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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

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.

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.*

FINAL RESULTS

The board of directors ("Directors") of Neo Telemedia Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the eighteen months ended 31 December 2013, together with the comparative figures for the twelve months ended 30 June 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 31 December 2013

	Notes	**18 months ended 31 December 2013** *HK$'000*	12 months ended 30 June 2012 *HK$'000*
Continuing operations			
Turnover	*3*	**61,067**	100,180
Cost of sales		**(29,900)**	(9,396)
Gross profit		**31,167**	90,784
Other income and gains		**20,528**	3,180
Change in fair value of contingent consideration payable		**93,587**	183,415
Change in fair value of contingent consideration receivable		**–**	33,972
Change in fair value of convertible notes		**–**	702
Change in fair value of derivative financial assets		**(5,495)**	–
Selling and marketing costs		**(5,270)**	(1,741)
Administrative and other expenses		**(124,706)**	(112,489)
Impairment loss recognised in respect of intangible assets		**(23,769)**	(109,316)
Impairment loss recognised in respect of goodwill		**(301,997)**	(541,458)
Loss on early redemption of convertible notes		**–**	(1,596)
Share of loss of an associate		**(335)**	–
Finance costs		**(11,986)**	(1,305)
Loss before tax	*6*	**(328,276)**	(455,852)
Income tax credit	*5*	**2,758**	35,630
Loss for the period/year from continuing operations		**(325,518)**	(420,222)
Discontinued operation			
Profit/(loss) for the period/year from discontinued operation, net of income tax		**333**	(10,897)
Loss for the period/year		**(325,185)**	(431,119)
Other comprehensive income for the period/year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**2,761**	2,169
Total comprehensive loss for the period/year		**(322,424)**	(428,950)

	Notes	**18 months ended 31 December 2013** *HK$'000*	12 months ended 30 June 2012 *HK$'000*
(Loss)/profit for the period/year attributable to:			
Owners of the Company			
– from continuing operations		**(316,069)**	(454,256)
– from discontinued operation		**333**	(10,897)
		(315,736)	(465,153)
Non-controlling interests			
– from continuing operations		**(9,449)**	34,034
– from discontinued operation		**–**	–
		(9,449)	34,034
		(325,185)	(431,119)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(314,811)**	(464,197)
Non-controlling interests		**(7,613)**	35,247
		(322,424)	(428,950)
		HK Cents	*HK Cents*
Loss per share	*7*		
From continuing and discontinued operations			
Basic		**(13.08)**	(21.49)
Diluted		**(13.08)**	(21.49)
From continuing operations			
Basic		**(13.09)**	(20.98)
Diluted		**(13.09)**	(20.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 HK$'000	30 June 2012 HK$'000
Non-current assets			
Property, plant and equipment		**46,594**	26,244
Interests in an associate		**–**	–
Goodwill		**329,017**	351,528
Intangible assets		**252,987**	62,282
		628,598	440,054
Current assets			
Inventories		**614**	–
Trade receivables	*9*	**9,469**	80,098
Prepayments, deposits and other receivables		**93,130**	94,273
Loan and loan interest receivables		**–**	56,349
Derivative financial assets		**711**	–
Cash and cash equivalents		**10,966**	7,671
		114,890	238,391
Assets classified as held for sale		**–**	15,874
		114,890	254,265
Current liabilities			
Trade payables	*10*	**5,256**	7,854
Other payables and accruals		**47,463**	21,702
Deposits received		**149**	7,378
Receipts in advances		**162**	21,180
Tax liabilities		**5,288**	7,506
		58,318	65,620
Liabilities associated with assets classified as held for sale		**–**	7,874
		58,318	73,494
Net current assets		**56,572**	180,771
Total assets less current liabilities		**685,170**	620,825
Non-current liabilities			
Convertible notes		**142,240**	–
Deferred tax liabilities		**41,366**	9,772
		183,606	9,772
Net assets		**501,564**	611,053
Capital and reserves			
Share capital		**255,492**	232,692
Reserves		**141,584**	323,764
Equity attributable to owners of the Company		**397,076**	556,456
Non-controlling interests		**104,488**	54,597
Total equity		**501,564**	611,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eighteen months ended 31 December 2013

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share options reserve *HK$'000*	Warrant reserve *HK$'000*	Convertible note reserve *HK$'000*	Capital and other reserve *HK$'000* *(Note a)*	Translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note b)*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'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/(loss) 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	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

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share options reserve *HK$'000*	Warrant reserve *HK$'000*	Convertible note reserve *HK$'000*	Capital and other reserve *HK$'000* *(Note a)*	Translation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note b)*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 July 2012	232,692	943,621	33,187	–	–	17,590	983	7,375	(678,992)	556,456	54,597	611,053
Loss for the period	–	–	–	–	–	–	–	–	(315,736)	(315,736)	(9,449)	(325,185)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	925	–	–	925	1,836	2,761
Other comprehensive income for the period	–	–	–	–	–	–	925	–	–	925	1,836	2,761
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	925	–	(315,736)	(314,811)	(7,613)	(322,424)
Release of capital reserve upon disposal of subsidiaries *(Note a)*	–	–	–	–	–	(17,590)	–	–	17,590	–	–	–
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	57,504	57,504
Issue of shares in relation to the acquisition of subsidiaries	11,900	55,930	–	–	–	–	–	–	–	67,830	–	67,830
Recognition of the equity component of convertible notes in relation to the acquisition of subsidiaries	–	–	–	–	7,131	–	–	–	–	7,131	–	7,131
Recognition of equity – settled share based payment	–	–	30,490	–	–	–	–	–	–	30,490	–	30,490
Issue of unlisted warrants	–	–	–	14,600	–	–	–	–	–	14,600	–	14,600
Lapse of share options	–	–	(16,593)	–	–	–	–	–	16,593	–	–	–
Placing of shares	10,900	25,070	–	–	–	–	–	–	–	35,970	–	35,970
Share issuing expenses	–	(590)	–	–	–	–	–	–	–	(590)	–	(590)
At 31 December 2013	255,492	1,024,031	47,084	14,600	7,131	–	1,908	7,375	(960,545)	397,076	104,488	501,564

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 HK$157,000; and

(ii) the surplus of HK$17,433,000 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 HK$17,550,000 owing to the executive directors pursuant to the Group Reorganisation as set out in the Company's prospectus dated 29 July 2002.

The reserve was released upon the completion of disposal of B&S Group Limited and its subsidiaries on 28 September 2012.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eighteen months ended 31 December 2013

1. GENERAL INFORMATION

Neo Telemedia Limited 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 address of the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at Unit 1303, 13/F., York House, The Landmark, 15 Queen's Road Central, Hong Kong.

During the current financial period, the reporting period end date of the Company was changed from 30 June to 31 December. Accordingly, the consolidated financial statements for the current period cover the eighteen months period ended 31 December 2013. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve months period from 1 July 2011 to 30 June 2012 and therefore may not be comparable with amounts shown for the current period.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB") and some subsidiaries' functional currency is the United States dollar, the functional currency of the Company and its remaining subsidiaries are Hong Kong dollar ("HK$"). The reason for selecting HK$ as its presentation currency is that the Company is a public company listed on the GEM, where most of the investors are located in Hong Kong.

The Company is an investment holding company and the principal activities of its subsidiaries are the provision of transmedia advertising services, sale of telecommunication products and services. 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 period, 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").

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

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 – Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKAS 12 (Amendments) Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. As the Group does not have investment property in prior and current period, the amendments have no financial impact on the Group.

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

HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets[2]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[2]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle[3]
HKFRS 1 (Amendments)	Government Loan[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[7]
HKFRS 9	Financial Instruments[7]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities – Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]

HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 14	Regulatory Deferral Accounts[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted
6 Effective for annual periods beginning on or after 1 January 2016
7 No mandatory effective date yet determined but is available for adoption

HKAS 32 (Amendments) and HKFRS 7 (Amendments) Offsetting Financial Assets and Financial Liabilities and related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities 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 requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective 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.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRSs (Amendments) Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1

The Annual Improvement to HKFRSs 2009-2011 Cycle includes a number of amendments to various HKFRSs. The amendments are effective for annual period beginning on or after 1 January 2013. Amendments to HKFRSs include:

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group’s consolidated financial statement.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 "Income Taxes". The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial asset. HKFRS 9 was amended in 2010 to include requirement for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequent measured at amortised cost or fair value. Specially, 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an entity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liabilities 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 and accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised) and HKAS 28 (revised).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation – Special Purpose Entities" will be withdraw upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint venture depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance in HKFRS 10 on the application of these five HKFRSs for the first time.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9, rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27. The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual period beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards may not have a significant impact on the results and the financial position of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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 anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 Employee Benefits

The amendment to HKAS 19 includes the range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 from 1 January 2014. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 36 (Amendment) Recoverable Amount Disclosures for Non-financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The amendments are effective for annual period beginning on or after 1 January 2014, but as permitted by the amendments. The disclosures about the Group impaired non-financial asset have been conformed to the amended disclosure requirement upon amendment applied.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC) – Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation the costs from this waste removal activity (stripping) which provide improved access to ore is recognised as a noncurrent asset (stripping activity asset) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 "Inventories". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

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 period/year, from continuing operations, is as follows:

	18 months ended 31 December 2013	12 months ended 30 June 2012
	HK$'000	*HK$'000*
Continuing operations		
Sale of telecommunication products and services	**44,904**	9,108
Transmedia advertising services	**16,163**	91,072
	61,067	100,180

4. 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:

– Sale of telecommunication products and services

– Transmedia advertising services

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.

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues and results

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

Continuing operations

	Sale of telecommunication products and services		Transmedia advertising services		Consolidated	
	18 months ended 31 December 2013	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**44,904**	9,108	**16,163**	91,072	**61,067**	100,180
Segment results	**(22,620)**	(135,242)	**(322,460)**	(498,110)	**(345,080)**	(633,352)
Interest income					**8,068**	1,373
Share of loss of an associate					**(335)**	–
Unallocated corporate income					**93,587**	219,707
Unallocated corporate expenses					**(72,618)**	(42,275)
Unallocated finance costs					**(11,898)**	(1,305)
Loss before tax					**(328,276)**	(455,852)
Income tax credit					**2,758**	35,630
Loss for the period/year					**(325,518)**	(420,222)

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sales in both periods. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment results represent the loss suffered from each segment without allocation of interest income, share of loss of an associate, change in fair value of contingent consideration payable, share-based payment 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 assessment of segment performance.

Segment assets and liabilities

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

Continuing operations

	Sale of telecommunication products and services		**Transmedia advertising services**		**Consolidated**	
	31 December 2013	30 June 2012	**31 December 2013**	30 June 2012	**31 December 2013**	30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**585,368**	39,883	**98,223**	569,213	**683,591**	609,096
Unallocated corporate assets					**59,897**	69,349
Total segment assets					**743,488**	678,445
Assets relating to discontinued operation					**–**	15,874
Consolidated assets					**743,488**	694,319
Segment liabilities	**59,534**	31,594	**6,398**	27,173	**65,932**	58,767
Unallocated corporate liabilities					**175,992**	16,625
Total segment liabilities					**241,924**	75,392
Liabilities relating to discontinued operation					**–**	7,874
Consolidated liabilities					**241,924**	83,266

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, loan and loan interest receivables, and derivative financial assets); and

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

Other segment information

Continuing operations

	Sale of telecommunication products and services		Transmedia advertising services		Unallocated		Consolidated	
	18 months ended 31 December 2013	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amount included in the measure of segment results:								
Capital expenditure	**208,451**	39,834	**76,317**	1,705	**44**	–	**284,812**	41,539
Change in fair value of contingent consideration payable	**–**	–	**–**	–	**(93,587)**	(183,415)	**(93,587)**	(183,415)
Depreciation of property, plant and equipment	**2,303**	2,247	**8,753**	6,426	**260**	854	**11,316**	9,527
Amortisation of intangible assets	**21,472**	5,436	**14,887**	45,705	**–**	–	**36,359**	51,141
(Gain)/loss on disposal of property, plant and equipment	**(1,319)**	–	**6,042**	–	**–**	(443)	**4,723**	(443)
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	**23,769**	99,085	**–**	–	**23,769**	109,316
Impairment loss recognised in respect of goodwill	**16,222**	115,803	**285,775**	425,655	**–**	–	**301,997**	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	**–**	605	**–**	–	**–**	607

Capital expenditure for the 18 months ended 31 December 2013 includes additions resulted from acquisition through business combinations, amounting to approximately HK$163,908,000 (for the 12 months ended 30 June 2012: HK$31,840,000).

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

	Sale of telecommunication products and services		Transmedia advertising services		Unallocated		Consolidated	
	18 months ended 31 December 2013	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012	**18 months ended 31 December 2013**	12 months ended 30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**2,357**	39	**4,727**	1,333	**984**	1	**8,068**	1,373
Finance costs	**88**	–	**–**	–	**11,898**	1,305	**11,986**	1,305
Income tax (expense)/credit	**(807)**	5,916	**3,565**	29,714	**–**	–	**2,758**	35,630

Information about major customers

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

	18 months ended 31 December 2013	12 months ended 30 June 2012
	HK$'000	*HK$'000*
[1]Customer A	**6,544**	N/A
[2]Customer B	**13,178**	73,290
	19,722	73,290

[1] Sale of telecommunication products and services

[2] Transmedia advertising services

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, and non-current assets information is presented based on the geographical location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	18 months ended 31 December 2013	12 months ended 30 June 2012	**31 December 2013**	30 June 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Name of the country				
Hong Kong	**–**	–	**388**	573
The PRC (excluding Hong Kong)	**61,067**	100,180	**628,210**	439,481
	61,067	100,180	**628,598**	440,054

* Information about the Group's non-current assets, other than interests in an associate is presented based on the geographical location of the assets.

5. INCOME TAX CREDIT

Continuing operations	**18 months ended 31 December 2013**	12 months ended 30 June 2012
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprise Income Tax	**5,429**	11,577
– Over-provision for prior year	**–**	(3,323)
Deferred tax	**(8,187)**	(43,884)
Total tax credit	**(2,758)**	(35,630)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

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%.

6. LOSS BEFORE TAX

	18 months ended 31 December 2013 *HK$'000*	12 months ended 30 June 2012 *HK$'000*
Continuing operations		
Loss before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**36,711**	7,900
– Share-based payments	**30,490**	–
– Contributions to retirement benefits schemes	**144**	20
Total staff costs	**67,345**	7,920
Depreciation of property, plant and equipment	**11,316**	9,527
Amortisation of intangible assets	**36,359**	51,141
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
Impairment loss recognised in respect of property, plant and equipment	**–**	6,861
Exchange difference, net	**(1,539)**	90
Loss/(gain) on disposal of property, plant and equipment, net	**4,723**	(443)
Agency fee for referring investment projects	**–**	30,813
Auditors' remuneration	**1,080**	921
Minimum lease payments under operating lease in respect of rented premises	**7,193**	8,276
Cost of inventories recognised as expense	**905**	75

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period/year attributable to owners of the Company and the weighted average number of ordinary shares.

From continuing and discontinued operations

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

	18 months ended 31 December 2013	12 months ended 30 June 2012
	HK$'000	*HK$'000*
Loss for the period/year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**315,736**	465,153

	18 months ended 31 December 2013	12 months ended 30 June 2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,413,657**	2,164,996

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

The computation of diluted loss per share does not assume the exercise of the Company's share options and warrants because the exercise prices of those share options and warrants were higher than the average share price for 2013 and 2012.

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:

	18 months ended 31 December 2013 *HK$'000*	12 months ended 30 June 2012 *HK$'000*
Loss for the period/year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**315,736**	465,153
Profit/(loss) for the period/year from discontinued operation	**333**	(10,897)
Loss for the purpose of basic and diluted loss per share from continuing operations	**316,069**	454,256

The denominators used are the same as these detailed above for both basic and diluted loss per share.

From discontinued operation

The basic and diluted earnings per share for the discontinued operation for the 18 months ended 31 December 2013 is HK$0.01 cents (for the 12 months ended 30 June 2012: loss of HK$0.50 cents) per share, based on the profit for the period from the discontinued operation of approximately HK$333,000 (for the 12 months ended 30 June 2012: loss of HK$10,897,000) and the denominators detailed above for both basic and diluted loss per share.

8. DIVIDENDS

No dividend was paid or proposed during the 18 months ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (for the 12 months ended 30 June 2012: nil).

9. TRADE RECEIVABLES

	31 December 2013 HK$'000	30 June 2012 HK$'000
Trade receivables	**9,510**	80,139
Less: Accumulated allowance for doubtful debts	**(41)**	(41)
	9,469	80,098

The Group allows an average credit period of 90 days (As at 30 June 2012: 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.

	31 December 2013 HK$'000	30 June 2012 HK$'000
Within 30 days	**101**	20,289
31 to 60 days	**–**	20,388
61 to 90 days	**511**	23,619
Over 90 days	**8,857**	15,802
	9,469	80,098

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$8,857,000 (As at 30 June 2012: HK$15,802,000) which are past due at the end of the reporting period 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 (As at 30 June 2012: over 90 days).

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

	31 December 2013 HK$'000	30 June 2012 HK$'000
Overdue by:		
Over 90 days	**8,857**	15,802

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

	From 1 July 2012 to 31 December 2013	From 1 July 2011 to 30 June 2012
	HK$'000	*HK$'000*
At 1 July	**41**	–
Impairment loss recognised during the period/year	**–**	41
At 31 December/30 June	**41**	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 HK$41,000 as at 31 December 2013 and 30 June 2012 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.

10. TRADE PAYABLES

	31 December 2013	30 June 2012
	HK$'000	*HK$'000*
Trade payables	**5,256**	7,854

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

	31 December 2013	30 June 2012
	HK$'000	*HK$'000*
61 to 90 days	**38**	–
Over 90 days	**5,218**	7,854
	5,256	7,854

The average credit period on purchases of goods is 90 days (As at 30 June 2012: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group audited financial statements for the eighteen months ended 31 December 2013 which has included a paragraph of other matter, but without qualification:

"OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss and cash flow for the eighteen months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2012 were audited by another auditors who expressed a qualified opinion on those statements on 27 September 2012 as a result of (1) the scope limitation on the impairment assessment of other receivables of approximately HK$33,972,000 as at 30 June 2012; and (2) the scope limitation on the impairment assessment of loan and loan interest receivables of approximately HK$10,858,000 as at 30 June 2012."

MANAGEMENT DISCUSSION AND ANALYSIS

During the eighteen months ended 31 December 2013, the Group's operations comprised sales of telecommunication products and services and transmedia advertising services 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 disposed of on 28 September 2012.

During the period under review, the Group completed the disposal of the operations of film exhibition and film rights licensing and sub-licensing and artiste management. The Group also completed the acquisitions of HCH Investments Limited and its subsidiaries (collectively referred to as "Hughes China Group") and of Galaxy Palace Group Limited and its subsidiaries (collectively referred to as "CERNET Wifi Group") on 5 April 2013 and 24 April 2013 respectively.

Due to the poor performance of the businesses acquired during the year ended 30 June 2012 in the period under review, the Group's turnover decreased from approximately HK$102.8 million (including continuing operations of approximately HK$100.2 million and discontinued operations of approximately HK$2.6 million) for the year ended 30 June 2012 to approximately HK$61.1 million (including continuing operations of approximately HK$61.1 million and discontinued operations of approximately HK$0.03 million) for the eighteen months ended 31 December 2013. However, due to the decrease in impairment loss on goodwill and intangible assets arose from the acquisition of Ease Ray Limited and its subsidiaries (collectively referred to as "Ease Ray Group") recognized in the period under review, the Group's net loss attributable to owners of the Company decreased from approximately HK$465.2 million for the year ended 30 June 2012 to approximately HK$315.7 million for the eighteen months ended 31 December 2013.

SALES OF TELECOMMUNICATION PRODUCTS AND SERVICES

CERNET Wifi Group

On 24 April 2013, the Group completed the acquisition of CERNET Wifi Group that is principally engaged in the provision of personal broadband access services for China Education and Research Network ("CERNET") developed by the Ministry of Education in the PRC, including the construction and operation of individual broadband access network, the development of Internet content and the provision of value-added telecommunication services in all higher educational institutions that are connected to CERNET ("CERNET services"). Faculties and students can access to online libraries and academic journals of other universities worldwide through CERNET. Pursuant to asset leasehold and cooperation contracts entered into between CERNET Wifi Group and 塞爾網絡有限公司 (CERNET Company Limited*) ("CCL"), CERNET Wifi Group is entitled to the economic benefits generated by the assets owned by CCL in relation to CERNET services.

Hughes China Group

On 5 April 2013, the Group completed the acquisition of Hughes China Group that is mainly engaged in the development of Internet technology and satellite communication technology as well as the trading of satellite communication system devices.

During the period under review, other than the sale of satellite communication system devices and the provision of the relevant services, Hughes China Group had been working on two major projects, one located in Sichuan province, namely "天地星", and the other located in Inner Mongolia, namely "蒙古包".

天地星 is an integration of Hughes China services into the terrestrial based service provided by Sichuan branch of a major telecommunication operator in the PRC ("Sichuan Telecom"). Major orders from Sichuan Telecom for village broadband project, cellular backhaul and enterprise customers were anticipated.

蒙古包 is a project that provides broadband services, including distributing movies to students in universities, high schools and primary schools. This project will evolve into providing broadband services to each remote household such as Mongolian yurt.

As the above projects are subject to the approval of Sichuan Telecom's headquarters and the relevant authorities respectively, timing of both projects have been delayed to the second half of 2014.

Smart Long Group

During the period under review, the performance of Smart Long Group improved compared to that for the year ended 30 June 2012. It was mainly attributable to the increase in revenue generated from sale and installation of network platform and the related after-sale services.

Sale of high temperature superconducting ("HTS") filtering solutions, the main sources of revenue of Smart Long Group, has been adversely affected by the supply shortage of HTS filters and the change in procurement policy of the major telecommunication operators in the PRC. In order to diversify the sources of revenue, Smart Long Group has developed the sale of other telecommunication products, such as e-commerce network platform and mobile Internet network as well as its related services, including installation and training.

Given the latest development of sale of HTS filtering solutions and the change in Smart Long Group's focus, the management has revised the related cash flow forecast for valuation purposes. Based on the business valuation result, impairment loss against the goodwill arose from the acquisition of Smart Long Group of approximately HK$16.2 million was recognised for the eighteen months ended 31 December 2013.

TRANSMEDIA ADVERTISING SERVICES

During the period under review, Ease Ray Group's revenue has significantly decreased as compared to that for the year ended 30 June 2012. It was mainly attributable to: 1) road expansion and subway construction carried out by the municipal governments of Xiamen and Nanchang, our pedestrian traffic signboards located in the two cities have been temporarily uninstalled; 2) the policy implemented by the municipal government of Shangrao to rectify the local over-advertised market, which has adversely affected our business; 3) maintenance for the aged traffic signboards, from which no revenue was generated until the maintenance work is completed; and 4) fierce competition in the outdoor advertising industry and the worsening economies in the PRC.

In view of the above, the Directors and Ease Ray Group's management have reassessed the profitability of the existing operation of Ease Ray Group. The Directors considered that it would be capital intensive to turn around the existing business of Ease Ray Group, particularly capital required for maintenance of the aging traffic signboards and installation of new traffic signboards. In addition, due to the outdating technology of the traffic signboards and the fierce competition in the outdoor advertising industry in the PRC, management of the Group considered that Ease Ray Group should change its operating mode in order to improve its profitability. During the period under review, Ease Ray Group was granted an exclusive right to use in the PRC a new technology that enhances the image of LED display. With this new technology, Ease Ray Group has been exploring potential outdoor advertising media other than traffic signboards and looking for partners to develop the new business.

The recoverable amount of transmedia advertising services cash-generating unit has been solely determined based on the anticipated profitability derived from business of traffic signboards operated by Ease Ray Group. Based on the current market condition and the Company's strategic focus, the management expects the profitability of Ease Ray Group may not be as good as originally forecasted. Actual performance for the past two years was below expectation and the market is expected to remain challenging in the coming years in view of the capital required for the maintenance of aged traffic signboards and the recent economic development. Although the management expects the above-mentioned new technology will improve the profitability of Ease Ray Group, in accordance with the relevant financial reporting standards, the related future cash inflows are not included in the forecast for valuation purposes. As a result, based on the business valuation result, impairment loss against the goodwill attributable to the transmedia advertising services cash-generating unit of approximately HK$285.8 million and against the relevant intangible assets of approximately HK$23.8 million were recognised for the eighteen months ended 31 December 2013.

FILM EXHIBITION AND FILM RIGHTS LICENSING AND SUB-LICENSING AND ARTISTE MANAGEMENT

On 21 June 2012, the Company entered into a sale agreement with an independent third party in relation to the disposal of the business of these two segments for a consideration of HK$8,000,000 (the "Disposal"). The Disposal was completed on 28 September 2012.

PROSPECTS

CERNET Wifi Group

CERNET is currently operating 27 projects, i.e. providing services in 27 universities, network of which are mostly wired. For new projects, wireless infrastructure will be set up in order to avoid significant investment and increase the mobility of the users' equipment. We will also link up the existing projects into a unified authentication campus network that will bring e-commerce business opportunities to the Group. During the first quarter of 2014, CERNET Wifi Group has obtained the ISP license in the PRC which enables it to be an Internet service provider in the PRC.

Hughes China Group

The management will continue to work on the two major projects, 天地星 and 蒙古包, which are expected to generate significant results during the second half of 2014. In addition, the management is interested in a number of other potential projects, such as coal mines and non-coal mine surveillance and maritime solutions. Such projects require a significant amount of investment and the management is now considering various alternatives in funding these potential projects.

Smart Long Group

Given the latest development of sale of HTS filtering solutions, the management is seeking other source of revenue. Amongst the various projects that the management is working on include mobile Internet lottery.

Smart Long Group is currently working with a number of lottery operators in the PRC. Smart Long Group will provide IT support, including design and development of lottery platform and game distribution infrastructure, to these lottery operators for a commission income. The management expects this project will contribute revenue to the Group in the first half of 2014.

Ease Ray Group

While the management has decided to scale down the business of traditional traffic signboards, the management will continue to work with the municipal governments of Xiamen, Nanchang and Shangrao for a timetable of resuming our services and will continue to carry out maintenance work on the aged traffic signboards so as to maintain their normal operation.

With the new display technology, the management will explore potential outdoor advertising media other than traffic signboards to diversify the source of revenue and improve profitability.

Overall

The Directors are currently assessing the Group's existing operations that will be reorganized by discontinuing certain loss making and risky projects in order to minimize the Group's exposure to financial as well as business risks.

Going forward, the Group will continue to consider various alternatives in obtaining additional resources to develop the existing businesses and turning them around. On the other hand, the Group will continue to explore potential investment opportunities in order to broaden the Group's profit base.

FINANCIAL POSITION

During the period under review, the Group generally financed its operations with internally generated resources and borrowings. As at 31 December 2013, the Group had other loan of HK$27.3 million that is repayable within one year (30 June 2012: Nil).

As at 31 December 2013, the Group had current assets of approximately HK$114.9 million (30 June 2012: HK$254.3 million), including cash and cash equivalents of approximately HK$11.0 million (30 June 2012: HK$7.7 million), trade receivables, prepayments, deposits, other receivables and payment in advances of approximately HK$102.6 million (30 June 2012: HK$174.4 million) and loan interest receivable and current portion of loan receivable of approximately HK$nil (30 June 2012: HK$56.3 million); and current liabilities of approximately HK$58.3 million (30 June 2012: HK$73.5 million). The Group's current ratio had decreased from approximately 3.5 times as at 30 June 2012 to approximately 2.0 times as at 31 December 2013.

The Group had total assets of approximately HK$743.5 million (30 June 2012: HK$694.3 million) and total liabilities of approximately HK$241.9 million (30 June 2012: HK$83.3 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 33% as at 31 December 2013 (30 June 2012: 12%).

The Group's turnover for the eighteen months ended 31 December 2013 amounted to approximately HK$61.1 million (30 June 2012: HK$102.8 million).

COMMITMENTS

Details of commitments of the Group were set out in note 40 to the consolidated financial statements.

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 31 December 2013 and 30 June 2012, the Group did not have any outstanding hedging instruments.

Use of Net Proceeds from the issues of unlisted warrants and the Placing

Issues of Unlisted Warrants

On 5 November 2012, the Company entered into warrant subscription agreements with six independent third parties ("Group A Subscribers"), pursuant to which the Company agreed to issue and Group A Subscribers agreed to subscribe for an aggregate of 200,000,000 unlisted warrants at an issue price of HK$0.01 per warrant ("Warrants (A)"). Each of Warrants (A) carries the right to subscribe for one new share of the Company at the initial exercise price of HK$0.54 per share (subject to adjustment) during a period of two years commencing from (and inclusive of) 5 December 2012, the date of issue of Warrants (A).

On 3 December 2012, the Company entered into warrant subscription agreements with another six independent third parties ("Group B Subscribers"), pursuant to which the Company agreed to issue and Group B Subscribers agreed to subscribe for an aggregate of 254,000,000 unlisted warrants at an issue price of HK$0.05 per warrant ("Warrants (B)"). Each of Warrants (B) carries the right to subscribe for one new share of the Company at the initial exercise price of HK$0.59 per Share (subject to adjustment) during a period of two years commencing from (and inclusive of) 21 December 2012, the date of issue of Warrants (B).

Placing of Shares

Pursuant to the terms of the agreement dated 25 July 2013 entered into between the Company and an independent third party in relation to the placing of a maximum of 109,000,000 ordinary shares at HK$0.33 per share (the "Placing"), 109,000,000 ordinary shares were placed at HK$0.33 per share to one placee who is independent of the Company and its connected persons (as defined under the GEM Listing Rules) on 13 August 2013.

The Company successfully completed the Issues of Warrants (A), Warrants (B) and the Placing on 5 December 2012, 21 December 2012 and 13 August 2013 respectively, raising an aggregate net proceeds (after deduction of the related expenses) of approximately HK$49,900,000. The Company has utilised the net proceeds in the manner consistent with that disclosed in its announcements dated 5 November 2012, 3 December 2012 and 25 July 2013, i.e. as general working capital of the Group.

EMPLOYEES

As at 31 December 2013, the Group had 119 staff (30 June 2012: 43). Total employee remuneration, including that of the Directors, for the period under review is approximately HK$67.3 million (30 June 2012: HK$8.3 million), which includes share-based payments of approximately HK$30.5 million (30 June 2012: Nil). 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 19 December 2012, 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.

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 eighteen months ended 31 December 2013, with the exception of the deviation of code provision A.4.1 and A.6.7 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.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, except that Mr. LAM Kin Kau, Mark attended the annual general meeting held on 19 December 2012, all the independent non-executive Directors did not attend general meetings of the Company held during the eighteen months ended 31 December 2013 due to other business engagement.

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 eighteen months ended 31 December 2013.

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 2013.

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 31 December 2013.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee consists of all the Company's independent non-executive Directors, namely Mr. LEUNG Ka Wo, Ms. LU Zhuo and Mr. CHOU JianZhong who were all appointed on 20 March 2014. The chairman of the Audit Committee is Mr. LEUNG Ka Wo, who possesses extensive experience in finance and accounting.

The Audit Committee held nine meetings during the period under review and the then committee members attended the meetings.

The Group's audited annual results for the year ended 30 June 2012 and the unaudited quarterly and interim results during the eighteen months ended 31 December 2013 have been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

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

Hong Kong, 31 March 2014

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

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 Growth Enterprise Market 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.