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ASIA TELEMEDIA LIMITED

(In Liquidation)

亞洲電信媒體有限公司

（清盤中）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

The Joint and Several Liquidators (the "Liquidators") of Asia TeleMedia Limited (In Liquidation) (the "Company") announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	4	**10,742**	5,600
Other operating income		**3,495**	1,600
Staff costs		**(14,370)**	(7,363)
Impairment loss on other receivables, deposits and prepayments		**(29,134)**	(48)
Other operating expenses		**(14,228)**	(11,840)
Finance costs		**(4,108)**	(4,083)
Loss before tax		**(47,603)**	(16,134)
Income tax	5	**–**	–
Loss for the year	6	**(47,603)**	(16,134)
Dividend	7	**–**	–
Loss per share	8		
Basic		**(3.15) cents**	(1.11) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment		**380**	1,069
Trading rights		**544**	815
Statutory deposits for financial services business		**430**	430
		1,354	2,314
Current assets			
Trade receivables	*9*	**20,568**	26,343
Other receivables, deposits and prepayments		**2,806**	28,518
Loan receivables		**–**	–
Bank balances – trust and segregated accounts		**54,348**	62,438
Bank balances (general accounts) and cash		**18,964**	12,432
		96,686	129,731
Current liabilities			
Trade payables	*10*	**72,886**	86,090
Other payables and accrued charges		**21,226**	17,458
Loan payables		**60,084**	58,084
Amounts due to directors		**20,912**	28,737
Obligation under finance lease – due within one year		**129**	79
		175,237	190,448
Net current liabilities		**(78,551)**	(60,717)
Total assets less current liabilities		**(77,197)**	(58,403)
Non-current liabilities			
Obligation under finance lease – due after one year		**–**	136
Net liabilities		**(77,197)**	(58,539)
Capital and reserves			
Share capital		**308,701**	291,505
Reserves		**(385,898)**	(350,044)
Total capital deficiency		**(77,197)**	(58,539)

Notes:

1 Corporate information

Asia TeleMedia Limited (In Liquidation) (the "Company") is a limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") but have been suspended from trading since 18 March 2008.

The address of the registered office and the principal place of business of the Company was 2808, One Exchange Square, Central, Hong Kong. This office was surrendered to the landlord on 17 June 2008. The registered office and the principal place of business of the Company is now the office of the Liquidators at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2 Basis of preparation of the financial statements

The Company and its subsidiaries (the "Group") incurred a consolidated loss attributable to equity holders of the Company of approximately HK$47,603,000 for the year ended 31 December 2007 (2006: approximately HK$16,134,000) and the Company incurred a loss attributable to equity holders of the Company of approximately HK$50,109,000 (2006: approximately HK$15,544,000). As at 31 December 2007, the Company and the Group had net current liabilities of approximately HK$90,622,000 and HK$78,551,000 (2006: approximately HK$70,077,000 and HK$60,717,000) respectively, and deficiency of shareholders' fund of approximately HK$85,079,000 and HK$77,197,000 (2006: approximately HK$63,915,000 and HK$58,539,000), respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company and the Group's ability to continue as a going concern. Therefore, the Company and the Group may be unable to realise its assets and discharge their liabilities in the normal course of business.

A winding-up petition was filed against the Company on 5 June 2007, and a winding-up order was made by the High Court of Hong Kong (the "Court") on 18 March 2008. Messrs Edward Middleton and Patrick Cowley (the "Liquidators") were appointed as the Liquidators of the Company on 14 January 2009 pursuant to an Order of the Court.

As such, the Liquidators do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to their appointment date.

The Liquidators make no representation as to the completeness of the information contained in these financial statements, given that the Liquidators have only been able to provide books and records of the Group which are available to them by the directors and management of the Group for the purpose of the audit.

Trading in the Company's shares on the Stock Exchange has been suspended since 18 March 2008. The Company was placed into the third stage of delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 8 July 2010.

The Liquidators circulated an invitation for restructuring proposals to a number of potential investors and received a number of such proposals. The Liquidators have ultimately accepted the restructuring proposal of Gainhigh Holdings Limited (the "Investor"), a company incorporated in the British Virgin Islands with limited liability. On 14 July 2009, a letter of intent (the "First Letter") jointly issued by the Investor and its controlling shareholder, Mr. Ko Chun Shun Johnson (the "Guarantor") was accepted by the Liquidators (acting as agents for and on behalf of the Company without personal liability) to confirm their interests in the capital and debt restructuring and a subscription of new securities and convertible notes of the Company with a view to enabling the resumption of trading in the shares of the Company on the Stock Exchange (the "Proposed Restructuring"). Pursuant to the First Letter, the Liquidators granted the Investor an exclusive right to negotiate the detailed terms and implementation of the Proposed Restructuring of the Company (the "Restructuring Agreement") for a period up to 13 April 2010.

Pursuant to a second letter of intent dated 23 July 2010 (the "Second Letter") which was terminated and superseded by a third letter of intent dated 17 December 2010 (the "Third Letter") and a side letter dated 28 February 2011 (the "Side Letter"), the Liquidators have agreed to grant an exclusive right to the Investor to negotiate the Proposed Restructuring up to the date on which (i) the listing of the Company's shares on the Stock Exchange is cancelled, (ii) the signing of the Restructuring Agreement, or (iii) the Investor withdraws from negotiations on the Proposed Restructuring, whichever is the earliest (the "Exclusivity Period").

Up to the date of the publication of these financial statements, the Investor has funded (i) a sum of HK$12.5 million to the Company to meet the professional costs and expenses incurred in connection with the Proposed Restructuring; and (ii) HK$3 million to an escrow agent as a deposit (subject to it being refundable under certain conditions). On 22 September 2009, a facility agreement was entered into between Mansion House Financial Holdings Limited ("MHF"), a wholly-owned subsidiary of the Company, and the Investor. The Investor agreed to provide an interest-bearing term loan facility of up to HK$8 million to the Group as secured by the entire issued share capital of Mansion House Securities (F.E.) Limited ("MHSFE"), which is an indirect wholly-owned subsidiary of the Company, to finance the regulatory and general working capital requirements of the Group. On 21 September 2010, the Investor approved the injection of the HK$8 million as equity by MHF to MHSFE. MHF further entered into an Amendment Agreement dated 14 October 2010 to amend certain terms of the facility agreement dated 22 September 2009 and an Amendment and Restatement Agreement dated 23 November 2010 for an additional interest-bearing loan facility of up to HK$15,700,000 with the Investor. The facility amount was further increased by HK$15 million pursuant to an Amendment Agreement dated 21 February 2011 and was fully utilised as at 28 February 2011.

The Company submitted a resumption proposal on 17 December 2010 (updated on 25 March 2011) and subsequently amended by a written submission to the Stock Exchange on 31 March 2011 (together the "Resumption Proposal"). By a letter dated 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the following conditions to the satisfaction of the Listing Division within six months from the date of the Stock Exchange's letter:

(i) completion of the subscription of new shares and convertible notes by the Investor, the scheme of arrangement (the "Scheme") between the Company and its creditors and all transactions under the Resumption Proposal;

(ii) recruitment of qualified institutional sales (as evidence by the signing of binding contractual agreements);

(iii) inclusion in the circular to shareholders a pro forma balance sheet upon completion of the transactions under the Resumption Proposal and provision of a comfort letter from the auditors under Rule 4.29 of the Listing Rules;

(iv) publication of all outstanding financial results; and

(v) permanent stay of the winding-up order and the release and discharge of the Liquidators.

The Company shall also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and the Company's place of incorporation. The Stock Exchange may modify the resumption conditions if the Company's situation changes.

On 27 May 2011, the Company announced that an agreement for the implementation of the Proposed Restructuring which comprises capital restructuring, subscription, the Scheme and group reorganisation, was entered into on 15 April 2011 among the Company, the Liquidators (acting as agents for and on behalf of the Company without personal liability), the Investors and the Guarantor (the said agreement as the "Restructuring Agreement"). The principal elements of the Restructuring Agreement are as follows:

a) Capital restructuring

The Company will undergo capital restructuring, involving share consolidation, capital reduction, capital cancellation and authorised share capital increase.

b) Subscription

Under the Restructuring Agreement, the Investor will contribute HK$172 million to subscribe for the new shares at a subscription price of HK$0.62 each, representing a total consideration of HK$79.5 million, and the convertible notes issued by the Company with a principal amount of HK$92.5 million and tenure of five years bearing no interest and convertible into new shares at a conversion price of HK$0.62 per new share.

c) The Scheme

Under the Restructuring Agreement, the Company will apply to the Court for an order to convene a creditors' meeting to consider the Scheme between the Company and its creditors (the "Scheme Creditors"). Upon completion, all the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) will be compromised and discharged in full in return for a cash payment of HK$72 million, which is to be funded by the Company out of the proceeds from the subscription.

d) Group reorganisation

Under the Restructuring Agreement, upon completion, all the issued shares of several subsidiaries of the Company (the "Excluded Companies") will be transferred to a nominee of the scheme administrators for the benefit of the Scheme Creditors at a nominal consideration of HK$1 and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Excluded Companies shall be released and discharged in full upon such transfer.

The financial statements of the Group and the Company have been prepared on a going concern based on the basis that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the financial position of the Group and the Company will be substantially improved. The financial statements of the Group and the Company for the year ended 31 December 2007, which have been prepared on the going concern basis, present fairly the results and state of affairs of the Group and the Company.

Should the Group and the Company be unable to achieve a successful restructuring and to continue their businesses as going concern, adjustments would have to be made to the financial statements to adjust the value of the assets of the Group and the Company to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3 Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the company.

HKFRSs (Amendments)	Improvements to HKFRSs 2008[6]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[7]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[15]
HKAS 1 (Revised)	Presentation of Financial Statements[8]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[17]
HKAS 23 (Revised)	Borrowing Costs[8]
HKAS 24 (Revised)	Related Party Disclosures[15]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[9]
HKAS 32 (Amendment)	Classification of Rights Issues[13]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation[8]
HKAS 39 (Amendment)	Eligible Hedged Items[9]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[9]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[12]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[14]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[16]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[8]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[8]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[12]
HKFRS 3 (Revised)	Business Combinations[9]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[8]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[16]
HKFRS 8	Operating Segments[8]
HKFRS 9	Financial Instruments[18]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[11]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[15]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[8]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[9]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[10]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[14]

[1] *Effective for annual periods beginning on or after 1 March 2007*
[2] *Effective for annual periods beginning on or after 1 January 2008*
[3] *Effective for annual periods beginning on or after 1 July 2008*
[4] *Effective for reclassification on or after 1 July 2008*
[5] *Effective for annual periods beginning on or after 1 October 2008*
[6] *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
[7] *Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified*
[8] *Effective for annual periods beginning on or after 1 January 2009*
[9] *Effective for annual periods beginning on or after 1 July 2009*
[10] *Effective for transfers on or after 1 July 2009*
[11] *Effective for annual periods ending on or after 30 June 2009*
[12] *Effective for annual periods beginning on or after 1 January 2010*
[13] *Effective for annual periods beginning on or after 1 February 2010*
[14] *Effective for annual periods beginning on or after 1 July 2010*
[15] *Effective for annual periods beginning on or after 1 January 2011*
[16] *Effective for annual periods beginning on or after 1 July 2011*
[17] *Effective for annual periods beginning on or after 1 January 2012*
[18] *Effective for annual periods beginning on or after 1 January 2013*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes in the titles of the financial statements) and will be effective from 1 January 2009, with earlier application permitted. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will only include details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard has introduced the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKFRS 8, which replaces HKAS 14 "Segment Reporting", is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purposes of allocating resources between segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. It is required to be applied retrospectively, but if adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information. The Group is presently studying the implications of applying HKFRS 9. It is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these financial statements.

The Group anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4 Revenue and segment information

Revenue represents the net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Brokerage and commission income	**10,217**	5,396
Interest income	**525**	204
	10,742	5,600

For management purposes, the Group is currently organised into one operating division – financial services in Hong Kong. Financial services comprises securities broking and underwriting. No segment information is presented.

5 Income tax

No provision for Hong Kong Profits Tax was made for both years as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the two years ended 31 December 2007 and 2006.

6 Loss for the year

Loss for the year has been arrived at after charging the following:

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**510**	360
Amortisation of trading rights	**271**	271
Impairment loss on property, plant and equipment	**155**	–
Loss on disposal of property, plant and equipment	**693**	–
Depreciation		
– owned assets	**443**	640
– leased assets	**86**	86
Loss on dissolution of an associate	**–**	18
Consultancy fees	**740**	2,610
Rental in respect of office premises	**3,580**	2,111

7 Dividends

No dividend was paid or proposed for the year ended 31 December 2007 (2006: nil), nor has any dividend been proposed since the end of the reporting period.

8 Loss per share

The calculation of basic loss per share is based on the loss for the year of HK$47,603,000 (2006: HK$16,134,000) and 1,512,302,000 (2006: 1,457,527,000) shares in issue during the year.

Diluted loss per share for the years ended 31 December 2006 and 2007 has not been presented as the effect of any dilution is anti-dilutive.

9 Trade receivables

	2007	2006
	HK$'000	*HK$'000*
Margin clients	**26,154**	26,172
Cash clients	**17,775**	21,529
Broker, dealers and clearing houses	**2,792**	4,813
	46,721	52,514
Less: allowance for doubtful debts	**(26,153)**	(26,171)
	20,568	26,343

The Group allows the settlement terms of account receivables arising from the business of dealing in securities are two days after trade date. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2007	2006
	HK$'000	*HK$'000*
Within 30 days	**20,385**	26,275
Within 31 – 90 days	**139**	1
More than 90 days	**44**	67
	20,568	26,343

10 Trade payables

	2007	2006
	HK$'000	*HK$'000*
Cash clients	**72,885**	86,089
Broker, dealers and clearing houses	**1**	1
	72,886	86,090

The ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is within 30 days.

11 Contingent liabilities

At the time when the winding-up order was made, several staff of the Company filed claims of unpaid staff costs against the Company amounting to approximately HK$479,000 which relate to prior periods. As these claims have not been admitted, the Liquidators are of the view that it will be premature to make any provision in respect of the alleged claim before the legitimacy and the amount of the liabilities can be determined.

12 Subsequent events

(a) On 31 January 2008, the Company issued 154,000,000 unlisted warrants at HK$0.01 per warrant. Each warrant carries the entitlement to subscribe for one new ordinary share of the Company. The exercise price of the warrant is HK$0.25 per warrant. The issuance resulted a net proceed of approximately HK$1,415,000 to the Company.

(b) On 18 March 2008, the Court made a winding-up order against the Company in respect of the winding-up petition filed on 5 June 2007. By virtue of his office, the Official Receiver was appointed provisional liquidator of the Company on the same day.

(c) In March 2008, several staff of the Company filed claims of unpaid staff costs against the Company amounting to approximately HK$259,000, which are incurred at the time when the winding-up order was made. Such claims have not yet been admitted by the Liquidators up to the date of the report.

(d) In March 2008, The Hongkong Land Property Company Limited filed a Proof of Debt against the Company in respect of the Company's alleged breach of the tenancy agreement dated 25 June 2007. The claim amounts to approximately HK$11 million which comprises the outstanding rental, accrued charges, damages and losses as a result of the breach.

(e) On 11 April 2008, the directors of the Company lodged a Notice of Appeal to the Court of Appeal of Hong Kong against the winding-up order on the ground that the Company should not be made liable for a liability arising from the breach of fiduciary duties by a former director. The appeal was heard on 8 September 2009 and was dismissed.

(f) On 14 January 2009, Messrs Edward Middleton and Patrick Cowley, both of KPMG, were appointed by the Court as the Liquidators of the Company.

(g) On 20 February 2009, the Company was placed into the second stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules by the Stock Exchange.

(h) On 14 July 2009, the First Letter was issued by the Investor and the Guarantor and an escrow agreement was entered into amongst the Investor and the Guarantor, the Liquidators and an escrow agent on the same day. Pursuant to the First Letter, the Liquidators granted the Investor an exclusive right of nine months from the date of the letter of intent to negotiate a legally binding agreement for the implementation of the restructuring proposal.

(i) On 13 April 2010, the term of the First Letter as mentioned in note 2 above expired.

(j) On 8 July 2010, the Company was placed into the third stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules by the Stock Exchange.

(k) On 23 July 2010 and 17 December 2010, the Second Letter and the Third Letter were issued by the Investor and the Guarantor, respectively. The Liquidators have extended the Exclusivity Period as set out in note 2 above.

(l) On 21 September 2010, the Investor approved the injection of HK$8 million as equity by MHF to MHSFE. On 1 December 2010, the Investor additionally injected funds of HK$15.7 million to MHF, of which HK$13 million was injected to MHSFE and HK$2.7 million was retained by MHF for general corporate purposes.

(m) On 22 February 2011, the Investor injected funds of HK$15 million to MHF, of which HK$13 million was injected to MHSFE and HK$2 million was retained by MHF for general corporate purposes.

(n) On 28 February 2011, the Side Letter was issued by the Investor and the Guarantor and accepted by the Liquidators, under which the Liquidators further extended the Exclusivity Period as set out in note 2 above.

(o) On 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the conditions to the satisfaction of the Listing Division within six months from the date of the Stock Exchange's letter. These conditions are set out in note 2 above.

(p) On 15 April 2011, the Company, the Liquidators (acting as agents for and on behalf of the Company without personal liability), the Investors and the Guarantor entered into the Restructuring Agreement. The principal elements of the Restructuring Agreement are set out in note 2 above.

AN EXTRACT OF AUDITOR'S REPORT

Basis for disclaimer of opinion

1. Completeness of information

A winding-up order was made against the Company on 18 March 2008 and the Liquidators were appointed on 14 January 2009. The Liquidators have only been able to provide books and records of the Group which are available to them by the directors and management of the Group for the purpose of the audit. In consequence, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in the financial statements. There were no satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the assets, liabilities, income and expenses of the Company and of the Group, and the adequacy of disclosures in these financial statements.

2. Loss of accounting records in the PRC representative offices

The consolidated financial statements and the financial statements of the Company contain financial information of the representative offices located in Beijing and Shenzhen (the "PRC representative offices"). The PRC representative offices were closed and the accounting records could not be retrieved. As a consequence, we were unable to obtain all information that we required in relation to our audit and were also unable to carry out other satisfactory auditing procedures that we considered necessary to obtain adequate assurance regarding the assets and liabilities of the PRC representative offices of approximately HK$10,903,000 and HK$1,936,000 respectively and the loss contributed by the PRC representative offices for the year of approximately HK$32,798,000, and the adequacy of disclosures in these financial statements. The specific balances that we could not carry out satisfactory auditing procedures are as follows:

– Write off of property, plant and equipment amounting to approximately HK$694,000;

– Write off of a deposit with an agency of approximately HK$28,880,000;

– Write off of a sundry deposit of approximately HK$254,000;

– Bank balance (general account) of approximately HK$496,000; and

– Other payables and accrued charges of approximately HK$1,936,000.

Any adjustments on the above balances would affect the net liabilities of the Group and the Company as at 31 December 2007 and the loss for the year then ended.

3. Directors' emoluments

We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding directors' emoluments of HK$1,564,000 as set out in note 10 to the financial statements. This is not in accordance with the requirements of Section 161A of the Hong Kong Companies Ordinance.

Material uncertainty relating to the going concern basis

As explained in note 2 to the financial statements, the Company submitted a resumption proposal on 17 December 2010 (updated on 25 March 2011) and subsequently amended by a written submission to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 March 2011 (together the "Resumption Proposal"). By a letter dated 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the conditions to the satisfaction of Listing Division within six months from the date of the Stock Exchange's letter. These conditions are explained in note 2 to the financial statements.

As at 31 December 2007, the Group and the Company had incurred a consolidated loss attributable to equity holders of the Company of approximately HK$47,603,000 and HK$50,109,000 respectively, had net current liabilities of approximately HK$78,551,000 and HK$90,622,000 respectively and had deficiency of shareholders' fund of approximately HK$77,197,000 and HK$85,079,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed in the foreseeable future and the financial position of the Group will be substantially improved as all liabilities of the Company will be discharged through the implementation of a scheme to be proposed by the Company under Section 166 of the Companies Ordinance of Hong Kong (the "Scheme").

The financial statements do not include any adjustments which would result from a failure to complete the Resumption Proposal and to approve the Scheme by the Company's Scheme Creditors and the High Court of Hong Kong (the "Court"), other approvals to be obtained from shareholders, the Court and the Hong Kong regulatory authorities.

If the Resumption Proposal could not be completed, further adjustments might have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. We consider that appropriate disclosures have been made accordingly. However, in view of the extent of the uncertainties relating to the completion of the Resumption Proposal as at the balance sheet date, we disclaim our opinion in respect of material uncertainty relating to the going concern basis.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the "Basis for disclaimer of opinion" above and the "Material uncertainty relating to the going concern basis" as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under Sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work set out in the basis for disclaimer of opinion paragraph of this report:

– We have not obtained all information and explanations that we considered necessary for the purpose of our audit;

– We were unable to determine whether proper books of accounts have been kept; and

– We have not received proper returns adequate for our audit from representative offices not visited by us.

FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$10.74 million for the year ended 31 December 2007 compared to the revenue of approximately HK$5.60 million for the corresponding period in 2006. The basic loss per share for the year ended 31 December 2007 was HK3.15 cents, compared to the basic loss per share of HK1.11 cents for the previous period.

BUSINESS REVIEW

The Company is investment holding company and the Group is principally engaged in financial services business.

As the Liquidators were appointed on 14 January 2009, they do not have the same knowledge of the financial affairs of the Group for the year ended 31 December 2007 as the directors of the Company would have, in particular, regarding the transactions entered into by the Group prior to their appointment date.

RESTRUCTURING OF THE GROUP UP TO THE DATE OF THIS ANNOUNCEMENT

On 27 May 2011, the Company announced that the Restructuring Agreement was entered into on 15 April 2011 among the Company, the Liquidators, the Investor and the Guarantor for the implementation of the Proposed Restructuring. The Company, the Liquidators and the Investor are now taking appropriate steps to implement the transactions completed under the Restructuring Agreement and fulfill the resumption conditions as set out by the Stock Exchange.

Details of the restructuring of the Group are explained in note 2 above.

PROSPECTS

It is expected that the financial position of the Group will be substantially improved upon completion of the Proposed Restructuring of the Group as contemplated under the Restructuring Agreement. The Investor and the Liquidators expect all existing liabilities owed to creditors of the Company will be compromised and discharged through the Scheme.

Subject to, among other things, the approvals of the shareholders of the Company and the Stock Exchange, upon completion of the Restructuring Agreement, the Company's shares are expected to resume trading on the Stock Exchange.

It is the Investor's intention to maintain and expand the Group's existing business in securities broking, placing and underwriting, corporate finance, consulting and related services, which are carried out through its main operating subsidiary, MHSFE.

With the strong and continuous support provided by the Investor to the Group in terms of both business and financial aspects, the Group will be able to sustain its business at a sufficient level in upcoming financial years and expand its business to a substantial level within a reasonable period of time after the resumption of trading in the shares of the Company on the Stock Exchange.

SUSPENSION OF TRADING OF THE COMPANY'S SHARE AND APPOINTMENT OF THE LIQUIDATORS

Trading in the Company's shares on the Stock Exchange has been suspended since 18 March 2008. As stated in note 2 to the financial statements:

A winding-up petition was filed against the Company on 5 June 2007, and a winding-up order was made by the Court on 18 March 2008. Messrs Edward Middleton and Patrick Cowley were appointed as the Liquidators of the Company on 14 January 2009 pursuant to an Order of the Court.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

To the best information and knowledge of the Liquidators, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

REVIEW BY THE AUDIT COMMITTEE

Following the resignation of Mr. Lau Hak Lap, the Company has only two independent non-executive directors and two Audit Committee members, the number of which falls below the minimum number required under Listing Rules 3.10(1) and 3.21 respectively and none of the remaining independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Listing Rules 3.10(2) and 3.21. As a result, the audited financial statements of the Group for the year ended 31 December 2007 have been reviewed by the Auditors instead of the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Liquidators make no representation as to whether the Company had complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Liquidators make no representation as to whether the Company and its directors had complied with the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules throughout the year ended 31 December 2007.

For and on behalf of
Asia TeleMedia Limited
(In Liquidation)
Edward Middleton
Patrick Cowley
Joint and Several Liquidators
acting as agents without personal liability

Hong Kong, 3 June 2011

As at the date of this announcement, the Board of the Company comprises two executive directors, namely Mr. LU Ruifeng and Mr. YIU Hoi Ying, and two independent non-executive directors, namely Mr. LI Chun and Mr. LU Ning.