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 2010

The Joint and Several Liquidators (the "Liquidators") of Asia TeleMedia Limited (In Liquidation) (the "Company") announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the corresponding period in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 *HK$'000*
Revenue	*4*	**14,041**	3,769
Other operating income		**348**	270
Staff costs		**(3,454)**	(2,369)
Other operating expenses		**(8,166)**	(14,422)
Finance costs		**(259)**	(70)
Profit/(loss) before tax		**2,510**	(12,822)
Income tax	*5*	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	*6*	**2,510**	(12,822)
Earnings/(loss) per share	*8*		
Basic		**0.16 cents**	(0.83) cents
Diluted		**0.16 cents**	N/A

Details of dividend payable to owners of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**73**	100
Trading rights		**–**	–
Statutory deposits for financial services business		**475**	430
		548	530
Current assets			
Trade receivables	*9*	**34,500**	26,042
Other receivables, deposits and prepayments		**353**	2,489
Loan receivables		**–**	–
Bank balances – trust and segregated accounts		**35,459**	34,155
Bank balances (general accounts) and cash		**36,918**	5,265
		107,230	67,951
Current liabilities			
Trade payables	*10*	**66,916**	59,657
Other payables and accrued charges		**32,599**	29,371
Loan payables		**60,084**	60,084
Deposits from the Investor	*11*	**11,500**	7,000
Loan from the Investor	*11*	**23,700**	–
Other borrowings – due within one year		**–**	1,500
Amounts due to directors		**20,070**	20,070
		214,869	177,682
Net current liabilities		**(107,639)**	(109,731)
Total assets less current liabilities		**(107,091)**	(109,201)
Non-current liabilities			
Other borrowings – due after one year		**–**	400
Net liabilities		**(107,091)**	(109,601)
Capital and reserves			
Share capital		**308,701**	308,701
Reserves		**(415,792)**	(418,302)
Total capital deficiency		**(107,091)**	(109,601)

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 registered office and the principal place of business of the Company is the office of the Joint and Several Liquidators of the Company 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") had a consolidated profit attributable to owners of the Company of approximately HK$2,510,000 for the year ended 31 December 2010 (2009: a consolidated loss of HK$12,822,000) and the Company incurred a loss attributable to owners of the Company of approximately HK$5,577,000 (2009: HK$11,510,000). As at 31 December 2010, the Company and the Group had net current liabilities of approximately HK$123,206,000 and HK$107,639,000 (2009: HK$117,632,000 and HK$109,731,000) respectively, and deficiency of shareholders' fund of approximately HK$117,954,000 and HK$107,091,000 (2009: HK$112,377,000 and HK$109,601,000), 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 against the Company was filed on 5 June 2007, and a winding-up order was granted 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 grant 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 until (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$3,000,000 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$8,000,000 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$8,000,000 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$15,000,000 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 the 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 2010, 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 the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for annual periods beginning on or after 1 January 2010.

HKFRS 1 (revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (revised)	Business Combinations
HKAS 27 (revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (revised) and HKAS 27 (revised) are applicable, the application of HKFRS 3 (revised), HKAS 27 (revised) and the consequential amendments to other HKFRSs had no effect n the consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (revised), HKAS 27 (revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 *Effective for annual periods beginning on or after 1 February 2010*
2 *Effective for annual periods beginning on or after 1 July 2010*
3 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
4 *Effective for annual periods beginning on or after 1 January 2011*
5 *Effective for annual periods beginning on or after 1 July 2011*
6 *Effective for annual periods beginning on or after 1 January 2012*
7 *Effective for annual periods beginning on or after 1 January 2013*

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:

	2010	2009
	HK$'000	*HK$'000*
Brokerage and commission income	**8,723**	3,607
Placing, underwriting and sub-underwriting commission income	**4,801**	–
Consultancy and advisory fee income	**346**	–
Interest income	**171**	162
	14,041	3,769

The operating segments have been determined based on the reports reviewed by the directors of the Group's principal operating subsidiary and the Liquidators of the Company who are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group is currently organised into three operating segments, namely (i) securities brokerage, (ii) securities underwriting and placements, and (iii) consultancy and advisory services. In the current year, the Group started to engage in securities underwriting and placements, and consultancy and advisory services. Accordingly, these two segments have been separately reported for the current year. In prior year, the Group only operated in one operating segment and no segment information was presented. For consistency, comparative information has been restated to conform to current year presentation.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment revenue represents the revenue generated by each operating segment from external customers. There were no significant inter-segment transactions during the year.

Segment profit for securities brokerage represents the profit earned by the segment without allocation of staff costs other than commission paid to staff and other central administrative costs, other income, finance costs, depreciation, amortisation and taxation. No costs are allocated to other segments as the amounts involved are insignificant. This is the measure reported to the directors of the Group's principal operating subsidiary and the Liquidators of the Company for the purposes of resource allocation and performance assessment.

Segment revenue and results

For the year ended 31 December 2010

	Securities brokerage *HK$'000*	Securities underwriting and placements *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Segment revenue	**8,894**	**4,801**	**346**	**14,041**
Segment profit	**8,717**	**4,801**	**346**	**13,864**
Other income				**348**
Staff costs other than commission paid to staff				**(3,303)**
Finance costs				**(259)**
Depreciation				**(78)**
Other central administrative costs				**(8,062)**
Profit for the year				**2,510**

For the year ended 31 December 2009

	Securities brokerage *HK$'000*	Securities underwriting and placements *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Segment revenue	3,769	–	–	3,769
Segment profit	3,447	–	–	3,447
Other income				270
Staff costs other than commission paid to staff				(2,198)
Finance costs				(70)
Depreciation				(198)
Amortisation				(273)
Other central administrative costs				(13,800)
Loss for the year				(12,822)

Segment assets and liabilities

As the assets and the liabilities are regularly reviewed by the directors of the Group's principal operating subsidiary and the Liquidators of the Company for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

Other segment information

For the year ended 31 December 2010

	Securities brokerage ***HK$'000***	**Securities underwriting and placements** ***HK$'000***	**Consultancy and advisory services** ***HK$'000***	**Total** ***HK$'000***
Interest income from cash clients	**168**	**–**	**–**	**168**
Other interest income	**3**	**–**	**–**	**3**
Impairment loss on trade receivables	**20**	**–**	**–**	**20**
Recovery of impairment loss on trade receivables	**(8)**	**–**	**–**	**(8)**

For the year ended 31 December 2009

	Securities brokerage *HK$'000*	Securities underwriting and placements *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Interest income from cash clients	146	–	–	146
Other interest income	16	–	–	16
Impairment loss on trade receivables	138	–	–	138
Recovery of impairment loss on trade receivables	(9)	–	–	(9)

Geographical information

The Group's capital expenditures are located in Hong Kong. The Group's turnover was derived from Hong Kong where the customers are located.

Information about major customers

The Group's revenue to external customers which accounted for 10% or more of its total revenue are as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Customer A	**2,751**	1,836
Customer B	**N/A**	723
Customer C	**2,963**	N/A
Customer D	**2,047**	N/A
	7,761	2,559

Revenue derived from customers A, B and C is included in the segment of securities brokerage and revenue derived from customer D is included in the segment of securities underwriting and placements.

5 Income tax

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2010 as the Group had an allowable tax loss brought forward which exceeded its estimated assessable profit for the year.

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2009 as the Group had no assessable profits arising in Hong Kong for the year.

6 Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging/(crediting) the following:

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**580**	315
Amortisation of trading rights	**–**	273
Impairment loss on trade receivables	**20**	138
Recovery of impairment loss on trade receivables	**(8)**	(9)
Depreciation	**78**	198
Rental in respect of office premises	**709**	770
Liquidators' remuneration	**3,210**	7,174

7 Dividends

No dividend was paid or proposed for the year ended 31 December 2010 (2009: nil), nor has any dividend been proposed since the end of the reporting period.

8 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit for the year of HK$2,510,000 (2009: loss for the year of HK$12,822,000) and 1,543,507,296 (2009: 1,543,507,296) shares in issue during the year.

(b) ***Diluted earnings/(loss) per share***

The earnings and the weighted average number of ordinary shares used in the calculation of diluted earnings per share for the year ended 31 December 2010 are the same as those for the basic earnings per share, as outlined above.

Diluted loss per share for the year ended 31 December 2009 has not been presented as the effect of any dilution is anti-dilutive.

9 Trade receivables

	2010	2009
	HK$'000	*HK$'000*
Margin clients	**26,126**	26,134
Cash clients	**30,871**	26,079
Broker, dealers and clearing houses	**3,785**	99
	60,782	52,312
Less: allowance for doubtful debts	**(26,282)**	(26,270)
	34,500	26,042

The Group allows the settlement terms of trade 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 end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**34,416**	25,838
Within 31 – 90 days	**1**	126
More than 90 days	**83**	78
	34,500	26,042

10 Trade payables

	2010	2009
	HK$'000	*HK$'000*
Cash clients	**66,915**	54,276
Broker, dealers and clearing houses	**1**	5,381
	66,916	59,657

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 Deposits and loan from the Investor

As at 31 December 2010, the Investor has deposited a total sum of HK$11,500,000 (2009: HK$7,000,000) to meet the costs and expenses in relation to the restructuring of the Company in accordance with the terms stated in the First Letter, the Second Letter, the Third Letter and the Side Letter as described in note 2 above.

On 22 September 2009, MHF entered into a facility agreement with the Investor pursuant to which the Investor has agreed to provide an interest-bearing loan facility of up to HK$8,000,000 to MHF to finance the regulatory capital requirements and general working capital requirements of MHSFE. On 21 September 2010, the Investor approved the injection of HK$8,000,000 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 Reinstatement Agreement dated 23 November 2010 for an additional interest-bearing loan facility of up to HK$15,700,000 with the Investor. This loan facility is secured by way of first fixed charge on all interests and dividends from the entire issued share capital of MHSFE. It carries a fixed interest rate of 5% per annum and is repayable upon completion of the Restructuring Agreement.

12 Contingent liabilities

(a) 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$738,000, which relate to prior periods. Such claims have not been admitted by the Liquidators up to the date of the report.

(b) In March 2008, The Hongkong Land Property Company Limited filed a Proof of Debt against the Company on the basis 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.

The Liquidators are of the view that it will be premature to make any provision in respect of the alleged claims before the legitimacy and the amount of the liabilities can be determined.

13 Events after the end of the reporting period

(a) 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.

(b) 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.

(c) 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.

(d) 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 INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. Prior year audit scope limitations affecting opening balances

The auditor's report on the consolidated financial statements for the year ended 31 December 2009 were also qualified in respect of limitations of audit scope similar to those described in sub-paragraphs (2) to (4) below. Any adjustments to these comparative amounts may have a consequential effect on the balance of accumulated losses of the Group and the Company as at 1 January 2010, the profit for the year ended 31 December 2010 and related disclosures in these financial statements.

2. 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. Accordingly, the Liquidators could not provide us any written representations. 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.

3. Loss of accounting records

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 assets, liabilities and profit or loss contributed by the PRC representative offices for the year and the adequacy of disclosures in these financial statements. In the current year, no amount is contributed from assets and profit or loss of the PRC representative offices. Liabilities contributed by the PRC representative offices amounting to HK$1,936,000 have been included in other payables and accrued charges in the financial statements, of which we could not carry out satisfactory auditing procedures in the current year.

Any adjustments on the above balances would affect the net liabilities of the Group and the Company as at 31 December 2010 and the profit for the year then ended.

4. Directors' emoluments

We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding directors' emoluments as set out in note 11 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 2010, the Group and the Company had net current liabilities of approximately HK$107,639,000 and HK$123,206,000 respectively, had deficiency of shareholders' fund of approximately HK$107,091,000 and HK$117,954,000 respectively and had a consolidated profit attributable to owners of the Company of approximately HK$2,510,000 and a loss of HK$5,577,000 for the year then ended, 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 end of the reporting period, we disclaim our opinion in respect of material uncertainty relating to the going concern basis.

Disclaimer of opinion

Because of the significance of the matter described in the "Basis for disclaimer of opinion" and the "Material uncertainty relating to the going concern basis" as described above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion the 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 inability to obtain sufficient appropriate audit evidence as set out in the basis for disclaimer of opinion paragraphs 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$14.04 million for the year ended 31 December 2010 compared to the revenue of approximately HK$3.77 million for the corresponding period in 2009. The basic profit per share for the year ended 31 December 2010 was HK0.16 cents, compared to the basic loss per share of HK0.83 cents for the previous period.

BUSINESS REVIEW

To the best information and knowledge of the Liquidators, since the appointment of the Liquidators, the Group's only operating subsidiary is principally engaged in financial services business. The revenue of the Group for the year ended 31 December 2010 has substantially increased due to the additional revenue generated from securities brokerage, placing and underwriting business, corporate finance and advisory services.

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 2010.

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 2010 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 2010.

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 2010.

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.