

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 of the Stock Exchange 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 GEM (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 three months ended 31 March 2016 together with comparative unaudited figures for the corresponding period of 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 31 March	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	1,076,208	2,412
Cost of sales		(1,054,970)	(4,424)
Gross profit/(loss)		21,238	(2,012)
Other income		6,045	539
Gain on disposal of subsidiaries		143,069	–
Selling and marketing expenses		(2,828)	(999)
Administrative and other expenses		(25,283)	(11,834)
Finance costs		(4,177)	(5,666)
Profit/(loss) before income tax		138,064	(19,972)
Income tax credit	4	1,719	1,134
Profit/(loss) for the period		139,783	(18,838)
Attributable to:			
Owners of the Company		141,563	(14,344)
Non-controlling interests		(1,780)	(4,494)
		HK cents	HK cents (Restated)
Earnings/(loss) per share	6		
– basic		1.49	(0.23)
– diluted		1.47	(0.23)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit/(loss) for the period	139,783	(18,838)
Other comprehensive income/(expense): Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	9,223	477
Realisation of translation reserve upon disposal of subsidiaries	(2,353)	–
Total comprehensive income/(expense) for the period	146,653	(18,361)
Attributable to:		
Owners of the Company	148,010	(13,961)
Non-controlling interests	(1,357)	(4,400)

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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company in Hong Kong is located at Unit 1504, Harcourt House, 39 Gloucester Road, Wanchai, 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 operating subsidiaries are sale of telecommunication products and services and operation of peer-to-peer lending platform business.

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 2015.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2016 have not been audited or reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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.

3. TURNOVER

The Group was principally engaged in (i) sale of telecommunication products and services; and (ii) operation of peer-to-peer lending platform business during the three months ended 31 March 2016. An analysis of turnover is as follows:

	For the three months ended 31 March	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Sale of telecommunication products and services	1,063,638	2,401
Peer-to-peer lending platform	12,484	–
Others	86	11
	1,076,208	2,412

Note:

Others include logistics related business, transmedia advertising services and cross-border e-commerce business.

4. INCOME TAX CREDIT

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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 three months ended 31 March 2016 (2015: Nil).

6. EARNINGS/(LOSS) PER SHARE

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

	For the three months ended 31 March	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
Profit/(loss) attributable to owners of the Company	141,563	(14,344)

	For the three months ended 31 March	
	2016 (unaudited)	2015 (unaudited) (restated)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per ordinary share at the end of period	9,528,844,345	6,301,881,314
Effect of dilutive potential ordinary share: share options	114,000,000	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per ordinary share at the end of period	9,642,844,345	6,301,881,314

The computation of diluted earnings per share for the period ended 31 March 2016 does not assume the exercise of certain share options since the exercise prices are higher than the average share price. The computation of diluted loss per share for the period ended 31 March 2015 did not assume the exercise of share options since the exercise prices are higher than the average share price. In addition, the computation of diluted earnings/(loss) per share does not assume the conversion of the Company's outstanding convertible notes since it would result in an anti-dilutive effect on earnings/(loss) per share.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share has been adjusted for bonus issue and open offer that took place on 19 June 2015 and 30 December 2015 respectively. Accordingly, the basic and diluted loss per share for the period ended 31 March 2015 have been restated.

7. SHARE CAPITAL AND RESERVES

	Attributable to owners of the Company									
	Share capital	Share premium	Share options reserve	Convertible notes reserve	Translation reserve	Statutory reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	(14,344)	(14,344)	(4,494)	(18,838)
Other comprehensive income:										
Exchange difference on translation of foreign operations	-	-	-	-	383	-	-	383	94	477
Total comprehensive income/(expense) for the period	-	-	-	-	383	-	(14,344)	(13,961)	(4,400)	(18,361)
At 31 March 2015 (unaudited)	275,492	1,043,755	20,657	7,131	1,443	7,375	(1,501,256)	(145,403)	23,973	(121,430)
At 1 January 2016 (audited)	952,884	1,832,493	15,040	7,131	(5,711)	7,375	(1,519,139)	1,290,073	28,787	1,318,860
Profit for the period	-	-	-	-	-	-	141,563	141,563	(1,780)	139,783
Other comprehensive income/(expense):										
Exchange difference on translation of foreign operations	-	-	-	-	8,800	-	-	8,800	423	9,223
Realisation of translation reserve upon disposal of subsidiaries	-	-	-	-	(2,353)	-	-	(2,353)	-	(2,353)
Total comprehensive income for the period	-	-	-	-	6,447	-	141,563	148,010	(1,357)	146,653
Disposal of subsidiaries	-	-	-	-	-	-	-	-	4,155	4,155
Redemption of convertible notes	-	-	-	(713)	-	-	713	-	-	-
Reserves and non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	600	-	600	3,745	4,345
At 31 March 2016 (unaudited)	952,884	1,832,493	15,040	6,418	736	7,975	(1,376,863)	1,438,683	35,330	1,474,013

8. EVENTS AFTER THE REPORTING PERIOD

1. On 8 April 2016, 廣東蔚海移動發展有限公司 (Guangdong Bluesea Mobile Development Limited*) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, and 佛山源海發展有限公司 (Foshan Yuanhai Development Limited*) (the “**Vendor**”) entered into property acquisition agreements, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell ten office units located at Smart City, No.1 Zhi Hui Road, Chan Cheng District, Foshan, the PRC (the “**Properties**”) at the aggregate consideration of RMB62,020,620.

At the date of this report, the acquisition of the Properties has been completed.

The Vendor is substantially owned by Mr. Lie Haiquan, a substantial shareholder of the Company. The Vendor, being an associate of Mr. Lie Haiquan, is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the property acquisition agreements constituted a connected transaction of the Company under the GEM Listing Rules.

2. On 12 April 2016, the Company entered into an agreement (the “**Settlement Agreement**”) with Arch Capital Limited, Hillgo Asia Limited (the “**CN Holder(s)**”) and A R Evans Capital Limited (the “**Subscriber**”), pursuant to which the Company will allot and issue 375,875,000 ordinary shares to the Subscriber at the price of HK\$0.40 per share to fully and completely discharge and dismiss certain obligation of and claims against the Company. The details of the Settlement Agreement has been set out in the Company’s announcement dated 12 April 2016.

As at the date of this report, the transactions contemplated under the Settlement Agreement have not been completed.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

For the first quarter ended 31 March 2016, the Group recorded a turnover of approximately HK\$1,076,208,000 (2015: HK\$2,412,000), representing a surge of approximately HK\$1,073,796,000 or 445 times as compared to the same quarter of last year. The increase in turnover was mainly driven by the businesses acquired in 2015. The Group also recorded a profit attributable to owners of the Company of approximately HK\$141,563,000 (2015: loss of HK\$14,344,000) for the first quarter ended 31 March 2016, mainly due to the gain on disposal of the HCH Investments Limited completed during the period under review, as well as the profit contribution from Blusea Mobile Group, Million Ace Group, Avatar Wealth and Bees Financials (as defined below).

Sale of telecommunication products and services

Blusea Mobile Group

During the period under review, 廣東蔚海移動發展有限公司 (Guangdong Blusea Mobile Development Company Limited*) (“**Blusea Mobile**”) and its subsidiaries (collectively referred to as “**Blusea Mobile Group**”) completed the acquisition of 60% equity interest in 廣州市資拓科技有限公司 (Guangzhou Zituo Technology Company Limited*) (“**Guangzhou Zituo**”). Guangzhou Zituo is principally engaged in providing Internet Data Center (“**IDC**”) services in the PRC and is currently managing over 2,000 IDC server cabinets in various cities in the PRC, including Beijing, Shanghai, Guangzhou and Shenzhen. Meanwhile, Blusea Mobile Group has also kicked off its IDC project in Panyu and started the construction of its IDC. The increase in turnover was mainly driven by the businesses acquired in 2015. The turnover contributed to the Group for the period represented trading of telecommunication products and provision of WIFI and value-added internet services.

Million Ace Group

Million Ace Limited and its subsidiaries (collectively referred to as “**Million Ace Group**”) are mainly engaged in trading of mobile phones and tablets. Although the first quarter of a year is generally a low season for mobile phones and tablet sales, Million Ace Group still managed to record a turnover of approximately HK\$1.05 billion in the period under review.

* for identification purpose only

Hughes China Group

On 19 February 2016, the Company as the vendor entered into a sale and purchase agreement in relation to the disposal of the entire equity interest of HCH Investments Limited at a consideration of HK\$156,000,000 (the “**Disposal**”). The Disposal was completed on 14 March 2016 and a gain of approximately HK\$143 million was recognised in the condensed consolidated statement of profit or loss for the period ended 31 March 2016.

CERNET Wifi Group

Although the common seal, contract chop and business registration (and its duplicate) of 賽爾無線網絡科技(北京)有限公司 (CERNET Wifi Technology (Beijing) Company Limited*) (“**CERNET Wifi**”) had been returned to CERNET Wifi and the Group held the controlling interest of CERNET Wifi, the Group was not able to resume its personal broadband business (the “**Broadband Business**”) during the period under review due to: 1) the broadband business projects, the books and records of CERNET Wifi, and etc., which were essential for operating the Broadband Business, had been taken away by CERNET Investment Limited (“**CERNET Investment**”), the holder of the non-controlling interest of CERNET Wifi, and its staff members, including the former general manager and the former employees of CERNET Wifi; and 2) the possibility of resuming the Broadband Business by CERNET Wifi substantially relied on the outcome of the asset leasehold arbitration, details of which are disclosed in the announcement of the Company dated 19 December 2014 (the “**Asset Leasehold Arbitration**”). Should the outcome of the Asset Leasehold Arbitration be unfavourable to CERNET Wifi, CERNET Wifi would not be able to recover the broadband business projects, the books and records of CERNET Wifi and the assets under the Asset Leasehold Agreement which were necessary for operating the Broadband Business.

* for identification purpose only

Meanwhile, the legal disputes between, among others, CERNET Wifi and CERNET Investment involved CERNET Wifi's claims and CERNET Investment's counter claim. Based on the latest legal opinion, the outcome of the Asset Leasehold Arbitration remained uncertain. China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") had kept delaying its decision on the Asset Leasehold Arbitration and we were informed that more time was required by CIETAC to gather information and to review such information. As such, the Group had incurred additional cost in order to support CERNET Wifi for the Asset Leasehold Arbitration and it was expected that further related costs would be incurred by the Group. Up to the year ended 31 December 2015, the Group had incurred approximately HK\$2,529,000 for legal claims relating to CERNET Wifi and the Asset Leasehold Arbitration. However, it was possible that the outcome of the Asset Leasehold Arbitration might not be favourable to CERNET Wifi.

With a view to saving time and costs involved in the legal proceedings, on 17 February 2016, the Group entered into agreements (the "**Unwinding Agreements**") with 天一金網科技有限公司 ("**A1 Net**"), the immediate holding company of CERNET Wifi and a subsidiary of the Company by way of structured contracts (the "**Structured Contracts**"), the shareholders of A1 Net and two independent third parties (the "**Purchasers**") to unwind the Structured Contracts. Pursuant to the Unwinding Agreements, among others, 1) the Structured Contracts under which the Group had obtained control over CERNET Wifi would be unwound; and 2) the shareholders of A1 Net disposed of their entire interests in A1 Net to the Purchasers. The financial impact of the unwinding the Structured Contracts on the Company's condensed consolidated financial statements was insignificant.

In addition, upon the unwinding of the Structured Contracts, while the Group will not incur further costs in relation to the legal proceedings, A1 Net has undertaken to repay the Group its share of any claimed amount received by CERNET Wifi if the outcome of the Asset Leasehold Arbitration is in favour of CERNET Wifi.

Peer-to-peer lending platform business

During the period under review, the Group continued to expand its customer base of its P2P platforms in 廣東阿凡達財富投資管理有限公司 (Guangdong Avatar Wealth Investment Management Company Limited*) ("**Avatar Wealth**") and 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**"). The revenue contributed to the Group represented commission income through the operations of P2P lending platforms.

* for identification purpose only

PROSPECTS

Sale of telecommunication products and services

Blueseas Mobile Group

Upon the completion of the acquisition of Guangzhou Zituo, Bluesea Mobile Group has strengthened its presence in the IDC business in the region. In addition, Bluesea Mobile Group has entered into a strategic cooperation framework agreement with China Nuclear Fifth Construction Co., Ltd (“**China Nuclear Industry**”) in respect of the joint development of a sizeable supervision cloud platform of nuclear power construction. Through the strengths of Bluesea Mobile Group in IDC, cloud computing and big data, coupled with the technology and resources of China Nuclear Industry in nuclear construction, the management targets to cover the related upstream and downstream enterprises of nuclear construction in the PRC.

Million Ace Group

The management expects the sales to pick up in the second half of the year as various brands are expected to roll out new models of mobile phones.

Peer-to-peer lending platform business

The Group is ready to expand further in the P2P business and plans to establish a third-party payment company, develop personal credit information platform, set up integrated service shop in the Pearl River Delta and expand its customer base.

In addition, Bees Financial has entered into a strategic cooperation framework agreement with 中國電信股份有限公司廣州分公司 (China Telecom Corporation Limited, Guangzhou Branch*) (“**China Telecom Guangzhou Branch**”), pursuant to which Bees Financial and China Telecom Guangzhou Branch shall cooperate to drive the joint development of their business especially in enhancing the planning and research of the Internet of Vehicles and to provide integrated solutions of related services requirements of the Internet of Vehicles.

With the launch of the P2P lending platform business in Avatar Wealth and Bees Financial, 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 group in China.

* for identification purpose only

Other Projects

CNCC Logistics

中集物流裝備有限公司 (CNCC Logistics Equipment Co., Ltd.*) (“**CNCC Logistics**”) is principally engaged in design, manufacture and sale of logistics equipment, and the provision of relevant technical advisory services. Through CNCC Logistics, the Group will set up 50 skid mounted liquefied natural gas (LNG) filling stations and related businesses, as well as manufacturing plants in Jinan, Shandong Province and in Northwest China.

Overall

The Group will continue to explore potential investment opportunities in the telecommunication and Internet finance sectors. With the favorable policies and support from the PRC government towards these fast growing sectors, the management is optimistic that the Group will regain its strength and be able to reward shareholders with better results in the foreseeable future.

Share Capital

As at 31 March 2016, the authorised share capital of the Company was HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$952,884,000 divided into 9,528,844,345 shares of HK\$0.10 each.

Material Acquisition and Disposals

Hughes China Group

On 14 March 2016, the Group completed the disposal of the entire equity interest in HCH Investments Limited at a consideration of HK\$156,000,000. Hughes China Group is mainly engaged in trading of satellite communication products and related services. For details of the disposal, please refer to the Company’s announcement dated 25 February 2016.

Guangzhou Zituo

On 24 March 2016, the Group completed the acquisition of 60% equity interest in Guangzhou Zituo. Guangzhou Zituo is principally engaged in the provision of IDC services. For details of the acquisition, please refer to the Company’s announcement dated 7 March 2016.

Significant Investments

Other than the acquisition of Guangzhou Zituo, the Group did not make any significant investments during the three months ended 31 March 2016.

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LEGAL PROCEEDINGS

The Company

Writ of summons

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 (the “**CN Holder(s)**”) 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 non-transferable. 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 said two companies. 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 for damages (the “**Counterclaim**”).

On 6 January 2016, an order for discontinuance of the Counterclaim and a Tomlin order (the “**Tomlin Order**”) were filed with the High Court that all further proceedings in relation to the Action be stayed except for carrying out the terms that include the following, among other things, into effect:

- The Company shall, within 3 business days after closing of the open offer completed on 30 December 2015, pay to the said two companies the sum of HK\$10,080,000, representing the outstanding interest on the Convertible Notes for the period from 5 October 2014 to 4 October 2015.
- The Company shall comply with all terms of the Convertible Notes.
- The obligation of the Company to pay interest of the Convertible Notes at the rate of 7% per annum from 5 October 2015 until full payment is expressly waived by the said two companies.

On 12 April 2016, the Company entered into an agreement (the “**Settlement Agreement**”) with the CN Holders and A R Evans Capital Limited (the “**Subscriber**”) pursuant to which the Company will allot and issue 375,875,000 ordinary shares to the Subscriber at the price of HK\$0.40 per share (the “**Subscription Share(s)**”). Upon the issue of the Subscription Shares, the obligation of the Company under the Tomlin Order and the Convertible Notes shall be fully and completely discharged and all claims of the CN Holders under the action in respect of the Tomlin Order shall stand dismissed. The CN Holders shall have no legal right to take any further action on the Tomlin Order and the Convertible Notes. The Subscriber shall sell or procure the sale of the Subscription Shares at a price not less than HK\$0.38 per Subscription Share and make payments of HK\$145,680,000 to the CN Holders. The details of the Settlement Agreement has been set out in the Company’s announcement dated 12 April 2016.

The Directors consider that the repayment of the Convertible Notes through the sale of the Subscription Shares can reduce the amount of cash outflow of the Company and is in the interests of the Company and the shareholders of the Company as a whole.

As at the date of this report, the transactions contemplated under the Settlement Agreement have not been completed.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2016, 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	Nature of interests	Number of shares/ underlying shares held	Approximate percentage of shareholding
Mr. ZHANG Xinyu	Beneficial owner	45,600,000 (Note 1)	0.48%
Mr. XU Gang	Beneficial owner Interest of spouse (Note 2)	1,422,000 72,000	0.01% Negligible
Mr. HUANG Zhixiong	Interest of spouse (Note 3)	17,034,000	0.18%

Notes:

1. These 45,600,000 underlying shares are derived from the share options granted by the Company.
2. Mr. Xu is interested in 72,000 shares of the Company held by his spouse, Ms. Yang Jintong.
3. Mr. Huang is interested in 17,034,000 shares of the Company held by his spouse, Ms. Gao Suzhen.

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 three months ended 31 March 2016 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			At 31 March 2016
				At 1 January 2016	Exercised during the period	Lapsed during the period	
Employees and others							
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	0.469	6,840,000	–	–	6,840,000
Total				6,840,000	–	–	6,840,000

Particulars of the share options under the New Scheme and their movements during the three months ended 31 March 2016 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options			At 31 March 2016
				At 1 January 2016	Exercised during the period	Lapsed during the period	
Directors							
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.275	45,600,000	–	–	45,600,000
Subtotal				45,600,000	–	–	45,600,000
Employees and others							
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.275	68,400,000	–	–	68,400,000
Subtotal				68,400,000	–	–	68,400,000
Total				114,000,000	–	–	114,000,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 31 March 2016, 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 held	Approximate percentage of shareholding
LIE Haiquan	Beneficial owner	1,837,036,000	19.28%
	Interest in controlled corporations (Note)	2,091,323,357	21.95%
	Total	3,928,359,357	41.23%

Note: 2,055,887,357 shares and 35,436,000 shares are held by Winner Mind Investments Limited and Golden Ocean Assets Management Limited respectively, both companies are wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in these 2,091,323,357 shares pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of interests required to be kept by the Company, the Company had no notice of any interests and short positions pursuant to Section 336 of the SFO as at 31 March 2016.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective close 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 31 March 2016.

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 31 March 2016.

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 system and to review the risk management and internal controls systems of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the three months ended 31 March 2016 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, 12 May 2016

As at the date hereof, the Board comprises three executive Directors, namely Mr. CHEUNG Sing Tai (Chairman and Chief Executive Officer), Mr. ZHANG Xinyu and Mr. XU Gang and three independent non-executive Directors, namely Mr. LEUNG Ka Wo, Ms. XI Lina and Mr. HUANG Zhixiong.

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 and on the website of the Company at www.neo-telemedia.com.