KNeoMedia Limited (ASX:KNM) is an online educational games publishing company that delivers ‘edutainment’ (education + entertainment) content to global education and consumer markets.

Following a recent $1.25 million capital raising, KNM is targeting expansion into the high growth US and Chinese edutainment markets.

In China, KNM and SmartTrans Holdings (ASX:SMA) entered into an agreement where SMA will promote and distribute KNM’s Mandarin language product, KNeoJunior. This agreement provides KNM with unrivalled reach to over 1.26 billion mobile subscribers.

On 28 July KNM announced:
- KNeoJUNIOR trial has been enthusiastically received by Chinese consumers with 14,000 individual downloads via its distribution agreement with SMA;
- The pricing structure for a large-scale roll-out of KNeoJUNIOR product to multiple Chinese provinces is currently being finalised;
- Positive consumer uptake and feedback has KNM well positioned to capitalise on the growing Chinese Edutainment sector; and
- KNM is currently assessing additional distribution opportunities throughout China and South East Asia to secure multiple revenue streams (an agreement in this regard is expected to be announced shortly).

The targeted KNeoJUNIOR trial was conducted in Guangdong Province to determine consumer interest levels and assess acceptable product pricing points prior to the official product launch (Guangdong holds 106m people).

The launch of KNeoJUNIOR is a key pillar in the Company’s strategic push into the growing Chinese Edutainment sector, and represents the first of several Mandarin language products to be distributed across multiple Chinese provinces under the agreement with SMA.

KNM’s CEO, James Kellett added: “We are confident that the official launch of KNeoJUNIOR will generate meaningful revenue for the company and our strategy is to continue to roll out new edutainment products so we have multiple revenue streams.”

**Earnings changes**

We are retaining our 12-month price target of A$0.10/sh and a BUY recommendation. The price target is underpinned by our DDM valuation and uses a cost of equity of 9.7%.
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On the 15th of June 2015 KMN completed a $1.25m capital raising at 2.25 cents per share with APP Securities Pty Ltd ("APP Securities") Pty Ltd. APP Securities received a fee for this service.

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Contact with KNeo Media Limited has been made during the preparation of this report for assistance with verification of facts.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or APP Securities policies.

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