
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia TeleMedia Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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ASIA TELEMEDIA LIMITED
亞洲電信媒體有限公司
(incorporated in Hong Kong with limited liability)
(Stock code: 376)

**(1) SUBSCRIPTION FOR NEW SHARES BY THE
CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION**
**(2) PROVISION OF SECURITIES SERVICES
— CONTINUING CONNECTED TRANSACTION**
**(3) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES
AND GRANT OF REPURCHASE MANDATE AND EXTENSION MANDATE**
**(4) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



KBC Bank N.V. Hong Kong Branch

A letter from the Board is set out on pages 7 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from KBC Bank N.V. Hong Kong Branch containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 35 of this circular.

A notice convening the EGM to be held at Suites 1102-1103, 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Tuesday, 8 November 2011 at 10:00 a.m. is set out on pages 48 to 53 of this circular. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meetings. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

12 October 2011

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Adjustment”	the proposed adjustment to the Conversion Price of the Convertible Notes from HK\$0.62 to HK\$0.562 in accordance with the terms and conditions of the Convertible Notes
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“Broker”	REORIENT FINANCIAL MARKETS LIMITED (formerly known as Mansion House Securities (F.E.) Limited), a licensed corporation to carry out type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities), type 6 regulated activity (advising on corporate finance), type 7 regulated activity (providing automated trading services) and type 9 regulated activity (asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Brokerage Agreement”	the brokerage agreement of 6 September 2011 entered into between Gainhigh and the Broker in relation to the Placing
“CN Conversion”	conversion of the Convertible Notes in a principal amount of HK\$37.2 million into 60,000,000 Conversion Shares
“Company”	Asia TeleMedia Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder”	has the meanings ascribed to it under the Listing Rules

DEFINITIONS

“Conversion Price”	HK\$0.62 per Conversion Share (before the Adjustment)
“Conversion Shares”	the new Shares to be issued upon conversion of the Convertible Notes
“Convertible Notes”	the non-interest bearing non-redeemable convertible notes issued by the Company in the aggregate principal amount of HK\$55.3 million which are convertible into Conversion Shares at the conversion price of HK\$0.62 (before the Adjustment) per Conversion Share
“Current Market Price”	the average closing price per share quoted on the daily quotation sheet of the Stock Exchange for the five consecutive trading days immediately preceding a particular date
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to approve the Subscription, the Provision of Securities Services, the Proposed Refreshment of General Mandate, the Repurchase Mandate, the Extension Mandate and the proposed refreshment of the Scheme Mandate Limit
“Existing General Mandate”	the extraordinary general mandate granted by the Shareholders to the Directors at the extraordinary general meeting held on 21 July 2011 to allot, issue and deal in up to 6,174,029 Shares
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the New General Mandate
“Gainhigh” or “Subscriber”	Gainhigh Holdings Limited, the controlling shareholder of the Company

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Liu Zhengui, Mr. Ding Kebai and Mr. Chu Chung Yue, Howard, Independent non-executive Directors, established to advise the Independent Shareholders in respect of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate
“Independent Shareholder(s)”	the shareholder(s) of the Company other than Mr. Ko and its associates (including Gainhigh) and any Shareholders who have a material interest in the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate
“Independent Third Party(ies)”	a party which is not a connected person (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“Investors”	any individual(s), corporate and/or institutional investor(s) or any of their respective subsidiaries or associates identified by Gainhigh to subscribe for any of the Placing Shares
“KBC Bank”	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate

DEFINITIONS

“Latest Practicable Date”	11 October 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ko”	Mr. Ko Chun Shun, Johnson, who is the chairman of the Company and an executive Director, owns 80% beneficial interest in Gainhigh, the controlling shareholder of the Company
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with EGM Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Placing”	the placing of 67,000,000 Shares owned by Gainhigh
“Placing Completion”	completion of the placing of the Placing Shares
“Placing Price”	HK\$3.00 per Placing Share
“Placing Share(s)”	67,000,000 Shares placed by Gainhigh under the Placing
“PRC”	the People’s Republic of China but excluding, for the purposes of the agreements and this Circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Refreshment of General Mandate”	the Company’s proposal to refresh a general and unconditional mandate to be granted by the Shareholders to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the Shareholders’ approval

DEFINITIONS

“Provision of Securities Services”	provision of Securities Services under the Securities Services Agreement
“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the EGM to repurchase up to 10% of the issued share capital of the Company as at the date of the passing of the relevant resolution
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all Share Options to be granted by the Board under the Share Option Scheme to subscribe up to 10% of the Shares in issue as at 21 July 2011, being the date of passing of the relevant ordinary resolution; if the Scheme Mandate Limit is to be refreshed, the total number of Shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the Shares in issue as at the date of the EGM
“Securities Services”	services including but not limited to brokerage, share placing and underwriting, asset management, financial advisory, corporate finance and related services
“Securities Services Agreement”	the securities services agreement dated 11 October 2011 entered into between the Company and Mr. Ko in respect of provision of the Securities Services by the Company or any of its subsidiaries to Mr. Ko or any of his associates
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the share capital of the Company
“Share Option(s)”	option(s) to subscribe for Share(s) pursuant to the Share Option Scheme

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by an ordinary resolution of the Shareholders passed on 21 July 2011
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 67,000,000 Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Subscriber and the Company on 6 September 2011 in relation to the subscription for 67,000,000 Shares by the Subscriber
“Subscription Price”	HK\$3.00 per Subscription Share
“Subscription Shares”	67,000,000 Shares for which the Subscriber has conditionally agreed to subscribe pursuant to the Subscription Agreement
“substantial shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per cent

LETTER FROM THE BOARD



ASIA TELEMEDIA LIMITED

亞洲電信媒體有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 376)

Executive Directors:

Mr. Ko Chun Shun, Johnson (*Chairman*)

Mr. Zhang Binghua

Mr. Chen Shengjie

Ms. Angelina Kwan

Mr. Tsoi Tong Hoo, Tony

Ms. Ko Wing Yan, Samantha

Registered office:

Suites 1102-1103

11/F, Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

Independent non-executive Directors:

Mr. Liu Zhengui

Mr. Ding Kebai

Mr. Chu Chung Yue, Howard

12 October 2011

To the Shareholders and Independent Shareholders

Dear Sirs,

**(1) SUBSCRIPTION FOR NEW SHARES BY THE
CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION**

**(2) PROVISION OF SECURITIES SERVICES
— CONTINUING CONNECTED TRANSACTION**

**(3) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES
AND GRANT OF REPURCHASE MANDATE AND EXTENSION MANDATE**

(4) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference are made to the announcements of the Company dated 7 September 2011 and 11 October 2011. The purpose of this Circular is to provide you with: (i) further information on the Subscription, the Provision of Securities Services, the Proposed Refreshment of General Mandate, the Repurchase Mandate, the Extension Mandate and the proposed

LETTER FROM THE BOARD

refreshment of the Scheme Mandate Limit; (ii) the recommendation from the Independent Board Committee in relation to the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate; (iii) the recommendation from KBC Bank to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate; and (iv) a notice convening the EGM.

SUBSCRIPTION FOR NEW SHARES BY THE CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION

The Subscription Agreement

Date : 6 September 2011 (after trading hours)

Issuer : the Company

Subscriber : Gainhigh

At the same time, Gainhigh has arranged to place 67,000,000 existing Shares at the Placing Price of HK\$3.00 per Placing Share to independent Investors. The Placing was completed on 7 September 2011.

Subject to the terms and conditions of the Subscription Agreement, Gainhigh will subscribe for the number of Placing Shares sold by it under the Placing of 67,000,000 Shares.

In addition, on 7 September 2011, Gainhigh has converted part of the Convertible Notes with a principal amount of HK\$37.2 million into 60,000,000 Conversion Shares. The CN Conversion took place simultaneously with the Placing Completion and therefore the shareholding of Gainhigh has not fallen below 50% at all times.

As at the Latest Practicable Date, the shareholding of Gainhigh was approximately 51.22% of the issued share capital of the Company. The Subscription will increase the shareholding of Gainhigh to approximately 62.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Number of Subscription Shares

The number of Subscription Shares of 67,000,000 Shares equals to the number of Placing Shares placed, representing approximately 23.42% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$3.00 represents (i) a discount of approximately 30.23% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on 6 September 2011, being the last trading day before publication of the announcement of the Company dated 7 September 2011; (ii) a discount of approximately 31.32% to the average of the closing prices per Share of HK\$4.368 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 6 September 2011; and (iii) a discount of approximately 15.49% to the closing price of HK\$3.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between Gainhigh and the Company. The Subscription Price is equivalent to the Placing Price which in turn was negotiated on an arm's length basis between Gainhigh, the Company and the Investors. In determining the Subscription Price, the Company and the Subscriber have taken into account, among other things, (i) trading in the Shares had resumed for less than one month at the date of the Subscription Agreement after a prolonged suspension for more than three years; (ii) the recent volatility of the stock markets; and (iii) the unsatisfactory financial results of the Group for the six months ended 30 June 2011. The Directors consider that the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In line with market practice of top-up placings, the Company will (i) bear all costs and expenses of the Subscription; and (ii) reimburse Gainhigh all costs and expenses incurred by Gainhigh in respect of the Placing, totalling approximately HK\$1 million (provided that the Subscription is completed) because the fund is raised for the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$2.99 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable based on the current market conditions and the Subscription is in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

Conditions of the Subscription

The Subscription is conditional upon:

- (a) the passing of a resolution by the Independent Shareholders at the EGM approving the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement;
- (b) the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such permission and listing not subsequently being revoked prior to the allotment and issue of the Subscription Shares); and
- (c) Placing Completion.

As at the Latest Practicable Date, condition (c) has been fulfilled.

In the event of the conditions above not having been fulfilled by 30 November 2011 (or such later date as may be agreed by the parties to the Subscription Agreement), all rights, obligations and liabilities of the parties under the Subscription Agreement shall cease and determine and none of the parties shall have any claim against any other in respect of the Subscription.

Completion of the Subscription

Subject to fulfillment of all the conditions precedent to the Subscription, completion of the Subscription shall take place on or before 30 November 2011 (or such later date as may be agreed by the parties to the Subscription Agreement).

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Reasons for the Subscription and use of proceeds

The Group is principally engaged in the provision of financial services – currently comprising securities broking, share placing and underwriting, corporate finance, consulting and related services.

LETTER FROM THE BOARD

Given that the Directors does not have sufficient general mandate to issue all the Subscription Shares, the Company has to raise additional funds through the structures set out above under the Placing and the Subscription. The Placing and the Subscription are in substance placing of new Shares to the Investors by the Company.

As set out in the circular of the Company dated 28 June 2011 (the “Restructuring Circular”), the Group intends to continue and expand its existing businesses in the provision of financial services. The overall vision and plan for the Group is to develop itself into a Hong Kong-based global financial service group that will serve as a bridge between Chinese and Asian companies, and their investors and western counterparts. The Group may expand its operations to encompass the provision of additional financial services related businesses, including expanding the Group’s broking activities into overseas markets, expanding into the provision of equity derivatives give-up business, futures and options brokerage, wealth management, proprietary trading, direct investment, asset management, mezzanine financing, margin financing and money lending. The net proceeds from the subscription of new Shares by the controlling shareholder of approximately HK\$80 million and the Group’s internal resources will help fund the Group’s business expansion plan. The Directors consider that it would be beneficial to the Company and the Shareholders to raise additional funds to accelerate the Group’s business expansion plan. As disclosed in the Restructuring Circular, the Company is prepared to consider any further equity fund raising activities from time to time subject to markets sentiment and other market factors.

The gross proceeds of the Subscription will amount to HK\$201 million. The net proceeds from the Subscription, after the deduction of the brokerage commission and other related expenses of the Placing will be approximately HK\$200 million. The net proceeds will be used to speed up the Group’s expansion plans and further strengthen the Group’s capital base and financial resources so as to develop its brokerage and other businesses including corporate finance, direct investment, etc. The Directors consider that the terms of the Subscription are fair and reasonable and the Subscription is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

The Group’s business development plan has been set out in pages 49 to 53 of the Restructuring Circular. As at the Latest Practicable Date, the Company has (i) no intention to conduct further equity fund raising activities in the near future; and (ii) not identified any other investment opportunities and/or other business development plan with specific funding needs. The Group will continue to look for appropriate investment opportunities and/or business development plan.

LETTER FROM THE BOARD

Adjustment to the Conversion Price of the Convertible Notes

As set out in the announcement of the Company dated 27 May 2011, the Convertible Notes will be subject to the usual anti-dilutive adjustments in respect of events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues under the terms and conditions of the Convertible Notes.

On 7 September 2011, the Company announced the Subscription of 67,000,000 Subscription Shares by Gainhigh. As a result of the Subscription, the Conversion Price of HK\$0.62 of the Convertible Notes is subject to the Adjustment based on the terms and conditions of the Convertible Notes.

The Adjustment is conditional upon the Subscription becoming unconditional.

The calculation of the Adjustment is based on the terms and conditions of the Convertible Notes that if and whenever the Company shall issue any Shares at a price per Share which is less than the Current Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for such issue would purchase at such Current Market Price; and

R = the number of Shares allotted pursuant to such issue.

Such adjustment shall become effective on the date of such issue.

Based on the above formula, the Conversion Price will be adjusted from HK\$0.62 per Conversion Share to HK\$0.562 per Conversion Share. The number of new Shares to be issued upon full conversion of the outstanding Convertible Notes under the adjusted Conversion Price of HK\$0.562 will be 98,398,576 Shares, representing (i) approximately 44.91% of the issued share capital of the Company as at the Latest Practicable Date; (ii)

LETTER FROM THE BOARD

approximately 34.39% of the issued share capital of the Company after the completion of the Subscription; and (iii) approximately 25.59% of the issued share capital of the Company after the completion of the Subscription and the full conversion of the outstanding Convertible Notes at the adjusted Conversion Price of HK\$0.562 per Conversion Share.

The computation of the Adjustment has been reviewed and confirmed by KBC Bank and a certificate dated 11 October 2011 was issued by KBC Bank to that effect.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structure of the Company as a result of the Subscription and full conversion of the outstanding Convertible Notes at the adjusted Conversion Price of HK\$0.562 are as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Subscription		Immediately completion of the Subscription and full conversion of the outstanding Convertible Notes	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Gainhigh and its associates (Note 1)	112,225,806	51.22%	179,225,806	62.65%	277,624,382	72.21%
D. E. Shaw Valence Portfolios, L.L.C. (Note 2)	35,000,000	15.97%	35,000,000	12.23%	—	—
Public Shareholders						
D. E. Shaw Valence Portfolios, L.L.C. (Note 2)	—	—	—	—	35,000,000	9.10%
Existing shareholders	71,870,145	32.81%	71,870,145	25.12%	71,870,145	18.69%
Total	219,095,951	100.00%	286,095,951	100.00%	384,494,527	100.00%

Note:

- The entire issued share capital of Gainhigh is beneficially 80%-owned by Mr. Ko Chun Shun, Johnson, the chairman of the Company and an executive Director, and 20%-owned by China Chengtong Holdings Group Limited.
- Shaw David Elliot, D. E. Shaw Valence Portfolios, L.L.C., D. E. Shaw Composite Portfolios, L.L.C., D. E. Shaw & Co., Inc, D. E. Shaw & Co., L.P., D. E. Shaw & Co., L.L.C., D. E. Shaw & Co. II, Inc, D. E. Shaw & Co. (Asia Pacific) Limited were interested in the same parcel of these 35,000,000 Shares by virtue of the SFO. D. E. Shaw Valence Portfolios L.L.C. and its ultimate beneficial owners are Independent Third Parties to the Company and connected persons of the Company as at the Latest Practicable Date, save for being the substantial shareholders of the Company.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

The following table sets out the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of the Subscription Agreement:

Date of announcement	Event	Gross proceeds	Intended use of proceeds	Actual application of the proceeds
27 May 2011	Subscription of new Shares and Convertible Notes	Approximately HK\$172 million	Please refer to the announcement of the Company dated 27 May 2011	The proceeds have been applied according to the intended use as set out in the announcement of the Company dated 27 May 2011 and the unutilised balance of approximately HK\$38 million has been retained as general working capital of the Group

PROVISION OF SECURITIES SERVICES — CONTINUING CONNECTED TRANSACTION

Securities Services Agreement

Date : 11 October 2011

Parties : (i) the Company; and

: (ii) Mr. Ko

Terms : The Securities Services Agreement shall become effective from the date when the Independent Shareholders approve the Securities Services Agreement and the transactions contemplated thereunder and the relevant proposed annual caps and for a term up to 31 December 2013. Subject to the compliance with applicable laws and the Listing Rules, the parties may renew the Securities Services Agreement.

LETTER FROM THE BOARD

Services : Under the Securities Services Agreement, the Company agrees to provide, or procure its subsidiaries to provide, the Securities Services to Mr. Ko or any of his associates during the term of the Securities Services Agreement. Both parties agree that the terms of any Securities Services to be provided by the Company or any of its subsidiaries to Mr. Ko or any of his associates will be on normal commercial terms or terms (including fees and cash payment terms) comparable to those offered by the Group to independent third parties.

Proposed annual caps for the Securities Services

For the purpose of complying with Rule 14A.35(2) of the Listing Rules, the Company proposes to set annual caps for the fee payable to the Group in respect of the Securities Services to be provided by the Group to Mr. Ko or any of his associates under the Securities Services Agreement for the year ending 31 December 2011, 2012 and 2013 of HK\$8 million (from the effective date of the Securities Services Agreement to 31 December 2011), HK\$25 million and HK\$25 million respectively.

The above proposed annual caps were determined taking into account, including but not limited to:

- (i) possible transaction amount of securities trading by Mr. Ko and his associates;
- (ii) other potential fund raising exercises (such as top-up placing) by the listed companies in which Mr. Ko and his associates have a controlling interest;
- (iii) other possible services which the Group may provide to Mr. Ko or any of his associates such as corporate finance services and asset management services; and
- (iv) the rates offered by the Group to Mr. Ko or any of his associates for its provision of the Securities Services.

The proposed annual cap of HK\$25 million represents approximately 1.8 times of the revenue of the Group for the year ended 31 December 2010. As set out in the Restructuring Circular, the business operation of the Group was re-activated since September 2010. The Directors consider that it is not appropriate to compare the proposed annual cap with the historical revenue of the Group.

The Group is a financial service group. Any Securities Services provided by the Group to Mr. Ko and/or any of his associates will be conducted on normal commercial terms as required under the Securities Service Agreement and will generate additional revenue for the Group. It is one essential element that securities transactions, like share placements

LETTER FROM THE BOARD

and/or other corporate finance deals, may be conducted in a very tight timeframe. The need to obtain approval from the Independent Shareholders when there is an actual transaction may lead to the Group losing such business opportunities and would be detrimental to the performance of the Group. Accordingly, the Directors consider that it is to the best interests to the Group to build in sufficient rooms for future business opportunities when determining the proposal annual caps.

Reasons for the Securities Services Agreement

The Group is principally engaged in the provision of financial services – currently comprising securities broking, share placing and underwriting, corporate finance, consulting and related services.

Mr. Ko is an active investor in Hong Kong. Mr. Ko also from time to time holds a controlling interest in other companies (which may include companies listed on the Stock Exchange) which may also require securities broking, placing and other securities related services. Any Securities Services to be provided by the Group to Mr. Ko or any of his associates will be on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors consider that the entering into of the Securities Services Agreement and the provision of the Securities Services will allow the Group to carry out its normal business activities in compliance with the Listing Rules and will benefit the Group by increasing its income base.

As set out in the announcement of the Company dated 7 September 2011, the controlling shareholder of the Company, Gainhigh, has arranged to place 67,000,000 existing Shares to the Investors. As the Company has yet to obtain Independent Shareholders' approval for the Provision of Securities Services at the relevant time, Gainhigh could only engage the wholly-owned subsidiary of the Company, REORIENT FINANCIAL MARKETS LIMITED (formerly known as Mansion House Securities (F.E.) Limited), to provide brokerage services in relation to the Placing. Commission income earned by the Group amounted to approximately HK\$0.5 million, being 0.25% of the gross proceeds from the Placing. Should Gainhigh have engaged the Group as the placing agent in relation to the Placing, commission income earned by the Group would be substantially increased to approximately HK\$5.6 million (with reference to the placing commission rate charged to Gainhigh in relation to the share placement as set out in the announcement of the Company dated 9 August 2011).

The Directors (including the independent non-executive Directors) consider that the terms of the Securities Services are fair and reasonable and the Securities Services are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES AND GRANT OF REPURCHASE MANDATE AND EXTENSION MANDATE

Currently, the general mandate granted to the Board allow it to allot and issue up to 6,174,029 new Shares subject to the relevant provisions of the Listing Rules, which represent only approximately 2.82% of the issued share capital of the Company. The Directors consider that such small number of new Shares would not be sufficient for the Company potential equity fund raising in future when opportunities arise.

At the EGM, an ordinary resolution will be proposed to the Independent Shareholders for approving the grant of the New General Mandate to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM. Resolutions will also be proposed at the EGM to approve the grant of general mandates to the Directors to repurchase Shares and to extend the New General Mandate to allot shares by adding to it such nominal amount of Shares repurchased by the Company by exercise of the Repurchase Mandate. The relevant resolutions, in summary, are:

- (a) to grant the New General Mandate to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution;
- (b) to grant the Repurchase Mandate to the Directors to enable them to repurchase Shares on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution; and
- (c) to grant the Extension Mandate to the Directors to increase the total number of Shares which may be allotted and issued under the New General Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

As at the Latest Practicable Date, the Company had an aggregate of 219,095,951 Shares in issue. Subject to the passing of the resolution for the approval of the New General Mandate and on the basis that no further Shares are issued between the Latest Practicable Date and the date of the EGM, the Company would be allowed under the New General Mandate to allot, issue and deal with a maximum of 43,819,190 Shares.

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The New General Mandate and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the New General Mandate and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws of Hong Kong to be held; or (iii) the revocation or variation of the New General Mandate or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting, whichever occurs first. An explanatory statement in connection with the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the requisite information required under the Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

Although the Company does not have any current intention to raising additional funds by issuing further new Shares, save for the Subscription, the Company considers that the Existing General Mandate of only 2.82% of the existing issued share capital and 2.16% of the issued share capital as enlarged by the Subscription does not provide a meaningful flexibility to the Company to capture any possible future fund raising opportunity with a reasonable size, particular in view of the tight timetable for executing a top-up placing transaction. Having considered that the New General Mandate will provide the Company with (i) greater flexibility to raise funds for the purposes of, among other things, funding the Group's business expansion plan and/or future business opportunities; and (ii) more financing options, where appropriate, when assessing and/or negotiating potential investments, the Directors (including the independent non-executive Directors) are of the view that the New General mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme pursuant to the ordinary resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 21 July 2011. The Scheme Mandate Limit is 3,087,014 Shares based on the number of Shares in issue on 21 July 2011 (being the date on which the existing Scheme Mandate Limit was approved by the Shareholders at the relevant general meeting) which represent only approximately 1.41% of the issued share capital of the Company. Since the adoption of the Share Option Scheme, the Company has not granted any Share Option.

The Scheme Mandate Limit may be refreshed by the approval of the Shareholders and the refreshed Scheme Mandate Limit must not exceed 10% of the issued share capital of

LETTER FROM THE BOARD

the Company as at the date of the approval. Share Options previously granted under the Share Option Scheme and other share option schemes of the Group (including options outstanding, cancelled, exercised or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) shall not be counted for the purposes of calculating the refreshed Scheme Mandate Limit.

As a result of the significant increase in the number of Shares in issue after the restructuring implementation in August 2011 and the CN Conversion, the present small Scheme Mandate Limit may not be sufficient for the purposes of granting new options to employees and/or other participants under the Share Option Scheme. The Directors propose that the Scheme Mandate Limit be refreshed so that the Share Option Scheme can serve its purpose of giving incentives to eligible participants for their contribution to the Group. Based on the issued share capital of 219,095,951 Shares as at the Latest Practicable Date, the number of Shares under the Scheme Mandate Limit to be refreshed will be 21,909,595 Shares, being 10% of the issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any subsidiaries if this will result in the 30% limit being exceeded.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued under the refreshed Scheme Mandate Limit.

LISTING RULES IMPLICATIONS

Gainhigh is the controlling shareholder of the Company and is a connected person of the Company. The Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules as the Subscription Shares will not be issued under a general mandate granted to the Board and be completed within 14 days from the date of the agreements in respect of the Placing. The Subscription is subject to the Independent Shareholders' approval by way of poll at the EGM pursuant to the Listing Rules. Gainhigh and its associates will abstain from voting at the EGM in respect of the resolution approving the Subscription and the issue of the Subscription Shares.

As for the Provision of Securities Services, the transactions contemplated under the Securities Services Agreement constitute non-exempted continuing connected transactions for the Company under the Listing Rules. Accordingly, the Securities Services Agreement and the relevant proposed annual caps are subject to the reporting, announcement and

LETTER FROM THE BOARD

independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Ko and his associates (including Gainhigh) will abstain from voting at the EGM in respect of the resolution approving the Securities Services Agreement and the relevant proposed annual caps.

Under Rule 13.36(4)(a) of the Listing Rules, any refreshment of the existing general mandate before the next annual general meeting shall be subject to the Independent Shareholders' approval at a general meeting of the Company and any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution in connection with the New General Mandate at the EGM. As at the Latest Practicable Date, Gainhigh is the controlling Shareholder. Accordingly, Gainhigh and its associates will abstain from voting in favour of the resolution in connection with the New General Mandate as set out in the notice of the EGM. Gainhigh and its associates have indicated that they will not vote against the resolution. Further, under Rule 13.39(4) of the Listing Rules, any vote of the Independent Shareholders at the EGM on the resolution approving the New General Mandate will be taken by poll.

Mr. Ko, being materially interested in the Subscription and the Provision of Securities Services, had abstained from voting in the meeting of the Board on the resolutions approving the Subscription Agreement, the Securities Services Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders on the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate. Your attention is also drawn to the letter from KBC Bank set out on pages 24 to 35 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate.

The Directors consider that (1) the terms of the Subscription are fair and reasonable and the Subscription is on normal commercial terms and in the interests of the Company and its Shareholders as a whole; (2) the terms of the Securities Services and the relevant proposed annual caps are fair and reasonable and the Securities Services are on normal commercial terms and in the interest of the Company and its Shareholders as a whole; and (3) the Proposed Refreshment of General Mandate is fair and reasonable and in the interest

LETTER FROM THE BOARD

of the Company and its Shareholders as whole. Accordingly, the Directors recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Directors considers that the proposed resolutions in respect of the Repurchase Mandate, the Extension Mandate and the proposed refreshment of the Scheme Mandate Limit at the EGM are in the interests of the Company and its Shareholder as a whole. Accordingly, the Directors recommend all Shareholders to vote for the relevant resolutions to be proposed at the EGM.

GENERAL

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Asia TeleMedia Limited
Ko Chun Shun, Johnson
Chairman and Executive Director



ASIA TELEMEDIA LIMITED

亞洲電信媒體有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 376)

12 October 2011

To the Independent Shareholders

Dear Sirs,

**(1) SUBSCRIPTION FOR NEW SHARES BY THE
CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION
(2) PROVISION OF SECURITIES SERVICES
— CONTINUING CONNECTED TRANSACTION
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES**

We refer to the circular of the Company dated 12 October 2011 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate. KBC Bank has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 24 to 35 of this Circular. Your attention is also drawn to the letter from the Board in the Circular.

Having considered the terms of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate and the advice of KBC Bank, in particular the principal factors and reasons set out in its letter on pages 27 to 34 of the Circular, we consider that the terms of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate are fair and reasonable so far as the Company and the Shareholders are concerned, and the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate.

Yours faithfully,
Independent Board Committee

Liu Zhengui
Independent
non-executive Director

Ding Kebai
Independent
non-executive Director

Chu Chung Yue, Howard
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from KBC Bank setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



39/F., Central Plaza
18 Harbour Road
Hong Kong

12 October 2011

Dear Madam/Sir,

**SUBSCRIPTION FOR NEW SHARES BY THE
CONTROLLING SHAREHOLDER — CONNECTED TRANSACTION;
PROVISION OF SECURITIES SERVICES
— CONTINUING CONNECTED TRANSACTIONS;
AND
PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE NEW SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate, details of which are set out in the circular of the Company dated 12 October 2011 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 6 September 2011, Gainhigh arranged to place 67,000,000 existing Shares at the Placing Price of HK\$3.00 per Placing Share to more than six independent Investors. On the same day, Gainhigh and the Company entered into the Subscription Agreement and pursuant to which Gainhigh agreed to subscribe for 67,000,000 Subscription Shares at the Subscription Price of HK\$3.00 per Subscription Share. The Placing was completed on 7 September 2011.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

By virtue of Gainhigh, being a controlling Shareholder, Gainhigh is a connected person of the Company and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Subscription Shares will not be issued under a general mandate granted to the Board and the Subscription will not be completed within 14 days from the date of the agreement in respect of the Placing, the Subscription is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Gainhigh and its associates will abstain from voting at the EGM in respect of the resolution approving the Subscription and the issue of the Subscription Shares.

On 11 October 2011, the Company entered into the Securities Services Agreement with Mr. Ko, pursuant to which the Group will provide the Securities Services to Mr. Ko or any of his associates for a term of up to 31 December 2013. Since Gainhigh, the controlling Shareholder is beneficially 80%-owned by Mr. Ko, Mr. Ko and his associates are connected persons of the Company under the Listing Rules. The transactions contemplated under the Securities Services Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the relevant percentage ratios in based on the Annual Caps (as defined below) for the fees payable to the Group regarding the Securities Services to be provided by the Group to Mr. Ko or any of his associates under the Securities Services Agreement exceed 5% and the relevant amounts of the Annual Caps are greater than HK\$10 million, the Provision of Securities Services and the Annual Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Ko and his associates will abstain from voting at the EGM in respect of the resolution approving the Securities Services Agreement and the proposed annual caps.

At the Company's extraordinary general meeting held on 21 July 2011, the then Shareholders passed an ordinary resolution to grant to the Directors the Existing General Mandate whereby the Directors are authorised to allot, issue and deal in up to 6,174,029 New Shares, representing 20% of the then issued share capital of the Company at the date of extraordinary general meeting of the Company passing such resolution. Since the Proposed Refreshment of General Mandate is put forward to the Shareholders prior to the Company's next annual general meeting in 2012, it will be subject to independent Shareholders' approval at the EGM pursuant to the Listing Rules. Gainhigh and its respective associates shall abstain from voting in favour of the relevant resolution to approve the Proposed Refreshment of General Mandate pursuant to Rule 13.36(4) of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Liu Zhengui, Mr. Ding Kebai and Mr. Chu Chung Yue, Howard, has been formed to advise the Independent Shareholders in respect of the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Subscription is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable in so far as the interests of the Company and the Independent Shareholders as a whole are concerned; (ii) the Provision of Securities Services is conducted in the ordinary and usual course of the business of the Group and on normal commercial terms and the terms of the Securities Service Agreement are fair and reasonable in so far as the interests of the Company and the Independent Shareholders as a whole are concerned; and (iii) the Proposed Refreshment of General Mandate is fair and reasonable in so far as the interests of the Company and the Independent Shareholders as a whole are concerned.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Subscription Agreement and the Securities Services Agreement; (iii) the Company's annual report for the year ended 31 December 2010 and interim report for the six months ended 30 June 2011 (collectively, the "Financial Reports"); and (iv) the Company's circular (the "Restructuring Circular") dated 28 June 2011. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and the management of the Company that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. In addition, we have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so up to the despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent advice in relation to the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate, we have taken into account the following principal factors:

1. The Placing and the Subscription

The Group is principally engaged in the provision of financial services, comprising securities broking, share placing and underwriting, corporate finance, consulting and related services in Hong Kong. On 6 September 2011, Gainhigh arranged the placing of 67,000,000 Placing Shares at the Placing Price of HK\$3.00 per Placing Share to the Investors and entered into the Subscription Agreement with the Company to subscribe for 67,000,000 Subscription Shares (i.e. same number as the Placing Shares) at the Subscription Price of HK\$3.00 per Subscription Share (i.e. same price as the Placing Price). The Subscription Price of HK\$3.00 represents (i) a discount of approximately 15.49% to the closing price of HK\$3.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a discount of approximately 30.23% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on 6 September 2011, being the last trading day before publication of the announcement of the Company dated 7 September 2011; and (iii) a discount of approximately 31.32% to the average of the closing prices per Share of HK\$4.368 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 6 September 2011.

The Subscription was subject to a number of conditions precedent, including (i) the passing of a resolution by the Independent Shareholders at the EGM approving the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares); (ii) the Stock Exchange granting the listing of and the permission to deal in the Subscription Shares; and (iii) the completion of the Placing.

As described in the section headed “Letter from the Board” of the Circular, since the Existing General Mandate only allows the Directors to allot and issue up to 6,174,029 new Shares, it will not be sufficient to issue all the Subscription Shares and the structure of the Company’s fund raising exercise under the Placing and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subscription, including (i) the number of Placing Shares being the same as the Subscription Shares; (ii) the Placing Price being the same as the Subscription Price; and (iii) the Company will reimburse Gainhigh all costs and expenses incurred by Gainhigh in respect of the Placing (subject to completion of the Subscription) and bear all the costs and expenses of the Subscription (since the purpose of the Placing and the Subscription are for the purposes of raising fund for the Company), are in substance a top-up placing of new Shares to the independent Investors by the Company and in line with the market practice of top-up placing. Given the above, the Subscription Price, which was equivalent to the Placing Price, was negotiated on an arm's length basis amongst Gainhigh, the Investors and the Company and was determined with reference the prevailing market price of the Shares and have taken into, among other things, (i) the trading in the Shares had been resumed for less than one month as at the date of the Subscription Agreement after a prolonged period of suspension in the trading of Shares and (ii) the recent volatility of the stock market. All of these, together with the low level of profit or significant loss incurred by the Group in the past (for the year ended 31 December 2009 and 2010, and the six months ended 30 June 2011, the Group recorded consolidated loss after tax of approximately HK\$12.8 million, consolidated profit after tax of approximately HK\$2.5 million and consolidated loss after tax of approximately HK\$3.7 million, respectively), we concur with the Directors' view that the terms of the Subscription (including the Subscription Price) are fair and reasonable based on the current market conditions.

Furthermore, Gainhigh, being the controlling Shareholders, has only acted as a facilitator to speed up the fund raising process of the Company and will not obtain any economic benefit as a result of the Placing and the Subscription. In the absence of such facilitation of Gainhigh, the subscription of 67,000,000 would have to be issued under a specific mandate which would require the lengthy process including convening an extraordinary general meeting and the issuance of a circular to the Shareholders, which may potentially have an adverse impact on the Company's fund raising exercise. In the event that the relevant resolution is being voted down by the Independent Shareholders at the EGM, the Group will not be able to obtain the proceeds from the Subscription and the future development plan of the Group may be adversely affected.

The gross and net proceeds of the Subscription will amount to HK\$201 million and HK\$200 million, respectively. As disclosed in the Circular, the Group intends to continue and expand its existing businesses in the provision of financial services. The overall vision and plan for the Group is to develop itself into a Hong Kong-based global financial service group that will serve as a bridge between Chinese

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and Asian companies, and their investors and western counterparts. The Group may also expand its operations to encompass the provision of additional financial services related business which may require additional funding, including expanding the Group's broking activities into overseas markets, expanding into the provision of equity derivative give-up business, futures and options brokerage, wealth management, proprietary trading, direct investment, asset management, mezzanine financing, margin financing and money lending. Therefore, as disclosed in the section headed "Letter from the Board" of the Circular, the net proceeds of the Subscription will be used to speed up the Group's expansion plans and further strengthen the Group's capital base and financial resources so as to develop its brokerage and other businesses. The Group's business development plan has been set out in pages 49 to 53 of the Restructuring Circular. Although it is stated in the Circular that, as at the Latest Practicable Date, the Company has (i) no intention to conduct further equity fund raising activities in the near future; and (ii) not identified any other investment opportunities and/or other business development plan with specific funding needs and the Group will continue to look for appropriate investment opportunities and/or business development plan, given the high volatility of the stock market recently and the long term development strategy of the Company as mentioned above, we concur with the management of the Company that it would be beneficial for the Company and the Shareholders as a whole to raise additional funds as soon as practicable when opportunities arise so as to strengthen the capital base in order to accelerate the Group's business expansion plans.

Given that (i) the Subscription and the Placing, when taken as a whole, represents a top-up placing of new Shares to independent Investors at the Placing Price; (ii) the Subscription Price is same as the Placing Price; (iii) Gainhigh only act as a facilitator to speed up the fund raising exercise of the Company and has not obtained any economic benefit as a result of the Subscription; (iv) the Subscription only constitutes a connected transaction mainly due to the reason that the Subscription Shares will not be issued under the Existing General Mandate and therefore cannot be completed within 14 days from the date of the Placing Agreement; and (v) the net proceeds obtained from the Subscription will be applied for the Group's expansion plans and its development of brokerage and other businesses, we consider that the Subscription is incidental to the ordinary and usual course of the business of the Group and on normal commercial terms and the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable in so far as the interests of the Independent Shareholders as a whole are concerned.

2. The Securities Services Agreement

Mr. Ko, the 80%-owned shareholder of Gainhigh, is an active investor in Hong Kong and also from time to time holds substantial interests in other companies listed on the Stock Exchange. As at the Latest Practicable Date, Mr. Ko is the substantial shareholder of Varitronix International Limited, DVN (Holdings) Limited, China WindPower Group Limited and the Company of which he has an interest of 14.99%, 19.82%, 27.05% and 51.22%, respectively. On 11 October 2011, the Company entered into the Securities Services Agreement with Mr. Ko and pursuant to which, the Company agrees to provide, or procure its subsidiaries to provide, the Securities Services (including but not limited to brokerage, share placing and underwriting, asset management, financial advisory and corporate finance services and related services) to Mr. Ko or any of his associates during the term of the Securities Services Agreement commencing from the relevant approval granted by the Independent Shareholders and up to 31 December 2013. Under the Securities Services Agreement, the Securities Services to be provided by the Group to Mr. Ko or any of his associates will be on normal commercial terms or terms (including fees and cash payment terms) comparable to those offered by the Group to independent third parties. The Securities Services to be provided by the Group to Mr. Ko or any of his associates include (but not limited to) brokerage, share placing and underwriting, asset management, financial advisory, corporate finance and related services, all of which, are part of the ordinary and usual course of business of the Group. We have reviewed certain sample documents regarding the Securities Services provided by the Group to Mr. Ko (and or his associates) and noted that the terms offered by the Group to Mr. Ko were no more favourable than those offered by the Group to independent third parties.

Having considered that (i) the provision of the Security Services falls within the ordinary and usual course of the business of the Group; (ii) the fees receivable from the Group's provision of the Securities Services to Mr. Ko and his associates represent additional income to the Group; and (iii) the Provision of Securities Services to Mr. Ko and any of his associates under the Securities Services Agreement will be on normal commercial terms or terms comparable to those offered by the Group to independent third parties, we are of the view that the Provision of Securities Services under the Securities Services Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Securities Services Agreement are fair and reasonable in so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps for the Securities Services

The maximum monetary amount (the “Annual Caps”) in relation to the fees payable to the Group in respect of the Securities Services to be provided by the Group to Mr. Ko or any of his associates under the Securities Services Agreement for the years ending 31 December 2011, 2012 and 2013 amount to HK\$8 million (from the effective date of the Securities Services Agreement to 31 December 2011), HK\$25 million and HK\$25 million respectively. We have discussed with the management of the Company and reviewed the calculation of the proposed annual caps which were determined based on, among other things, (i) the projected maximum amount of securities trading volume of Mr. Ko and his associates as projected by Mr. Ko; (ii) other potential fund raising exercises (such as top-up placing) by listed companies in which Mr. Ko and his associates have a substantial interest; (iii) other possible services which the Group may provide to Mr. Ko or any of his associates such as corporate finance services and asset management services and (iv) the terms offered (included the commission rate) by the Group to Mr. Ko or his associates for its provision of the Securities Services. We also noted that the Company recorded revenue of HK\$14 million for the year ended 31 December 2010 and the Annual Cap of HK\$25 million for each of the year ending 31 December 2012 and 2013 represents 1.8 times of the revenue for 2010. However, having considered that the business operation of the Group was only re-activated significantly since September 2010, we consider that it will be more meaningful to determine the Annual Cap based on the above mentioned bases and concur with the view of the Directors that the historical revenue of the Company may not be an appropriate benchmark to compare the proposed Annual Cap. Moreover, we also understand and consider reasonable that a buffer has also built in the proposed Annual Caps because (i) securities transactions (such as placing and subscription, corporate finance deals) may be conducted in a very tight timeframe, and in the absence of such buffer, the additional time required for the Group to obtain approval from the Independent Shareholders when there is any increase in actual securities transactions may lead to the Group losing business opportunities which in turn will be detrimental to the business performance of the Group and (ii) Mr. Ko, as an active investor in Hong Kong, will from time to time invest in companies which may or may not (a) become associates of Mr. Ko (hence connected person of the Company) and (b) require securities broking, placing and other securities related services. Having considered the above, together with the fact that (i) the Provision of Securities Services is one of the core businesses of the Group; (ii) the Securities Services provided by the Group to Mr. Ko or any of its associate will be on normal commercial terms and in the ordinary course of the business of the Group; and (iii) the provision of the Securities Services will benefit the Group by increasing its income base, we considered that it is reasonable for the Company to adopt the aforesaid bases and assumptions in determining the Annual Caps and the Provision of Securities Services (including the Annual Caps) is fair and reasonable.

3. Reasons for and benefits of the Proposed Refreshment of General Mandate

Flexibility in financing

At the Company's extraordinary general meeting held on 21 July 2011, the then Shareholders passed the ordinary resolution to grant to the Directors the Existing General Mandate, pursuant to which the Directors were authorised to allot, issue and deal with up to 6,174,029 new Shares, being 20% of the total issued share capital of the Company at the date of passing of such resolution. As a result of a number of fund raising exercise of the Company involving issuance of new Shares or convertible securities, the issued share capital of the Company has been substantially increased and as at the Latest Practicable Date, the Company had 219,095,951 Shares in issue. Given that the 6,174,029 new Shares that could be allotted and issued under the Existing General Mandate merely represents approximately 2.8% of the issued share capital of the Company as at the Latest Practicable Date, the Directors propose to seek approval from the Independent Shareholders to refresh the Existing General Mandate such that the Directors will be authorised to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company in issue at the date of passing of the relevant resolution at the EGM, which amounts to 43,819,190 Shares (assuming no further Shares are issued between the Latest Practicable Date and the date of the EGM), to provide the Company with greater flexibility to raise funds for its future business development by issuing equity capital, such as placing of new Shares, or as consideration for potential investment as and when such opportunities arise. In particular, when decisions for potential acquisitions or investment opportunities have to be made within a limited period of time, the additional amount of equity which can be raised under the New General Mandate will provide the Group with more financing options when assessing and negotiating potential investments opportunities.

As disclosed in the Restructuring Circular, it is noted that the overall vision and plan for the Group is to further develop itself into a Hong Kong based global financial services group that will serve as a bridge between Chinese and Asian companies, and their investors and Western counterparts. Such development plan includes, among others, the business expansion of its brokerage activities into overseas market, expanding into the provision of equity derivatives give-up business, futures and option brokerage, wealth management, proprietary trading, direct investment, asset management, margin financing and money lending. In addition, the Group has also planned to recruit additional staff in the corporate finance, research, support services and middle office functions to support the Group's growth. Given the substantial expenditure to be incurred by Group in the course of its business

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expansion, it is considered that the Proposed Refreshment of General Mandate will provide the Group with more flexible financing options to finance its development plan with funds raised by issuing equity capital such as placing of new Shares, or as consideration for potential investments as and when such opportunities arise in a timely and effective manner.

Other financing alternatives

In addition to issuing share capital, we understand that the Company would also consider other financing alternatives to raise funds such as bank borrowings and debt financing to meet its financing requirements arising from the future development of the Company. However, the ability of the Company to obtain bank borrowings usually depends on the Company's profitability, financial position and the then prevailing market condition. Furthermore, such alternatives may be subject to lengthy due diligence and negotiation with banks. However, debt financing will usually incur interest burden on the Company, debt financing is relatively uncertain, costly and time-consuming as compared to equity financing for the Company to obtain additional funding.

With respect to other forms of pro-rata equity financing such as rights issue and open offer, the Company has considered that such equity financing would incur additional costs such as placing commission and underwriting commission. Despite the pro-rata equity financing may allow the Shareholders to maintain their respective interests in the Company, the non-participating Shareholders may suffer an even greater dilutive effect under these types of fund-raising activities as it is not unusual that new Shares would be issued at a substantial discount to their market price in order to make the rights issue/open offer attractive. In addition, such fund-raising alternatives are relatively uncertain and time-consuming as compared to equity financing through the issue of new Shares under the Proposed Refreshment of General Mandate. As further advised by the executive Directors, the potential increase in the equity capital of the Company upon utilisation under the Proposed Refreshment of General Mandate can improve the Company's financial position and hence the possibilities of raising funds from banking borrowings or debt financing.

As disclosed above, the Group's business development plan has been set out in pages 49 to 53 of the Restructuring Circular, and as at the Latest Practicable Date, the Company has (i) no intention to conduct further equity fund raising activities in the near future; and (ii) not identified any other investment opportunities and/or other business development plan with specific funding needs and the Group will continue to look for appropriate investment opportunities and/or business development plan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Company. Although the Company does not have any intention to raising additional funds by issuing further new Shares, it is considered that (i) the Existing General Mandate will only provide limited financial flexibility to the Company to capture any possible fund raising for its future business development by issuing equity capital, such as placing of new Shares, or as consideration for potential investment as and when such opportunities arise; and (ii) the Proposed Refreshment of General Mandate will provide the Company with an additional financing alternative when opportunities are available to the Group and it is reasonable for the Company to have such, particularly given the substantial net liabilities of the Group. As such, we are of the view that the Proposed Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Financial impact of the Subscription

Save for the expenses incurred for the Subscription and the Placing, it is expected that the Subscription will not have any immediate material impact on the Group's earnings. As mentioned above, the proceeds from the Subscription will be used to speed up the Group's expansion plans so as to develop its brokerage and other businesses. Upon Completion of the Subscription Agreement, the Group will record a cash inflow of approximately HK\$200 million from the net proceeds of the Subscription. As such, the net asset value of the Group will be increased by the same amount and its working capital position will be improved accordingly.

5. Dilution effect of the Subscription

Based on the issued share capital of the Company of 219,095,951 Shares as at the Latest Possible Date, the 67,000,000 Subscription Shares represents approximately 30.6% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 23.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Immediately upon completion of the Subscription, the shareholding of the existing public Shareholders would be diluted by approximately 7.69% from approximately 32.81% to approximately 25.12%. Having considered that the net proceeds of the Subscription will be used to speed up the Group's expansion plans and further strengthen the Group's capital base and financial resources so as to develop its brokerage and other financial related businesses and the thin trading volume of the Shares (the average daily trading volume since the resumption of trading of Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from 10 August 2011 up to the Latest Practicable Date), we are of the view that the Subscription and the Placing represented an opportunity for the Group to raise additional funds for its continuous business development and the dilution effect as a result of Subscription Shares is acceptable.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred above, we are of the view that the Subscription and the Provision of Securities Services are conducted in the ordinary and usual course of business of the Group on normal commercial terms and the terms of the Subscription Agreement, the Securities Services Agreement and the Proposed Refreshment of General Mandate are fair and reasonable in so far as the interests of the Company and the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders, and the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription, the Provision of Securities Services and the Proposed Refreshment of General Mandate.

Yours faithfully,

For and on behalf of

KBC Bank N.V. Hong Kong Branch

Kenneth Chan

*Head of Corporate Finance,
Greater China*

Gaston Lam

Corporate Finance

REPURCHASE MANDATE

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to Shareholders regarding the Repurchase Mandate as referred to in the section headed “Proposed Refreshment of General Mandate to Issue New Shares and Grant of Repurchase Mandate and Extension Mandate” on pages 17 to 18 of this circular.

SHARE CAPITAL

The shares proposed to be repurchased by a company must be fully paid-up. A maximum of 10% of the existing issued share capital as at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

It is proposed that up to 10% of the Shares in issue at the date of passing the resolution to approve the Repurchase Mandate may be repurchased. As at the Latest Practicable Date, the number of Shares in issue was 219,095,951 Shares. On the basis of such number (assuming no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing such resolution), the Directors would be authorised to repurchase a maximum of 21,909,595 Shares.

REASONS FOR REPURCHASES

The Directors believe that the ability to repurchase Shares is in the best interests of the Company and the Shareholders. Repurchases of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share. The Directors are seeking the approval for the grant of the Repurchase Mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number(s) of Shares to be repurchased, the price and other terms upon which the same are repurchased, and whether Shares are to be repurchased on any occasion will be decided by the Directors at the relevant time having regard to the factors and circumstances then pertaining.

FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, being distributable profits of the Company or the proceeds of a fresh issue of Shares made for such purpose.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 31 December 2010 contained in the 2010 annual report) if the Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

PRICES OF THE SHARES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2010		
October	suspended in trading	
November	suspended in trading	
December	suspended in trading	
2011		
January	suspended in trading	
February	suspended in trading	
March	suspended in trading	
April	suspended in trading	
May	suspended in trading	
June	suspended in trading	
July	suspended in trading	
August	6.00	2.90
September	4.49	3.08
October (up to the Latest Practicable Date)	3.73	3.38

UNDERTAKING

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, presently intend to sell any shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by Shareholders and exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and the applicable law of Hong Kong and the memorandum and articles of association of the Company.

No other connected persons have notified the Company that they have a present intention to sell any shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by Shareholders and exercised.

TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company will increase, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

To the best knowledge of the Directors, the Directors are not aware of any Shareholder or group of Shareholders acting in concert, who may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code as a consequence of any purchases pursuant to the Repurchase Mandate.

The Directors have no present intention to exercise the Repurchase Mandate to such an extent that would result in the number of Shares held by the public falling below 25% of total number of Shares in issue.

REPURCHASE OF SHARES

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Subscription and exercise in full of the conversion rights attached to the outstanding Convertible Notes based on the adjusted Conversion Price of HK\$0.562 will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>219,095,951</u> Shares	<u>2,190,959.51</u>

(ii) Immediately following the completion of the Subscription and exercise in full of the conversion rights attached to the outstanding Convertible Notes based on the adjusted Conversion Price of HK\$0.562

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000.00</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
219,095,951	Shares	2,190,959.51
67,000,000	Subscription Shares to be allotted and issued under the Subscription	670,000.00
98,398,576	New Shares to be issued upon exercise in full of the conversion rights attached to the outstanding Convertible Notes based on the adjusted Conversion Price of HK\$0.562	983,985.76
<u>384,494,527</u>	<u>Shares</u>	<u>3,844,945.27</u>

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed 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 otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”), were as follows:

Name of Director	Nature of interest	Number of Shares held	
		Long position	Percentage of shareholding
Mr. Ko	Held by controlled corporations	268,419,354	122.51%

Note: Mr. Ko was interested in 268,419,354 Shares comprising (i) 112,225,806 Shares held by Gainhigh, 80% of the issued share capital of which was held by Kwan Wing Holdings Limited, the entire issued share capital of which was wholly-owned by Mr. Ko; (ii) 67,000,000 Subscription Shares to be allotted and issued to Gainhigh upon completion of the Subscription Agreement; and (iii) 89,193,548 Conversion Shares to be allotted and issued to Gainhigh upon exercise of the conversion rights attached to the outstanding Convertible Notes at the conversion price of HK\$0.62 per Conversion Share (subject to adjustment). Mr. Ko is the director of both Gainhigh and Kwan Wing Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code, or which were required to be entered on the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code or the Model Code.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had or were deemed to have interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group or any option thereof:

Name of shareholder	Nature of interest	Number of shares held (long position)	Approximate % of the issued share capital
Shares			
Mr. Ko (<i>Note 1</i>)	Held by controlled corporation	268,419,354	122.51%
Kwan Wing Holdings Limited (<i>Note 1</i>)	Held by controlled corporation	268,419,354	122.51%
Gainhigh (<i>Note 1</i>)	Beneficial owner	268,419,354	122.51%
Shaw David Elliot (<i>Note 2</i>)	Held by controlled corporation	35,000,000	15.97%

Name of shareholder	Nature of interest	Number of shares held (long position)	Approximate % of the issued share capital
Shares			
D. E. Shaw Valence Portfolios, L.L.C. <i>(Note 2)</i>	Held by controlled corporation	35,000,000	15.97%
D. E. Shaw Composite Portfolios, L.L.C. <i>(Note 2)</i>	Held by controlled corporation	35,000,000	15.97%
D. E. Shaw & Co., Inc <i>(Note 2)</i>	Held by controlled corporation	35,000,000	15.97%
D. E. Shaw & Co., L.P. <i>(Note 2)</i>	Investment manager	35,000,000	15.97%
D. E. Shaw & Co., L.L.C <i>(Note 2)</i>	Held by controlled corporation	35,000,000	15.97%
D. E. Shaw & Co. II, Inc <i>(Note 2)</i>	Held by controlled corporation	35,000,000	15.97%
D. E. Shaw & Co. (Asia Pacific) Limited <i>(Note 2)</i>	Investment manager	35,000,000	15.97%
Barclays PLC	Held by controlled corporation	17,500,000	7.99%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	17,500,000	7.99%
China United Telecom Limited <i>(Note 3)</i>	Beneficial owner	13,874,500	6.33%
	Interest of controlled corporation	355,500	0.16%

Name of shareholder	Nature of interest	Number of shares held (long position)	Approximate % of the issued share capital
Shares			
Asia TeleMedia Holdings Limited (Note 4)	Interest of controlled corporation	14,230,000	6.49%
	Beneficial owner	27,796	0.01%
LU Ruifeng (Note 5)	Held by controlled corporations	14,257,796	6.51%
Cheung Wai Fung (Note 6)	Held by controlled corporation	13,000,000	5.93%
Kwai Sze Hoi (Note 6)	Held by controlled corporation	13,000,000	5.93%
Ocean Line Holdings Limited (Note 6)	Beneficial owner	13,000,000	5.93%

Notes:

- These shares represent (i) 112,225,806 Shares held by Gainhigh; (ii) 67,000,000 Subscription Shares to be allotted and issued to Gainhigh upon completion of the Subscription Agreement; and (iii) 89,193,548 Shares to be allotted and issued to Gainhigh upon exercise in full of the conversion rights attached to the outstanding Convertible Notes at the conversion price of HK\$0.62 per Conversion Share (subject to adjustment). Mr. Ko is beneficially interested in the entire issued share capital of Kwan Wing Holdings Limited, which in turn is beneficially interested in 80% of the issued share capital of Gainhigh. Accordingly, Mr. Ko and Kwan Wing Holdings Limited are deemed to be interested in the Shares which Gainhigh are interested in. Mr. Ko is the director of both Gainhigh and Kwan Wing Holdings Limited.
- Shaw David Elliot, D. E. Shaw Valence Portfolios, L.L.C., D. E. Shaw Composite Portfolios, L.L.C., D. E. Shaw & Co., Inc, D. E. Shaw & Co., L.P., D. E. Shaw & Co., L.L.C., D. E. Shaw & Co. II, Inc, and D. E. Shaw & Co. (Asia Pacific) Limited were interested in the same parcel of these 35,000,000 Shares by virtue of the SFO.
- Pursuant to a capital restructuring of the Company effective as of 9 August 2011, every 50 issued and unissued shares of the Company of HK\$0.20 each was consolidated into 1 share of the Company (the "Share Consolidation") and that the par value of such consolidated share was reduced to HK\$0.01 each. After the Share Consolidation, China United Telecom Limited, through its wholly-owned subsidiary, Transmedia Asia Limited, was deemed to be interested in 355,500 Shares by virtue of the SFO.

4. Asia TeleMedia Holdings Limited owned 35% of the entire issued share capital of China United Telecom Limited, and was therefore deemed, by virtue of the SFO, to be interested in the totalling 14,230,000 shares deemed held by China United Telecom Limited after the Share Consolidation.
5. According to the disclosure of interests filing dated 28 December 2007 published on the website of the Stock Exchange, and after taken into account of the Share Consolidation, Lu Ruifeng was interested in 14,257,796 Shares comprising (i) 27,796 Shares held by Asia TeleMedia Holdings Limited, the entire issued share capital of which was wholly owned by Lu Ruifeng; (ii) 13,874,500 Shares held by China United Telecom Limited, 35% of the issued share capital of which was held by Asia TeleMedia Holdings Limited; and (iii) 355,500 Shares held by Transmedia Asia Limited, which was a wholly-owned subsidiary of China United Telecom Limited. In addition, according to the abovementioned disclosure of interests filing, Lu Ruifeng was also interested in cash settled options that represented 1,500,000 Shares. These options have lapsed and the exercise period of these options expired on 27 December 2010.
6. These 13,000,000 Shares were held by Ocean Line Holdings Limited. Cheung Wai Fung and Kwai Sze Hoi are beneficially interested in 40% and 60% of the issued share capital of Ocean Line Holdings Limited respectively. Accordingly, Cheung Wai Fung and Kwai Sze Hoi are deemed to be interested in the Shares which Ocean Line Holdings Limited are interested in.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code or the Model Code.

4. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, save as disclosed in the Letter from the Board in this circular, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Company subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or expert as referred to in this circular had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors have entered, or proposed to be entered, into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which are contained or referred to in this circular:

Name	Qualification
“KBC Bank”	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, KBC Bank has not had any shareholding interest in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

KBC Bank has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and reference to their names, as the case may be, in the form and context in which they respectively appear.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no material litigation or claim of material importance was pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intend to be carried on by the Group, have been entered into by the Group after the date two years before the date of this circular and up to and including the Latest Practicable Date.

- (a) the Subscription Agreement;
- (b) the Brokerage Agreement;
- (c) the Securities Services Agreement;
- (d) an agreement dated 7 June 2011 entered into by the Company, the then joint and several liquidators of the Company and Gainhigh in relation to subscription of the new Shares and the Convertible Notes for HK\$172 million;
- (e) an agreement dated 15 April 2011 entered into between the Company, the then joint and several liquidators of the Company, Gainhigh and Mr. Ko in respect of the restructuring of the Group;
- (f) a letter of intent dated 14 July 2009 which was jointly issued by Gainhigh and Mr. Ko and accepted by the then joint and several liquidators of the Company in respect of the restructuring of the Group (as amended by a second letter of intent dated 23 July 2010, a third letter of intent dated 17 December 2010 and a side letter dated 28 February 2011);
- (g) the escrow agreement dated 14 July 2009 as amended by the second escrow agreement dated 17 December 2010 and the supplemental escrow agreement dated 16 June 2011 between the Company and Gainhigh whereby Gainhigh agreed to pay a deposit of HK\$3 million to an escrow agent in return for an exclusive right to consider the terms and conditions of the proposed restructuring of the Group;
- (h) the escrow letter dated 14 July 2009 as amended by the second escrow letter dated 17 December 2010 and the supplemental escrow letter dated 16 June 2011 between the Company and an escrow agent in respect of the appointment of the escrow agent for the HK\$3 million deposit; and
- (i) the facility agreement dated 22 September 2009, the amendment agreement dated 14 October 2010, the amendment and restatement agreement dated 23 November 2010 and the amendment agreement dated 21 February 2011 entered into between Gainhigh and Mansion House Financial Holdings Limited (a wholly-owned subsidiary of the Company) in respect of the loan facility for a total of HK\$38.7 million provided by Gainhigh.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday (except Saturday and public holiday) at the office of the Company at Suites 1102-1103, 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from KBC Bank, the text of which is set out on pages 24 to 35 of this circular;
- (c) the written consent from KBC Bank referred to in the paragraph headed “Expert and Consent” in Appendix III to this circular;
- (d) the annual reports of the Company for each of the year ended 31 December 2009 and 2010; and
- (e) all material contracts referred to in the paragraph headed “Material Contracts” in this appendix.

11. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group was made up.

12. MISCELLANEOUS

The English version of this circular and form of proxy shall prevail over the Chinese text in case of inconsistency.

NOTICE OF THE EGM



ASIA TELEMEDIA LIMITED

亞洲電信媒體有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 376)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Asia TeleMedia Limited (the “**Company**”) will be held at Suites 1102-1103, 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Tuesday, 8 November 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement dated 6 September 2011 entered into between the Company and Gainhigh Holdings Limited (the “**Subscriber**”) pursuant to which the Subscriber agreed to subscribe for an aggregate of 67,000,000 new shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$3.00 per share of the Company (the “**Subscription Agreement**”) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental, ancillary to or in connection with the matters contemplated in or relating to the Subscription Agreement and completion thereof as he/she may consider necessary, desirable or expedient.”

2. “**THAT:**

- (a) the prospective provision of services (including but not limited to brokerage, share placing and underwriting, asset management, financial advisory, corporate finance and related services) by the Group to Mr. Ko Chun

NOTICE OF THE EGM

Shun, Johnson and his associates (the “**Provision of Securities Services**”) pursuant to the Securities Services Agreement as described in the circular of the Company dated 12 October 2011 (the “**Circular**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) the proposed annual caps (the “**Caps**”) in relation to the Provision of Securities Services for each of the three financial years ending 31 December 2011, 2012 and 2013 pursuant to the Securities Services Agreement as described in the Circular be and are hereby approved; and
- (c) any one director of the Company be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second director, a duly authorised representative of the director or the secretary of the Company and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transactions under the Securities Services Agreement in relation to the Provision of Securities Services and the Caps.”

3. “**THAT:**

- (a) subject to paragraph 3(c) below, pursuant to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the unissued shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares of the Company, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares of the Company, which might require the exercise of such powers after the expiry of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the

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approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

(d) subject to the passing of each of the paragraphs (a), (b) and (c) of this resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution); and

(e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; or

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- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the Directors to holders of Shares whose names appear on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

4. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate number of shares to be purchased or agreed conditionally or unconditionally to be purchased by the directors of the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the issued share capital of the Company at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; or
 - (iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution of the shareholders of the Company in general meeting.”
5. “**THAT** the aggregate number of shares in the capital of the Company which shall have been repurchased by the Company subsequent and pursuant to the passing of ordinary resolution 4 (up to a maximum of 10 per cent. of the issued shares at the date of passing ordinary resolution 4) shall be added to the aggregate number of shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Company pursuant to ordinary resolution 3 above.”
6. “**THAT** conditional upon the Listing Committee of The Stock Exchange granting listing of, and permission to deal in, the shares of HK\$0.01 each in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the New Scheme Limit (as defined below), the refreshment of the scheme limit of the share option scheme of the Company adopted on 21 July 2011 and all other share option scheme(s) of the Company, up to 10 per cent. of the number of shares of the Company in issue as at the date of passing this resolution (the “**New Scheme Limit**”) be and is hereby approved and any director of the Company be and is hereby authorised to do such act and execute such document to effect the New Scheme Limit.”

By order of the board
Asia TeleMedia Limited
Ko Chun Shun, Johnson
Chairman and Executive Director

Hong Kong, 12 October 2011

Notes:

1. A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a shareholder of the Company. A shareholder of the Company may appoint more than one proxy to attend on the same occasion.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

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3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, (if any), under which it is signed or a certified copy thereof must be delivered to the share registrars of the Company, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment meeting (as the case may be).
4. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) or upon the poll concerned if they so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.
5. Shareholders whose names are held through Central Clearing and Settlement System or licensed securities dealer should contact their nominees if they would like to vote.