



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



Second Interim Report
2013

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

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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.*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve and three months ended 30 June 2013

	Notes	For the twelve months ended 30 June		For the three months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations					
Turnover	3	39,880	100,180	3,657	11,005
Cost of sales		(10,571)	(9,396)	(3,633)	(3,956)
Gross profit		29,309	90,784	24	7,049
Other income and gains, net		9,477	3,180	4,167	506
Change in fair value of convertible notes		-	702	-	702
Gain on contingent consideration		20,797	33,972	20,797	33,972
Gain on settlement of contingent consideration payable		-	183,415	-	183,415
Selling and marketing costs		(3,409)	(1,741)	(177)	(580)
Administrative and other expenses		(90,655)	(112,489)	(51,347)	(68,884)
Impairment loss on intangible assets		-	(109,316)	-	(109,316)
Impairment loss recognised in respect of goodwill	10	-	(541,458)	-	(541,458)
Loss on early redemption of convertible notes		-	(1,596)	-	(1,596)
Share of loss of an associate		(455)	-	(455)	-
Finance costs	4	(2,841)	(1,305)	(2,841)	(332)
Loss before tax	5	(37,777)	(455,852)	(29,832)	(496,522)
Income tax credit	6	334	35,630	2,961	51,035
Loss for the period from continuing operations		(37,443)	(420,222)	(26,871)	(445,487)
Discontinued operations					
Profit/(loss) for the period from discontinued operations	13	333	(10,897)	-	(10,904)
Loss for the period		(37,110)	(431,119)	(26,871)	(456,391)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve and three months ended 30 June 2013

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Loss for the period	(37,110)	(431,119)	(26,871)	(456,391)
Other comprehensive income				
Exchange differences on translation of foreign operations	3,429	2,169	1,686	442
Total comprehensive expense for the period	(33,681)	(428,950)	(25,185)	(455,949)
Loss for the period attributable to:				
Owners of the Company:				
Loss for the period from continuing operations	(41,229)	(454,256)	(29,859)	(455,535)
Profit/(loss) for the period from discontinued operations	333	(10,897)	-	(10,904)
Loss for the period attributable to owners of the Company	(40,896)	(465,153)	(29,859)	(466,439)
Non-controlling interests:				
Profit for the period from continuing operations	3,786	34,034	2,988	10,048
Profit for the period from discontinued operations	-	-	-	-
Profit for the period attributable to non-controlling interest	3,786	34,034	2,988	10,048
Loss for the period	(37,110)	(431,119)	(26,871)	(456,391)
Total comprehensive (expense)/ income attributable to:				
Owners of the Company	(38,788)	(464,197)	(28,841)	(467,210)
Non-controlling interests	5,107	35,247	3,656	11,261
	(33,681)	(428,950)	(25,185)	(455,949)

	<i>Note</i>	For the twelve months ended 30 June		For the three months ended 30 June	
		2013 HK cents (Unaudited)	2012 HK cents (Audited)	2013 HK cents (Unaudited)	2012 HK cents (Unaudited)
Earnings/(loss) per share:	<i>8</i>				
From continuing and discontinued operations					
Basic		(1.74)	(21.49)	(1.22)	(20.75)
Diluted		N/A	N/A	N/A	N/A
From continuing operations					
Basic		(1.75)	(20.98)	(1.22)	(19.78)
Diluted		N/A	N/A	N/A	N/A
From discontinued operations					
Basic		0.01	(0.51)	-	(0.97)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>9</i>	20,263	26,244
Goodwill	<i>10</i>	576,706	351,528
Intangible assets	<i>11</i>	591,856	62,282
Total non-current assets		1,188,825	440,054
Current assets			
Inventories		578	–
Trade receivables	<i>12</i>	41,181	80,098
Prepayment, deposits and other receivables	<i>14</i>	66,954	94,273
Loan and loan interest receivables	<i>15</i>	67,746	56,349
Cash and cash equivalents		48,607	7,671
Asset classified as held for sale		–	15,874
Total current assets		225,066	254,265
Current liabilities			
Trade payables	<i>16</i>	(5,281)	(7,854)
Other payables and accruals		(22,542)	(21,702)
Short-term loan	<i>17</i>	(27,320)	–
Fair value of contingent consideration payable		(72,790)	–
Deposits received		(40)	(7,378)
Deferred revenue		–	(21,180)
Tax payable		(5,252)	(7,506)
Liabilities classified as held for sale		–	(7,874)
Total current liabilities		(133,225)	(73,494)
Net current assets		91,841	180,771
Total assets less current liabilities		1,280,666	620,825

	<i>Notes</i>	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities	<i>18</i>	(142,869)	(9,772)
Convertible notes	<i>19</i>	(160,514)	–
Total non-current liabilities		(303,383)	(9,772)
Net assets		977,283	611,053
Equity			
Share capital	<i>20</i>	244,592	232,692
Reserves		390,046	323,764
		634,638	556,456
Non-controlling interest		342,645	54,597
Total equity		977,283	611,053

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 30 June 2013

	Attributable to owners of the Company								Total	Non-controlling interests	Total	
	Issued capital	Share premium	Share options reserve	Convertible notes reserve	Capital and other reserves	Exchange fluctuation reserve	Statutory reserve	Warrant reserve				Accumulated losses
At 1 July 2011 (audited)	193,282	828,355	38,331	-	17,590	27	-	-	(214,711)	862,874	22,453	885,327
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(465,153)	(465,153)	34,034	(431,119)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	-	956	-	-	-	956	1,213	2,169
Total comprehensive income/(expense) for the year	-	-	-	-	-	956	-	-	(465,153)	(464,197)	35,247	(428,950)
Transfer	-	-	-	-	-	-	7,375	-	(4,272)	3,103	(3,103)	-
Acquisitions of subsidiaries	12,410	62,486	-	-	-	-	-	-	-	74,896	-	74,896
Share options lapsed	-	-	(5,144)	-	-	-	-	-	5,144	-	-	-
Placing of shares	27,000	52,780	-	-	-	-	-	-	-	79,780	-	79,780
At 30 June 2012 (audited)	232,692	943,621	33,187	-	17,590	983	7,375	-	(678,992)	556,456	54,597	611,053
At 1 July 2012 (unaudited)	232,692	943,621	33,187	-	17,590	983	7,375	-	(678,992)	556,456	54,597	611,053
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(40,896)	(40,896)	3,786	(37,110)
Other comprehensive income:												
Exchange difference on translation of foreign operations	-	-	-	-	-	2,108	-	-	-	2,108	1,321	3,429
Total comprehensive income/(expense) for the period	-	-	-	-	-	2,108	-	-	(40,896)	(38,788)	5,107	(33,681)
Transfer	-	-	-	-	-	-	1,710	-	14	1,724	(1,724)	-
Disposal of subsidiaries	-	-	-	-	(17,590)	-	-	-	17,590	-	-	-
Acquisitions of subsidiaries	11,900	55,930	-	2,327	-	-	-	-	-	70,157	284,665	354,822
Share options lapsed	-	-	(16,593)	-	-	-	-	-	16,593	-	-	-
Equity-settled share-based arrangements	-	-	30,489	-	-	-	-	-	-	30,489	-	30,489
Issue of unlisted warrants	-	-	-	-	-	-	-	14,600	-	14,600	-	14,600
At 30 June 2013 (unaudited)	244,592	999,551	47,083	2,327	-	3,091	9,085	14,600	(685,691)	634,638	342,645	977,283

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 30 June 2013

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	49,276	(14,645)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(50,447)	(43,030)
NET CASH FLOWS FROM FINANCING ACTIVITIES	41,920	52,780
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	40,749	(4,895)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,191	12,202
Effect on foreign exchanges rate changes, net	(333)	884
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	48,607	8,191
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	48,607	7,671
Bank balances and cash classified as assets held for sale	-	520
	48,607	8,191

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months and twelve months ended 30 June 2013

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 operating subsidiaries are engaged in provision of network and satellite telecommunication services and transmedia advertising services, and the sale of telecommunication products. The Group was also engaged in the production and sale of video and films, the licensing of video and copyrights/films rights and artiste management and these operations were disposed of during the twelve months ended 30 June 2013.

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 consolidated financial statements of the Group for the year ended 30 June 2012.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 30 June 2012 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and interpretations, amendments to standards and interpretations (collectively "New Standards") that are effective for accounting periods beginning on or after 1 July 2012 as set out below.

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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 AND SEGMENT INFORMATION

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

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

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Network and satellite telecommunication services and sale of telecommunication products	24,540	9,108	2,296	6,998
Transmedia advertising services	15,340	91,072	1,361	4,007
	39,880	100,180	3,657	11,005

Segment 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 from continuing operations under HKFRS 8 are as follows:

- Network and satellite telecommunication services and sale of telecommunication products
- Transmedia advertising services

The operating segments regarding the film exhibition, film rights licensing and sub-licensing and artiste management were disposed of during the twelve months ended 30 June 2013. The segment information reported below does not include any amounts for these discontinued operations, which are disclosed in note 13.

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Segment revenues and results

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

	Network and satellite telecommunication services and sale of telecommunication products		Transmedia advertising services		Total	
	For the twelve months ended 30 June		For the twelve months ended 30 June		For the twelve months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Turnover	24,540	9,108	15,340	91,072	39,880	100,180
Segment results	17,512	(135,242)	(1,818)	(498,110)	15,694	(633,352)
Interest income					4,234	1,373
Unallocated corporate income					21,138	219,707
Unallocated corporate expenses					(76,002)	(42,275)
Finance costs					(2,841)	(1,305)
Loss before tax					(37,777)	(455,852)
Income tax credit					334	35,630
Loss for the period					37,443	(420,222)

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

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

	Network and satellite telecommunication services and sale of telecommunication products		Transmedia advertising services		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	1,004,963	39,883	395,589	569,213	1,400,552	609,096
Unallocated corporate assets					13,339	69,349
Total segment assets					1,413,891	678,445
Assets relating to discontinued operations					-	15,874
Total assets					1,413,891	694,319
Segment liabilities	(8,027)	31,594	(2,123)	27,173	(10,150)	(58,767)
Unallocated corporate liabilities					(426,458)	(16,625)
Total segment liabilities					(436,608)	(75,392)
Liabilities relating to discontinued operations					-	(7,874)
Total liabilities					(436,608)	(83,266)

4. FINANCE COSTS

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013	2012	2013	2012
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on convertible notes	2,841	1,305	2,841	332

5. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest income	(4,234)	(1,395)	(1,080)	(250)
Gain on disposal of items of property, plant and equipment	-	(443)	-	(443)
Depreciation of items of property, plant and equipment	5,964	9,527	1,303	2,125
Amortisation of intangible assets	23,344	51,141	11,124	12,751
Impairment loss recognised in respect of inventories	-	800	-	800
Impairment loss recognised in respect of trade receivables	-	41	-	41
Impairment loss recognised in respect of other receivables	-	607	-	607
Impairment loss recognised in respect of items of property, plant and equipment	6,047	6,861	6,047	6,861

6. INCOME TAX

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations:				
Current tax:				
- Hong Kong	-	-	-	-
- PRC	5,411	11,577	2,784	(23,662)
- Overprovision in prior period	-	(3,323)	-	(3,323)
Deferred tax (note 18)	5,411 (5,745)	8,254 (43,884)	2,784 (5,745)	(26,985) (24,050)
Total tax credit for the period	(334)	(35,630)	(2,961)	(51,035)

- (a) Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits. No provision for Hong Kong profits tax had been made during the period as the Group did not generate any assessable profits arising during the period.
- (b) Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction where the Group operates.

7. DIVIDEND

The directors do not recommend the payment of any dividend for the twelve months ended 30 June 2013 (2012: Nil).

8. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share amounts is based on the loss for the twelve months ended 30 June 2013 of HK\$40,896,000 (twelve months ended 30 June 2012: HK\$465,153,000) and the three months ended 30 June 2013 of HK\$29,859,000 (three months ended 30 June 2012: HK\$466,439,000), from continuing and discontinued operations attributable to equity holders of the Company, and the weighted average of the twelve months ended 30 June 2013 of 2,354,959,000 (twelve months ended 30 June 2012: 2,164,996,000) and the three months ended 30 June 2013 of 2,439,382,331 (three months ended 30 June 2012: 2,302,935,449) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the twelve and three months ended 30 June 2013 and 2012, as the impact of the share options, warrants and convertible notes outstanding during these periods had neither dilutive effect nor an anti-dilutive effect on the basic loss per share amounts presented.

From continuing operations

The calculation of basic loss per share amounts is based on the loss for the twelve months ended 30 June 2013 of HK\$41,229,000 (twelve months ended 30 June 2012: HK\$454,256,000) and the three months ended 30 June 2013 of HK\$29,859,000 (three months ended 30 June 2012: HK\$455,535,000), from continuing operations attributable to equity holders of the Company, and the weighted average of the twelve months ended 30 June 2013 of 2,354,959,000 (twelve months ended 30 June 2012: 2,164,996,000) and the three months ended 30 June 2013 of 2,439,382,331 (three months ended 30 June 2012: 2,302,935,449) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the twelve and three months ended 30 June 2013 and 2012, as the impact of the share options, warrants and convertible notes outstanding during these periods had neither dilutive effect nor an anti-dilutive effect on the basic loss per share amounts presented.

8. EARNINGS/(LOSS) PER SHARE (continued)***From discontinued operations***

The basic earnings per share for the discontinued operations for the twelve months ended 30 June 2013 is HK0.01 cents (basic loss per share for the twelve months ended 30 June 2012: HK0.51 cents), and for the three months ended 30 June 2013 is nil (loss per share for the three months end 30 June 2012 is HK0.97 cents), based on the profit for the twelve months ended 30 June 2013 from the discontinued operations of HK\$333,000 (loss for the twelve months ended 30 June 2012: HK\$10,897,000) and loss for the three months ended 30 June 2013 from the discontinued operations of nil (three months ended 30 June 2012: HK\$10,904,000), respectively. The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

9. PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 30 June 2013, the Group spent approximately HK\$420,000 (2012: HK\$1,755,000) on acquisition of property, plant and equipment, excluding property, plant and equipment acquired through acquisition of subsidiaries.

10. GOODWILL

	Note	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Cost			
At beginning of period/year		898,881	764,275
Arising on acquisition of subsidiaries	21	225,178	134,606
At end of period/year		1,124,059	898,881
Accumulated impairment			
At beginning of period/year		547,353	5,895
Impairment loss recognised		–	541,458
At end of period/year		547,353	547,353
Net carrying amount			
At end of period/year		576,706	351,528

11. INTANGIBLE ASSETS

Intangible assets represent wireless network platform and contracted and uncontracted customer relationship, exclusive rights on purchase and sale of satellite communication equipment and related services and trademark, brand name and distribution network of CERNET.

The wireless network platform is amortised over its estimated useful life of five years on a straight-line basis. The contracted and uncontracted customers relationships are amortised over its estimated useful life of four years on a straight-line basis. The exclusive rights on purchase and sale of satellite communications equipment and related services and trademark are amortised over its estimated useful life of fifteen years.

12. TRADE RECEIVABLES

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Trade receivables	41,181	80,139
Less: accumulated allowance for doubtful debts	-	(41)
	41,181	80,098

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Within 30 days	1,180	20,289
31 to 60 days	-	20,388
61 to 90 days	478	23,619
Over 90 days	39,523	15,802
	41,181	80,098

13. DISCONTINUED OPERATIONS

Pursuant to the Company's circular dated 13 July 2012, the Company entered into a sale agreement on 21 June 2012 with an independent third party (the "Purchaser") in respect of the disposal of 100% equity interests in Getbetter Enterprises Limited and its subsidiaries (collectively referred to as "Getbetter Group") and B&S Group Limited and its subsidiaries (collectively referred to as "B&S Group") at a consideration of HK\$8,000,000, payable in cash (the "Disposal").

The principal activities of Getbetter Group and B&S Group (collectively referred to as the "Disposal Group") are the production and sales of videos and films, the licensing of video and copyrights / films rights and artiste management. The Disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The Disposal was completed on 28 September 2012, on which date control of the Disposal Group were passed to the Purchaser.

The profit/(loss) for the period from discontinued operations for film exhibition, film rights licensing and sub-licensing and artiste management is analysed as follows:

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Loss for the period	(147)	(3,755)	–	(3,762)
Impairment loss recognised in respect of assets held for sale	–	(7,142)	–	(7,142)
Gain on disposal of subsidiaries (note 22)	480	–	–	–
Profit/(loss) for the period from discontinued operations	333	(10,897)	–	(10,904)

13. DISCONTINUED OPERATIONS (continued)

The results of the film exhibition, film rights licensing and sub-licensing and artiste management, which have been included in the condensed consolidated income statement, are as follows:

	For the twelve months ended 30 June		For the three months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	15	2,646	–	1,526
Loss from operating activities	(144)	(3,795)	–	(3,762)
Finance costs	(3)	–	–	–
Loss before tax	(147)	(3,795)	–	(3,762)
Income tax credit	–	40	–	–
Loss for the period	(147)	(3,755)	–	(3,762)

The carrying amounts of the assets and liabilities of Disposal Group at the date of the Disposal are set out in note 22.

14. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

During the twelve months ended 30 June 2013, other receivable of approximately HK\$33,972,000 (equivalent to approximately RMB27,628,000) due from the vendor of Smart Long Group in relation to the profit guarantee on Smart Long Group provided to the Group has been settled. The balance was brought forward from the corresponding period in 2012 and a qualified opinion was issued thereon in the 2012 independent auditor's report.

In addition, there was a prepayment to a supplier of approximately HK\$15,000,000 brought forward from the corresponding period in 2012, of which approximately HK\$5,000,000 has been refunded during the twelve months ended 30 June 2013. The remaining balance of approximately HK\$10,000,000 will be refunded in 5 monthly installments of HK\$2,000,000 each, net off any amount of purchase order to be placed by the Company, and will be fully settled before the year ending 31 December 2013.

15. LOAN AND LOAN INTEREST RECEIVABLES

Included in the loan and loan interest receivable were a loan principal of approximately HK\$10,821,000 (equivalent to approximately RMB8,800,000) and the related interest receivable of approximately HK\$37,000 (equivalent to approximately RMB30,000) brought forward from the corresponding period in 2012 and a qualified opinion was issued thereon in the 2012 independent auditor's report. The above-mentioned balances have been settled as of the date of this report.

16. TRADE PAYABLES

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

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Over 90 days	5,281	7,854

17. SHORT-TERM LOAN

The short-term loan was obtained from an independent third party during the period, and the amount is unsecured, interest-bearing at 0.6% per month and repayable within one year.

18. DEFERRED TAX

The movements in deferred tax liabilities during the current period are as follows:

	Intangible assets HK\$'000
At 1 July 2011 (Audited)	45,705
Acquisition of subsidiaries	7,951
Deferred tax credited to the income statement during the period (note 6)	(43,884)
At 30 June 2012 (Audited)	9,772
Acquisition of subsidiaries (note 21)	138,842
Deferred tax credited to the income statement during the period (note 6)	(5,745)
At 30 June 2013 (Unaudited)	142,869

19. CONVERTIBLE NOTES

On 5 April 2013, the Company issued convertible notes (the “CN”) with a nominal value of HK\$160 million due on 5 April 2016. The CN carries interest at 7% per annum payable semi-annually in arrears with the first interest payment due on 5 October 2013 and the last interest payment is due on 5 April 2016. The CN entitles the holders to convert the notes into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK\$2.5 per share during the period from 5 April 2013 to 31 March 2016. The CN is not redeemable at the option of the note-holders. In addition, the Company have the right to redeem any portion of the CN at its principal amount at any time prior to the maturity date.

The fair value of the liability component was estimated at the issuance date by reference to the Binomial Option Pricing Model. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The information on the CN is summarised as follows:

Issuance date	5 April 2013
Maturity date	5 April 2016
Original principal amount	HK\$160,000,000
Coupon rate	7%
Conversion price per ordinary share	HK\$2.5

The following table summarises the movements in the principal amounts, liability and equity components of the Company’s CN during the period:

	<i>HK\$’000</i>
Principal amount outstanding	
At 30 June 2013	160,000
Liability component	
Issue of CN	157,673
Interest expense	2,841
At 30 June 2013	160,514
Equity component (included in convertible notes reserve)	
At 30 June 2013	2,327

20. SHARE CAPITAL

	Par value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 July 2012, 30 June 2013 (Unaudited) and 31 December 2012 (Unaudited)	0.1	4,000,000,000	400,000
Issued and fully paid:			
At 1 July 2012 (Audited)	0.1	1,932,820,000	193,282
Issue shares in relation to the Ease Ray Acquisition (note a)	0.1	55,350,793	5,535
Issue shares in relation to the acquisition of Smart Long Limited (note b)	0.1	68,750,000	6,875
Placing of shares (note c)	0.1	270,000,000	27,000
At 30 June 2012, 1 July 2012 (Audited) and 31 December 2012 (Unaudited)	0.1	2,326,920,793	232,692
Issue shares in relation to the Hughes China Group Acquisition (note d)	0.1	119,000,000	11,900
At 30 June 2013 (Unaudited)	0.1	2,445,920,793	244,592

Notes:

- (a) Pursuant to the announcements of the Company dated 14 June 2010, 25 March 2011 and 29 April 2011 and the circular of the Company dated 8 March 2011, the acquisition of the entire issued share capital of Ease Ray was completed on 29 April 2011. According to the sale and purchase agreement dated 3 June 2010 and the Company's announcement dated 5 May 2011, the first batch consideration shares of 3,900,000,000 ordinary shares of par value of HK\$0.10 each were issued by the Company to the Ease Ray Vendor and parties nominated by the Ease Ray Vendor at HK\$0.105 each which represent the published price of the shares of the Company on 5 May 2011.

On 10 May 2012, the Ease Ray Second Batch Consideration Shares of 55,350,793 ordinary shares in relation to the Ease Ray Acquisition were issued by the Company at the published price of the shares of the Company of HK\$0.67 each.

- (b) Pursuant to the announcements of the Company dated 4 August 2010, 31 December 2010, 29 April 2011 and 30 June 2011 and the circular of the Company dated 8 March 2011, the acquisition of the entire issued share capital of Smart Long Limited was completed on 1 July 2011. On 7 July 2011, 68,750,000 ordinary shares of par value of HK\$0.10 each were issued as consideration shares at the published price of the shares of the Company of par value of HK\$0.55 each.

20. SHARE CAPITAL (continued)

- (c) Pursuant to the placing agreement entered into with Kingston Securities Limited dated 22 November 2011, the Company placed 270,000,000 new ordinary shares of par value of HK\$0.10 each at HK\$0.30 per share to independent third parties. Net proceeds from such issue amounted to approximately HK\$79,780,000 (after deducting the placement expenses of approximately HK\$1,220,000), out of which approximately HK\$27,000,000 and HK\$52,780,000 were recorded in share capital and share premium respectively. The placing was completed on 30 November 2011.

- (d) Pursuant to the terms of the agreement dated 7 January 2013 entered into between the Company and Oberlin Asia Inc. ("Oberlin"), an independent third party, in relation to the acquisition of the entire issued share capital of HCH Investments Limited ("HCH"), the Company issued 119,000,000 ordinary shares on 5 April 2013 as partial payment of the acquisition consideration. The fair value of the ordinary shares issued was determined by the available published price of HK\$0.57 each at the completion date of the acquisition on 5 April 2013.

21. ACQUISITION OF SUBSIDIARIES

On 7 January 2013, the Company entered into an agreement with Oberlin pursuant to which Oberlin conditionally agreed to sell to the Company the entire issued share capital of HCH Investments Limited (together with its subsidiaries, the "Hughes China Group"). The acquisition was completed on 5 April 2013 with a total consideration at fair value of HK\$255,150,000 at the date of acquisition.

On 25 January 2013, the Company entered into an agreement with Lucky Smile Enterprises Limited ("Lucky Smile") pursuant to which Lucky Smile conditionally agreed to sell to the Company the entire issued share capital of Galaxy Palace Group Limited (together with its subsidiaries, the "Cernet Wifi Group"), at an initial consideration of approximately HK\$69,617,000, subject to adjustments, but in any event subject to a maximum aggregate consideration of HK\$194,400,000. The acquisition was completed on 24 April 2013 with a total consideration at fair value of HK\$163,204,000 at the date of acquisition.

21. ACQUISITION OF SUBSIDIARIES (continued)

The provisional allocation of fair value of identifiable assets and liabilities of Hughes China Group and Cernet Wifi Group as at the date of acquisition is as follows:

	Notes	The fair value recognised on acquisition		
		Hughes China Group HK\$'000	Cernet Wifi Group HK\$'000	Total HK\$'000
Net assets acquired of:				
Property, plant and equipment		4,265	–	4,265
Interest in an associate		335	–	335
Intangible assets		443,768	109,150	552,918
Trade and other receivables		2,703	15,993	18,696
Cash and cash equivalents		2,958	46,218	49,176
Trade and other payables		(6,357)	(2,350)	(8,707)
Deferred taxation	18	(110,942)	(27,900)	(138,842)
Non-controlling interests of subsidiaries		(246,035)	(38,630)	(284,665)
<hr/>				
Total identifiable net assets acquired		90,695	102,481	193,176
Goodwill on acquisition	10	164,455	60,723	225,178
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Adjusted consideration		255,150	163,204	418,354
<hr/>				
Satisfied by:				
Cash		27,320	69,617	96,937
Consideration shares (note a)		67,830	–	67,830
Fair value of contingent consideration payable (note b)		–	93,587	93,587
Fair value of convertible notes		160,000	–	160,000
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		255,150	163,204	418,354
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21. ACQUISITION OF SUBSIDIARIES (continued)

HK\$'000

Net cash outflow arising on the acquisition

Consideration paid in cash	(96,937)
Less: Cash and cash equivalents acquired	49,176
	(47,761)

Notes:

- (a) On 5 April 2013, the Group completed the acquisition in the Hughes China Group upon the fulfillment of all conditions as set out in the sales and purchase agreement. As part of the consideration, 119,000,000 new ordinary shares of the Company with par value of HK\$0.01 each were issued on 5 April 2013 as the consideration shares. The fair value of ordinary shares issued was determined by referring to the published price of HK\$0.57 per share at the date of the acquisition.
- (b) Depending on the number of the upcoming subscribers of the personal broadband access services (the "User") of the Cernet Wifi Group, the potential undiscounted future payments that the Group could be required to make under this arrangement is capped at HK\$124,783,200, and shall be payable by the Group in installments by way of the issue of an aggregate maximum of 173,310,000 consideration shares if the number of Users reaches 400,000 within one year from the date of acquisition. The fair value of the amount payable of HK\$93,587,000 was recognised as contingent consideration payable at the date of acquisition and remeasured at the balance sheet date. During the period from the date of acquisition to 30 June 2013, a gain of HK\$20,797,000 was recognised in the income statement for the changes in fair value of contingent consideration payable.

22. DISPOSAL OF SUBSIDIARIES

On 28 September 2012, the Group completed the disposal of the Disposal Group. The net liabilities of Disposal Group at the date of disposal were as follows:

	B&S Group	Getbetter	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Net assets disposed of:			
Film rights, films in progress and film royalty deposits	–	1,827	1,827
Trade receivables	–	5	5
Prepayments, deposit and other receivables	–	20,249	20,249
Amounts due from Getbetter Group	925	–	925
Cash and cash equivalents	5	450	455
Trade payables	(70)	(1)	(71)
Other payables and accruals	(470)	(1,950)	(2,420)
Deposit received	(1,262)	(4,121)	(5,383)
Amounts due to the Group	(45,799)	(91,369)	(137,168)
Amounts due to B&S Group	–	(925)	(925)
	(46,671)	(75,835)	(122,506)

22. DISPOSAL OF SUBSIDIARIES (continued)

	Total HK\$'000 (Unaudited)
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Gain on disposal of subsidiaries:	
Cash consideration received and receivable	8,000
Impairment loss recognised during the year ended 30 June 2012	7,142
Waiver of loans granted to the Group	(137,168)
Net liabilities disposed of	122,506
	<hr/>
	480
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration	8,000
Less: cash and cash equivalents disposed of	(455)
	<hr/>
	7,545
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23. WARRANTS

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

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

Net proceeds from these issue amounted to approximately HK\$14,600,000 (after deducting the related expenses approximately of HK\$100,000) were recorded in warrant reserve.

During the twelve months ended 30 June 2013, no warrants were exercised.

24. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2013, the Company entered into a placing agreement with a placing agent in respect of placing of 109,000,000 new shares of the Company at HK\$0.33 per share (the "Placing"). The Placing was completed on 13 August 2013 and the net proceeds of the Placing is approximately HK\$35,380,000. The Company's number of issued shares is 2,554,920,793 shares upon the completion of the Placing.

MANAGEMENT DISCUSSION AND ANALYSIS

For the twelve months ended 30 June 2013, the Group recorded a turnover of approximately HK\$39,880,000 (2012: HK\$100,180,000) from continuing operations, representing a decrease of approximately HK\$60,300,000 or 60.2% as compared to the corresponding period in last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$40,896,000 for the twelve months ended 30 June 2013 (2012: HK\$465,153,000), representing a decrease of approximately HK\$424,257,000 or 91.2% as compared to the corresponding period in last year. The decrease in loss was mainly attributable to the absence of impairment loss on intangible assets and goodwill recognised for the twelve months ended 30 June 2013 as compared to the corresponding period in 2012.

Design and production of traffic signboards and provision of electronic media services

During the period under review, Ease Ray Group's revenue has significantly decreased as compared to the corresponding period in 2012. It was mainly attributable to: 1) road expansion and subway construction carried out by the municipal governments of Xiamen and Nanchang, our pedestrian traffic lights located in the two cities are required to be temporarily uninstalled; 2) the policy implemented by the municipal government of Shangrao to rectify the local overadvertised market, which has adversely affected our business; 3) maintenance due to the aging of traffic lights, there was no revenue generated from these traffic lights until the maintenance work is completed; and 4) fierce competition in the outdoor advertising industry and the worsening economic situation in the PRC.

Sales of telecommunication products and provision of cable and wireless broadband services

Smart Long Group

During the period under review, the performance of Smart Long Group improved significantly as compared to the corresponding period in 2012. It was mainly attributable to the increase in revenue generated from sale and installation of network platform and the related after-sale services.

Sale of HTS filtering solutions, the main source of revenue of Smart Long Group, has been adversely affected by the supply shortage of HTS filters and the change in procurement policy of the major telecommunication operators in the PRC. In order to diversify the source of revenue, the management of Smart Long Group has developed the sale of other telecommunication products, such as e-commerce network platform and mobile Internet network, as well as its related services, such as installation and training. However, as Smart Long Group did not generate similar revenue from the sale of the above-mentioned equipment and its related services during the second half of the twelve months ended 30 June 2013 when there was a material decrease in turnover compared to that of the first half of the twelve-month period under review.

Hughes China Group

On 5 April 2013, the Group completed the acquisition of HCH Investments Limited and its subsidiaries (collectively referred to as “Hughes China Group”), which are engaged in the development of Internet technology and satellite communication technology as well as trading in satellite communication system devices. Revenue contributed to the Group upon the completion of the acquisition represents sale of the above-mentioned hardware and its related services.

Cernet Wifi Group

On 24 April 2013, the Group completed the acquisition of Galaxy Palace Group Limited (“Galaxy Palace”) and its subsidiaries (collectively referred to as “Cernet Wifi Group”), which are engaged in the development and sale of computer, software and associated equipment and technology. Pursuant to asset leasehold and cooperation contracts entered into between Cernet Wifi Group and 賽爾網絡有限公司 (CERNET Company Limited*) (“CERNET”), Cernet Wifi Group is entitled to the economic benefits generated by the assets owned by CERNET in relation to the personal broadband access services connecting the higher educational institutions of the PRC and the related internet content and value-added telecommunication services (“CERNET’s services”). Revenue contributed to the Group upon the completion of the acquisition represents distribution of income in relation to CERNET’s services by CERNET.

Discontinued operations

On 21 June 2012, the Company entered into a sale agreement with an independent third party in respect of the disposal of the business of film exhibition and film rights licensing and sub-licensing and artiste management for a consideration of HK\$8,000,000 (the “Disposal”). The Disposal was completed on 28 September 2012.

Impairment

Events led to the impairment losses recognised in 2012

Further to the factors that have been discussed in the Chairman’s Statement in the 2012 Annual Report, the Directors would like to discuss herein the events led to the impairment losses on the investments in Ease Ray Group and Smart Long Group recognised in 2012 in more details so as to provide more information to the shareholders and potential investors of the Company.

* For identification purpose only

Ease Ray Group

Upon the signing of the acquisition agreement with the vendor of Ease Ray Group in June 2010, the Company approached a number of banks in the PRC to finance the operation of Ease Ray Group upon the completion of the acquisition. The Company kept negotiating with such banks throughout the period therefrom to May 2011 or around In May 2011, the Company was informed such banks that they were unable to grant loans to the commercial sectors as their quota had been used up for mortgage loans granted to the property sector due to the European debt crisis as well as the tightened monetary policy in the PRC.

During the above period, the Company also approached investment funds and other banks in Hong Kong to explore the possibilities of their subscription of the Company's convertible bond. As a result, Standard Bank Plc ("SBP") agreed to subscribe the Company's convertible bond of HK\$25 million in May 2011. They were also interested in subscribing additional tranches should the process of disposing of the first tranche of conversion shares be completed. The issue of convertible bond to SBP was completed in June 2011 and the fund was utilized as general working capital of the Group, including Ease Ray Group. However, as the conversion price fell below the minimum conversion price that was agreed between the Company and SBP, SBP was unable to convert any shares and no conversion shares were disposed of by SBP. The Company then redeemed the convertible bond in December 2011 and SBP did not subscribe any additional tranches of convertible bond.

In view of the above, the Company failed to raise further funds to develop Ease Ray Group. Due to the lack of funding in the six months of operation after the completion of the acquisition of Ease Ray Group, Ease Ray Group was not able to transform 16 cities that were on trial run to permanent basis. Ease Ray Group had therefore missed the opportunities to develop the business to a national scale when there was not much competition in the market. Without such dominance, Ease Ray Group could not attract large advertising agents as well as big brand names to be its customers. Also, due to the lack of funding, Ease Ray Group failed its original business plan to operate traffic signboards in 56 cities with 77,400 traffic signboards, an investment of approximately HK\$1.16 billion and its profitability has been adversely impacted. Based on the business valuation of Ease Ray Group for the year ended 30 June 2012, the Group recognised an impairment loss of approximately HK\$425.7 million on goodwill arose on the acquisition of Ease Ray Group and an impairment loss of approximately HK\$99.1 million on the relevant intangible assets.

Smart Long Group

During the period from the entering into the agreement of the acquisition of Smart Long Group (“Smart Long Acquisition”) by the Company in August 2010 to the completion of Smart Long Acquisition in July 2011, management of Smart Long Group continued to negotiate with one of the three major telecommunication operators in the PRC (the “Telecom Operator”) to be its Guangdong branch’s (“GD Telecom Operator”) exclusive supplier of high temperature superconductors (“HTS”). As the GD Telecom Operator was the pilot among the Telecom Operator to use HTS, the management believed that once the GD Telecom Operator was satisfied with the performance of the HTS, the Telecom Operator would continue to use HTS in other provinces.

During the above period and upon the completion of Smart Long Acquisition, the GD Telecom Operator had purchased 5 sets of HTS as pilot equipment. Upon the completion of Smart Long Acquisition, the Directors considered that it had been taking too long for GD Telecom Operator to place its first bulk purchase order to HTS and the supplier of HTS (the “HTS Supplier”) only supplied 800MHz HTS that only suited the needs of the Telecom Operator but not the other two major telecommunication operators in the PRC. Smart Long Group then started to explore with the HTS Supplier the possibility of supplying different MHz products so that Smart Long Group could explore marketing different MHz HTS to the other two operators. However, the HTS Supplier considered it too risky to manufacture other MHz products when Smart Long Group had not achieved satisfactory sales performance on 800MHz HTS. In view of the above, the HTS Supplier has decided not to manufacture other MHz HTS and therefore, as of today, there is still a supply shortage of other MHz HTS in the market.

In June 2012, Smart Long Group was informed of the change in procurement policy by the Telecom Operator due to the change of the relevant regulations in the PRC. All non-public tender, including procurement of HTS products, was suspended.

The above two factors, i.e. the Telecom Operator’s change in procurement policy and the supply shortage of other MHz HTS, have adversely affected the profitability of Smart Long Group. Based on the business valuation of Smart Long Group for the year ended 30 June 2012, the Group recognised an impairment loss of approximately HK\$68.9 million on goodwill arose on the acquisition of Smart Long Group and an impairment loss of approximately HK\$10.2 million on the relevant intangible assets.

Current status

The Directors are currently working on a number of projects that the Group may develop through the platforms of Ease Ray Group and Smart Long Group. The Directors anticipate to have a more concrete plan on these projects during the remaining period of the year ending 31 December 2013. In the meantime, the Directors will continue to evaluate the impact of the above-mentioned on the profitability of both Ease Ray Group and Smart Long Group.

PROSPECTS

Ease Ray Group

The management will continue to monitor the progress of road expansion and subway construction in Xiamen and Nanchang and work with the municipal governments for a timetable of resuming our services. While it is unlikely to increase the number of traffic lights shortly, the management will continue to develop new customers and carry out maintenance work on the aged traffic lights so as to maintain their normal operation.

In the meantime, in view of the fierce competition in the outdoor advertising industry in the PRC, the management will explore potential outdoor advertising media other than traffic lights to diversify the source of revenue.

Smart Long Group

While the management will continue to work with the supplier of HTS filters and also the major telecommunication operators in the PRC for the sale of HTS filtering solutions, the management will seek other source of revenue.

Hughes China Group

The management expects the business relationship with Sichuan branch of one of the three major telecommunication operators in the PRC (“Sichuan Telecom”) will start generating significant results by the end of this financial year. Although it took a significant amount of time for Sichuan Telecom to integrate Hughes China services into their existing terrestrial based service to be branded as “天地星” service, all Sichuan Telecom sales offices will be able to market and take orders for this service. We anticipate major orders from Sichuan Telecom for village broadband project, cellular backhaul and enterprise customers.

In addition, we are working on a project in Inner Mongolia to begin providing broadband services, including distributing movies to students in colleges, high schools and primary schools. This project will evolve into providing broadband services to each remote household such as Mongolian yurt. We are in the process of introducing Ka band satellite coverage to Inner Mongolia for eventually reaching millions of households. Ka band resource is required to reduce cost of providing such services.

Cernet Wifi Group

Cernet Wifi Group currently has 27 projects, network of which are mostly wired. For new projects, wireless infrastructure will be set up in order to avoid significant investment and increase the mobility of the users' equipment. In the meantime, we will link up the existing projects into a unified authentication campus network which will bring in e-commerce business opportunities to the Group. In addition, Cernet Wifi Group is currently applying for an ISP license in the PRC which will enable Cernet Wifi Group to become an Internet service provider in the PRC.

Overall

The venturing into the telecommunication and outdoor advertising media sectors in the PRC has been an important move of the Group to benefit from these fast growing sectors. Although the Group encountered challenges to survive this harsh economic environment, the Directors are optimistic in the overall economy of the PRC, particularly the telecommunication sector, and will make good use of what the Group has invested to maximize shareholders' return.

The Directors expect the newly acquired Hughes China Group and Cernet Wifi Group will create a synergy effect amongst themselves as well as with the Group's existing business.

Share Capital

As at 1 July 2012, the authorised 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 approximately HK\$232,692,000 divided into 2,326,920,793 shares of HK\$0.10 each.

Pursuant to the terms of the agreement dated 7 January 2013 entered into between the Company and Oberlin Asia Inc. (“Oberlin”), an independent third party, in relation to the acquisition of the entire issued share capital of HCH Investments Limited (“HCH”), the Company issued 119,000,000 ordinary shares on 5 April 2013 as partial payment of the acquisition consideration. The fair value of the ordinary shares issued was determined by the available published price of HK\$0.57 each at the completion date of the acquisition on 5 April 2013.

As at 30 June 2013, the authorised 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 approximately HK\$244,592,000 divided into 2,445,920,793 shares of HK\$0.10 each.

Issues of Unlisted Warrants

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

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

Financial Position

During the period under review, the Group generally financed its operations and acquisition of subsidiaries with internally generated resources, net proceeds from the issues of unlisted warrants and issues of new shares and convertible notes. As at 30 June 2013, the Group had interest-bearing borrowings of HK\$27,320,000 (2012: Nil) which is due within one year.

As at 30 June 2013, the Group had current assets of approximately HK\$225,066,000 (2012: HK\$254,265,000), including cash and cash equivalents of approximately HK\$48,607,000 (2012: HK\$7,671,000), and trade receivables, prepayments, deposits, other receivables and loan and loan interest receivables of approximately HK\$175,881,000 (2012: HK\$230,720,000); and current liabilities of approximately HK\$133,225,000 (2012: HK\$73,494,000). The Group's current ratio had decreased from approximately 3.5 times as at 30 June 2012 to approximately 1.7 times as at 30 June 2013.

The Group had total assets of approximately HK\$1,413,891,000 (2012: HK\$694,319,000) and total liabilities of approximately HK\$436,608,000 (2012: HK\$83,266,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 30.9% as at 30 June 2013 (2012: 12.0%).

The Group's turnover for the twelve months ended 30 June 2013 amounted to approximately HK\$39,880,000 (2012: HK\$100,180,000).

Charges on the Group's Assets

There were no material charges on the Group's assets as at 30 June 2013.

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 30 June 2013, the Group did not have any outstanding hedging instruments.

Use of Net Proceeds from the Issues of Unlisted Warrants

The Company successfully completed the Issues of Warrants (A) and Warrants (B) on 5 December 2012 and 21 December 2012 respectively, raising an aggregate net proceeds (after deduction of the related expenses) of approximately HK\$14,600,000. The Company has utilised the net proceeds in the manner consistent with that disclosed in its announcements dated 5 November 2012 and 3 December 2012, i.e. as general working capital of the Group.

Employees Information

As at 30 June 2013, the Group had 129 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 twelve months ended 30 June 2013, 114,000,000 share options were granted under a new share option scheme adopted on 19 December 2012. Details of the grant of share options are set out on page 38 under the heading "SHARE OPTION SCHEMES".

Significant Investments

On 15 April 2013 and 25 April 2013, the Company and Space-Communication Limited ("Spacecom") entered into an agreement and an amendment thereto, pursuant to which the Company has conditionally agreed to purchase and Spacecom has conditionally agreed to sell the Ka-Beam of a satellite named AMOS-4 for an aggregate consideration of US\$70 million (equivalent to approximately HK\$546 million), which shall be payable by the Company to Spacecom in cash.

For details of the above proposed investment, please refer to the Company's announcements dated 15 April 2013 and 25 April 2013.

Save as disclosed above, there were no significant investments made by the Group during the twelve months ended 30 June 2013.

Material Acquisitions of Subsidiaries and Associated Companies

Hughes China Group

On 7 January 2013, the Company entered into an agreement with Oberlin, pursuant to which Oberlin conditionally agreed to sell to the Company the entire issued share capital of HCH Investments Limited ("HCH") for a total consideration of HK\$273,000,000.

HCH, together with its subsidiaries and associated company, is principally engaged in development of Internet technology and satellite communication technology as well as trading in satellite communication system devices.

For details of the acquisition of HCH, please refer to the Company's announcement dated 7 January 2013.

Cernet Wifi Group

On 25 January 2013, the Company entered into an agreement with Lucky Smile Enterprises Limited ("Lucky Smile") pursuant to which Lucky Smile conditionally agreed to sell to the Company the entire issued share capital of Galaxy Palace, for an initial consideration of approximately HK\$69,617,000, subject to adjustments, but in any event subject to a maximum aggregate consideration of HK\$194,400,000.

Cernet Wifi Group is principally engaged the development and sale of computer, software and associated equipment and technology. CERNET Wifi Group has entered into asset leasehold and cooperation contracts with CERNET pursuant to which CERNET Wifi Group is entitled to the economic benefits generated by the assets owned by CERNET in relation to the personal broadband access services connecting the higher educational institutions in the PRC and the related Internet content and value-added telecommunication services.

For details of the acquisition of Galaxy Palace, please refer to the Company's announcement dated 25 January 2013.

The acquisitions of Hughes China Group and Cernet Wifi Group were completed on 5 April 2013 and 24 April 2013 respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2013, 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

Share options

Name of Director	Capacity	Number of options held	Number of underlying shares	Approximate percentage of shareholding
Mr. HU Yangjun	Beneficial owner	15,000,000	15,000,000	0.64%

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 SCHEMES

On 19 December 2012, the Company adopted a new share option scheme (the “New Scheme”) as the share option scheme adopted on 22 July 2002 (the “Old Scheme”) expired on 21 July 2012. The purpose of the share option schemes 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.

Upon the expiration of the Old Scheme, share options granted under the Old Scheme remained outstanding until they lapse in accordance with the terms of the Old Scheme. Particulars of the share options under the Old Scheme and their movements during the twelve months ended 30 June 2013 are set out below:

Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options				
				At 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2012
Directors								
Mr. HU Yangjun	8/4/2011	8/4/2011 – 7/4/2021	1.07	15,000,000	–	–	–	15,000,000
Subtotal				15,000,000	–	–	–	15,000,000
Employees and others								
In aggregate	8/4/2011	8/4/2011 – 7/4/2021	1.07	85,000,000	–	–	50,000,000	35,000,000
Subtotal				85,000,000	–	–	50,000,000	35,000,000
Total				100,000,000	–	–	50,000,000	50,000,000

Particulars of the share options under the New Scheme and their movements during the twelve months ended 30 June 2013 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 2012
				At 1 July 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. Theo EDE	3/4/2013	3/4/2013 – 2/4/2018	0.628	-	10,000,000	-	-	10,000,000
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.628	-	20,000,000	-	-	20,000,000
Mr. LAM Kin Kau, Mark	3/4/2013	3/4/2013 – 2/4/2018	0.628	-	2,000,000	-	-	2,000,000
Professor SONG Junde	3/4/2013	3/4/2013 – 2/4/2018	0.628	-	2,000,000	-	-	2,000,000
Subtotal				-	34,000,000	-	-	34,000,000
Employees and others								
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.628	-	60,000,000	-	-	60,000,000
In aggregate	16/5/2013	16/5/2013 – 15/5/2018	0.628	-	20,000,000	-	-	20,000,000
Subtotal				-	80,000,000	-	-	80,000,000
Total				-	114,000,000	-	-	114,000,000

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial year 2012/13. Accordingly, the forthcoming financial period will cover 18-month period from 1 July 2012 to 31 December 2013. For details, please refer to the Company's announcement dated 15 July 2013.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 June 2013, 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	249,218,000 Shares	10.19%
	Interest in controlled corporation (Note 1)	6,796,000 Shares	0.28%
	Interest in controlled corporation (Note 2)	120,708,000 Shares	4.93%
	Total	376,722,000 Shares	15.40%

Notes:

- These Shares are held by Ocean Pearl Group Limited (“Ocean Pearl”) that was wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in the 6,796,000 Shares held by Ocean Pearl pursuant to the SFO.
- 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 120,708,000 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 deviations:

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 deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

Under the 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, two independent non-executive Directors did not attend the annual general meeting of the Company held on 19 December 2012.

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 twelve months ended 30 June 2013.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the twelve months ended 30 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the twelve months ended 30 June 2013.

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 twelve months ended 30 June 2013 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

CHANGE OF DIRECTORS

On 18 June 2013, Professor CHEN Lujun resigned as independent non-executive Director.

On 21 June 2013, Mr. LI Hongrong resigned as the Chairman of the Board and executive Director. Dr. Jih Chyi LEU was appointed as the Chairman of the Board and independent non-executive Director and Mr. CHEUNG Sing Tai and Mr. LIAN Xin were appointed as executive Directors.

By order of the Board
Neo Telemedia Limited
Jih Chyi LEU
Chairman

Hong Kong, 14 August 2013

As at the date hereof, the Board comprises five executive Directors, namely Theo EDE, HU Yangjun, ZHANG Xinyu (Chief Executive Officer), CHEUNG Sing Tai and LIAN Xin; and three independent non-executive Directors, namely Dr. Jih Chyi LEU, LAM Kin Kau, Mark and Professor SONG Junde.

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.

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