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 31 DECEMBER 2014

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.*

FINAL RESULTS

The board of directors ("Directors") of Neo Telemedia Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative figures for the eighteen months ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**12 months ended 31 December 2014 HK$'000**	18 months ended 31 December 2013 HK$'000
Continuing operations			
Turnover	4	**34,550**	61,067
Cost of sales		**(23,628)**	(29,900)
Gross profit		**10,922**	31,167
Other income and gains		**755**	20,528
Change in fair value of contingent consideration payable		**–**	93,587
Change in fair value of derivative financial assets		**(711)**	(5,495)
Selling and marketing costs		**(2,718)**	(5,270)
Administrative and other expenses		**(118,345)**	(124,706)
Impairment loss recognised in respect of intangible assets		**(84,802)**	(23,769)
Impairment loss recognised in respect of goodwill		**(254,966)**	(301,997)
Share of loss of an associate		**–**	(335)
Net loss on de-consolidation of a subsidiary		**(174,024)**	–
Finance costs		**(23,373)**	(11,986)
Loss before tax	7	**(647,262)**	(328,276)
Income tax credit	6	**14,770**	2,758
Loss for the year/period from continuing operations		**(632,492)**	(325,518)
Discontinued operation			
Profit for the year/period from discontinued operation, net of income tax		**–**	333
Loss for the year/period		**(632,492)**	(325,185)
Other comprehensive (loss)/income for the year/period, net of tax			
Exchange difference on translating of foreign operations			
Exchange differences arising during the year/period		**(973)**	2,761
Reclassification adjustment relating to foreign operation de-consolidated during the year/period		**(355)**	–
		(1,328)	2,761
Total comprehensive loss for the year/period		**(633,820)**	(322,424)

	Notes	**12 months ended 31 December 2014** *HK$'000*	18 months ended 31 December 2013 *HK$'000*
(Loss)/profit for the year/period attributable to:			
Owners of the Company			
– from continuing operations		**(567,394)**	(316,069)
– from discontinued operation		**–**	333
		(567,394)	(315,736)
Non-controlling interests			
– from continuing operations		**(65,098)**	(9,449)
– from discontinued operation		**–**	–
		(65,098)	(9,449)
		(632,492)	(325,185)
Total comprehensive loss attributable to:			
Owners of the Company		**(568,242)**	(314,811)
Non-controlling interests		**(65,578)**	(7,613)
		(633,820)	(322,424)
		HK Cents	*HK Cents*
Loss per share	*8*		
From continuing and discontinued operations			
Basic		**(21.22)**	(13.08)
Diluted		**(21.22)**	(13.08)
From continuing operations			
Basic		**(21.22)**	(13.09)
Diluted		**(21.22)**	(13.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
Non-current assets			
Property, plant and equipment		**11,957**	46,594
Interests in an associate		**–**	–
Goodwill		**6,403**	329,017
Intangible assets		**59,206**	252,987
Deposit for acquisition of property, plant and equipment		**21,693**	–
		99,259	628,598
Current assets			
Inventories		**277**	614
Trade receivables	*10*	**891**	9,469
Prepayments, deposits and other receivables		**15,680**	93,130
Derivative financial assets		**–**	711
Cash and cash equivalents		**31,668**	10,966
		48,516	114,890
Current liabilities			
Trade payables	*11*	**10,326**	5,256
Other payables and accruals		**84,870**	47,463
Deposits received		**–**	149
Receipts in advances		**76**	162
Tax liabilities		**–**	5,288
		95,272	58,318
Net current (liabilities)/assets		**(46,756)**	56,572
Total assets less current liabilities		**52,503**	685,170
Non-current liabilities			
Convertible notes		**148,768**	142,240
Deferred tax liabilities		**6,804**	41,366
		155,572	183,606
Net (liabilities)/assets		**(103,069)**	501,564
Capital and reserves			
Share capital		**275,492**	255,492
Reserves		**(406,934)**	141,584
Equity attributable to owners of the Company		**(131,442)**	397,076
Non-controlling interests		**28,373**	104,488
Total equity		**(103,069)**	501,564

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 arising during the period	–	–	–	–	–	–	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

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Warrant reserve** *HK$'000*	**Convertible notes 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 January 2014	255,492	1,024,031	47,084	14,600	7,131	–	1,908	7,375	(960,545)	397,076	104,488	501,564
Loss for the year			–	–	–	–	–	–	(567,394)	(567,394)	(65,098)	(632,492)
Exchange difference on translating of foreign operations	–	–	–	–	–	–	(493)	–	–	(493)	(480)	(973)
Exchange differences arising during the year												
Reclassification adjustment relating to foreign operation de-consolidated during the year	–	–	–	–	–	–	(355)	–	–	(355)	–	(355)
Other comprehensive loss for the year	–	–	–	–	–	–	(848)	–	–	(848)	(480)	(1,328)
Total comprehensive loss for the year	–	–	–	–	–	–	(848)	–	(567,394)	(568,242)	(65,578)	(633,820)
Share options lapsed	–	–	(26,427)	–	–	–	–	–	26,427	–	–	–
Placing of shares	20,000	19,724	–	–	–	–	–	–	–	39,724	–	39,724
Warrarts lapsed	–	–	–	(14,600)	–	–	–	–	14,600	–	–	–
De-consolidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(10,537)	(10,537)
At 31 December 2014	275,492	1,043,755	20,657	–	7,131	–	1,060	7,375	(1,486,912)	(131,442)	28,373	(103,069)

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.

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 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 1504, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

During the last 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 prior period cover the eighteen months period ended 31 December 2013 and therefore 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 may not be comparable with amounts shown for the current period.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**") and some subsidiaries' functional currency in US Dollar ("**USD**"), the functional currency of the Company and its remaining subsidiaries are Hong Kong dollar ("**HK$**"). 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 and 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 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"), which are effective for the Group's financial year beginning on 1 January 2014.

HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements

HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRSs (Amendments)	Annual Improvements to HKFRS 2009 – 2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HK(IFRIC) – Int 21	Levies

Except for the amendments to HKAS 36, HKFRS 10, HKFRS 11 and HKFRS 12, the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in account policy on adoption of the amendments to HKAS 36, HKFRS 10, HKFRS 11 and HKFRS 12 are described below.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount and Disclosures for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. The Group has early applied the amendments for the current accounting period beginning on 1 January 2013, but has not applied those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

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.

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

HKFRS 9	Financial Instruments[1]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[7]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[7]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 14 (Amendments)	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[4]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[5]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2010-2012 Cycle[6]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2011-2013 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRS 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
7 No mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements 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 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 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 equity 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 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 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 the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 Hedge Accounting and amendments to HKFRS9, HKFRS 7 and HKAS 39

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost

– In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or

– Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Going concern

The Group incurred loss of approximately HK$632,492,000 for the year ended 31 December 2014 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$46,756,000, and the net liabilities of the Group amounted to approximately HK$103,069,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The Directors have been taking active steps to improve the liquidity position of the Group. These steps included (1) the Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private placements, open offers or rights issue of new shares of the Company; and (2) the Directors continue to take action to tighten cost controls over various operating expenses, with an aim in attaining profitable and positive cash flow operations.

In light of the measures and arrangements as described above and with reference to a cash flow forecast in relation to the current business and financing plans of the Group, the Directors have concluded that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

De-consolidation

Due to i) the non-cooperation of the key management of CERNET Wifi Technology (Beijing) Company Limited ("**CERNET Wifi**"), and ii) the non-cooperation of the holders of CERNET Wifi's non-controlling interests who owned the brand name and network of CERNET, which CERNET Wifi had used for its operations pursuant to an asset leasehold agreement, the Company had been unable to both i) access the complete sets of books and records together with the supporting documents of CERNET Wifi and ii) maintain and operate the business of CERNET Wifi properly. As such, the Directors considered that the Company had lost its control over CERNET Wifi.

As a result, CERNET Wifi had been de-consolidated from the consolidated financial statements of the Group from 1 January 2014. The de-consolidation of CERNET Wifi had resulted in a net loss on de-consolidation of the subsidiary of approximately HK$174,024,000.

The Group had consolidated the assets and liabilities of CERNET Wifi as at 30 June 2014 and their results from the period from 1 January 2014 to 30 September 2014 in its interim report for the six months ended 30 June 2014 and the third quarterly report for the nine months ended 30 September 2014 based on the unaudited management information received. As the Directors had not been provided with the complete set of books and records together with the supporting documents for them to prepare proper consolidated financial statements and to make the appropriate disclosures under the annual report requirements which are more comprehensive than the disclosure requirements of the interim report and the third quarterly report, the Directors considered that it is more appropriate to de-consolidate CERNET Wifi from the consolidated financial statements of the Group as from 1 January 2014.

The following detailed the unaudited financial information, before intra-group balances and transactions elimination, of CERNET Wifi whose assets and liabilities and results had been consolidated in the Group's interim report for the six months ended 30 June 2014 and third quarterly report for the nine months ended 30 September 2014 respectively, but was excluded in these consolidated financial statements for the year ended 31 December 2014.

	Unaudited 9 months ended 30 September 2014
	HK$'000
Revenue	8,969
Loss for the period	(2,219)
Other comprehensive expenses	(1,145)
Total comprehensive loss	(3,364)

	Unaudited 30 June 2014 HK$'000
Non-current assets	129,620
Current assets	11,764
Current liabilities	(444)
Non-current liabilities	(25,040)
Net assets	115,900

In the opinion of the directors of the Company, the consolidated financial statements for the year ended 31 December 2014 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of CERNET Wifi. However, the de-consolidation of the CERNET Wifi from the beginning of the year is a departure from the requirement of HKFRS 10 "Consolidated Financial Statements".

4. 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/period, from continuing operations, is as follows:

	12 months ended 31 December 2014 ***HK$'000***	18 months ended 31 December 2013 *HK$'000*
Continuing operations		
Sale of telecommunication products and services	**33,776**	44,904
Transmedia advertising services	**774**	16,163
	34,550	61,067

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:

– 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	
	12 months ended 31 December 2014	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**33,776**	44,904	**774**	16,163	**34,550**	61,067
Segment results	**(485,849)**	(22,620)	**(84,281)**	(322,460)	**(570,130)**	(345,080)
Interest income					**65**	8,068
Share of loss of an associate					**–**	(335)
Unallocated corporate income					**–**	93,587
Unallocated corporate expenses					**(53,918)**	(72,618)
Unallocated finance costs					**(23,279)**	(11,898)
Loss before tax					**(647,262)**	(328,276)
Income tax credit					**14,770**	2,758
Loss for the year/period					**(632,492)**	(325,518)

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment sales in both year/period. The accounting policies of the operating segments are the same as the Group's accounting policies. 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 2014	31 December 2013	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**121,245**	585,368	**15,059**	98,223	**136,304**	683,591
Unallocated corporate assets					**11,471**	59,897
Consolidated assets					**147,775**	743,488
Segment liabilities	**51,154**	59,534	**1,685**	6,398	**52,839**	65,932
Unallocated corporate liabilities					**198,005**	175,992
Consolidated liabilities					**250,844**	241,924

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 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	
	12 months ended 31 December 2014	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013
	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	**29,257**	208,451	**–**	76,317	**21**	44	**29,278**	284,812
Change in fair value of contingent consideration payable	**–**	–	**–**	–	**–**	(93,587)	**–**	(93,587)
Depreciation of property, plant and equipment	**971**	2,303	**4,617**	8,753	**183**	260	**5,771**	11,316
Amortisation of intangible assets	**27,300**	21,472	**7,574**	14,887	**–**	–	**34,874**	36,359
Loss/(gain) on disposal of property, plant and equipment	**1**	(1,319)	**537**	6,042	**–**	–	**538**	4,723
Impairment loss recognised in respect of property, plant and equipment	**454**	–	**–**	–	**–**	–	**454**	–
Impairment loss recognised in respect of intangible assets	**23,712**	–	**61,090**	23,769	**–**	–	**84,802**	23,769
Impairment loss recognised in respect of goodwill	**254,966**	16,222	**–**	285,775	**–**	–	**254,966**	301,997
Impairment loss recognised in respect of other receivables	**18,364**	–	**7,826**	–	**–**	–	**26,190**	–
Net loss on de-consolidation of a subsidiary	**174,024**	–	**–**	–	**–**	–	**174,024**	–

Capital expenditure for the 12 months ended 31 December 2014 includes additions resulted from acquisition through business combinations, amounting to approximately HK$nil (for the 18 months ended 31 December 2013: HK$163,908,000).

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	
	12 months ended 31 December 2014	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013	**12 months ended 31 December 2014**	18 months ended 31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**25**	2,357	**39**	4,727	**1**	984	**65**	8,068
Finance costs	**94**	88	**–**	–	**23,279**	11,898	**23,373**	11,986
Income tax credit/(expense)	**12,631**	(807)	**2,139**	3,565	**–**	–	**14,770**	2,758

Information about major customers

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

	12 months ended 31 December 2014 ***HK$'000***	18 months ended 31 December 2013 *HK$'000*
[1]Customer A	**N/A**	6,544
[2]Customer B	**N/A**	13,178
[1]Customer C	**12,461**	N/A
[1]Customer D	**6,550**	N/A
[1]Customer E	**5,664**	N/A
	24,675	19,722

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***	
	12 months ended 31 December 2014 ***HK$'000***	18 months ended 31 December 2013 *HK$'000*	**31 December 2014** ***HK$'000***	31 December 2013 *HK$'000*
Continuing operations				
Name of the country				
Hong Kong	**–**	–	**226**	388
The PRC (excluding Hong Kong)	**34,550**	61,067	**99,033**	628,210
	34,550	61,067	**99,259**	628,598

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

6. INCOME TAX CREDIT

Continuing operations	12 months ended 31 December 2014 *HK$'000*	18 months ended 31 December 2013 *HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprise Income Tax	**–**	5,429
– Over-provision for prior year/period	**(5,248)**	–
Deferred tax	**(9,522)**	(8,187)
Total tax credit	**(14,770)**	(2,758)

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.

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%.

The income tax credit for the years can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

Continuing operations	12 months ended 31 December 2014 *HK$'000*	18 months ended 31 December 2013 *HK$'000*
Loss before tax	**(647,262)**	(328,276)
Tax at applicable domestic income tax rate of 16.5% (2013: 16.5%)	**(106,798)**	(54,166)
Tax effect of share of loss of an associate	**–**	55
Tax effect of expense not deductible for tax purpose	**113,950**	60,746
Tax effect of income not taxable for tax purpose	**(6,042)**	(11,085)
Over-provision for prior year/period	**(5,248)**	–
Tax effect of tax losses not recognised	**10,363**	5,875
Utilisation of tax losses previously not recognised	**(1,899)**	–
Tax effect of deductible temporary differences not recognised	**(9,522)**	(8,187)
Tax effect of difference tax rates of subsidiaries operating in other jurisdiction	**(9,574)**	4,004
Income tax credit for the year/period	**(14,770)**	(2,758)

7. LOSS BEFORE TAX

Continuing operations	**12 months ended 31 December 2014** *HK$'000*	18 months ended 31 December 2013 *HK$'000*
Loss before tax has been arrived at after charging/(crediting):		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**15,277**	36,711
– Share-based payments	**–**	30,490
– Contributions to retirement benefits schemes	**113**	144
Total staff costs	**15,390**	67,345
Depreciation of property, plant and equipment	**5,771**	11,316
Amortisation of intangible assets	**34,874**	36,359
Impairment loss recognised in respect of intangible assets	**84,802**	–
Impairment loss recognised in respect of goodwill	**254,966**	–
Impairment loss recognised in respect of other receivables	**26,190**	–
Impairment loss recognised in respect of property, plant and equipment	**454**	–
Net loss on de-consolidation of a subsidiary	**174,024**	–
Exchange difference, net	**595**	(1,539)
Loss on disposal of property, plant and equipment, net	**538**	4,723
Auditors' remuneration		
– audit service	**1,080**	1,080
– non-audit service	**166**	–
Minimum lease payments under operating lease in respect of rented premises	**6,118**	7,193
Cost of inventories recognised as expense	**10,131**	905

8. LOSS PER SHARE

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

	12 months ended 31 December 2014	18 months ended 31 December 2013
	HK$'000	*HK$'000*
Loss for the year/period attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**567,394**	315,736

	12 months ended 31 December 2014	18 months ended 31 December 2013
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,673,825**	2,413,657

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 2014 and 2013.

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

	12 months ended 31 December 2014 *HK$'000*	18 months ended 31 December 2013 *HK$'000*
Loss for the year/period attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	**567,394**	315,736
Profit for the year/period from discontinued operation	**–**	333
Loss for the purpose of basic and diluted loss per share from continuing operations	**567,394**	316,069

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 12 months ended 31 December 2014 is HK$nil (for the 18 months ended 31 December 2013: loss of HK$0.01 cents) per share, based on the profit for the year from the discontinued operations of approximately HK$nil (for the 18 months ended 31 December 2013: HK$333,000) and the denominators detailed above for both basic and diluted loss per share.

9. DIVIDENDS

No dividend was paid or proposed during the 12 months ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (for the 18 months ended 31 December 2013: nil).

10. TRADE RECEIVABLES

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Trade receivables	**932**	9,510
Less: Accumulated allowance for doubtful debts	**(41)**	(41)
	891	9,469

The Group allows an average credit period of 90 days (2013: 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 2014	31 December 2013
	HK$'000	*HK$'000*
Within 30 days	**333**	101
31 to 60 days	**539**	–
61 to 90 days	**–**	511
Over 90 days	**19**	8,857
	891	9,469

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK$19,000 (2013: HK$8,857,000) 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 (2013: over 90 days).

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

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Overdue by:		
Over 90 days	**19**	8,857

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

	From 1 January 2014 to 31 December 2014	From 1 July 2012 to 31 December 2013
	HK$'000	*HK$'000*
At 1 January/1 July	**41**	41
Impairment loss recognised during the year/period	**–**	–
At 31 December	**41**	41

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the report period. The concentration of credit risk is limited due to the customer base being large and unrelated.

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 2014 and 2013. The directors of the Company considered that the Group was unlikely to recover these debts as they were long outstanding over one year. The Group does not hold any collateral over these balances.

11. TRADE PAYABLES

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Trade payables	**10,326**	5,256

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

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
61 to 90 days	**10,289**	38
Over 90 days	**37**	5,218
	10,326	5,256

The average credit period on purchases of goods is 90 days (As at 31 December 2013: 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 year ended 31 December 2014 which has included paragraphs of disclaimer opinion:

OPINION

Basis for Disclaimer of Opinion

a) De-consolidation of a subsidiary

Due to i) the non-cooperation of the key management of CERNET Wifi Technology (Beijing) Company Limited ("CERNET Wifi"), and ii) the non-cooperation of the holder of CERNET Wifi's non-controlling interests who owned the brand name and network of CERNET, which CERNET Wifi had used for its operations pursuant to an asset leasehold agreement, the Company had been unable to both i) access the complete sets of books and records together with the supporting documents of CERNET Wifi and ii) maintain and operate the business of CERNET Wifi properly. As such, the directors of the Company consider that the Company has lost its control over CERNET Wifi.

As a result, CERNET Wifi had been de-consolidated from the consolidated financial statements of the Group from 1 January 2014. The de-consolidation of CERNET Wifi had resulted in a net loss on de-consolidation of the subsidiary of approximately HK$174,024,000.

In the opinion of the directors of the Company, the consolidated financial statements for the year ended 31 December 2014 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of CERNET Wifi. However, the de-consolidation of CERNET Wifi from the beginning of the year is a departure from the requirement of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

We have not been provided with sufficient information and explanations on the de-consolidation of CERNET Wifi and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to de-consolidate the assets and liabilities and cease to record results of operations of CERNET Wifi from the consolidated financial statements from the beginning of the financial year ended 31 December 2014. In addition, due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of CERNET Wifi, we were unable to obtain sufficient appropriate audit evidences to determine whether the net loss on de-consolidation of a subsidiary of approximately HK$174,024,000, which were charged to the Group's loss for the year ended 31 December 2014, was free from material misstatement.

b) Appropriateness of using going concern basis in preparing the consolidated financial statements

The Group incurred loss of approximately HK$632,492,000 for the year ended 31 December 2014 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$46,756,000, while net liabilities of the Group amounted to HK$103,069,000. These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the step being taken by the directors of the Company describe in note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustment may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumption made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern basis was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness using the going concern assumption, which might have a consequential significant effect on the Group's net liabilities as at 31 December 2014 and loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Any adjustments that might have been found to be necessary in respect of the above matters, including any related tax impact, would have a significant effect on the Group's loss and cash flows for the year ended 31 December 2014, the state of the Group's affairs as at 31 December 2014 and the related disclosures thereof in the consolidated financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as whether they give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's loss and cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

During the year ended 31 December 2014, the Group's operations comprised sales of telecommunications products and services and transmedia advertising services in the People's Republic of China ("**PRC**").

During the year under review, due to the de-consolidation of CERNET Wifi Technology (Beijing) Company Limited ("**CERNET Wifi**"), together with the poor performance of Ease Ray Limited and its subsidiaries (collectively referred to as "**Ease Ray Group**") and Smart Long Limited and its subsidiaries (collectively referred to as "**Smart Long Group**"), the Group's turnover decreased from 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 period ended 31 December 2013 to approximately HK$34.6 million (including continuing operations of approximately HK$34.6 million and discontinued operations of HK$ nil) for the year ended 31 December 2014. In addition, due to the impairment loss on goodwill arose from various acquisitions completed during the last three years of approximately HK$255 million and the impairment on the related intangible assets of approximately HK$84.8 million recognised in the year under review, the Group's net loss attributable to owners of the Company increased from approximately HK$315.7 million for the eighteen months ended 31 December 2013 to approximately HK$567.4 million for the year ended 31 December 2014.

SALES OF TELECOMMUNICATION PRODUCTS AND SERVICES

CERNET Wifi Group

Through Galaxy Palace Group Limited and its subsidiaries (collectively referred to as the "**CERNET Wifi Group**"), the Group is engaged in the provision of personal broadband access services for China Education and Research Network ("**CERNET**").

As detailed in the Company's announcement dated 20 March 2015, due to (i) the non-cooperation of the former general manager of CERNET Wifi, a 75% subsidiary of the Company, who is the key management staff nominated by 北京天一金網科技有限公司, an entity wholly controlled by the Company through structured contracts, and (ii) the non-cooperation of the holders of the non-controlling interests who owned the brand name and network of CERNET, a Chinese online education network, which CERNET Wifi had used for its operations pursuant to an asset lease agreement ("**Asset Lease Agreement**") entered into between CERNET Wifi and 賽爾網絡有限公司 (CERNET Company Limited*) ("**CCL**"), the Company had been unable to access the books and records of CERNET Wifi and maintain CERNET Wifi's operations properly. As such, the Directors considered that the Company had lost its control over CERNET Wifi. CERNET Wifi was therefore deconsolidated from the Group's consolidated financial statements from 1 January 2014 and a loss on de-consolidation of approximately HK$174.0 million was recognised in the profit and loss. For details of the de-consolidation of CERNET Wifi, please refer to the Company's 2014 annual report.

Hughes China Group

Through HCH Investments Limited and its subsidiaries (collectively referred to as the "**Hughes China Group**"), the Group is engaged in the development of Internet technology and satellite communication technology as well as the trading of satellite communication system devices.

During the year under review, other than the sale of satellite communication system devices and the provision of the relevant services, Hughes China Group entered into an agreement with 貴州中大星網網絡科技有限公司 (Guizhou Zhongda Star Network Science And Technology Co., Ltd*) ("**Guizhou Zhongda**") for the sale of coal-mine surveillance systems and solutions, thus leading to an increase in revenue contributed to the Group as compared to the eighteen months period ended 31 December 2013.

Despite the improvement in revenue contribution, the two major projects, namely "天地星" and "蒙古包", which the Hughes China Group had been working on since last financial period, had not been carried out as originally scheduled due to the continuous delay in obtaining funding by HughesNet China Company Limited（休斯網絡技術（北京）有限公司）("**HughesNet China**"), a subsidiary that is 45% indirectly owned by the Company and the operating entity of Hughes China Group. As a result, the Group was not able to develop the business of Hughes China Group as originally planned and its profitability has been adversely impacted. Based on the updated business valuation of Hughes China Group, the Group has recognised an impairment loss of approximately HK$205.4 million on goodwill arose on the acquisition of Hughes China Group for the year ended 31 December 2014.

The recoverable amount of Hughes China Group's cash generating unit is determined based on value-in-use calculation. Such calculation is based on 1) the profit forecast prepared by HughesNet China covering a five-year period and 2) a discount rate of 28.31% (2013: 29.03%) per annum which reflects current market assessments of the time value of money and the credit risk specific to the cash generating unit.

Given the aforesaid factors and the results of the annual review of the existing business by HughesNet China's management, which have adversely affected the financial performance of Hughes China Group, figures, particularly revenue, adopted in the five-year profit forecast of HughesNet China have been revised. For the eighteen months ended 31 December 2013, a compound average growth rate ("**CAGR**") of revenue of approximately 41.06% was adopted for the five-year profit forecast used for the value-in-use calculation while for the year ended 31 December 2014, a CAGR of revenue of approximately 18.10% was adopted.

Other than the aforesaid revision, key assumptions and valuation method have substantially remained the same for the value-in-use calculation as at 31 December 2013 and 31 December 2014.

* *for identification purpose only*

Smart Long Group

During the year under review, the performance of Smart Long Group has declined as compared to that for the eighteen months period ended 31 December 2013, mainly attributable to the significant decrease in revenue generated from sale and installation of network platform and the related after-sale services. In view of the uncertainty of the business of high temperature superconducting ("**HTS**") filtering solutions, Smart Long Group has shifted its focus on other projects since the last financial year, particularly mobile internet lottery. During the year under review, Smart Long Group entered into co-operation agreements with 深圳市中航系統集成有限公司 (Shenzhen CATIC System Integration Co., Ltd*) for the promotion of Internet lottery sales. Lottery platform and website had been developed and launched subsequent to the year-end date.

Given the uncertainty of the business of HTS filtering solutions and the change in Smart Long Group's focus, it is expected that the original cash generating unit, i.e. the business of HTS filtering solutions and the IT support services, will not generate any cash flow in the future. As a result, the management has decided to fully write off the goodwill arose from the acquisition of Smart Long Group and the relevant intangible assets in accordance with the relevant financial reporting requirements.

PROVISION OF TRANSMEDIA ADVERTISING SERVICES

During the year under review, Ease Ray Group's revenue has significantly decreased as compared to that for the eighteen months period ended 31 December 2013. It was mainly attributable to the policy implemented by the municipal government of Shangrao to rectify the local over-advertised market and the fierce competition in the outdoor advertising industry in the PRC. As a result, the number of operating traffic signboards has decreased.

PROSPECTS

CERNET WIFI GROUP

The outcome of the legal proceedings remained uncertain as at the date of this announcement, the management will continue to work with the Group's PRC legal advisers and closely monitor the progress of the legal proceedings of CERNET Wifi.

Hughes China Group

Upon the entering into of the agreement with Guizhou Zhongda, Hughes China Group has kicked off its coal mine surveillance projects. Initially, it will cover 11 coal mines in Guizhou, the PRC. The management of Hughes China Group is working on additional coverage and expects to secure the opportunity within the next financial year.

* *for identification purpose only*

Smart Long Group

Due to the recent promulgation of the Notice of General Administration of Sport on the Practical Implementation of Special Audit Opinions on Lottery Funds to Strengthen the Sports Lottery Management (《體育總局關於切實落實彩票資金專項審計意見加強體育彩票管理工作的通知》) by the General Administration of Sport of the PRC and the Notice on Issues Regarding Conducting Self-examination and Self-correction Activities of the Unauthorised Sale of Lottery through Internet (《關於開展擅自利用互聯網銷售彩票行為自查自糾工作有關問題的通知》) jointly promulgated by the Ministry of Finance, Ministry of Civil Affairs and the General Administration of Sport of the PRC, the Group's business partners had suspended the operations of online sale of paperless lottery tickets and sale of lottery tickets through mobile phones with effect from 17 February 2015. Accordingly the Group's lottery-related business has been suspended simultaneously.

The management will pay close attention to the development of the new government policies and regulations on online lottery business and work closely with its business partner with an aim to resume its online lottery business as soon as possible.

Ease Ray Group

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.

Other projects

On 30 January 2015, NEO Mobile Holdings Limited ("**NEO Mobile**") and an independent third party (the "**Vendor**") entered into an agreement regarding Guangdong Wei Hai Xiao Yuan Mobile Network Company Limited* (《關於廣東蔚海校園移動網絡有限公司的協議》) (the "**Agreement**"). Pursuant to the Agreement, the Vendor has conditionally agreed to execute and procure the execution of certain structured contracts (the "**Structured Contracts**") and NEO Mobile has conditionally agreed to procure the issuance and allotment of 303,000,000 ordinary shares of the Company to the Vendor at HK$0.33 per share with the total subscription price of HK$99,990,000.

The execution of the Structured Contracts will enable the Group to capture high growth opportunity in the WiFi access services and enlarge its market share in the mobile internet industry in the PRC.

For details of the Agreement and the Structure Contracts, please refer to the Company's announcement dated 30 January 2015.

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

Overall

The Directors are currently assessing the Group's existing operations that will be reorganised 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 resources to develop to 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 year under review, the Group generally financed its operations with internally generated resources and borrowings. As at 31 December 2014, the Group had other loan of HK$27.3 million that is repayable within one year (31 December 2013: HK$27.3 million).

As at 31 December 2014, the Group had current assets of approximately HK$48.5 million (31 December 2013: HK$114.9 million), including cash and cash equivalents of approximately HK$31.7 million (31 December 2013: HK$11.0 million), trade receivables, prepayments, deposits, other receivables and payment in advances of approximately HK$16.6 million (31 December 2013: HK$102.6 million); and current liabilities of approximately HK$95.3 million (31 December 2013: HK$58.3 million). The Group's current ratio had decreased from approximately 2.0 times as at 31 December 2013 to approximately 0.5 times as at 31 December 2014.

The Group had total assets of approximately HK$147.8 million (31 December 2013: HK$743.5 million) and total liabilities of approximately HK$250.8 million (31 December 2013: HK$241.9 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 170% as at 31 December 2014 (31 December 2013: 33%).

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 2014 and 31 December 2013, the Group did not have any outstanding hedging instruments.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 15 May 2014, the Company entered into the placing agreement (the "**Placing Agreement**") with Kingston Securities Limited (the "**Placing Agent**"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 200,000,000 ordinary shares (the "**Placing Shares**") at HK$0.201 per share (the "Placing"). The closing price of the shares of the Company was HK$0.25 per share as quoted from the GEM on the date of the Placing Agreement. The completion of the Placing took place on 29 May 2014 whereby 200,000,000 Placing Shares were placed to not less than six placees, raising net proceeds (after deduction of the related expenses) of approximately HK$39.7 million (i.e. HK$0.1985 per Placing Share). The aggregate nominal value of the Placing Shares is HK$20,000,000. The reason for carrying out the Placing was to present an opportunity for the Company to raise additional funds while broadening the shareholder and capital base of the Company. The Company has utilised the net proceeds in the manner consistent with that disclosed in its announcement dated 15 May 2014, i.e. as general working capital of the Group.

LEGAL PROCEEDINGS

Reference is made to the announcement of the Company dated 15 October 2014 regarding the receipt of a winding-up petition (the "**Winding-up Petition**") by the Company on 15 October 2014, presented by Beyond Net Service Limited (the "**Petitioner**") at the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against the Company. The Winding-up Petition concerns a sum of HK$3,067,500 (the "**Claim**"), being the amount of a cheque issued by the Company on behalf of Cloud Computing Investment Limited ("**Cloud Computing**"), a wholly-owned subsidiary of the Company, to the Petitioner pursuant to a consultancy agreement entered into between the Petitioner and Cloud Computing on 1 August 2012 (the "**Consultancy Agreement**"). In accordance with the Consultancy Agreement, the Petitioner should provide certain consultation and services to Cloud Computing within one year from the date of the agreement but the Petitioner has failed to do so. Having reviewed the details of the Winding-up Petition and the relevant facts, the Company has instructed its legal advisers to apply for striking out and dismissal of the Winding-up Petition, which will be heard at the High Court on 4 May 2015.

The Company has further instructed its legal advisers to advise and take action on behalf of Cloud Computing against the Petitioner on the Petitioner's failure to perform the Consultancy Agreement. Pursuant to such instructions, the legal adviser has issued a High Court Action on 5 December 2014 against the Petitioner.

Having considered the Claim and the financial position of the Company, the Directors are of the view that the Winding-up Petition would not result in any material adverse impact on the operation and financial position of the Group.

EMPLOYEES

As at 31 December 2014, the Group had 45 staff (31 December 2013: 119). The total remuneration, including that of the Directors, for the year under review is approximately HK$16.0 million (31 December 2013: HK$67.3 million), which includes share based payments of HK$ nil (31 December 2013: HK$30.5 million). The Group remunerates its employees based on their performances, experience and the prevailing industry practice. Employee remuneration, excluding Director's 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 to 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 31 December 2014, with the exception for the following deviations:

Under code provision A.2.1, the responsibilities between chairman and chief executive officer should be divided. Mr. Cheung Sing Tai is the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

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 ("**Articles**") and the Code on Corporate Governance Practices of the GEM Listing Rules. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

Under code provision A.5.1, the Company should establish a nomination committee ("**Nomination Committee**") comprises a majority of independent non-executive Directors. Following the retirement of Dr. Jih Chyi LEU ("**Dr. Leu**") and Professor SONG Jude ("**Professor Song**") as independent non-executive Directors at the annual general meeting of the Company held on 17 March 2014, and the removal of Mr. LAM Kin Kau, Mark ("**Mr. Lam**") as an independent non-executive Director on 18 March 2014, Dr. Leu ceased to be the chairman of the Nomination Committee on 17 March 2014 and Professor Song and Mr. Lam ceased to be members of the Nomination Committee on 17 March 2014 and 18 March 2014 respectively, the Company failed to have sufficient number of members of Nomination Committee since then until the appointment of (i) Mr. CHEUNG Sing Tai ("**Mr. Cheung**"), an executive Director, as chairman of the Nomination Committee, and (ii) two independent non-executive Directors, namely Mr. LEUNG Ka Wo ("**Mr. Leung**"), Ms. LU Zhuo ("**Ms. Lu**") (who was appointed on 20 March 2014 and resigned on 16 May 2014) as members of the Nomination Committee on 20 March 2014.

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, due to business engagements, Professor SONG Junde, a former independent non-executive Director did not attend the annual general meeting of the Company held on 17 March 2014.

Under code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Except for Mr. Cheung, and Mr. ZHANG Xinyu, the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

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 31 December 2014.

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 31 December 2014.

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 2014.

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, Mr. CHOU Jianzhong and Ms. XI Lina. The chairman of the Audit Committee is Mr. LEUNG Ka Wo, who possesses extensive experience in finance and accounting.

The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2014.

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

Hong Kong, 26 March 2015

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

This announcement, for which the Directors 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.