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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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 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 Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange 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 announcement 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 announcement misleading; and*

3. *all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 HKD'000	2011 HKD'000 (Restated)
Continuing operations			
Turnover	3	**100,180**	27,163
Cost of sales		**(9,396)**	(5,359)
Gross profit		**90,784**	21,804
Other income and gains	4	**3,180**	12,025
Gain on contingent consideration		**33,972**	–
Changes in fair value of convertible notes payable		**702**	(329)
Gain on settlement of contingent consideration payable		**183,415**	–
Share-based payments expenses		**–**	(38,331)
Selling and marketing costs		**(1,741)**	(2,846)
Administrative and other expenses		**(112,489)**	(19,355)
Impairment loss recognised in respect of intangible assets		**(109,316)**	–
Impairment loss recognised in respect of goodwill	13	**(541,458)**	–
Loss on early redemption of convertible notes payable		**(1,596)**	–
Finance costs	6	**(1,305)**	(222)
Loss before tax	8	**(455,852)**	(27,254)
Income tax credit (expense)	7	**35,630**	(3,809)
Loss for the year from continuing operations		**(420,222)**	(31,063)
Discontinued operations			
Loss for the year from discontinued operations, net of income tax		**(10,897)**	(1,956)
Loss for the year		**(431,119)**	(33,019)
Other comprehensive income			
Exchange differences on translation of financial statements of foreign operations		**2,169**	84
Total comprehensive expense for the year		**(428,950)**	(32,935)

	Notes	2012 HKD'000	2011 HKD'000 (Restated)
(Loss) profit for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(454,256)**	(34,298)
Loss for the year from discontinued operations		**(10,897)**	(1,956)
Loss for the year attributable to owners of the Company		**(465,153)**	(36,254)
Non-controlling interests			
Profit for the year from continuing operations		**34,034**	3,235
Loss for the year from discontinued operations		**–**	–
Profit for the year attributable to non-controlling interests		**34,034**	3,235
Loss for the year		**(431,119)**	(33,019)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(464,197)**	(36,170)
Non-controlling interests		**35,247**	3,235
		(428,950)	(32,935)
		HK cents	*HK cents*
Loss per share	*9*		
From continuing and discontinued operations			
Basic		**(21.49)**	(2.26)
Diluted		**(21.49)**	(2.26)
From continuing operations			
Basic		**(20.98)**	(2.14)
Diluted		**(20.98)**	(2.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HKD'000	30 June 2011 HKD'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**26,244**	41,229
Film rights, film in progress and film royalty deposits	12	**–**	6,042
Goodwill	13	**351,528**	758,380
Deposit paid for acquisition of a subsidiary	15	**–**	120,000
Intangible assets		**62,282**	182,822
Loan and loan interest receivables		**–**	11,915
		440,054	1,120,388
CURRENT ASSETS			
Trade receivables	16	**80,098**	54,724
Prepayments, deposits and other receivables		**94,273**	98,312
Loan and loan interest receivables		**56,349**	5,958
Cash and cash equivalents		**7,671**	12,202
		238,391	171,196
Assets classified as held for sale		**15,874**	–
		254,265	171,196
CURRENT LIABILITIES			
Trade payables	17	**7,854**	37,497
Other payables and accruals		**21,702**	48,716
Contingent consideration payable		**–**	220,500
Deposits received		**7,378**	21,124
Receipt in advances		**21,180**	3,239
Convertible notes payable		**–**	24,801
Tax liabilities		**7,506**	4,675
		65,620	360,552
Liabilities associated with assets classified as held for sale		**7,874**	–
		73,494	360,552
NET CURRENT ASSETS (LIABILITIES)		**180,771**	(189,356)
TOTAL ASSETS LESS CURRENT LIABILITIES		**620,825**	931,032
NON-CURRENT LIABILITY			
Deferred tax liabilities		**9,772**	45,705
NET ASSETS		**611,053**	885,327
CAPITAL AND RESERVES			
Share capital	18	**232,692**	193,282
Reserves		**323,764**	669,592
Equity attributable to owners of the Company		**556,456**	862,874
Non-controlling interests		**54,597**	22,453
TOTAL EQUITY		**611,053**	885,327

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Attributable to owners of the Company								
	Share capital *HKD'000*	**Share premium** *HKD'000*	**Share options reserve** *HKD'000*	**Capital and other reserve** *HKD'000* (Restated) *(Note a)*	**Translation reserve** *HKD'000*	**Accumulated losses** *HKD'000*	**Total** *HKD'000*	**Non-controlling interests** *HKD'000*	**Total** *HKD'000*
At 1 July 2010	154,282	457,855	–	17,590	(57)	(178,457)	451,213	–	451,213
(Loss) profit for the year	–	–	–	–	–	(36,254)	(36,254)	3,235	(33,019)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	84	–	84	–	84
Other comprehensive income for the year	–	–	–	–	84	–	84	–	84
Total comprehensive income (expenses) for the year	–	–	–	–	84	(36,254)	(36,170)	3,235	(32,935)
Acquisition of subsidiaries	39,000	370,500	–	–	–	–	409,500	19,218	428,718
Recognition of equity-settled share based payments	–	–	38,331	–	–	–	38,331	–	38,331
At 30 June 2011	193,282	828,355	38,331	17,590	27	(214,711)	862,874	22,453	885,327

	Attributable to owners of the Company									
	Share capital *HKD'000*	**Share premium** *HKD'000*	**Share options reserve** *HKD'000*	**Capital and other reserve** *HKD'000* *(Note a)*	**Translation reserve** *HKD'000*	**Statutory reserve** *HKD'000*	**Accumulated losses** *HKD'000*	**Total** *HKD'000*	**Non-controlling interests** *HKD'000*	**Total** *HKD'000*
At 1 July 2011	193,282	828,355	38,331	17,590	27	–	(214,711)	862,874	22,453	885,327
(Loss) profit for the year	–	–	–	–	–	–	(465,153)	(465,153)	34,034	(431,119)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	956	–	–	956	1,213	2,169
Other comprehensive income for the year	–	–	–	–	956	–	–	956	1,213	2,169
Total comprehensive income (expense) for the year	–	–	–	–	956	–	(465,153)	(464,197)	35,247	(428,950)
Transfer *(Note b)*	–	–	–	–	–	7,375	(4,272)	3,103	(3,103)	–
Issue shares in relation to the acquisition of Smart Long Limited	6,875	30,936	–	–	–	–	–	37,811	–	37,811
Issue shares in relation to the acquisition of Ease Ray Limited	5,535	31,550	–	–	–	–	–	37,085	–	37,085
Cancellation of share options	–	–	(5,144)	–	–	–	5,144	–	–	–
Placing of shares *(Note 18)*	27,000	52,780	–	–	–	–	–	79,780	–	79,780
At 30 June 2012	**232,692**	**943,621**	**33,187**	**17,590**	**983**	**7,375**	**(678,992)**	**556,456**	**54,597**	**611,053**

Notes:

(a) It represents the following:

(i) the difference between the aggregate nominal value of the share capital of B&S Group Limited and its subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange of HKD157,000; and

(ii) the surplus of HKD17,433,000 arising from allotment and issue of 15,000 shares of USD1 each of B&S Group Limited, credited as fully paid to set off against the loans of HKD17,550,000 owing to the executive directors pursuant to the Group Reorganisation as set out in the Company's prospectus dated 29 July 2002.

(b) According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of Neo Telemedia Limited (the "Company") established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

1. GENERAL INFORMATION

Neo Telemedia Limited (the "Company") is 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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"). 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 HKD. The reason for selecting HKD 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 Company is an investment holding company and the principal activities of its subsidiaries are sales of telecommunication products and provision of wireless services, and design and production of traffic signboards, computer graphics, advertisements and signal system equipment in the PRC. The Group was also engaged in production and sales of videos and films, the licensing of video and copyrights/films rights and artiste management which were discontinued during the year ended 30 June 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC*) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC*) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

* *IFRIC represents the International Financial Reporting Interpretations Committee*

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. The revised standard has no impact on the consolidated financial statement of the Group.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 to 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in other Entities: Transitional Guidance[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Values Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of A Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2012

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold or services provided by the Group to outside customers, less returns and discounts and sales related taxes.

An analysis of the Group's turnover for the year, from continuing operations is as follows:

	2012	2011
	HKD'000	*HKD'000*
Continuing operations		
Sales of telecommunication products and provision of wireless services	**9,108**	15,191
Traffic signboard advertising income	**91,072**	11,972
	100,180	27,163

4. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains for the year, from continuing operations are as follows:

	2012	2011
	HKD'000	*HKD'000*
Continuing operations		
Bank interest income	**10**	5
Exchange gain, net	**–**	69
Commission income	**1,114**	9,267
Sundry income	**170**	1,711
Gain on disposal of property, plant and equipment	**443**	–
Loan interest income	**1,385**	–
Waived of debt of other payables	**58**	–
Reversal of impairment loss in respect of trade receivables	**–**	806
Reversal of impairment loss in respect of other receivables	**–**	167
	3,180	12,025

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

– Film exhibition, film rights licensing and sub-licensing

– Artiste management

– Sales of telecommunication products and providing wireless services

– Traffic signboard advertising

The operating segments regarding the film exhibition, film rights licensing and sub-licensing and artiste management were discontinued during the year ended 30 June 2012. The segment information reported below does not include any amounts for these discontinued operations.

(a) Segment revenues and results

The following is an analysis of the Group's turnover and results from continuing operations by reportable and operating segment:

For the year ended 30 June

Continuing operations

	Sales of telecommunication products and providing wireless services		Traffic signboard advertising		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*
						(Restated)
Turnover	**9,108**	15,191	**91,072**	11,972	**100,180**	27,163
Segment results	**(135,242)**	19,298	**(498,110)**	5,827	**(633,352)**	25,125
Interest income					**1,373**	5
Unallocated corporate income					**219,707**	15
Unallocated corporate expenses					**(42,275)**	(52,177)
Unallocated finance costs					**(1,305)**	(222)
Loss before tax					**(455,852)**	(27,254)
Income tax credit (expense)					**35,630**	(3,809)
Loss for the year					**(420,222)**	(31,063)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of interest income, share-based payments expenses, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable segment:

At 30 June

Continuing operations

	Sales of telecommunication products and providing wireless services		**Traffic signboard advertising**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*
						(Restated)
Segment assets	**39,883**	62,207	**569,213**	986,635	**609,096**	1,048,842
Unallocated corporate assets					**69,349**	166,891
Total segment assets					**678,445**	1,215,733
Assets relating to discontinued operations					**15,874**	75,851
Consolidated assets					**694,319**	1,291,584
Segment liabilities	**31,594**	6,245	**27,173**	80,499	**58,767**	86,744
Unallocated corporate liabilities					**16,625**	264,409
Total segment liabilities					**75,392**	351,153
Liabilities relating to discontinued operations					**7,874**	55,104
Consolidated liabilities					**83,266**	406,257

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of prepayments, deposits and other receivables and loan and loan interest receivables); and

– all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising receipt in advances, contingent consideration payable, other payables and accruals).

(c) Other segment information

For the year ended 30 June

Continuing operations

	Sales of telecommunication products and providing wireless services		Traffic signboard advertising		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*
Amounts included in the measure of segment results								
Capital expenditure	**39,834**	16	**1,705**	215,720	**–**	1,396	**41,539**	217,132
Gain on settlement of contingent consideration payable	**–**	–	**–**	–	**(183,415)**	–	**(183,415)**	–
Depreciation of property, plant and equipment	**2,247**	4,171	**6,426**	1,044	**854**	304	**9,527**	5,519
Amortisation of intangible assets	**5,436**	–	**45,705**	3,098	**–**	–	**51,141**	3,098
(Gain) loss on disposal of property, plant and equipment	**–**	11	**–**	–	**(443)**	–	**(443)**	11
Impairment loss recognised in respect of property, plant and equipment	**6,754**	–	**107**	–	**–**	–	**6,861**	–
Impairment loss recognised in respect of intangible assets	**10,231**	–	**99,085**	–	**–**	–	**109,316**	–
Impairment loss recognised in respect of goodwill	**115,803**	–	**425,655**	–	**–**	–	**541,458**	–
Impairment loss recognised in respect of trade receivables	**–**	–	**41**	–	**–**	–	**41**	–
Impairment loss recognised in respect of inventories	**800**	–	**–**	–	**–**	–	**800**	–
Impairment loss recognised in respect of other receivables	**2**	514	**605**	–	**–**	–	**607**	514
Reversal of impairment loss in respect of trade receivables	**–**	(806)	**–**	–	**–**	–	**–**	(806)
Reversal of impairment loss in respect of other receivables	**–**	(167)	**–**	–	**–**	–	**–**	(167)

Capital expenditure for the year ended 30 June 2012 includes additions resulted from acquisition through business combinations, amounting to approximately HKD31,840,000 (2011: HKD202,269,000).

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:

Continuing operations

	Sales of telecommunication products and providing wireless services		Traffic signboard advertising		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*	***HKD'000***	*HKD'000*
								(Restated)
Interest income	**39**	2	**1,333**	1	**1**	2	**1,373**	5
Finance costs	**–**	–	**–**	–	**1,305**	222	**1,305**	222
Income tax credit (expense)	**5,916**	(2,317)	**29,714**	(1,492)	**–**	–	**35,630**	(3,809)

Information about major customers

Turnover from continuing operations from major customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

Continuing operations	**2012**	2011
	HKD'000	*HKD'000*
[1]Customer A	**N/A[3]**	15,191
[2]Customer B	**73,290**	6,720
	73,290	21,911

1 Turnover from sales of telecommunication products and provision of wireless services

2 Turnover from traffic signboard advertising

3 The corresponding turnover did not contribute over 10% of the total turnover of the Group in the respective year

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

Information about the Group's revenue from continuing operations from external customers is presented based on the geographical location of the customer.

Turnover by geographical market

Continuing operations	**2012**	2011
	HKD'000	*HKD'000*
Name of the country		
Hong Kong	**–**	–
The PRC (excluding Hong Kong)	**100,180**	27,163
	100,180	27,163

Information about the Group's non-current assets, other than films rights, film in progress and film royalty deposits and deposit paid for acquisition of a subsidiary, is presented based on the geographical location of the assets.

	2012	2011
	HKD'000	*HKD'000*
Name of the country		
Hong Kong	**573**	872
The PRC (excluding Hong Kong)	**439,481**	993,474
	440,054	994,346

6. FINANCE COSTS

	2012	2011
	HKD'000	*HKD'000*
Continuing operations		
Effective interest charged on convertible notes payable	**1,305**	222

7. INCOME TAX (CREDIT) EXPENSE

	2012	2011
	HKD'000	*HKD'000*
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprise Income Tax	**11,577**	4,584
Over-provision for prior year	**(3,323)**	–
Deferred tax	**(43,884)**	(775)
	(35,630)	3,809

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

(b) 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.

(c) Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company, being qualified as a new and high technology enterprise, is eligible for a preferential Enterprise Income Tax rate of 15% for the year ended 30 June 2012.

(d) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax (credit) expense for the years can be reconciled to the loss before tax from continuing operations per the consolidated statement of comprehensive income as follows:

	2012	2011
	HKD'000	*HKD'000*
Continuing operations		
Loss before tax:	**(455,852)**	(27,254)
Tax at applicable domestic income tax rate of 16.5% (2011: 16.5%)	**(75,216)**	(4,497)
Tax effect of expenses not deductible for tax purpose	**121,588**	6,979
Tax effect of income not taxable for tax purpose	**(36,085)**	(1)
Over-provision for prior year	**(3,323)**	–
Tax effect of tax losses not recognised	**2,732**	618
Utilisation of tax losses previously not recognised	**(424)**	–
Tax effect of deductible temporary differences not recognised	**(43,884)**	(775)
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,018)**	1,485
Income tax (credit) expense for the year	**(35,630)**	3,809

At the end of the reporting period, the Group had unused tax losses of approximately HKD31,869,000 (2011: HKD17,881,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

8. LOSS BEFORE TAX

Continuing operations

	2012	2011
	HKD'000	*HKD'000*
Loss before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**7,900**	2,735
– Share-based payments	**–**	37,999
– Contributions to retirement benefit schemes	**20**	12
Total staff costs	**7,920**	40,746
Depreciation of property, plant and equipment	**9,527**	5,519
Amortisation of intangible assets	**51,141**	3,098
Impairment loss recognised in respect of inventories	**800**	–
Impairment loss recognised in respect of trade receivables	**41**	–
Impairment loss recognised in respect of other receivables	**607**	514
Impairment loss recognised in respect of property, plant and equipment	**6,861**	–
Impairment loss recognised in respect of intangible assets	**109,316**	–
(Gain) loss on disposal of property, plant and equipment	**(443)**	11
Share-based payments – consultant	**–**	332
Agency fee for referring investment projects	**30,813**	–
Auditor's remuneration	**921**	2,450
Minimum lease payments under operating lease in respect of rented premises	**8,276**	3,210
Cost of inventories recognised as expense	**75**	–
Reversal of impairment loss in respect of trade receivables	**–**	(806)
Reversal of impairment loss in respect of other receivables	**–**	(167)

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company for the year from continuing and discontinued operations is based on the following data:

	2012	2011
	HKD'000	*HKD'000*
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**465,153**	36,254

	Number of shares	
	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,164,996**	1,603,724

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2012	2011
	HKD'000	*HKD'000*
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**465,153**	36,254
Less: Loss for the year from discontinued operations	**(10,897)**	(1,956)
Loss for the purpose of basic and diluted loss per share from continuing operations	**454,256**	34,298

Notes:

(1) The computation of diluted loss per share for the year ended 30 June 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share for the year.

(2) The computation of diluted loss per share for the year ended 30 June 2011 does not assume the conversion of the Company's outstanding share options and convertible notes and the issuance of the contingent consideration shares since their exercise would result in a decrease in loss per share for the year.

From discontinued operations

The basic and diluted loss per share for the discontinued operations for the year ended 30 June 2012 is HK0.50 cents (2011: HK0.12 cents) per share, based on the loss for the year from the discontinued operations of approximately HKD10,897,000 (2011: HKD1,956,000) and the denominators detailed above for both basic and diluted loss per share.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HKD'000*	Office equipment *HKD'000*	Furniture and fixtures *HKD'000*	Plant and machinery *HKD'000*	Motor vehicles *HKD'000*	Traffic signboards *HKD'000*	Construction in progress *HKD'000*	Total *HKD'000*
COST								
At 1 July 2010	75	12,834	267	872	3,185	–	559	17,792
Exchange realignment	–	506	3	23	136	132	15	815
Additions	620	40	171	–	–	11,403	2,629	14,863
Acquired on acquisition of subsidiaries *(Note 19(b))*	–	447	31	–	993	13,784	1,094	16,349
Transfers	–	622	–	–	–	3,675	(4,297)	–
Disposals	–	–	–	–	(353)	–	–	(353)
At 30 June 2011	695	14,449	472	895	3,961	28,994	–	49,466
Exchange realignment	–	441	2	9	108	956	–	1,516
Additions	–	3	47	–	–	–	1,705	1,755
Acquired on acquisition of subsidiaries *(Note 19(a))*	–	38	–	–	–	–	–	38
Transfers	–	–	–	–	–	1,705	(1,705)	–
Reclassified as assets held for sale	(75)	(222)	(190)	(328)	(543)	–	–	(1,358)
Written off	–	(21)	–	–	–	(85)	–	(106)
Disposals	–	(1,066)	(82)	(576)	–	–	–	(1,724)
At 30 June 2012	**620**	**13,622**	**249**	**–**	**3,526**	**31,570**	**–**	**49,587**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 July 2010	61	1,204	199	343	825	–	–	2,632
Exchange realignment	–	105	–	3	33	–	–	141
Provided for the year	66	3,435	33	53	1,111	993	–	5,691
Eliminated on disposals	–	–	–	–	(227)	–	–	(227)
At 30 June 2011	127	4,744	232	399	1,742	993	–	8,237
Exchange realignment	–	279	–	2	60	130	–	471
Provided for the year	147	2,094	76	114	1,190	6,059	–	9,680
Reclassified as assets held for sale	(75)	(222)	(190)	(328)	(543)	–	–	(1,358)
Impairment loss recognised for the year	–	6,754	–	–	107	–	–	6,861
Eliminated on written off	–	(1)	–	–	–	(15)	–	(16)
Eliminated on disposals	–	(311)	(34)	(187)	–	–	–	(532)
At 30 June 2012	**199**	**13,337**	**84**	**–**	**2,556**	**7,167**	**–**	**23,343**
CARRYING VALUES								
At 30 June 2012	**421**	**285**	**165**	**–**	**970**	**24,403**	**–**	**26,244**
At 30 June 2011	568	9,705	240	496	2,219	28,001	–	41,229

Notes:

(a) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the estimated useful lives less their residual values at the following rate per annum:

Leasehold improvements	25%
Office equipment	25%
Furniture and fixtures	25%
Plant and machinery	25%
Motor vehicles	25%
Traffic signboards	20%

(b) Depreciation charge of approximately HKD7,669,000 (2011: HKD4,238,000) with respect of office equipment and traffic signboard has been included in cost of sales in the consolidated statement of comprehensive income during the year ended 30 June 2012.

12. FILM RIGHTS, FILM IN PROGRESS AND FILM ROYALTY DEPOSITS

	Film rights *HKD'000*	Film in progress *HKD'000*	Film royalty deposits *HKD'000*	Total *HKD'000*
COST				
At 1 July 2010	116,733	2,302	482	119,517
Additions	103	–	–	103
Transfers	491	(491)	–	–
At 30 June 2011	117,327	1,811	482	119,620
Additions	12	–	–	12
Reclassified as assets held for sale	(117,339)	(1,811)	(482)	(119,632)
At 30 June 2012	**–**	**–**	**–**	**–**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 July 2010	107,002	1,489	482	108,973
Amortisation provided for the year	2,056	–	–	2,056
Impairment loss recognised for the year	2,227	322	–	2,549
At 30 June 2011	111,285	1,811	482	113,578
Amortisation provided for the year	278	–	–	278
Impairment loss recognised for the year	3,949	–	–	3,949
Reclassified as assets held for sale	(115,512)	(1,811)	(482)	(117,805)
At 30 June 2012	**–**	**–**	**–**	**–**
CARRYING VALUES				
At 30 June 2012	**–**	**–**	**–**	**–**
At 30 June 2011	6,042	–	–	6,042

(a) Amortisation charge of approximately HKD278,000 (2011: HKD2,056,000) with respect of film rights has been included in loss for the year from discontinued operations in the consolidated statement of comprehensive income.

(b) The carrying amounts of film rights and film in progress have reduced to their recoverable amounts through recognition of impairment loss of approximately HKD3,949,000 (2011: HKD2,549,000) which has been included in loss for the year from discontinued operations in the consolidated statement of comprehensive income.

13. GOODWILL

	HKD'000
COST	
At 1 July 2010 *(Note a)*	52,845
Arising on acquisition of subsidiaries *(Note b)*	711,430
At 30 June 2011 and 1 July 2011	764,275
Arising on acquisition of subsidiaries *(Note c)*	134,606
At 30 June 2012	**898,881**
ACCUMULATED IMPAIRMENT	
At 1 July 2010, 30 June 2011 and 1 July 2011 *(Note a)*	5,895
Impairment loss recognised for the year	541,458
At 30 June 2012	**547,353**
CARRYING VALUES	
At 30 June 2012	**351,528**
At 30 June 2011	758,380

Notes:

(a) At 1 July 2010, the cost and accumulated impairment of approximately HKD52,845,000 and HKD5,895,000 represent a goodwill was arisen from the acquisition of China Wimetro Communications Company Limited and its subsidiaries, including China Wimetro Company Limited, Shenzhen Huanlian Communications Technology Company Limited and Shenzhen Kunyu Communications Technology Company Limited (collectively referred to as "China Wimetro Group") during the year ended 30 June 2010.

(b) For the year ended 30 June 2011, addition of goodwill amounted to approximately HKD711,430,000 was arisen from the acquisition of Ease Ray Limited (the "Ease Ray Acquisition"). The subsidiaries of Ease Ray Limited ("Ease Ray") including Pacific Mind Limited, Elegant Capital Company Limited, City Media Co., Ltd. and Shanghai Dasan Hexian City Environmental Art Company Limited (together with Ease Ray collectively referred to as the "Ease Ray Group") *(Note 19(b))*.

(c) For the year ended 30 June 2012, addition of goodwill amounted to approximately HKD134,606,000 was arisen from acquisition of entire equity interests of Smart Long Limited ("Smart Long") and its subsidiaries, including Cheermay Limited and Guangdong Wisys Communications Company Limited (the "Smart Long Group") *(Note 19(a))*.

14. IMPAIRMENT TESTING ON GOODWILL

Sales of telecommunication products and providing wireless service

China Wimetro Group

The Group operates a national local call package called "Shenzhou 950" which is a value added service provided to China Mobile subscribers. After 3 years of operations, the Group has gained a sizable market share among subscribers of mobile telecommunications. However, with the advanced development of broadband wireless mobile telecommunication technology and continuous innovation in Web application technology, China mobile internet industry begins to grow dramatically, as 3G technology is rapidly popularised. Moreover, instant message (IM) products are developed for new smart phones and smart terminal users, especially the smart phone users, grow explosively. Besides, an increasing number of innovative companies emerge and expand with over half of their products developed for mobile internets, and these products form a new opening basic network for telecommunication that provides telecommunication services of high quality, such as voice, facsimile, image, multi-media services. Consequently, the China mobile internet has grown from merely a chatting tool into a comprehensive information platform that combines functions including communication, information, entertainment, searching, e-commerce, collaboration work and business customer service. The most famous ones include: comprehensive IM tools such as Tencent QQ and Microsoft MSN; vertical IM tools such as NetEase POPO, Sina UC, Baidu Hi, Aliwangwang, Taobao Wangwang and SNDA-US Quanquan; and multi-platform and multi-network IM tools such as China Mobile Feition, eSurfing Live of China Telecom and Skype.

We have been observing such development and evaluated its business strategies from time to time. Stakeholders either participate in or withdraw from the market of this emerging mobile internet industry constantly. The mobile internet business has become another driver for internet development next to the broadband technology and brought development space and new and sustainable business modes to traditional internet business development. As its development also provides infinite possibilities in applications of the mobile network and promoted extensive development of broadband mobile network, it has become a strategic focus of mobile operators in their business development. Thus, traditional operating mode of information industry is being replaced by the emerging of the new mode.

With the improvement of network bandwidth in our country, it is expected that the demand of the users on the business will change into a business mode that integrates mobile network and Internet in the next couple of years.

As a result, the original operating mode and competitive structure of the Group seem inopportune in the new landscape. The market share of our products may fall far behind mobile internet in the future as is compared to the past. The original operating mechanism and the manner of resource allocation are changing.

Given the above reasons and taking into account that if the Company renewed its licensed period in the original manner after the license had expired, the capital that was expected to invest may generate loss for the Company. The directors have therefore decided to fully write off the goodwill arose from the acquisition of China Wimetro Group.

Smart Long Group

On 1 July 2011, the Group completed the acquisition of Smart Long Limited and its subsidiaries (collectively referred to as "Smart Long Group"). Smart Long Group is granted an exclusive right to sell and market the high temperature superconducting ("HTS") filtering solutions in Guangdong and Guangxi, the PRC. During the year under review, the development and profitability of Smart Long Group was adversely affected due to the following factors: 1) There was a supply shortage of HTS filters. 2) Smart Long Group's major customers, i.e. the major telecommunication operators in the PRC, changed their procurement policy, called "泛招標化" (General Bidding Purchasing Policy), due to the change of the relevant regulations in the PRC. This has delayed the procurement process of these operators; the order of the first batch of HTS filters made by them has been extended by one year to the Company's next financial year. 3) The fierce competition among network equipment manufacturers made the price of base station fall remarkably. The dominance of the HTS system in the market share of network optimization market was therefore adversely affected. 4) A major telecommunication operator, our major customer, has reduced its investment in network equipments so as to utilize such fund to implement their marketing strategies, such as various kinds of subsidies to their subscribers.

All the above factors have adversely affected the profitability of Smart Long Group. Based on the updated business valuation on Smart Long Group, the Group has recognised an impairment loss of approximately HKD68.9 million on goodwill arose on the acquisition of Smart Long Group for the year ended 30 June 2012.

Providing advertising service regarding traffic signboard business

The Group operates outdoor advertising business via the city informational pedestrian traffic signboard system developed by Shanghai Dasan Hexian City Environmental Art Company Limited（上海大三和弦城市環境藝術有限公司）("Dasan Hexian"), a subsidiary that is 51.1% indirectly owned by the Company. The system delivers public information, commercial information and advertisements on LED screens of traffic signboards through wireless technology for government departments, public institutions and companies. As recognised by municipal traffic police departments in the PRC, the project has been granted the utility model patent certificate and the Shanghai High & New Technology Transformation Certificate.

However, because of the European debt crisis that has led to tightened credit and liquidity problem, the Group encountered difficulties in obtaining financing in the money market and raising funds from the capital market. Due to the lack of funding: 1) Dasan Hexian missed the opportunities to obtain more resources in cities at an early stage, which has resulted in only four cities being equipped on a permanent basis for the traffic signboard media business. Thus, the business is not able to develop into media of a national scale. Consequently, it cannot attract large national advertisement customers. 2) It is not able to carry out large-scale upgrading and transformation to traffic signboards in cities with pilot installations. It is even unable to complete the total installed capacities as set out in contracts executed, seriously undermining the advantage of networking information delivery on traffic signboards in those cities. The total number of the traffic signboard media owned by Dasan Hexian is able to satisfy neither the requirement of installation on roads of the existing four cities nor customers' requirement to deliver information across the cities. 3) The maintenance of traffic signboards cannot be dealt with in time, causing abnormal information delivery in a number of traffic signboards. This has negative impact on the image of municipal facilities and was held accountable by the relevant authorities. It also had negative effect on customers' confidence towards traffic signboard media, which makes it more difficult to achieve good results for traffic signboard media.

As a result, the Group was not able to develop the business of Ease Ray Group as originally planned and its profitability has been adversely impacted. Based on the updated business valuation of Ease Ray Group, the Group has recognised an impairment loss of approximately HKD425.7 million on goodwill arose on the acquisition of Ease Ray Group for the year ended 30 June 2012.

15. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

Pursuant to the announcement of the Company dated 4 August 2010, the Company has entered into a conditional agreement with Mr. Cheung Sing Tai (the "Smart Long Vendor") on 2 August 2010 for the acquisition of the entire issued share capital of Smart Long at a consideration of HKD230,000,000 (the "Smart Long Acquisition"). The amount of HKD120,000,000 as at 30 June 2011 represents the refundable deposit paid by the Group to the Smart Long Vendor upon signing a conditional agreement for the Smart Long Acquisition.

The Smart Long Acquisition was completed on 1 July 2011. Details of the Smart Long Acquisition are disclosed in Note 19(a).

16. TRADE RECEIVABLES

	2012	2011
	HKD'000	*HKD'000*
Trade receivables	**80,139**	54,724
Less: Accumulated allowance for doubtful debts	**(41)**	–
	80,098	54,724

The Group allows an average credit period of range from 90 to 180 days (2011: 90 days) to its trade customers. The following is an aged analysis of trade receivables net of accumulated allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2012	2011
	HKD'000	*HKD'000*
Within 30 days	**20,289**	30,184
31 to 60 days	**20,388**	5
61 to 90 days	**23,619**	–
Over 90 days	**15,802**	24,535
	80,098	54,724

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HKD15,802,000 (2011: HKD24,535,000) which are past due at the end of the reporting peirod for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the balances are still considered to be recoverable, The Group does not hold any collateral over these balances. The ageing of these receivables is over 90 days (2011: over 90 days).

Ageing of trade receivables which are past due but not impaired:

	2012	2011
	HKD'000	*HKD'000*
Overdue by:		
Over 90 days	**15,802**	24,535

Movements in the accumulated allowance for doubtful debts for trade receivables:

	2012	2011
	HKD'000	*HKD'000*
At 1 July	**–**	790
Exchange realignment	**–**	16
Impairment loss recognised during the year	**41**	–
Reversal of impairment loss during the year	**–**	(806)
At 30 June	**41**	–

Included in the Group's accumulated allowance for doubtful debts of trade receivables are individually impaired trade receivables with an aggregated balances of approximately HKD41,000 (2011: Nil) in which the directors of the Company consider that the Group is unlikely to recover these debts as they are long outstanding over one year. The Group does not hold any collateral over these balances.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the relevant group entities to which they relate:

	2012	2011
	’000	*’000*
RMB	**65,140**	28,653

17. TRADE PAYABLES

	2012	2011
	HKD’000	*HKD’000*
Trade payables	**7,854**	37,497

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012	2011
	HKD’000	*HKD’000*
Within 30 days	**–**	13,239
31 to 60 days	**–**	42
61 to 90 days	**–**	–
Over 90 days	**7,854**	24,216
	7,854	37,497

The average credit period on purchases of goods is 90 days (2011: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade payables are the following amounts denominated in a currency other than the functional currency of the relevant group entities to which they relate:

	2012	2011
	’000	*’000*
RMB	**6,387**	13,327

18. SHARE CAPITAL

	Par value per share	Number of shares	Amount
	HKD		*HKD'000*
Authorised:			
At 1 July 2010	0.01	40,000,000,000	400,000
Share consolidation *(Note b)*	N/A	(36,000,000,000)	–
At 30 June 2011, 1 July 2011 and 30 June 2012	0.1	4,000,000,000	400,000
Issued and fully paid:			
At 1 July 2010	0.01	15,428,200,000	154,282
Issue of shares in relation to the Ease Ray Acquisition *(Note a)*	0.01	3,900,000,000	39,000
Share consolidation *(Note b)*	N/A	(17,395,380,000)	–
At 30 June 2011 and 1 July 2011	0.1	1,932,820,000	193,282
Issue shares in relation to the Smart Long Acquisition *(Note c)*	0.1	68,750,000	6,875
Placing of shares *(Note d)*	0.1	270,000,000	27,000
Issue shares in relation to the Ease Ray Acquisition *(Note a)*	0.1	55,350,793	5,535
At 30 June 2012	0.1	2,326,920,793	232,692

Notes:

(a) Pursuant to the announcements of the Company dated 14 June 2010, 25 March 2011 and 29 April 2011 and the circular of the Company dated 8 March 2011, the acquisition of the entire issued share capital of Ease Ray was completed on 29 April 2011. According to the sale and purchase agreement dated 3 June 2010 and the Company's announcement dated 5 May 2011, the first batch consideration shares of 3,900,000,000 ordinary shares of par value of HKD0.1 each have been issued by the Company to Mr. Chu Yip Wah (the "Ease Ray Vendor") and parties nominated by the Ease Ray Vendor at HKD0.105 each which represent the published price of the shares of the Company on 5 May 2011.

On 10 May 2012, the second batch consideration shares of 55,350,793 ordinary shares in relation to Ease Ray Acquisition have been issued by the Company at the published price of the shares of the Company of HKD0.67 each.

(b) Pursuant to an extraordinary general meeting held on 29 June 2011, a share consolidation ("Share Consolidation") was duly passed in which every ten existing issued and unissued ordinary shares of par value of HKD0.01 each in the share capital of the Company be consolidated into one ordinary share of par value of HKD0.10 each with effective from 30 June 2011.

(c) Pursuant to the announcements of the Company dated 4 August 2010, 31 December 2010, 29 April 2011 and 30 June 2011 and the circular of the Company dated 8 March 2011, the acquisition of the entire issued share capital of Smart Long was completed on 1 July 2011. On 7 July 2011, 68,750,000 ordinary shares of par value of HKD0.10 each were issued as consideration shares at the published price of the shares of the Company of HKD0.55 each.

(d) Pursuant to a placing agreement entered into with Kingston Securities Limited dated 22 November 2011, the Company placed out 270,000,000 new ordinary shares of par value of HKD0.10 each of the Company at a price of HKD0.30 per share to independent third parties. Net proceeds from such issue amounted to approximately HKD79,780,000 (after deducting the placement expenses of approximately HKD1,220,000), out of which approximately HKD27,000,000 and HKD52,780,000 were recorded in share capital and share premium respectively. The placing has been completed on 30 November 2011.

19. ACQUISITION OF SUBSIDIARIES

(a) During the year ended 30 June 2012

Smart Long Limited

Pursuant to the announcement of the Company dated 4 August 2010, the Company has entered into a conditional agreement with the Smart Long Vendor on 2 August 2010 for the acquisition of the entire issued share capital of Smart Long at a consideration of HKD230,000,000 (the "Agreement"). The Smart Long Acquisition was completed on 1 July 2011.

The consideration of the Smart Long Acquisition will be satisfied (i) as to HKD120,000,000 payables in cash as a refundable deposit upon signing of Smart Long Acquisition agreement, (ii) as to HKD110,000,000 by way of the allotment and issue of 68,750,000 consideration shares (adjusted after the share consolidation on 30 June 2011) per consideration share by the Company to the Smart Long Vendor or his nominees (except for connected person of the Company).

In accordance to the Agreement, the Smart Long Vendor has guaranteed to the Company that the audited consolidated net profit after tax and any extraordinary items or exceptional items of the Smart Long Group to be determined under the HKFRSs for the year ended 31 December 2011 shall not be less than RMB20,000,000 (equivalents to approximately HKD22,800,000) the "Guarantee Profit". In the event that the Smart Long Group cannot achieve the Guarantee Profit, the Smart Long Vendor shall pay the Company in cash of amount equal to the difference between the audited net profit and the expected profit on a dollar to dollar basis. Based on the audited consolidated financial statements of Smart Long Group for the year ended 31 December 2011, Smart Long Group has failed to meet the Guarantee Profit, therefore the Smart Long Vendor was obliged to refund approximately HKD33,972,000 (equivalent to RMB27,628,000) to the Company. The balance has been included in the "prepayments, deposits and other receivables" of the consolidated statement of financial position as at 30 June 2012.

The above arrangement constitutes a contingent consideration. The Group shall classify a right to return of previously transferred consideration as an asset if specified conditions are met. No asset from the above arrangement has been recognised at the Smart Long Acquisition Date because in the opinion of directors, after reviewing the business plan of Smart Long Group, the estimated net profit after tax of the Smart Long Group for the year ended 31 December 2011 will meet the Guarantee Amount, and the Smart Long Vendor is not obligated to compensate the Group any shortfall in the Smart Long Profit Guarantee. However, as per the audited financial statements of Smart Long Group for the year ended 31 December 2011, Smart Long Group incurred a loss of approximately RMB7,628,000. The Smart Long Vendor shall pay the Company of approximately RMB27,628,000 (equivalents to approximately HKD33,972,000). The balance has been included in other receivable as at 30 June 2012.

The directors of the Company are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the Smart Long Acquisition and the goodwill arising are as follows:

	Pre-acquisition carrying amount *HKD'000*	**Fair value adjustment** *HKD'000*	**Fair value** *HKD'000*
Net assets acquired			
Property, plant and equipment	38	–	38
Intangible assets	–	31,802	31,802
Trade and other receivables	7,257	–	7,257
Inventories	800	–	800
Cash and cash equivalents	13	–	13
Trade and other payables	(8,754)	–	(8,754)
Deferred taxation	–	(7,951)	(7,951)
			23,205
Goodwill *(Note 13)*			134,606
Adjusted consideration			157,811

	Fair value *HKD'000*
Consideration satisfied by:	
Deposit paid for the acquisition	120,000
Consideration shares	37,811
	157,811

Net cash flow arising on acquisition:	
Year ended 30 June 2012	
– Bank balances and cash acquired	13
Year ended 30 June 2011	
– Deposit paid for the acquisition	(120,000)
	(119,987)

Including in the loss for the year ended 30 June 2012 is profit of approximately HKD3,638,000 attributable to Smart Long Group. Turnover for the year ended 30 June 2012 of approximately HKD7,132,000 is attributable to Smart Long Group.

The acquisition of Smart Long Group has been effected at 1 July 2011.

(b) During the year ended 30 June 2011

Ease Ray

Pursuant to the announcement of the Company dated 14 June 2010 and the circular dated 8 March 2011, the Company has entered into a conditional agreement with the Ease Ray Vendor on 3 June 2010 for the acquisition of the entire issued share capital of Ease Ray at a consideration of HKD1,100,000,000, subject to downward adjustment according to the terms of the agreement.

The consideration of the Ease Ray Acquisition will be satisfied (i) as to HKD230,000,000 payables in cash as a refundable deposit upon signing of Ease Ray Acquisition agreement, (ii) as to HKD870,000,000 by way of the allotment and issue of 6,000,000,000 consideration shares at an issue price of HKD0.145 per consideration share by the Company to the Ease Ray Vendor or his nominees (except for connected person of the Company).

On 29 April 2011, the Group completed the acquisition of the entire issued share capital in Ease Ray. As part of the consideration for the Ease Ray Acquisition, 3,900,000,000 new ordinary shares of the Company with par value of HKD0.01 each were issued on 5 May 2011 as First Batch Consideration Shares. The fair value of the ordinary shares issued was determined by referring to the published price available of HKD0.105 per share at the date of the acquisition on 29 April 2011.

Pursuant to the sales and purchase agreement dated 3 June 2010 entered with the Ease Ray Vendor, the First Batch Consideration Shares will be issued within five business date upon completion of acquisition of Ease Ray Group and the Second Batch Consideration Shares will be issued if the audited profit after tax for the period from 1 January 2011 to 31 December 2011 attributable to the Group shall not be less than RMB51,000,000 (equivalent to approximately HKD58,140,000) ("Reference Profit").

If Ease Ray Group fails to meet the profit guarantee (being the Reference Profit) for the year ended 31 December 2011, the Ease Ray Vendor shall pay the Company a compensation of 10 times the shortfall of the profit guarantee by adjusting the Second Batch Consideration Shares. However, the maximum downward adjustment is up to the total consideration of the Second Batch Consideration Shares of HKD304,500,000 and the Ease Ray Vendor is not required to return to the Company any of the First Batch Consideration Shares already issued to him. Based on the audited consolidated financial statements of Ease Ray Group for the year ended 31 December 2011, Ease Ray Group has failed to meet the Reference Profit, therefore the Company has issued 55,350,793 ordinary shares of the Company as the Second Batch Consideration Shares to the Ease Ray Vendor on 10 May 2012.

The First Batch Consideration Shares was issued on 5 May 2011. Upon the completion of Ease Ray Acquisition, the Company explores the opportunities and diversifies the Company's income stream to include the advertising income from placing advertisements on traffic lights.

The directors of the Company are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired from the Ease Ray Acquisition and the goodwill arising are as follows:

	Pre-acquisition carrying amount	**Fair value adjustment**	**Fair value**
	HKD'000	*HKD'000*	*HKD'000*
Net assets acquired			
Property, plant and equipment	16,349	–	16,349
Goodwill	6,087	(6,087)	–
Intangible assets	–	185,920	185,920
Trade and other receivables	45,104	–	45,104
Cash and cash equivalents	319	–	319
Trade and other payables	(33,424)	–	(33,424)
Deferred taxation	–	(46,480)	(46,480)
Non-controlling interests	(19,218)	–	(19,218)
			148,570
Goodwill *(Note 13)*			711,430
Adjusted consideration			860,000

	Fair value
	HKD'000
Adjusted consideration satisfied by:	
Deposit paid for the acquisition	230,000
Issuance of First Batch Consideration Shares	409,500
Issuance of Second Batch Consideration Shares *	220,500
	860,000
Net cash flow arising on acquisition:	
Bank balances and cash acquired	319

* *Second Batch Consideration Shares will be adjusted if the Reference Profit could not be achieved. The fair value of the Second Batch Consideration Shares at the date of acquisition was performed by Asset Appraisal Limited, an independent qualify valuer.*

The directors of the Company considered that the main factor leading to excess of considerations over fair value of net assets acquired is synergy generated with the patents and contract. The Group is capable of producing specialised products to accommodate diversified market orders and to enhance operating profit.

Including in the consolidated loss for the year is a profit of approximately HKD5,827,000 profit contributed by Ease Ray Group. Turnover for the year includes approximately HKD11,972,000 in respect of Ease Ray Group.

Had the acquisition of Ease Ray Group been effected at 1 July 2010, the Group's revenue for the year would have been approximately HKD55,793,000 and contributed approximately HKD18,559,000 profit for the year ended 30 June 2011. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 July 2010, nor is it intended to be a projection of future results.

In determining the pro forma revenue and loss of the Group assuming that Ease Ray Group had been acquired at the beginning of the current year, the directors of the Company have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

20. DEED OF CHARGE

Pursuant to a production finance agreement signed between Total Big Limited ("TBL"), a wholly owned subsidiary of the Company, and the Government of the Hong Kong Special Administrative Region (the "HKSAR") on 18 February 2009 in respect of the production of a film titled "Give Love", the title of the firm and the whole of TBL's undertaking and assets were charged in favour of the HKSAR as security for the discharge of the obligations of TBL under the agreement.

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Basis for qualified opinion

(1) Limitation of scope on the impairment assessment of other receivables

Included in the Group's gross prepayments, deposits and other receivables of approximately HKD94,273,000 as at 30 June 2012 were gross other receivable of approximately HKD33,972,000 (equivalent to RMB27,628,000) due from an independent third party arising from the failure to meet the profit guarantee for Smart Long Limited and its subsidiaries for the year ended 31 December 2011 as disclosed in Note 28 and Note 39(a) to the consolidated financial statements for the year ended 30 June 2012. The directors of the Company are of the view that the Group is able to recover the outstanding balance, and therefore no impairment had been provided on such balance. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary in order to assess whether such receivable could be recovered in full or to determine the amount of impairment, if any. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to any impairment loss had been occurred against these receivable as at 30 June 2012.

Any adjustment to the amount of the above receivable found to be necessary would affect the Group's net assets as at 30 June 2012 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(2) Limitation of scope on the impairment assessment of loan and loan interest receivables

Included in the Group's loan and loan interest receivables of HKD56,349,000 as at 30 June 2012 was a loan to an independent third party with a principal amount of approximately HKD10,821,000 (equivalent to approximately RMB8,800,000) and loan interest receivable of approximately HKD37,000 (equivalent to approximately RMB30,000) as details disclosed in Note 26(c) to the consolidated financial statements for the year ended 30 June 2012. The directors of the Company are of the view that the Group is able to recover the outstanding balances, and therefore no impairment had been provided on such balance. However, we were unable to obtain sufficient appropriate audit evidence we consider necessary in order to assess whether such loan and loan interest receivables could be recovered in full or to determine the amount of impairment, if any. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to any impairment loss had been occurred against these loan and interest receivables as at 30 June 2012.

Any adjustment to the amount of the above loan and loan interest receivables found to be necessary would affect the Group's net assets as at 30 June 2012 and the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30 June 2012, the Group's operations comprised sales and distribution of telecommunication products, provision of wireless services and the design and production of traffic signboards, computer graphics, advertisements and signal system equipment in the PRC. The Group was also engaged in production and sales of video and films, the licensing of video and film rights and artiste management which were discontinued during the year ended 30 June 2012.

During the year under review, the Group completed the acquisition of Smart Long Limited and its subsidiaries (collectively referred to as "Smart Long Group"). With the contribution from Smart Long Group and Ease Ray Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred to as "Ease Ray Group"), which was acquired during the year ended 30 June 2011, turnover for the year ended increased from HKD45.3 million (including continuing operations of approximately HKD27.2 million and discontinued operations of approximately HKD18.1 million) for the year ended 30 June 2011 to HKD102.8 million (including continued operations of approximately HKD100.2 million and discontinued operations of approximately HKD2.6 million) for the year ended 30 June 2012. However, due to primarily the impairment loss on goodwill arising from the various acquisitions completed during the last three years of approximately HKD541.5 million and the impairment loss on the related intangible assets of approximately HKD109.3 million, the Group's net loss attributable to owners of the Company increased from approximately HKD36.3 million for the year ended 30 June 2011 to HKD465.2 million for the year ended 30 June 2012.

Sales of telecommunication products and provision of wireless services

China Wimetro Group

Through China Wimetro Communications Company Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (collectively referred to as "China Wimetro Group"), the Group operates a national local call package called "Shenzhou 950" which is a value added service provided to China Mobile subscribers. After 3 years of operations, the Group has gained a sizable market share among subscribers of mobile telecommunications. However, with the advanced development of broadband wireless mobile telecommunication technology and continuous innovation in Web application technology, China mobile internet industry begins to grow dramatically, as 3G technology is rapidly popularized. Moreover, instant message (IM) products are developed for new smart phones and smart terminal users, especially the smart phone users, grow explosively. Besides, an increasing number of innovative companies emerge and expand with over half of their products developed for mobile internets, and these products form a new opening basic network for telecommunication that provides telecommunication services of high quality, such as voice, facsimile, image, multi-media services. Consequently, the China mobile internet has grown from merely a chatting tool into a comprehensive information platform that combines functions including communication, information, entertainment, searching, e-commerce, collaboration work and business customer service. The most famous ones include: comprehensive IM tools such as Tencent QQ and Microsoft MSN; vertical IM tools such as NetEase POPO, Sina UC, Baidu Hi, Aliwangwang, Taobao Wangwang and SNDA-US Quanquan; and multi-platform and multi-network IM tools such as China Mobile Feition, eSurfing Live of China Telecom and Skype.

We have been observing such development and evaluated its business strategies from time to time. Stakeholders either participate in or withdraw from the market of this emerging mobile internet industry constantly. The mobile internet business has become another driver for internet development next to the broadband technology and brought development space and new and sustainable business modes to traditional internet business development. As its development also provides infinite possibilities in applications of the mobile network and promoted extensive development of broadband mobile network, it has become a strategic focus of mobile operators in their business development. Thus, traditional operating mode of information industry is being replaced by the emerging of the new mode.

With the improvement of network bandwidth in our country, it is expected that the demand of the users on the business will change into a business mode that integrates mobile network and Internet in the next couple of years.

As a result, the original operating mode and competitive structure of the Group seem inopportune in the new landscape. The market share of our products may fall far behind mobile internet in the future as is compared to the past. The original operating mechanism and the manner of resource allocation are changing.

Given the above reasons and taking into account that if the Company renewed its licensed period in the original manner after the license had expired, the Company may incur loss on the capital that was expected to invest in such renewal. We have therefore decided to fully write off the goodwill arose from the acquisition of China Wimetro Group.

Smart Long Group

On 1 July 2011, the Group completed the acquisition of Smart Long Group. Smart Long Group is granted an exclusive right to sell and market the high temperature superconducting ("HTS") filtering solutions in Guangdong and Guangxi, the PRC. During the year under review, the development and profitability of Smart Long Group was adversely affected due to the following factors: 1) There was a supply shortage of HTS filters. 2) Smart Long Group's major customers, i.e. the major telecommunication operators in the PRC, changed their procurement policy, called "泛招標化" (General Bidding Purchasing Policy), due to the change of the relevant regulations in the PRC. This has delayed the procurement process of these operators; the order of the first batch of HTS filters made by them has been extended by one year to the Company's next financial year. 3) The fierce competition among network equipment manufacturers made the price of base station fall remarkably. The dominance of the HTS system in the market share of network optimization market was therefore adversely affected. 4) A major telecommunication operator, our major customer, has reduced its investment in network equipments so as to utilize such fund to implement their marketing strategies, such as various kinds of subsidies to their subscribers.

All the above factors have adversely affected the profitability of Smart Long Group. Based on the updated business valuation on Smart Long Group, the Group has recognized an impairment loss of approximately HKD68.9 million on goodwill arose on the acquisition of Smart Long Group and an impairment loss of approximately HKD10.2 million on the relevant intangible assets for the year ended 30 June 2012.

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

Through Ease Ray Group, the Group operates outdoor advertising business via the city informational pedestrian traffic signboard system developed by Shanghai Dasan Hexian City Environmental Art Company Limited（上海大三和弦城市環境藝術有限公司）("Dasan Hexian"), a subsidiary that is 51.1% indirectly owned by the Company. The system delivers public information, commercial information and advertisements on LED screens of traffic signboards through wireless technology for government departments, public institutions and companies. As recognized by municipal traffic police departments in the PRC, the project has been granted the utility model patent certificate and the Shanghai High & New Technology Transformation Certificate.

During the year under review, although the outdoor advertisement industry in China was undergoing sluggish growth and fierce competition among companies, Ease Ray Group contributed a turnover of approximately HKD91.1 million (2011: HKD12 million). It is mainly attributable to Ease Ray Group's full year operation results consolidated into the Group for the year ended 30 June 2012, as opposed to only 2 months for the year ended 30 June 2011.

However, because of the European debt crisis that has led to tightened credit and liquidity problem, the Group encountered difficulties in obtaining financing in the money market and raising funds from the capital market. Due to the lack of funding: 1) Dasan Hexian missed the opportunities to obtain more resources in cities at an early stage, which has resulted in only four cities being equipped on a permanent basis for the traffic signboard media business. Thus, the business is not able to develop into media of a national scale. Consequently, it cannot attract large national advertisement customers. 2) It is not able to carry out large-scale upgrading and transformation to traffic signboards in cities with pilot installations. It is even unable to complete the total installed capacities as set out in contracts executed, seriously undermining the advantage of networking information delivery on traffic signboards in those cities. The total number of the traffic signboard media owned by Dasan Hexian is able to satisfy neither the requirement of installation on roads of the existing four cities nor customers' requirement to deliver information across the cities. 3) The maintenance of traffic signboards cannot be dealt with in time, causing abnormal information delivery in a number of traffic signboards. This has negative impact on the image of municipal facilities and was held accountable by the relevant authorities. It also had negative effect on customers' confidence towards traffic signboard media, which makes it more difficult to achieve good results for traffic signboard media.

As a result, the Group was not able to develop the business of Ease Ray Group as originally planned and its profitability has been adversely impacted. Based on the updated business valuation of Ease Ray Group, the Group has recognized an impairment loss of approximately HKD425.7 million on goodwill arose on the acquisition of Ease Ray Group and an impairment loss of approximately HKD99.1 million on the relevant intangible assets for the year ended 30 June 2012.

Film exhibition and film rights licensing and sub-licensing and Artiste management

As the Company's board of directors believed that the newly acquired businesses, i.e. telecommunication products and outdoor advertising media, had much potential for growth in the PRC, the Company entered into a sale and purchase agreement with Fintage Asia Corporation in relation to the disposal the businesses of film exhibition and film rights licensing and sub-licensing and artiste management (the "Disposal"), which have been continuously downsizing since the last financial year. The Disposal is expected to be completed on or before 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 still optimistic in the overall economy of the PRC.

Going forward, the Group will continue to consider various alternatives in obtaining additional resources to develop the existing businesses and work on turning them around.

Sales of telecommunication products and provision of wireless services

To adapt to possible changes of our users in the future and seize the opportunities, the Group is proactively attempting to upgrade our products. Leveraging on our traditional advantage in the original sector, we expand into new business sectors and strive to become an integrator of the new industry chain, in an aim to preemptive priorities in the future market landscape and swift our business to the integration of mobile network and fixed internet.

The Group is currently under preliminary negotiation with a former director of the Company regarding a possible acquisition (the "Possible Acquisition") of a network service business for higher education institutions in the PRC (the "Target Business"). The Company is currently conducting due diligence exercise on the Target Business. The Group will continue to work on the Possible Acquisition. If the Possible Acquisition proceeds and the Target Business is successfully acquired, it is expected to create a synergy effect with the business of China Wimetro Group and Smart Long Group so as to maximize returns to our shareholders.

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

In summary, Dasan Hexian traffic signboard media is at a key point of development. On one hand, as the business is influenced by policies, it will be hard to obtain municipal resources and business development on public resources will be strictly controlled and regulated by municipal governments across the country. Moreover, due to constant adjustments in urban planning, the operations of traffic signboard media in existing cities are not secured. On the other hand, we face national media's monopolies over customers and emerging media further draining our customer resources. The impact of electronic networking media is an inevitable challenge to all traditional outdoor media. To safeguard traffic signboard media markets we already obtained has become our top priority. We will ensure normal operations of the existing traffic signboard media and consider how to perform scientific upgrading and function development as well as exploring for ways that satisfy competitive needs in all respects. By doing this, we hope that Dasan Hexian traffic signboard media can become indispensable symbolic facilities in modern metropolis and a well-known advertising media brand name in the PRC.

Overall

With the various stimulus measure implemented by major economies, there have been indications that the worst economic situation in decades may have abated, providing the Group a positive operating environment.

FINANCIAL POSITION

During the year under review, the Group generally financed its operations with internally generated resources. As at 30 June 2012, the Group did not have any interest-bearing borrowings (2011: Nil).

As at 30 June 2012, the Group had current assets of approximately HKD254.3 million (2011: HKD171.2 million), including cash and cash equivalents of approximately HKD7.7 million (2011: HKD12.2 million), trade receivables, prepayments, deposits, other receivables and payment in advances of approximately HKD174.4 million (2011 (restated): HKD153.0 million) and loan interest receivable and current portion of loan receivable of approximately HKD56.3 million (2011 (restated): HKD6.0 million); and current liabilities of approximately HKD73.5 million (2011 (restated): HKD360.6 million). The Group's current ratio had increased from approximately 0.5 times (restated) as at 30 June 2011 to approximately 3.5 times as at 30 June 2012.

The Group had total assets of approximately HKD694.3 million (2011: HKD1,291.6 million) and total liabilities of approximately HKD83.3 million (2011 (restated): HKD406.3 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 12.0% as at 30 June 2012 (2011 (restated): 31.5%).

The Group's turnover for the year ended 30 June 2012 amounted to approximately HKD102.8 million (2011: HKD45.3 million).

COMMITMENTS, DEED OF CHARGE AND EVENT AFTER THE REPORTING PERIOD

Details of commitments and deed of charge of the Group were set out in notes 41 and 44 to the consolidated financial statements respectively.

FOREIGN EXCHANGE EXPOSURE AND TREASURY POLICIES

Most of the Group's cash balances and income are either denominated in Renminbi or Hong Kong dollars. In view of the stability of the exchange rates of Renminbi and Hong Kong dollars, no hedging or other alternatives have been implemented. As at 30 June 2012 and 30 June 2011, the Group did not have any outstanding hedging instruments.

Use of Net Proceeds from the Placing

The Company successfully completed a placing of 270,000,000 ordinary shares of the Company at the price of HK$0.3 per share on 30 November 2011, raising net proceeds (after deduction of the relation expenses) of approximately HK$79.78 million. The Company has utilized the net proceeds in the manner consistent with that disclosed in its announcement dated 22 November 2011. As at 30 June 2012, HK$27 million has been used for the redemption (at 108% of the principal amount) of convertible bonds issued by the Company on 3 June 2011 and the remaining balance of the net proceeds has been used as the general working capital of the Group.

EMPLOYEES

As at 30 June 2012, the Group had 43 staff (2011: 64). Total employee remuneration, including that of the Directors, for the year under review amounted to approximately HKD8.3 million (2011: HKD42.0 million), no share-based payments were incurred during the year (2011: HKD38.0 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Employee remuneration, excluding Directors' emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund. On 22 July 2002, the Company had adopted a share option scheme under which full time employees, including Directors, of the Company and its subsidiaries, might be granted options to subscribe for the Company's ordinary shares. The share option 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 30 June 2012, with the exception of the deviation in respect of the appointment term of non-executive Directors as mentioned below.

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. 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

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any noncompliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 30 June 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 year ended 30 June 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 year ended 30 June 2012.

AUDIT COMMITTEE

The Company established an audit committee 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 above audited consolidated results of the Group for the year ended 30 June 2012 have been reviewed by the audit committee.

By order of the Board
Neo Telemedia Limited
LI Hongrong
Executive Director

Hong Kong, 27 September 2012

As at the date hereof, the Board is comprised of four executive directors, namely LI Hongrong (Chairman), Theo EDE, HU Yangjun and ZHANG Xinyu (Chief Executive Officer); and three independent non-executive directors, namely LAM Kin Kau, Mark, Professor SONG Junde and Professor CHEN Lujun.

This announcement, 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 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 in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at 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.