428)	(47,463)
Issue of shares in relation to acquisition of subsidiaries	49,972	208,639	-	-	-	-	-	-	258,611	-	258,611
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,853	6,853
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	4,429	4,429
Share options exercised	2,000	16,177	(5,617)	-	-	-	-	-	12,560	-	12,560
Bonus issue of shares	307,792	(307,792)	-	-	-	-	-	-	-	-	-
At 30 September 2015 (unaudited)	635,256	960,779	15,040	-	7,131	(2,985)	7,375	(1,515,902)	106,694	25,227	131,921

8. EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company's announcements dated 11, 14, 31 August 2015 and 11 and 22 September 2015, and the circular dated 25 September 2015, the Directors proposed to raise not less than HK\$1,206.99 million and not more than HK\$1,251.45 million before expenses by issuing not less than 3,176,281,448 offer shares and not more than 3,293,281,448 offer shares at the subscription price of HK\$0.38 per offer share on the basis of one offer share (the "Offer Share") for every two existing shares held on record date and payable in full on acceptance (the "Open Offer"). The proposed Open Offer is subject to approval by the independent shareholders at the extraordinary general meeting ("EGM") of the Company.

On 14 October 2015, the Company published an inside information announcement (the "Announcement"), whereby as required under the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "Takeovers Code"), the information contained in the Announcement is regarded as a profit forecast. Further information as required under the Takeovers Code is required to be provided before putting the resolution for approving, among others, the Open Offer and the transactions contemplated thereunder. Since the Announcement is required to be made pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions under Part XIVA of the SFO, which require the Company to issue the Announcement as soon as practicable and given the time constraints, the Company had encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in the Takeovers Code.

On 15 October 2015, the EGM was convened and held for the purpose of considering and approving, among others, the Open Offer and the transactions contemplated thereunder. With the consent of the shareholders of the Company present at the EGM by voting on a show of hands, the EGM was adjourned to a later date and time to be determined by the Directors.

As at the date of this report, the proposed Open Offer has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2015, the Group recorded a turnover of approximately HK\$399,750,000 (2014: HK\$26,583,000), representing a substantial increase of HK\$373,167,000 or approximately 14 times as compared to the same period last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$28,990,000 (2014: HK\$65,639,000) for the nine months ended 30 September 2015, representing a decrease of approximately HK\$36,649,000 or 56% as compared to the corresponding period of last year.

The increase in turnover was mainly driven by the newly acquired businesses in trading of mobile phones and tablets, operation of mobile and Internet WIFI platform and peer-to-peer lending platform. Such increase has completely offset the effect of de-consolidation of 賽爾無線網絡科技(北京)有限公司(CERNET Wifi Technology (Beijing) Company Limited*) (“CERNET Wifi”) and the decline in performance of satellite-related services. As a result, loss attributable to the owners of the Company decreased significantly.

Sale of telecommunication products and services

Blueseas Mobile Group

On 1 April 2015, the Group obtained the control of 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Company Limited*) (“Blueseas Mobile”) and its subsidiaries (collectively referred to as “Blueseas Mobile Group”) through structured contracts; which is mainly engaged in the operation of a mobile and Internet commercial WIFI platform, an Internet data center and a cross-border e-commerce platform. Bluesea Mobile’s key investment project, “Blueseas-free WIFI”, is a mobile and Internet commercial WIFI platform covering 20,000 data connection hotspots across 11 districts in Guangzhou linking schools, offices, popular gathering spots such as shopping malls and areas, industrial parks, hotels, food and beverage outlets, leisure resorts, government departments, hospitals, etc. Revenue contributed by Bluesea Mobile upon the completion mainly represents the services income from Bluesea-free WIFI and trading of telecommunication equipment.

* For identification purposes only

Million Ace Group

On 11 September 2015, the Group completed the acquisition of the entire equity interest in Million Ace Limited and its subsidiaries (collectively referred to as “Million Ace Group”). Million Ace Group is engaged in trading of mobile phones and tablets.

Hughes China Group

During the period under review, Hughes China Group continued to work on the coal-mine surveillance projects, as well as the two other major projects namely “天地星” and “蒙古包”. The revenue contributed to the Group for the period represents sale of satellite communication system devices and related services.

CERNET Wifi Group

Due to (i) the non-cooperation of the former general manager of CERNET Wifi, and (ii) the non-cooperation of the holders of the non-controlling interests, the Company had been unable to both (i) access the complete sets of books and records together with the supporting documents of CERNET Wifi and (ii) maintain and operate the business of CERNET Wifi properly. As such, CERNET Wifi has been de-consolidated from the consolidated financial statements since last financial year. Therefore, there is no revenue contributed from the CERNET Wifi group in the period under review.

As at the date of this report, CERNET Wifi has recovered its common seal, contract chop and business registration and its duplicate from its former general manager. To resume the operations of and repossess control over CERNET Wifi, the Directors are currently working on 1) a claim against holders of CERNET Wifi’s non-controlling interests who own the brand name and network of CERNET Wifi which CERNET Wifi has used for its operations pursuant to an asset leasehold agreement, and 2) recovery of CERNET Wifi’s complete books and records together with the relevant supporting documents.

Peer-to-Peer lending platform business

On 1 April 2015, the Group completed the acquisition of 70% of the equity interest of 廣東阿凡達財富投資管理有限公司 (Guangdong Avatar Wealth Investment Management Company Limited*) (“Avatar Wealth”) through the acquisition of Bluesea Mobile. Avatar Wealth is engaged in running a peer-to-peer lending platform business. It offers a full range of products to lenders comprising housing loans, automobile loans, account receivables, supply chain and industry financing, leasing assets and pawn loans, and provides simplified, convenient and flexible financing solutions to both SME’s and individual borrowers. Revenue contributed to the Group upon the completion of the acquisition represents the service income of the above-mentioned services.

Provision of transmedia advertising services

During the period under review, Ease Ray Group’s revenue has decreased as compared to the corresponding period in 2014 due to the temporary suspension of our services in various cities as a result of the policies implemented to regulate the traffic signboard advertising by the municipal governments.

PROSPECTS

Sale of telecommunications products and services

Upon the completion of the acquisition of Bluesea Mobile, the Group is positioned to optimize the opportunities in the Internet and big data era, and engaged in the operations of a mobile Internet commercial WIFI platform, an Internet data center and a cross-border e-commerce platform in the PRC. The acquisition of Million Ace Group also enhanced the Group’s distribution business of telecommunication products and will create synergy with Bluesea Mobile’s cross-border e-commerce platform “Bluesea-Gou”. In the meantime, 廣東蔚海科技發展有限公司 (Guangdong Bluesea Technology Development Company Limited*), a wholly owned subsidiary of the Company, has set up a joint venture with 山東浪潮雲海雲計算產業投資有限公司 (Shandong Inspur Cloud Computing Industry Investment Company Limited*), namely 廣東浪潮蔚海雲計算有限公司 (Guangdong Inspur Bluesea Cloud Computing Company Limited*) (“Guangdong Inspur Bluesea”), to establish a large cloud computing centre in Southern China. Leveraging Guangdong Inspur Bluesea’s foundation and rapid growth in Guangdong as well as its brand awareness, the Group can solidify a business presence in Guangdong.

* For identification purposes only

The management will continue to monitor the progress of various projects that the group companies are working on. In the meantime, the Directors are in the process of reassessing these projects, particularly those are risky, loss making or require a significant amount of investment, to determine if any of them needs to be discontinued.

Peer-to-peer lending platform business

In addition to Avatar Wealth, the Group also launched a P2P lending platform in 深圳市蜜蜂金服互聯網金融服務有限公司 (Shenzhen Bees Financial Internet Financial Services Co Ltd.*) (“Bees Financial”). Bees Financial has entered into a funds depository business cooperation agreement with 廣東華興銀行 (Guangdong Huaxing Bank*) (“Guangdong Huaxing”) pursuant to which Guangdong Huaxing agreed to provide funds depository services to the clients of Bees Financial’s P2P online lending platform. Guangdong Huaxing also agreed to continue to cooperate with Bees Financial in the areas of payment and settlement, client resources sharing, wealth management and other internet finance services. The cooperation with Guangdong Huaxing promotes transparency and significantly reduces the credit risk and liquidity risk of its P2P online lending business.

With the launch of the P2P lending platform business, the Group aims to establish an integrated data transfer, mobile marketing and sales, and financial transactions system and become one of the leading P2P Internet financial company in China.

Provision of transmedia advertising services

The management will continue to work with the municipal governments for a timetable of resuming our services and will continue to carry out maintenance work on the aged traffic signboards so as to maintain their normal operation.

Others

On 23 October 2015, Guangdong Provincial Department of Civil Affairs approved the registration of 神舟航天智能製造技術(廣東)研究院 (Shenzhou Aerospace Manufacturing Technology (Guangdong) Institute*) (“Shenzhou Aerospace Institute”), a private non-enterprise unit in the PRC, of which Bluesea Mobile is one of the organizers. The total start-up fund of Shenzhou Aerospace Institute is RMB1,000,000. Bluesea Mobile has fully paid its committed contribution of RMB500,000 as at the date of this report.

* For identification purposes only

The objective of Shenzhou Aerospace Institute is to, among others, (i) promote aerospace technology amongst the general public; (ii) expand the aerospace technology industry; and (iii) promote the manufacturing technology information within traditional manufacturing industry in the Foshan region by integrating aerospace related technology, for commercial use in the Pearl River Delta region with a focus on industrial information technology and communication, intelligent manufacturing technology and the relevant manufacturing services. Further, depending on the development and progress of various projects, Shenzhou Aerospace Institute may establish future joint venture companies with the Company.

For details of the establishment of Shenzhou Aerospace Institute, please refer to the Company's announcement dated 5 May 2015.

Overall

The acquisitions of Bluesea Mobile, Avatar Wealth, 中集物流裝備有限公司 (CNCC Logistics Equipment Co., Ltd*) ("CNCC Logistics") and Million Ace Group have been an important move for the Group in picking up its growth momentum. These newly acquired businesses have combined to contribute a positive profit stream of approximately HK\$16 million during the period under review. Looking ahead, the Group will continue to optimize its resources and seize the opportunities in the telecommunication and Internet finance sectors.

Share capital

As at 30 September 2015, the authorised share capital of the Company was HK\$1,000,000,000 divided in to 10,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$635,256,000 divided into 6,352,562,897 shares of HK\$0.10 each.

* For identification purposes only

Material Acquisition and Disposals

Blusea Mobile Group

On 1 April 2015, the Group completed the acquisition of the entire equity interest of Blusea Mobile Group at a consideration of HK\$128,775,000.

Blusea Mobile Group is mainly engaged in the operation of a mobile and Internet commercial WIFI platform, an Internet data center, a cross-border e-commerce platform and peer to peer lending platform.

For details of the acquisition, please refer to the Company's announcement dated 30 January 2015.

CNCC Logistics

On 15 June 2015, Blusea Mobile, a wholly owned subsidiary of the Company, entered into an agreement with 山東三星集團有限公司 (Shandong Sanxing Group Co., Ltd.,*) ("Shandong Sanxing") pursuant to which Shandong Sanxing conditionally agreed to sell to Blusea Mobile 43% of the equity interest of CNCC Logistics for a consideration of RMB2,764,717 and Blusea Mobile has agreed to contribute an additional amount of RMB18,500,000 as capital contribution to CNCC Logistics.

CNCC Logistics is principally engaged in the design, manufacture and sale of logistics equipment, such as containers, road transportation vehicles and emergency rescue equipment, and the provision of relevant technical advisory services. Completion took place on 25 June 2015.

For details of the acquisition of CNCC Logistics, please refer to the Company's announcement dated 15 June 2015.

Million Ace Group

On 11 September 2015, the Group completed the acquisition of the entire equity interest in Million Ace Group for a consideration of HK\$129,836,000. Million Ace Group is engaged in trading of mobile phones and tablets.

* For identification purposes only

For details of the acquisition of Million Ace Group, please refer to the Company's announcement dated 17 August 2015.

Significant Investments

Other than the acquisition of Blusea Mobile Group, CNCC Logistics and Million Ace Group, the Group did not make any significant investments during the nine months ended 30 September 2015.

Legal Proceedings

The Company

Winding-up petition

Reference is made to the announcement of the Company dated 15 October 2014 regarding the receipt of a winding-up petition (the "Winding-up Petition") by the Company on 15 October 2014, presented by Beyond Net Service Limited (the "Petitioner") at the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "High Court") against the Company. The Winding-up Petition concerns a sum of HK\$3,067,500 (the "Claim"), being the amount of a cheque issued by the Company on behalf of Cloud Computing Investment Limited ("Cloud Computing"), a wholly owned subsidiary of the Company, to the Petitioner pursuant to a consultancy agreement entered into between the Petitioner and Cloud Computing on 1 August 2012 (the "Consultancy Agreement"). In accordance with the Consultancy Agreement, the Petitioner should provide certain consultation and services to Cloud Computing within one year from the date of the agreement but the Petitioner has failed to do so. Having reviewed the details of the Winding-up Petition and the relevant facts, the Company has instructed its legal advisers to apply for striking out and dismissal of the Winding-up Petition (the "Application"), which was heard at the High Court on 4 May 2015, and the Company received on 12 May 2015 the decision (the "Decision") from the High Court that the Application has been failed. The Company had instructed its legal advisers to appeal the Decision. The appeal was dismissed by order of the Court of Appeal of the High Court on 8 October 2015 (the "Order"). Pursuant to the Order, the sum of HK\$3,067,500 paid into the High Court by the Company had been paid out to the Petitioner in satisfaction of the Claim and the Winding-up Petition was dismissed on 19 October 2015.

The Company has further instructed its legal advisers to advise and take action on behalf of Cloud Computing against the Petitioner on the Petitioner's failure to perform the Consultancy Agreement. Pursuant to such instructions, the legal adviser has issued a High Court Action on 5 December 2014 against the Petitioner.

Having considered the Claim and the financial position of the Company, the Directors are of the view that the Winding-up Petition would not result in any material adverse impact on the operation and financial position of the Group.

Writ of Summon

Reference is made to the announcement of the Company dated 14 June 2015, a writ of summons (the "Writ") was issued by Arch Capital Limited and Hillgo Asia Limited against the Company under Court of First Instance of the High Court of Hong Kong Action No.1281 of 2015 ("Action"). In the statement of claim under the Writ, the said two companies purportedly claim as the holders for value of two convertible notes in an aggregate principal amount of HK\$144,000,000 issued by the Company (the "Convertible Note(s)"), and claim for the principal amount of HK\$144,000,000 under the said Convertible Notes together with interest and costs.

The Convertible Notes were issued by the Company in relation to the acquisition of HCH Investments Limited in April 2013 as part of the consideration payable to Oberlin Asia Inc. (the "Vendor"). The Vendor nominated the said two companies to hold the Convertible Notes; and it was expressly provided in the Convertible Notes that they were nontransferable. There are on-going disputes between the Company and the Vendor regarding the said acquisition. Further, subsequent to the said acquisition and without the prior knowledge or consent of the Company, the ultimate beneficial ownership of the said two companies was transferred to Next-Generation Satellite Communications Limited ("Next-Gen"), a company listed on the Singapore Stock Exchange. It is the Company's position that the said transfer was in breach of aforesaid provision of non-transferability, and therefore the said two companies and Next-Gen are not entitled to claim on the Convertible Notes.

The Directors have therefore given instructions to the Company's legal adviser to contest and defend the Action and to raise a counterclaim against the Vendor. A Defence and Counterclaim has accordingly been filed on behalf of the Company on 26 August 2015, disputing the claim of the said two companies and counterclaiming them and the Vendor for damages.

CERNET Wifi

Asset Leasehold Arbitration Claim

Reference is made to the announcement the Company dated 19 December 2014 in relation to the application by CERNET Wifi to the China International Economic And Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (the "CIETAC") to claim against 賽爾網絡有限公司 (CERNET Company Limited*) ("CCL") and 賽爾投資有限公司 (CERNET Investment Company Limited*) ("CERNET Investment") for, inter alia, an amount of RMB22,529,555, being the benefits after deduction of tax generated from the assets leased by CCL and CERNET Investment to CERNET Wifi pursuant to the Asset Leasehold Agreement (the "Asset Leasehold Arbitration").

On 5 February 2015, CERNET Wifi received a counter claim from CCL and CERNET Investment claiming for, inter alia, a total amount of RMB26,528,148.

On 13 February 2015, in addition to the claims made in the Asset Leasehold Arbitration, CERNET Wifi has further claimed against CCL and CERNET Investment for, inter alia, (i) the continuation of the Asset Leasehold Agreement and (ii) the benefits after deduction of tax generated from the assets leased by CCL and CERNET Investment to CERNET Wifi since 1 October 2014.

On 4 June 2015, CCL and CERNET Investment revised their counter claim amount to RMB17,786,802.

On 15 June 2015, CERNET Wifi further revised its claim amount to RMB23,330,550.

CIETAC has deferred its decision to 12 September 2015 in order to gather more information before arriving at a conclusion. In early September 2015, CIETAC further deferred its decision to 14 December 2015.

* For identification purposes only

CERNET Wifi's PRC legal advisor is of the opinion that the outcome of the Asset Leasehold Arbitration will be based upon calculation and settlement of cost, revenue and benefits under the Asset Leasehold Agreement. As such, as at the date of this report, the outcome is uncertain.

Common Seal and Documents Claim

On 12 January 2015, CERNET Wifi filed a claim against the former general manager of CERNET Wifi (the "Former GM"), in 北京市海淀區人民法院(Beijing Haidian District People's Court*) (the "Beijing Haidian Court") for, inter alia, the return of CERNET Wifi's common seal, contract chop, business registration, and license to carry out value-added telecommunication business ("CERNET Wifi's Documents"). On 17 November 2014, the Former GM was dismissed in response to CERNET Wifi's declining business by way of board resolution passed by the CERNET Wifi's board. On 5 December 2014, CERNET Wifi passed a shareholders' resolution that CERNET Wifi's Documents be under the custody of CERNET Wifi's legal representative, Mr. Zhang Xinyu, a director of the Company. On 26 December 2014, CERNET Wifi requested the Former GM for the return of CERNET Wifi's Documents but the Former GM had failed to do so. Beijing Haidian Court issued the judgement on 18 March 2015, pursuant to which the Former GM shall return CERNET Wifi's common seal, contract chop and business registration and its duplicate.

The Former GM has brought the claim to 北京市第一中級人民法院(Beijing No.1 Intermediate People's Court*) as an appeal to the Beijing Haidian Court's decision. On 21 May 2015, Beijing No.1 Intermediate People's Court issued the final judgement and upheld the original judgement. As at the date of this report, CERNET Wifi has received the CERNET Wifi's common seal, contract chop and business registration and its duplicate.

Labour Arbitration Claim

On 12 January 2015, notices of claim of 69 former employees of CERNET Wifi were served on CERNET Wifi by 北京市海淀區勞動人事爭議仲裁委員會(Haidian District Labour Dispute Arbitration Committee of Beijing Municipality*) (the "HDLDAC") pursuant to which, the applicants claimed for the amount of RMB1,361,993.57, being the salary, over-time payment, meals fee, disbursement, annual leave fee, and dismissal fees payable by CERNET Wifi. CERNET Wifi has counter-claimed against 34 applicants for the return of company properties and payment of commissions (the "Labour Arbitration Claim").

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The HDLDAC rendered its decision with respect to the Labour Arbitration Claim and CERNET Wifi has brought the claim to the Beijing Haidian Court as an appeal to the HDLDAC's decision.

On 19 May 2015, Beijing Haidian Court upheld the decision rendered by HDLDAC. CERNET Wifi has brought the claim to Beijing No.1 Intermediate People's Court as an appeal to the Beijing Haidian Court's decision.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2015, 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

Name of Director	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholding
Mr. ZHANG Xinyu	Beneficial owner	40,000,000 (Note 1)	0.63%
Mr. XU Gang	Beneficial owner Interest of spouse (Note 2)	948,000 48,000	0.01% 0.00%
Mr. HUANG Zhixiong	Interest of spouse (Note 3)	11,356,000	0.18%

Notes:

1. These 40,000,000 underlying shares are derived from the share options granted by the Company.
2. Mr. Xu is interested in 48,000 shares of the Company held by his spouse, Ms. Yang Jintong.
3. Mr. Huang is interested in 11,356,000 shares of the Company held by his spouse, Ms. Gao Suzhen.

Save as disclosed above, the Directors do not have any interests or short positions in the securities of the Company as at 30 September 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share option schemes" 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 SCHEMES

On 19 December 2012, the Company adopted a new share option scheme (the "New Scheme") as the share option scheme adopted on 22 July 2002 (the "Old Scheme") expired on 21 July 2012. The purpose of the share option schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option schemes 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.

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options under the Old Scheme and their movements during the nine months ended 30 September 2015 are set out below:

Name and category of participant	Date of grant	Exercisable period	Exercise price per share (HK\$) (note)	Number of share options					
				At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Adjustment for bonus issue	At 30 September 2015
Employees and others									
In aggregate	8/4/2011	8/4/2011-7/4/2021	0.535	3,000,000	-	-	-	3,000,000	6,000,000
Total				3,000,000	-	-	-	3,000,000	6,000,000

Particulars of the share options under the New Scheme and their movements during the nine months ended 30 September 2015 are set out below:

Name and category of participant	Date of grant	Exercisable period	Exercise price per share (HK\$) (note)	Number of share options					
				At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Adjustment for bonus issue	At 30 September 2015
Director									
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 - 2/4/2018	0.314	20,000,000	-	-	-	20,000,000	40,000,000
Subtotal				20,000,000	-	-	-	20,000,000	40,000,000
Employees and others									
In aggregate	3/4/2013	3/4/2013 - 2/4/2018	0.314	50,000,000	-	(20,000,000)	-	30,000,000	60,000,000
Subtotal				50,000,000	-	(20,000,000)	-	30,000,000	60,000,000
Total				70,000,000	-	(20,000,000)	-	30,000,000	100,000,000

note: The exercise prices of the share options have been adjusted for bonus issue that took place on 19 June 2015.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 September 2015, 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 shares/underlying shares held	Approximate percentage of shareholding
LIE Haiquan (Note 1)	Beneficial owner	1,769,724,000	27.86%
	Interest in controlled corporations	3,029,997,448	47.70%
Winner Mind Investments Limited (Note 2)	Beneficial owner	2,994,561,448	47.14%
YE Weiping (Note 3)	Beneficial owner	300,000,000	4.72%
	Interest in controlled corporations	218,000,000	3.43%

Notes:

1. Including:
 - (i) 420,000,000 shares and 23,624,000 shares held by Winner Mind Investments Limited (“Winner Mind”) and Golden Ocean Assets Management Limited (“Golden Ocean”) respectively, both companies are wholly-owned by Mr. LIE Haiquan (“Mr. Lie”) and 1,179,816,000 shares held by Mr. Lie;
 - (ii) 811,720,000 shares, being the number of Offer Shares undertaken to be taken up by Mr. Lie, Winner Mind and Golden Ocean in respect of the Open Offer; and
 - (iii) 2,364,561,448 shares, being the number of Offer Shares underwritten by Winner Mind in respect of the Open Offer.
2. Including 420,000,000 shares held by Winner Mind, 210,000,000 Offer Shares undertaken to be taken up by Winner Mind and 2,364,561,448 Offer Shares underwritten by Winner Mind in respect of the Open Offer.
3. 18,000,000 shares and 200,000,000 shares are held by Bluesea International Group Limited (“Blueseas International”) and Bluesea Global Group Limited (“Blueseas Global”) respectively, both companies are wholly-owned by Ms. YE Weiping. Thus, she was deemed to be interested in these 218,000,000 shares pursuant to the SFO.

Save as disclosed above, the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO as at 30 September 2015.

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 30 September 2015.

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 30 September 2015.

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 the nine months ended 30 September 2015 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
CHEUNG Sing Tai
Chairman

Hong Kong, 2 November 2015

As at the date of this report, the Board comprises four executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu, Mr. LIAN Xin and Mr. XU Gang; and four independent non-executive Directors, namely Mr. LEUNG Ka Wo, Mr. CHOU Jianzhong, Ms. XI Lina and Mr. HUANG Zhixiong.

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