



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.

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This report, for which the directors (the “Directors”) of Neo Telemedia Limited (the “Company”) 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 STATEMENT OF PROFIT OR LOSS

For the six and three months ended 30 June 2014

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	19,667	4,544	9,904	3,657
Cost of sales		(9,286)	(5,228)	(6,022)	(3,633)
Gross profit/(loss)		10,381	(684)	3,882	24
Other income and gains		1,210	6,713	32	4,167
Gain on contingent consideration		-	20,797	-	20,797
Selling and marketing costs		(1,270)	(2,471)	(693)	(177)
Administrative and other expenses		(47,016)	(63,922)	(27,890)	(51,347)
Share of loss of an associate		-	(455)	-	(455)
Finance costs	4	(12,133)	(2,841)	(5,976)	(2,841)
Loss before tax	5	(48,828)	(42,863)	(30,645)	(29,832)
Income tax credit	6	2,675	3,713	1,338	2,961
Loss for the period		(46,153)	(39,150)	(29,307)	(26,871)
Loss for the period attributable to:					
Owners of the Company		(40,837)	(42,444)	(27,500)	(29,859)
Non-controlling interests		(5,316)	3,294	(1,807)	2,988
Loss per share	8				
- basic (in HK cent)		(1.58)	(1.78)	(1.05)	(1.22)
- diluted (in HK cent)		(1.58)	(1.78)	(1.05)	(1.22)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six and three months ended 30 June 2014

	For the six months ended 30 June		For the three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(46,153)	(39,150)	(29,307)	(26,871)
Other comprehensive (loss)/income, net of income tax				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	(2,345)	3,795	(279)	1,686
Total comprehensive loss for the period	(48,498)	(35,355)	(29,586)	(25,185)
Total comprehensive (loss)/ income for the period attributable to:				
Owners of the Company	(42,810)	(40,071)	(27,653)	(28,841)
Non-controlling interests	(5,688)	4,716	(1,933)	3,656

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Notes</i>	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>9</i>	45,063	46,594
Interest in an associate		–	–
Goodwill	<i>10</i>	329,017	329,017
Intangible assets	<i>11</i>	235,260	252,987
Total non-current assets		609,340	628,598
Current assets			
Inventories		376	614
Trade receivables	<i>12</i>	8,840	9,469
Prepayment, deposits and other receivables		42,813	93,130
Derivative financial assets		711	711
Cash and cash equivalents		72,600	10,966
Total current assets		125,340	114,890
Current liabilities			
Trade payables	<i>13</i>	5,160	5,256
Other payables and accruals	<i>14</i>	47,170	47,463
Deposits received		146	149
Receipts in advance		252	162
Tax liabilities		5,236	5,288
Total current liabilities		57,964	58,318
Net current assets		67,376	56,572
Total assets less current liabilities		676,716	685,170

	<i>Notes</i>	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current liabilities			
Convertible notes	<i>15</i>	145,236	142,240
Deferred tax liabilities	<i>16</i>	38,691	41,366
Total non-current liabilities		183,927	183,606
Net assets		492,789	501,564
Capital and reserves			
Share capital	<i>17</i>	275,492	255,492
Reserves		118,497	141,584
Equity attributable to owners of the Company		393,989	397,076
Non-controlling interests		98,800	104,488
Total equity		492,789	501,564

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Convertible notes reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013 (unaudited)	232,692	943,621	32,191	-	718	7,375	14,600	(658,858)	572,339	54,988	627,327
(Loss)/profit for the period	-	-	-	-	-	-	-	(42,444)	(42,444)	3,294	(39,150)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	2,373	-	-	-	2,373	1,422	3,795
Total comprehensive income/(loss) for the period	-	-	-	-	2,373	-	-	(42,444)	(40,071)	4,716	(35,355)
Recognition of equity – settled share based payment	-	-	30,490	-	-	-	-	-	30,490	-	30,490
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	57,504	57,504
Issue of shares in relation to the acquisition of subsidiaries	11,900	55,930	-	-	-	-	-	-	67,830	-	67,830
Lapse of share option	-	-	(15,597)	-	-	-	-	15,597	-	-	-
Recognition of the equity component of convertible notes in relation to acquisition of subsidiaries	-	-	-	7,131	-	-	-	-	7,131	-	7,131
At 30 June 2013 (unaudited)	244,592	999,551	47,084	7,131	3,091	7,375	14,600	(685,705)	637,719	117,208	754,927
At 1 January 2014 (audited)	255,492	1,024,031	47,084	7,131	1,908	7,375	14,600	(960,545)	397,076	104,488	501,564
Loss for the period	-	-	-	-	-	-	-	(40,837)	(40,837)	(5,316)	(46,153)
Other comprehensive loss:											
Exchange difference on translation of foreign operations	-	-	-	-	(1,973)	-	-	-	(1,973)	(372)	(2,345)
Total comprehensive loss for the period	-	-	-	-	(1,973)	-	-	(40,837)	(42,810)	(5,688)	(48,498)
Share options lapsed	-	-	(26,427)	-	-	-	-	26,427	-	-	-
Placing of shares	20,000	19,723	-	-	-	-	-	-	39,723	-	39,723
At 30 June 2014 (unaudited)	275,492	1,043,754	20,657	7,131	(65)	7,375	14,600	(974,955)	393,989	98,800	492,789

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	23,804	33,251
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,810)	(21,232)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	39,723	27,320
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,717	39,339
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,966	9,559
Effect on foreign exchanges rate changes	(83)	(291)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	72,600	48,607
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:		
Bank balance and cash	72,600	48,607

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months and six months ended 30 June 2014

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

The condensed consolidated 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 sale of telecommunication products and services and provision of transmedia advertising services in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements 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 disclosure requirements of the GEM Listing Rules.

This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the period ended 31 December 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2014 are the same as those adopted in the preparation of the Group's annual financial statements for the period ended 31 December 2013. In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants:

HKFRS (Amendments)	Annual Improvements to HKFRSs 2011 – 2013 Cycle
HKFRS 1 (Amendments)	Government Loan
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities – Transaction Guidance
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HK(IFRIC) – Int 21	Levies

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated interim financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKFRS 13 Fair Value Measurement (continued)

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.

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 six months ended 30 June		For the three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sale of telecommunication products and services	19,101	2,337	9,770	2,296
Transmedia advertising services	566	2,207	134	1,361
	19,667	4,544	9,904	3,657

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

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:

- Sale of telecommunication products and services
- Transmedia advertising services

(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:

	Sale of telecommunication products and services		Transmedia advertising services		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	19,101	2,337	566	2,207	19,667	4,544
Segment results	(9,971)	83	(7,260)	4,421	(17,231)	4,504
Interest income					36	1,532
Share of loss of an associate					-	(455)
Unallocated corporate income					-	21,082
Unallocated corporate expenses					(19,500)	(66,685)
Finance costs					(12,133)	(2,841)
Loss before tax					(48,828)	(42,863)
Income tax credit					2,675	3,713
Loss for the period					(46,153)	(39,150)

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:

	Sale of telecommunication products and services		Transmedia advertising services		Total	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Segment assets	575,998	585,368	108,866	98,223	684,864	683,591
Unallocated corporate assets					49,816	59,897
Total assets					734,680	743,488
Segment liabilities	56,466	59,534	426	6,398	56,892	65,932
Unallocated corporate liabilities					184,999	175,992
Total liabilities					241,891	241,924

4. **FINANCE COSTS**

	For the six months ended 30 June		For the three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on convertible notes	8,549	2,841	4,360	2,841
Interest on short-term loan	3,584	–	1,616	–
	12,133	2,841	5,976	2,841

5. LOSS BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest income	(36)	(1,532)	(4)	(1,080)
Depreciation of items of property, plant and equipment	4,569	2,045	2,296	1,303
Amortisation of intangible assets	16,835	15,378	8,419	11,124
Equity-settled share based payments	–	30,490	–	30,490
Impairment loss recognised in respect of items of property, plant and equipment	–	6,047	–	6,047

6. INCOME TAX

	For the six months ended 30 June		For the three months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax:				
– Hong Kong	–	–	–	–
– PRC	–	41	–	2,784
Deferred tax (note 16)	(2,675)	(3,754)	(1,338)	(5,745)
Total tax credit for the period	(2,675)	(3,713)	(1,338)	(2,961)

- (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 six months ended 30 June 2014 (2013: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the six months ended 30 June 2014 of approximately HK\$40,837,000 (six months ended 30 June 2013: HK\$42,444,000) and the three months ended 30 June 2014 of approximately HK\$27,500,000 (three months ended 30 June 2013: HK\$29,859,000), attributable to equity holders of the Company, and the weighted average of the six months ended 30 June 2014 of approximately 2,591,385,000 (six months ended 30 June 2013: 2,384,120,000) and the three months ended 30 June 2014 of approximately 2,627,448,000 (three months ended 30 June 2013: 2,440,690,000) ordinary shares in issue during the period.

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

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately HK\$1,846,000 (18 months period ended 31 December 2013: HK\$29,411,000) on acquisition of property, plant and equipment, excluding property, plant and equipment acquired through acquisition of subsidiaries.

10. GOODWILL

	HK\$'000
Cost	
At 1 July 2012 (Audited)	898,881
Arising on acquisition of subsidiaries	279,486
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)	1,178,367
Accumulated impairment	
At 1 July 2012 (Audited)	547,353
Impairment loss recognised	301,997
At 31 December 2013 (Audited) and 30 June 2014 (Unaudited)	849,350
Carrying values	
At 30 June 2014 (Unaudited)	329,017
At 31 December 2013 (Audited)	329,017

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, brand name and distribution network of CERNET, and technical know-how.

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 based on the contractual terms. The technical know-how is amortised over its estimated useful life of ten years.

12. TRADE RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	8,881	9,510
Less: accumulated allowance for doubtful debts	(41)	(41)
	8,840	9,469

12. TRADE RECEIVABLES (continued)

The Group allows an average credit period of 90 days (31 December 2013: 90 days) to its trade customers.

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:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	946	101
31 to 60 days	918	–
61 to 90 days	100	511
Over 90 days	6,876	8,857
	8,840	9,469

13. TRADE PAYABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables	5,160	5,256

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 30 days	56	–
61 to 90 days	–	38
Over 91 days	5,104	5,218
	5,160	5,256

14. OTHER PAYABLES AND ACCRUALS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Other payables	31,919	39,662
Accruals	15,251	7,801
	47,170	47,463

Included in the other payables is a short term loan of approximately HK\$27,320,000 (31 December 2013: HK\$27,320,000) obtained from an independent third party.

The loan carries a fixed interest rate at 1.2% per month and is unsecured, denominated in HK\$ and repayable within one year from the end of the reporting period.

15. CONVERTIBLE NOTES

During the six months ended 30 June 2014, no redemption of the convertible notes was made by the Company. At 30 June 2014, carrying amount of the convertible notes liability component of approximately HK\$145,236,000 (principal amount of HK\$160,000,000) remained outstanding.

16. DEFERRED TAX

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

	Intangible assets HK\$'000
At 1 July 2012 (Audited)	9,772
Acquisition of subsidiaries	39,781
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the period	(8,187)
At 31 December 2013 (Audited)	41,366
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the period (note 6)	(2,675)
At 30 June 2014 (Unaudited)	38,691

17. SHARE CAPITAL

	Par value per share HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 1 July 2012 and 31 December 2013 (Audited)	0.1	4,000,000,000	400,000
Increase of authorised share capital (note a)	0.1	6,000,000,000	600,000
At 30 June 2014	0.1	10,000,000,000	1,000,000
Issued and fully paid:			
At 1 July 2012 (Audited)	0.1	2,326,920,793	232,692
Issue shares in relation to the Hughes China Acquisition (note b)	0.1	119,000,000	11,900
Placing of shares (note c)	0.1	109,000,000	10,900
At 31 December 2013 and 1 January 2014 (Audited)	0.1	2,554,920,793	255,492
Placing of shares (note d)	0.1	200,000,000	20,000
At 30 June 2014 (Unaudited)	0.1	2,754,920,793	275,492

Notes:

- (a) Pursuant to an ordinary resolution passed on the annual general meeting dated 17 March 2014, the authorised share capital was increased to HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each.
- (b) Pursuant to the terms of the agreement dated 7 January 2013 entered into between the Company and Oberlin Asia Inc., an independent third party, in relation to the acquisition of the entire issued share capital of HCH Investments Limited, 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.
- (c) Pursuant to a placing agreement entered into with Kingston Securities Limited dated 25 July 2013, the Company placed out 109,000,000 new ordinary shares of par value of HK\$0.10 each at HK\$0.33 per share to an independent third party. Net proceeds from such issue amounted to approximately HK\$35,380,000 (after deducting the placement expenses of approximately HK\$590,000), out of which approximately HK\$10,900,000 and HK\$25,070,000 were recorded in share capital and share premium respectively. The placing was completed on 13 August 2013. The net proceeds were fully utilized as general working capital of the Company.
- (d) Pursuant to a placing agreement entered into with Kingston Securities Limited dated 15 May 2014, the Company placed out 200,000,000 new ordinary shares of par value of HK\$0.10 each at HK\$0.201 per share to independent third parties. Net proceeds from such issue amounted to approximately HK\$39,723,000 (after deducting the placement expenses of approximately HK\$477,000), out of which approximately HK\$20,000,000 and HK\$19,723,000 were recorded in share capital and share premium respectively. The placing was completed on 29 May 2014. The net proceeds were intended to be used for the general working capital of the Company.

18. WARRANTS

During the six months ended 30 June 2014, no warrants were exercised.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at 30 June 2014 (HK\$'000)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial asset	711	Level 2	Derived from quoted bid prices in an active market

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$19,667,000 (2013: HK\$4,544,000), representing a substantial increase of approximately HK\$15,123,000 or 4 times as compared to the same period of last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$40,837,000 (2013: HK\$42,444,000) for the six months ended 30 June 2014, representing a slight decrease of approximately HK\$1,607,000 or 4% as compared to the corresponding period in last year. The increase in turnover was mainly attributable to contribution from Hughes China Group and CERNET Wifi Group which were acquired on 5 April 2013 and 24 April 2013 respectively. Despite no share option expenses recognised for the six months ended 30 June 2014 as compared to that of HK\$30,490,000 in the corresponding period in 2013, loss attributable to owners of the Company decreased slightly only by 4% because certain projects, such as 天地星 and 蒙古包, that the above-mentioned groups are working on were still in the preliminary stage and did not contribute any revenue to the Group while the relevant development costs were incurred during the period under review.

Sale of telecommunication products and services

Hughes China Group

During the period under review, Hughes China Group continued to work on the two major projects, namely “天地星” and “蒙古包”. Revenue contributed to the Group for the period represents sale of satellite communication system devices and related services.

CERNET Wifi Group

During the period under review, CERNET Wifi Group continued to provide personal broadband access services for China Education and Research Network (“CERNET”) developed by the Ministry of Education in the PRC. Revenue contributed to the Group for the period represents economic benefits generated by the assets owned by 塞爾網絡有限公司 (CERNET Company Limited*) (“CCL”) pursuant to asset leasehold and cooperation contracts entered into between CERNET Wifi Group and CCL.

* For identification purpose only

Smart Long Group

In view of the uncertainty of the business of high temperature superconducting (“HTS”) filtering solutions, Smart Long Group has shifted its focus on other projects since the last financial year, particularly mobile Internet lottery, on which Smart Long Group will provide IT support, including design and development of lottery platform and game distribution infrastructure, to lottery operators for a commission income. During the period under review, Smart Long Group continued to work with a number of lottery operators in the PRC on these projects.

Provision of transmedia advertising services

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

PROSPECTS

Sale of telecommunication products and services

The management will continue to monitor the progress of various projects that the group companies are working on. In addition, the Directors are in the process of assessing the performance of these group companies to determine if there are loss making and risky projects that need to be discontinued.

Provision of transmedia advertising services

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

On the other hand, the management will explore other outdoor advertising media to diversify the source of revenue and improve profitability of Ease Ray Group.

Share Capital

As at 1 January 2014, 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\$255,492,000 divided into 2,554,920,793 shares of HK\$0.10 each.

Pursuant to the ordinary resolution passed on the annual general meeting dated 17 March 2014, the authorised share capital was increased to HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each by the creation of an additional 6,000,000,000 ordinary shares of HK\$0.10 each in the share capital of the Company.

Pursuant to a placing agreement entered into with Kingston Securities Limited dated 15 May 2014, the Company placed out 200,000,000 new ordinary shares of par value of HK\$0.10 each at HK\$0.201 per share to independent third parties (“the Placing”). The Placing was completed on 29 May 2014.

As at 30 June 2014, the authorised share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each and the issued share capital of the Company was approximately HK\$275,492,000 divided into 2,754,920,793 shares of HK\$0.10 each.

Financial Position

During the period under review, the Group generally financed its operations with internally generated resources and net proceeds from the Placing. As at 30 June 2014, the Group had interest-bearing borrowings of HK\$27,320,000 (31 December 2013: HK\$27,320,000) which is due within one year.

As at 30 June 2014, the Group had current assets of approximately HK\$125,340,000 (31 December 2013: HK\$114,890,000), including cash and cash equivalents of approximately HK\$72,600,000 (31 December 2013: HK\$10,966,000), and trade receivables, prepayments, deposits and other receivables of approximately HK\$51,653,000 (31 December 2013: HK\$102,599,000); and current liabilities of approximately HK\$57,964,000 (31 December 2013: HK\$58,318,000). The Group's current ratio had increased from approximately 2.0 times as at 31 December 2013 to approximately 2.2 times as at 30 June 2014.

The Group had total assets of approximately HK\$734,680,000 (31 December 2013: HK\$743,488,000) and total liabilities of approximately HK\$241,891,000 (31 December 2013: HK\$241,924,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 32.9% (31 December 2013: 32.5%).

The Group's turnover for the six months ended 30 June 2014 amounted to approximately HK\$19,667,000 (2013: HK\$4,544,000).

Charges on the Group's Assets

There were no material charges on the Group's assets as at 30 June 2014.

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 2014, the Group did not have any outstanding hedging instruments.

Use of Net Proceeds from the Placing

The Company successfully completed the Placing on 29 May 2014, raising net proceeds (after deduction of the related expenses) of approximately HK\$39,723,000. The net proceeds have been used as the general working capital of the Group.

Employee Information

As at 30 June 2014, the Group had 121 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 30 June 2014, no share options were granted to employees of the Group.

Material Acquisition and Disposals

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2014.

Significant Investments

During the six months ended 30 June 2014, no significant investments were made by the Group.

Segmental Information

Details of segmental information of the Group as at 30 June 2014 are set out in note 3 to the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2014, 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 Stock 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. Zhang Xinyu	Beneficial owner	20,000,000	20,000,000	0.73%

Save as disclosed above, the Directors did not have any interests or short positions in the securities of the Company as at 30 June 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Share option schemes” 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 share option schemes 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 six months ended 30 June 2014 are set out below:

Name and category of participant	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options				
				At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014
Employees and others								
In aggregate	8/4/2011	8/4/2011-7/4/2021	1.07	50,000,000	-	-	(47,000,000)	3,000,000
Total				50,000,000	-	-	(47,000,000)	3,000,000

Particulars of the share options under the New Scheme and their movements during the six months ended 30 June 2014 are set out below:

Name and category of participant	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options				
				At 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2014
Directors								
Mr. ZHANG Xinyu	3/4/2013	3/4/2013 – 2/4/2018	0.628	20,000,000	-	-	-	20,000,000
Subtotal				20,000,000	-	-	-	20,000,000
Employees and others								
In aggregate	3/4/2013	3/4/2013 – 2/4/2018	0.628	74,000,000	-	-	(24,000,000)	50,000,000
In aggregate	16/5/2013	6/5/2013 – 15/5/2018	0.628	20,000,000	-	-	(20,000,000)	-
Subtotal				94,000,000	-	-	(44,000,000)	50,000,000
Total				114,000,000	-	-	(44,000,000)	70,000,000

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far is known to any Director, as at 30 June 2014, 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	527,264,000	19.14%
	Interest in controlled corporations (Note)	220,436,000	8.00%
	Total	747,700,000	27.14%

Note: 215,436,000 shares and 5,000,000 shares are held by Winner Mind Investments Limited (“Winner Mind”) and Golden Ocean Assets Management Limited (“Golden Ocean”) respectively, both companies are wholly-owned by Mr. LIE Haiquan. Thus, he was deemed to be interested in these 220,436,000 shares 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 as at 30 June 2014.

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

Under code provision A.4.1, non-executive Directors should be appointed for specific term. There is no specific term of appointment of the non-executive Directors; however, they are subject to retirement by rotation in accordance with the articles of association of the Company (“Articles”) and the Code on Corporate Governance Practices of the GEM Listing Rules. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive Directors as required under the code provision.

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

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to business engagements, Professor SONG Junde, a former independent non-executive Director did not attend the annual general meeting of the Company held on 17 March 2014.

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

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS DURING THE PERIOD

At the annual general meeting of the Company held on 17 March 2014, Dr. Leu and Professor Song were not re-elected as independent non-executive Directors of the Company and retired at the meeting, and Mr. Lam was removed as an independent non-executive Director on 18 March 2014. Following the above retirement and removal of independent non-executive Directors, the Company failed to have sufficient number of independent non-executive Directors and audit committee members, which was not in compliance with the requirement of Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules. Subsequently on 20 March 2014, Mr. Leung, Ms. Lu and Mr. Chou Jianzhong were appointed to fill the vacancies of independent non-executive Directors and members of the Audit Committee which met the requirement Rule 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules.

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 30 June 2014.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the six months ended 30 June 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

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 30 June 2014 and is of the opinion that such statements have complied with the applicable accounting standards and disclosure requirements.

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

Hong Kong, 12 August 2014

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

This 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.