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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)

ARBITRATION AND LITIGATION CLAIMS AND PROFIT WARNING

This announcement is made by Neo Telemedia Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Asset Leasehold Arbitration claim

Reference is made to the announcement the Company dated 19 December 2014 in relation to the application by 賽爾無線網絡科技（北京）有限公司 (CERNET Wifi Technology (Beijing) Company Limited*) (“**CERNET Wifi**”), a 75% subsidiary of the Company, 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 an asset lease agreement (the “**Asset Lease Agreement**”). On 5 February 2015, CERNET Wifi received a counter claim from CCL and CERNET Investment with respect to the Asset Lease Agreement claiming for, *inter alia*, a total amount of RMB 26,528,148.29.

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.

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 announcement, 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**"), to 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 its 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.

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**").

As at the date of this announcement, 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 of objection to the HDLDAC's decision.

The Company is in the course of assessing the impact on the above claims. Further announcement(s) relating to the arbitration claims and litigation will be made by the Company as and when appropriate.

De-consolidation

Due to (i) the non-cooperation of the Former GM, the key management staff who was nominated by 北京天一金網科技有限公司, an entity wholly controlled by the Company through structured contracts, and (ii) the non-cooperation of the holders of the CERNET Wifi's non-controlling interests who owned the brand name and network of CERNET, a Chinese online education network, which CERNET Wifi had used for its operations pursuant to the Asset Lease Agreement, the Company had been unable to access the books and records of CERNET Wifi and maintain CERNET Wifi's operations properly. As such, the directors of the Company (the "**Directors**") consider that the Company has lost its control over CERNET

Wifi. As a result, CERNET Wifi may be de-consolidated from the Group's consolidated financial statements for the year ended 31 December 2014.

The possible de-consolidation of CERNET Wifi would have a material financial impact on the Group that a significant loss on de-consolidation would be resulted for the year ended 31 December 2014.

Profit Warning

The board (the “**Board**”) of the Directors hereby informs the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review on the unaudited consolidated management accounts of the Group for the year ended 31 December 2014 and the information currently available, the Group is expected to record an increase in loss attributable to owners of the Company of more than 50% for the year ended 31 December 2014 as compared to the loss recorded in the eighteen months ended 31 December 2013. The expected increase in loss was mainly because of (i) the aforesaid deconsolidation of CERNET Wifi; and (ii) an impairment loss on goodwill arose from the acquisition of HCH Investments Limited and its subsidiaries (collectively, “**Hughes China Group**”) based on the preliminary valuation results which reflect the latest development of Hughes China Group's operations.

The Company is still in the process of preparing and finalising the Group's annual results for the year ended 31 December 2014. The information contained in this announcement under the heading “De-consolidation” and “Profit Warning” is only based on the Board's preliminary assessment made by the Board with reference to the information currently available to the Group, which have not been audited by the Company's independent auditor and are subject to adjustment. The Shareholders and potential investors are advised to refer to the Group's annual results announcement for the year ended 31 December 2014 which is expected to be released on 26 March 2015.

Trading in shares of the Company has been suspended since 5 February 2015 pending the release of an announcement of the Company in relation to inside information of the Company.

By order of the Board
Neo Telemedia Limited
CHEUNG Sing Tai
Chairman

Hong Kong, 20 March 2015

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

This announcement, for which the directors of the Company 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at (www.neo-telemedia.com).

** Translation for identification purpose only*