



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



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Neo Telemedia Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Neo Telemedia Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- 1. the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and*
- 2. there are no other matters the omission of which would make any statement herein or this report misleading.*

UNAUDITED RESULTS

The board of directors (the “Board”) of Neo Telemedia Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months and six months ended 31 December 2011 together with comparative unaudited figures for the corresponding periods of 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31 December		For the three months ended 31 December	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Turnover	3	45,378	4,056	15,292	2,028
Cost of sales		(4,185)	—	(2,626)	—
Gross profit		41,193	4,056	12,666	2,028
Other income	5	2,451	—	1,855	—
Selling and marketing costs		(11,566)	—	(10,145)	—
Administrative and other expenses		(21,342)	(8,832)	(16,112)	(4,648)
Profit (loss) from operating activities	6	10,736	(4,776)	(11,736)	(2,620)
Finance costs	7	(2,204)	(7)	(2,197)	(5)
Profit (loss) before income tax		8,532	(4,783)	(13,933)	(2,625)
Income tax expenses	8	(13,864)	—	(7,814)	—
Loss for the period from continuing operations		(5,332)	(4,783)	(21,747)	(2,625)
Discontinuing operations					
(Loss) profit for the period from discontinuing operations	15	(140)	7,089	(37)	5,230
(Loss) profit for the period		(5,472)	2,036	(21,784)	2,605
Attributable to:					
Owners of the Company		(13,344)	2,306	(20,814)	2,605
Non-controlling interest		7,872	—	(970)	—
		(5,472)	2,036	(21,784)	2,605
Dividend	9	—	—	—	—

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31 December		For the three months ended 31 December	
		2011 (unaudited) HK\$	2010 (unaudited) HK\$ (As restated)	2011 (unaudited) HK\$	2010 (unaudited) HK\$ (As restated)
Loss per share					
from continuing operations					
attributable to owners of the					
Company during the period					
Basic (in HK cents):					
Current period/prior period as					
retrospectively restated	10	(0.65)	(0.31)	(0.99)	(0.17)
Diluted:	10	N/A	N/A	N/A	N/A
(Loss) earnings per share					
from discontinuing operations					
attributable to owners of the					
Company during the period					
Basic (in HK cents):					
Current period/prior period as					
retrospectively restated	10	(0.01)	0.46	(0.01)	0.34
Diluted:	10	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
(Loss) profit for the period	(5,472)	2,306	(21,784)	2,605
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	517	6	496	2
Total comprehensive (loss) income for the period	(4,955)	2,312	(21,288)	2,607
Attributable to:				
Owners of the Company	(12,827)	2,312	(24,863)	2,607
Non-controlling interest	7,872	—	3,575	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)
ASSETS			
Non-current assets			
Goodwill	11	884,050	758,380
Property, plant and equipment	12	42,965	41,078
Deposit paid for acquisition of subsidiaries		—	120,000
Intangible assets	13	204,267	182,822
Loan receivable		—	11,915
		1,131,282	1,114,195
Current assets			
Trade receivables	14	52,928	51,272
Prepayment, deposits and other receivables		110,856	38,836
Cash and cash equivalents		4,155	11,430
		167,939	101,538
Assets of disposal groups classified as held for sale	15	30,711	75,851
Total current assets		198,650	177,389
LIABILITIES			
Current liabilities			
Trade payables	17	20,254	37,427
Accrued liabilities and other payables		19,626	476
Deposits received		428	14,370
Receipt in advances		136	3,239
Convertible notes payable	18	—	24,801
Tax payable		12,869	4,635
		53,313	84,948
Liabilities of disposal groups classified as held for sale	15	11,901	55,104
Total current liabilities		65,214	140,052

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)
Net current assets		133,436	37,337
Total assets less current liabilities		1,264,718	1,151,532
Non-current liabilities			
Deferred tax liabilities	19	51,067	45,705
NET ASSETS		1,213,651	1,105,827
CAPITAL AND RESERVES			
Share capital	20	227,157	193,282
Reserves		986,494	912,545
TOTAL EQUITY		1,213,651	1,105,827

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital and other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2010 (audited)	154,282	457,855	—	17,590	(57)	(178,457)	451,213	—	451,213
Profit for the period	—	—	—	—	—	2,306	2,306	—	2,306
Other comprehensive income:									
Exchange difference arising from translation of foreign operations	—	—	—	—	6	—	6	—	6
Total comprehensive income for the period (unaudited)	—	—	—	—	6	2,306	2,312	—	2,312
At 31 December 2010 (unaudited)	154,282	457,855	—	17,590	(51)	(176,151)	453,525	—	453,525
At 1 July 2011 (audited)	193,282	828,355	38,331	238,090	27	(214,711)	1,083,374	22,453	1,105,827
Loss for the period	—	—	—	—	—	(13,344)	(13,344)	7,872	(5,472)
Other comprehensive income (loss):									
Exchange difference arising from translation of foreign operations	—	—	—	—	517	—	517	—	517
Total comprehensive income (loss) for the period (unaudited)	—	—	—	—	517	(13,344)	(12,827)	7,872	(4,955)
Issue of shares for acquisition of subsidiaries	6,875	26,125	—	—	—	—	33,000	—	33,000
Placing of shares	27,000	52,779	—	—	—	—	79,779	—	79,779
At 31 December 2011 (unaudited)	227,157	907,259	38,331	238,090	544	(228,055)	1,183,326	30,325	1,213,651

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Net cash inflow (outflow) from operating activities	67,664	(22,559)
Net cash outflow from investing activities	(128,370)	(120,061)
Net cash inflow (outflow) from financing activities	52,778	(21)
Decrease in cash and cash equivalents	(7,928)	(142,641)
Cash and cash equivalents at beginning of period	12,202	148,168
Effect of foreign exchange rate changes, net	518	—
Cash and cash equivalents at end of period	4,792	5,527
Analysis of balances of cash and cash equivalents		
Cash and bank balances	4,155	5,314
Cash and bank balances classified as assets held for sale	637	213
	4,792	5,527

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Neo Telemedia Limited (the “Company”) (together with its subsidiaries, collectively referred to as the “Group”) 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 and principal place of business of the Company are Unit 1303, 13/F., York House, The Landmark, 15 Queen’s Road Central, Hong Kong.

The condensed interim financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$. The reason for selecting HK\$ as its presentation currency is that the Company is a public company listed on the GEM, where most of the investors are located in Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are engaged in sales and distribution of telecommunication products, providing wireless services, production and sales of videos and films, the licensing of video and copyrights/film rights, artiste management, the design and production of traffic signboards, computer graphics, advertisements and signal systems equipment in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable the disclosure requirements of the GEM Listing Rules.

This condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 30 June 2011.

The accounting policies and methods of computation used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 30 June 2011 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRS”), which also include HKASs and interpretations, amendments to standards and interpretations (collectively “New Standards”) which are effective for accounting periods beginning on or after 1 July 2011 as set out below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above New Standards has no material impact on the accounting policies of the Group and the methods of computation in the Groups' unaudited condensed consolidated interim financial statements.

3. TURNOVER

The Group is principally engaged in (i) design and production of traffic signboards, computer graphics, advertisements and signal system equipment; and (ii) sales of telecommunication products and provision of wireless services. An analysis of turnover for both continuing and discontinuing operations is as follows:

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Continuing operations				
Design and production of traffic signboards, computer graphics, advertisements and signal system equipment	43,268	4,056	14,344	2,028
Sales of telecommunication products and provision of wireless services	2,110	—	948	—
	45,378	4,056	15,292	2,028
Discontinuing operations	HK\$'000	HK\$'000 (As restated)	HK\$'000	HK\$'000 (As restated)
Film exhibition and film rights licensing and sub-licensing	509	5,558	96	3,334
Artiste management	210	3,643	94	1,640
	719	9,201	190	4,974

4. SEGMENT INFORMATION

Information reported to the Board 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 organized and managed.

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

- Design and production of traffic signboards, computer graphics, advertisements and signal system equipment
- Sales of telecommunication products and provision of wireless services

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operations				Discontinuing operations				Consolidated For the six months ended 31 December	
	Design and production of traffic signboards, computer graphics, advertisements and signal system equipment For the six months ended 31 December		Sales of telecommunication products and provision of wireless services For the six months ended 31 December		Film exhibition and film rights licensing and sub-licensing For the six months ended 31 December		Artiste management For the six months ended 31 December			
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Segment revenue:										
Turnover	43,268	—	2,110	4,056	509	5,558	210	3,643	46,097	13,257
Segment results	24,495	—	(1,738)	(704)	(324)	3,985	184	3,104	22,617	6,385
Other income									1,622	2,454
Unallocated expenses									(13,648)	(6,526)
Finance costs									(2,199)	(7)
Profit before income tax									8,392	2,306
Income tax expenses									(13,864)	—
(Loss) profit for the period									(5,472)	2,306

4. SEGMENT INFORMATION (continued)

As at 31 December 2011 (unaudited)/30 June 2011 (audited)

	Continuing operations					
	Design and production of traffic signboards, computer graphics, advertisements and signal system equipment		Sales of telecommunication products and provision of wireless services		Consolidated	
	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)
Segment assets	1,017,334	986,635	212,231	62,207	1,229,565	1,048,842
Unallocated assets	—	—	—	—	69,656	166,891
Total assets	1,017,334	986,635	212,231	62,207	1,299,221	1,215,733
Segment liabilities	92,719	80,499	11,017	6,245	103,736	86,744
Unallocated liabilities	—	—	—	—	644	43,909
Total liabilities	92,719	80,499	11,017	6,245	104,380	130,653
	Discontinuing operations					
	Film exhibition and film rights licensing and sub-licensing		Artiste management		Consolidated	
	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000 (As restated)
Segment assets	422	42,107	30,289	33,744	30,711	75,851
Unallocated assets	—	—	—	—	—	—
Total assets	422	42,107	30,289	33,744	30,711	75,851
Segment liabilities	530	43,463	11,371	11,641	11,901	55,104
Unallocated liabilities	—	—	—	—	—	—
Total liabilities	530	43,463	11,371	11,641	11,901	55,104

5. OTHER INCOME

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Continuing operations				
Exchange gain	542	—	—	—
Interest income	7	—	—	—
Sundry income	1,902	—	1,855	—
	2,451	—	1,855	—

6. PROFIT (LOSS) FROM OPERATING ACTIVITIES

Continuing operations

Profit (loss) from operating activities is stated after charging:

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Amortization of film rights	—	1,572	—	786
Amortization of intangible assets	8,039	—	4,019	—
Depreciation	1,719	896	859	448
Auditors' remuneration	679	—	—	—
Minimum lease payments under operating lease in respect of rental premises	3,978	—	1,989	—
Staff costs	3,491	991	1,745	496

7. FINANCE COSTS

Continuing operations

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Interest on obligations under finance leases	5	7	3	5
Interest on redemption of convertible notes	2,000	—	2,000	—
Others	199	—	194	—
	2,204	7	2,197	5

8. INCOME TAX EXPENSE

Continuing operations

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Current tax:				
— Hong Kong Profits Tax	—	—	—	—
— PRC Enterprise Income Tax	11,276	—	6,520	—
— Overprovided	—	(775)	—	(775)
Deferred tax: (Note 19)				
— Current period	2,588	775	1,294	775
	13,864	—	7,814	—

8. INCOME TAX EXPENSE (continued)

- (a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.
- (b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.
- (c) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 31 December 2011 (six months ended 31 December 2010: Nil).

10. (LOSS) EARNINGS PER SHARE**(a) Basic (loss) earnings per share**

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

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000 (As restated)
Loss attributable to owners of the Company — continuing operations	(13,204)	(4,783)	(20,777)	(2,625)
(Loss) profit attributable to owners of the Company — discontinuing operations	(140)	7,089	(37)	5,230
(Loss) profit attributable to owners of the Company	(13,344)	2,306	(20,814)	2,605

10. (LOSS) EARNINGS PER SHARE (continued)

(a) Basic (loss) earnings per share (continued)

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited)	2010 (unaudited) (As restated)	2011 (unaudited)	2010 (unaudited) (As restated)
Issued ordinary shares at 1 July	1,932,820,000	1,542,820,000	2,001,570,000	1,542,820,000
Effect of issuance of consideration shares	66,495,902	—	—	—
Effect of issuance of placing shares	45,737,705	—	91,978,022	—
Weighted average number of ordinary shares	2,045,053,607	1,542,820,000	2,093,548,022	1,542,820,000

(b) Diluted (loss) earnings per share

No diluted loss per share has been presented for the period ended 31 December 2011 as the share options outstanding during the period had an antidilutive effect on the basic loss per share for the period ended 31 December 2011.

11. GOODWILL

	HK\$'000
Cost	
At 1 July 2010	52,845
Arising on acquisition of subsidiaries	711,430
At 30 June 2011	764,275
Arising on acquisition of subsidiaries	125,670
At 31 December 2011	889,945
Accumulated impairment	
At 1 July 2010, 30 June 2011 and 31 December 2011	5,895
Carrying values	
At 31 December 2011	884,050
At 30 June 2011	758,380

12. PROPERTY, PLANT AND EQUIPMENT

During the period, approximately HK\$8,382,000 (for the year ended 30 June 2011: HK\$14,863,000) were spent on acquisition of property, plant and equipment.

13. INTANGIBLE ASSETS

Intangible asset represents contracted and uncontracted customer relationship. During the period, an addition of approximately HK\$31,802,000 was arisen from the acquisition of Smart Long Limited and its subsidiaries (collectively referred to as "Smart Long Group") (for the year ended 30 June 2011: HK\$185,920,000 arisen from the acquisition of Ease Ray Limited and its subsidiaries (collectively referred to as "Ease Ray Group")).

The intangible assets of Smart Long Group and Ease Ray Group are amortised over their estimated useful life of fifteen years and ten years on a straight-line basis respectively.

14. TRADE RECEIVABLE

An aged analysis of the trade receivables at the reporting date, is as follows:

	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000
Within 30 days	11,614	26,732
Between 31 to 60 days	—	5
Between 61 to 90 days	—	—
Over 90 days	41,314	24,535
	52,928	51,272

15. DISCONTINUING OPERATIONS AND DISPOSAL GROUPS

(a) Discontinuing operations

On 30 December 2011, the Company entered into a non-legally binding framework agreement with an independent third party (the “Potential Purchaser”) in respect of a proposed disposal of certain wholly-owned subsidiaries of the Company, being Getbetter Enterprises Limited, B&S Group Limited and their subsidiaries, (collectively referred to as the “Disposal Groups”) to the Potential Purchaser. The Disposal Groups are engaged in film exhibition and film rights licensing and sub-licensing and artiste management. The results of the Disposal Groups are presented in this condensed interim financial information as discontinuing operations.

The assets and liabilities attributable to the businesses, which are expected to be sold within twelve months, have been classified as disposal groups held for sale and are presented separately in the condensed consolidated statement of financial position.

The results for the period are as follows:

	For the six months ended 31 December		For the three months ended 31 December	
	2011 (unaudited) HK\$	2010 (unaudited) HK\$ (As restated)	2011 (unaudited) HK\$	2010 (unaudited) HK\$ (As restated)
Turnover	719	9,201	190	4,974
(Loss) profit from operating activities	(137)	7,089	(36)	5,230
Finance costs	(3)	—	(1)	—
(Loss) profit before income tax	(140)	7,089	(37)	5,230
Income tax expenses	—	—	—	—
(Loss) profit for the period	(140)	7,089	(37)	5,230

During the period, the film exhibition and film rights licensing and sub-licensing division and artiste management division incurred a loss of approximately HK\$140,000 (for the six months ended 31 December 2010: profit of approximately HK\$7,089,000).

15. DISCONTINUING OPERATIONS AND DISPOSAL GROUPS (continued)**(a) Discontinuing operations (continued)**

The assets and liabilities of the film exhibition and film rights licensing and sub-licensing division and artiste management division as at 31 December 2011, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	As at 30 June 2011
	HK\$'000
Assets classified as held for sale:	
— property, plant and equipment	6,002
— cash and cash equivalents	637
— other current assets	24,072
Total assets of the Disposal Groups	30,711
Liabilities directly associated with assets classified as held for sale:	
— trade and other payables	129
— other current liabilities	11,772
Total liabilities of the Disposal Groups	11,901
Total net assets of the Disposal Groups	18,810

16. BUSINESS COMBINATIONS

On 30 June 2011, the Group acquired 100% of the issued shares in Smart Long Limited, a company that is engaged in research and development and sales of communication products, telecommunication products, electronic products, computer software and hardware in the PRC, for a consideration of HK\$155,000,000. The acquisition has been accounted for using the purchase method of accounting. The acquisition is expected to enhance the Group's existing development on the telecommunication value-added products.

The goodwill of HK\$125,670,000 arises from a number of factors. Most significant amongst these is the synergy generated with Smart Long Group's exclusive right to the sale and marketing of the high temperature superconducting (HTS) filtering solutions in Guangdong and Guangxi, the PRC.

16. BUSINESS COMBINATIONS (continued)

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for Smart Long Group, and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	HK\$'000
Purchase consideration	
— Cash paid	120,000
— Shares	33,000
Total purchase consideration	153,000
Recognized amounts of identifiable assets acquired and liabilities assumed	
	Provisional fair value
	HK\$'000
Cash and cash equivalents	13
Property, plant and equipment	1,074
Intangibles:	
— Customer contracts	31,802
Receivables	7,955
Payables	(13,514)
Total identifiable net assets	27,330
Goodwill	125,670
	153,000
	HK\$'000
Outflow of cash to acquire business, net of cash acquired	
— cash consideration	120,000
— cash and cash equivalents in subsidiary acquired	(13)
Cash outflow on acquisition	119,987

(a) Provisional fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets (including the customer contract) is approximately HK\$31,802,000. Deferred tax of approximately HK\$7,950,000 has been provided in relation to these fair value adjustments.

17. TRADE PAYABLES

An ageing analysis of trade payables at the reporting date, based on invoice date, is as follows:

	31 December 2011 (unaudited) HK\$'000	30 June 2011 (audited) HK\$'000
Trade payables:		
Within 30 days	46	13,169
Between 31 to 60 days	7,242	42
Between 61 to 90 days	—	—
Over 90 days	12,966	24,216
	20,254	37,427

18. CONVERTIBLE NOTES PAYABLE

The movements of the liability component and conversion option derivative of the convertible notes during the period are set out below:

	Liability component HK\$'000	Conversion option derivative HK\$'000	Total HK\$'000
Issue of convertible notes on 2 June 2011	24,047	953	25,000
Transaction costs on convertible notes issued	(721)	(29)	(750)
Gain (loss) arising from changes of fair value of convertible notes	760	(209)	551
At 30 June 2011	24,086	715	24,801
Redemption of convertible notes	(26,086)	—	(26,086)
Early redemption interest	2,000	—	2,000
Loss arising from redemption of convertible notes	—	(715)	(715)
At 31 December	—	—	—

On 2 December 2011, the Company redeemed all the convertible notes in accordance with the terms of the convertible notes. As at the date of redemption, the aggregate amount of all outstanding convertible notes is HK\$25,000,000 and the aggregate amount payable to the subscriber for the redemption (at 108% of their principal amount) is HK\$27,000,000. Upon redemption, no convertible notes remained outstanding.

19. DEFERRED TAX

Details of the deferred tax liabilities recognized and movements thereon during the current period are as follows:

	Intangible assets HK\$'000
At 1 July 2010	—
Acquisition of Ease Ray Group	46,480
Credited to consolidated statement of comprehensive income	(775)
At 30 June 2011	45,705
Acquisition of Smart Long Group	7,950
Credited to consolidated statement of comprehensive income	(2,588)
At 31 December 2011	51,067

20. SHARE CAPITAL

	Number of shares		Share capital	
	As at 31 December 2011 (unaudited) (thousand)	As at 30 June 2011 (audited) (thousand) (As restated)	As at 31 December 2011 (unaudited) HK\$'000	As at 30 June 2011 (audited) HK\$'000 (As restated)
Ordinary shares of HKD0.10 (adjusted after share consolidation on 30 June 2011)				
Authorized:				
At beginning of the period/year	4,000,000	40,000,000	400,000	400,000
Share consolidation (Note b)	—	(36,000,000)	—	—
At end of the period/year	4,000,000	4,000,000	400,000	400,000
Issued and fully paid:				
At beginning of the period/year	1,932,820	15,428,200	193,282	154,282
Issue of new shares (Note a)	—	3,900,000	—	39,000
Share consolidation (Note b)	—	(17,395,380)	—	—
Issue of new shares (Note c)	68,750	—	6,875	—
Issue of placing shares (Note d)	270,000	—	27,000	—
At end of the period/year	2,271,570	1,932,820	227,157	193,282

20. SHARE CAPITAL (continued)

Notes:

- (a) On 5 May 2011, 3,900,000 ordinary shares of HK\$0.1 each were issued as consideration shares at a price of HK\$0.145 each for the acquisition of the entire share capital of Ease Ray Limited.
- (b) Pursuant to an extraordinary general meeting held on 29 June 2011, a share consolidation was duly passed in which every ten existing issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one ordinary share of par value HK\$0.10 each with effect from 30 June 2011.
- (c) On 7 July 2011, 68,750,000 ordinary shares of HK\$0.1 each were issued as consideration shares at a price of HK\$0.48 each for the acquisition of the entire share capital of Smart Long Limited.
- (d) On 22 November 2011, 270,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$0.3 each. Proceeds of HK\$27,000,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$54,000,000 were credited to share premium.

21. COMPARATIVE FIGURES

For the purpose of presenting discontinuing operations, certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December 2011, the Group recorded a turnover of approximately HK\$45,378,000 (2010: HK\$4,056,000) from continuing operations, representing a remarkable increase of approximately HK\$41,322,000 or 1,018.8% as compared to the same period of last year, mainly contributed by Ease Ray Group. The Group recorded a loss attributable to owners of the Company of approximately HK\$13,344,000 for the six months ended 31 December 2011, in contrast to a profit of approximately HK\$2,306,000 for the corresponding period in last year. Loss for the period was mainly attributable to: 1) unsatisfactory results of the business of telecommunication products due to the supply shortage of high temperature superconducting (“HTS”) filters, which has adversely affected the performance of newly acquired Smart Long Group; 2) the amortization of intangible assets arising from the acquisitions of Ease Ray Group and Smart Long Group; and 3) the scale down of the businesses of film exhibition and film rights licensing and sub-licensing and artiste management, which the Group is in the process of disposing of.

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

In April 2011, the Group completed the acquisition of Ease Ray Group that is engaged in the business of outdoor advertising media, a fast growing sector in mainland China where Ease Ray Group is authorized to bring advertisements to the public through pedestrian traffic lights. During the six months ended 31 December 2011, Ease Ray Group continued to contribute revenue as well as profit to the Group.

During the period under review, the Group did not increase the number of pedestrian traffic lights mainly because the Group has been upgrading the software as well as hardware of the old traffic lights in order to enhance their stability-ness and safety-ness. In the meantime, the Group has successfully operated in Panyu District in Guangzhou on a trial-run basis.

Sales of telecommunication products and provision of wireless services

During the period under review, the Group completed the acquisition of Smart Long Group. As the business of Smart Long Group was still in the development stage and due to the supply shortage of HTS filters which has adversely affected the performance of Smart Long Group, China Wimetro Group remained the sole contributor of revenue to this segment of business. Turnover of this segment for the six months ended 31 December 2011 was approximately HK\$2,110,000 (2010: 4,056,000), representing a decrease of approximately 48% as compared with the last corresponding period. The decrease was mainly attributable to fierce market competition and the decreasing demand in the telecommunication service package offered by the Group.

Discontinuing operations

As the Board believes that the newly acquired businesses, i.e. telecommunication products and outdoor advertising media, have much potential for growth in mainland China, the Group has decided to dispose of the businesses of film exhibition and film rights licensing and sub-licensing and artiste management, which have been continuously downsizing since the last financial year. The Group will be able to put more focus and resources in the development and expansion of the newly acquired businesses.

On 30 December 2011, the Company entered into a non-legally binding framework agreement with the Potential Purchaser in respect of a proposed disposal of the above-mentioned businesses to the Potential Purchaser. For the six months ended 31 December 2011, these discontinuing operations incurred a loss of approximately HK\$140,000.

PROSPECTS

Although the supply shortage of HTS filters has deferred the development of Smart Long Group's business, the Directors are positive towards the newly acquired businesses that are expected to be the key profit driver of the Group in the foreseeable future.

Smart Long Group

The Group has been working closely with the supplier of HTS filters in order to secure a stable supply over the remaining term of the exclusive rights to sell HTS filtering solutions in Guangdong and Guangxi, the PRC. The Group is also working on promoting its services and products to other provinces in the PRC.

Ease Ray Group

With the positive feedback on the trial run in Panyu District in Guangzhou from the Guangzhou Traffic Police Department (the “GZTPD”), the Group is working with GZTPD to expand its trial run to other districts in Guangzhou.

In addition, during the period under review, the Group entered into a letter of intent with Xinhua News Agency, Anhui branch, (“Xinhua Anhui”) to cooperate in the business of outdoor media through pedestrian traffic lights in Anhui, the PRC. The Group is working with Xinhua Anhui to install traffic lights on a trial-run basis in cities, such as Hefei and Wuhu, in Anhui province.

Overall

Whilst the Group expects to enter into a formal agreement with the Potential Purchaser to dispose of the Disposal Groups before the end of the Group’s financial year 2011/12, the Group will continue to focus on developing the businesses of Ease Ray Group and Smart Long Group. Furthermore, the Directors are considering various alternatives to increase resources for the development of such businesses.

Share Capital

As at 1 July 2011, the authorized share capital of the Company was HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was HK\$193,282,000 divided into 1,932,820,000 shares of HK\$0.10 each.

Pursuant to the terms of the agreement dated 2 August 2010 entered into between the Company and an independent third party in relation to the acquisition of the entire interest in Smart Long Group and the Company’s announcement dated 30 June 2011, the Company issued 68,750,000 ordinary shares on 7 July 2011 as partial payment of the acquisition consideration. The fair value of the ordinary shares issued was determined by the available published price of HK\$0.48 each at the completion date of the acquisition on 30 June 2011.

Pursuant to the terms of the agreement dated 22 November 2011 entered into between the Company and an independent third party in relation to the placing of a maximum of 270,000,000 ordinary shares at HK\$0.3 per share (the "Placing"), 270,000,000 ordinary shares were placed at HK\$0.3 per share to one placee who is independent of the Company and its connected persons (as defined under the GEM Listing Rules) on 30 November 2011.

As at 31 December 2011, the authorized share capital of the Company was HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was HK\$227,157,000 divided into 2,271,570,000 shares of HK\$0.10 each.

Financial Position

During the period under review, the Group generally financed its operations with internally generated resources and the net proceeds from the Placing. As at 31 December 2011, the Group did not have any interest-bearing borrowings (30 June 2011: Nil).

As at 31 December 2011, the Group had current assets of approximately HK\$198,650,000 (30 June 2011: HK\$177,389,000), including cash and cash equivalents of approximately HK\$4,155,000 (30 June 2011: HK\$11,430,000), and trade receivables, prepayments, deposits, other receivables and payment in advance of approximately HK\$163,784,000 (30 June 2011: HK\$90,108,000); and current liabilities of approximately HK\$65,214,000 (30 June 2011: HK\$140,052,000). The Group's current ratio had increased from approximately 1.27 times as at 30 June 2011 to approximately 3.05 times as at 31 December 2011.

The Group had total assets of approximately HK\$1,329,932,000 (30 June 2011: HK\$1,291,584,000) and total liabilities of approximately HK\$65,214,000 (30 June 2011: HK\$140,052,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 4.90% as at 31 December 2011 (30 June 2011: 10.84%).

The Group's turnover for the six months ended 31 December 2011 amounted to approximately HK\$45,378,000 (2010: HK\$4,056,000).

Charges on the Group's Assets

There were no material charges on the Group's assets as at 31 December 2011.

Foreign Exchange Exposure and Treasury Policies

Most of the Group's cash balances and income are either denominated in Renminbi and 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 2011 and 30 June 2011, the Group did not have any outstanding hedging instruments.

Use of Net Proceeds from the Placing

The Company successfully completed the Placing on 30 November 2011, raising net proceeds (after deduction of the relation expenses) of approximately HK\$79.78 million. The Company has utilized the net proceeds in the manner consistent with that disclosed in its announcement dated 22 November 2011. As at 31 December 2011, HK\$27 million has been used for the redemption (at 108% of the principal amount) of convertible bonds issued by the Company on 3 June 2011 and the remaining balance of the net proceeds has been used as the general working capital of the Group.

Employees Information

As at 31 December 2011, the Group had 69 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. During the six months ended 31 December 2011, no share options were granted to employees of the Group.

Significant Investments

Save for the acquisition of Smart Long Group, there were no significant investments made by the Group during the six months ended 31 December 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2011, the interests or short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the securities of the Company

- (a) Ordinary share of HKD0.10 each of the Company

Name of Director	Capacity	Position	Number of shares held	Approximate percentage of shareholding
Mr. LI Hongrong	Interest of controlled corporation (Note)	Long	13,038,000 Shares	0.57%

Note: These Shares are held by Tread Up Investments Limited (“Tread Up”). The entire issued share capital of Tread Up was beneficially owned by Mr. LI Hongrong. Thus, he was deemed to be interested in the 13,038,000 Shares held by Tread Up pursuant to the SFO.

- (b) Share options

Name of Director	Capacity	Number of options held	Number of underlying shares	Approximate Percentage of shareholding
Mr. ZHANG Fan	Beneficial owner	15,000,000	15,000,000	0.66%
Mr. HU Yangjun	Beneficial owner	15,000,000	15,000,000	0.66%

Save as disclosed above, the Directors do not have any interests or short positions in the securities of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Share option scheme” below, at no time during the period under review was the Company, its holding Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

On 22 July 2002, a share option scheme (the “Scheme”) was adopted by the Company. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include Directors of the Company or any of its subsidiaries, independent non-executive Directors and employees of the Group, and suppliers of goods or services to the Group.

Particular of the share options under the Scheme and their movements during the three months ended 31 December 2011 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options				At 31 December 2011
				At 1 July 2011	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. HU Yangjun	8/4/2011	8/4/2011 - 7/4/2021	1.07	15,000,000	—	—	—	15,000,000
Mr. ZHANG Fan	8/4/2011	8/4/2011 - 7/4/2021	1.07	15,000,000	—	—	—	15,000,000
Subtotal				30,000,000	—	—	—	30,000,000
Employees and others								
In aggregate	8/4/2011	8/4/2011 - 7/4/2021	1.07	85,500,000	—	—	—	85,500,000
Subtotal				85,500,000	—	—	—	85,500,000
Total				115,500,000	—	—	—	115,500,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 31 December 2011, shareholders who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding
LIE Haiquan	Beneficial owner	156,178,000 Shares	6.87%
	Interest in controlled corporation (Note 1)	6,796,000 Shares	0.30%
	Interest in controlled corporation (Note 2)	49,488,000 Shares	2.18%
	Total	212,462,000 Shares	9.35%

Notes:

1. These Shares are held by Ocean Peal Group Limited (“Ocean Peal”) that was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 6,796,000 Shares held by Ocean Peal pursuant to the SFO.
2. These Shares are held by Winner Mind Investment Limited (“Winner Mind”), a company incorporated in the British Virgin Islands, which was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 49,488,000 Shares held by Winner Mind pursuant to the SFO.

Save as disclosed above and in “Directors’ Interests and Short Positions in Securities”, the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules throughout the period under review except for the following deviation:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 31 December 2011.

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 six months ended 31 December 2011.

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 six months ended 31 December 2011.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee has reviewed the Company's unaudited financial statements for the six months ended 31 December 2011 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

RETIREMENT OF DIRECTOR

On 16 December 2011, Mr. ZHOU Zhibin retired as executive Director and was appointed as the Company's Vice President-Telecommunication.

By order of the Board
Neo Telemedia Limited
LI Hongrong
Chairman

Hong Kong, 14 February 2012

The Board comprises of:

Mr. LI Hongrong (*Executive Director*)

Mr. Theo EDE (*Executive Director*)

Mr. OU Bai (*Executive Director*)

Mr. ZHANG Fan (*Executive Director*)

Mr. HU Yangjun (*Executive Director*)

Mr. LAM Kin Kau, Mark (*Independent Non-Executive Director*)

Professor SONG Junde (*Independent Non-Executive Director*)

Professor CHEN Lujun (*Independent Non-Executive Director*)

This report, 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: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least seven days from the date of its posting.