



ASIA TELEMEDIA LIMITED

亞洲電信媒體有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 376)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of Asia TeleMedia Limited (the "Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK\$	2005 HK\$
Revenue	3	5,600,484	3,542,283
Other operating income	4	1,599,802	1,768,117
Recovery of bad debts written-off		14,500	167,078
Allowance for doubtful debts		(48,005)	-
Depreciation of property, plant and equipment		(725,803)	(1,008,306)
Amortisation of trading rights		(271,430)	(271,430)
Staff costs	5	(7,363,439)	(8,083,789)
Other operating expenses	6	(10,857,973)	(14,758,421)
Finance costs	7	(4,081,969)	(4,091,833)
Loss before taxation		(16,133,833)	(22,736,301)
Taxation	8	-	-
Loss for the year	9	(16,133,833)	(22,736,301)
Loss per share	10	(1.11) cents	(1.56) cents
Basic			

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	NOTES	2006 HK\$	2005 HK\$
Non-current assets			
Property, plant and equipment		1,069,434	1,773,522
Interest in an associate		-	715,844
Trading rights		814,280	1,085,710
Loan receivables		-	-
Statutory deposits for financial services business		430,000	430,000
Other intangible assets		-	500,000
		2,313,714	4,505,076
Current assets			
Account receivables	11	26,342,781	7,347,902
Other receivables, deposits and prepayments		28,518,381	34,991,011
Bank balances – trust and segregated accounts		62,437,833	33,699,531
Bank balances (general accounts) and cash		12,432,308	3,899,350
		129,731,303	79,937,794
Current liabilities			
Account payables	12	86,090,225	40,085,272
Other payables and accrued charges		17,457,472	16,145,804
Loan payables		58,083,993	58,083,993
Amount due to an associate		-	700,000
Amounts due to directors		28,737,386	11,781,225
Obligations under finance lease		78,652	78,652
		190,447,728	126,874,946
Net current liabilities		(60,716,425)	(46,937,152)
Total assets less current liabilities		(58,402,711)	(42,432,076)
Non-current liabilities			
Obligations under finance lease		135,853	221,655
Net liabilities		(58,538,564)	(42,653,731)
Capital and reserves			
Share capital		291,505,459	291,505,459
Reserves		(350,044,023)	(334,159,190)
		(58,538,564)	(42,653,731)

Notes:

1. EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the directors are taking active steps to improve the liquidity position of the Group. Included in the consolidated balance sheet at 31 December 2006 is a loan payable of HK\$58,083,993 and an accrued interest of HK\$10,886,781 owed to a third party, classified as current liabilities (herein collectively referred to as "Total Amount Payable"). The Company is in process of negotiation with the third party for the settlement of Total Amount Payable. In addition, the Company is in process of exploring with potential investors the injection into the Group of income generating investments in the People's Republic of China. Provided that the repayment arrangement for the Total Amount Payable can be agreed upon and provided that income generating investments are injected into the Group, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain such future funding. We consider that appropriate disclosures have been made. However, in view of the extent of the uncertainty relating to the repayment arrangement for the Total Amount Payable and the injection into the Group of income generating investments, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Limitation of audit scope

We were unable to obtain sufficient evidence to assess whether any impairment should be recognised in respect of an amount equivalent to HK\$27,725,067 included among the other receivables, deposits and prepayments as at 31 December, 2006. Any adjustments of the above amount, would affect the net liabilities of the Group and the Company as at 31 December 2006 and its loss for the year then ended.

Disclaimer of opinion: Disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph concerning the going concern basis and limitation of audit scope, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 or of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied all of the new and revised standards and interpretations issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The application of these new and revised standards and interpretations had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HKFRS 8	Operating segments ⁸
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ⁶
HK(IFRIC) – INT 12	Service concession arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

⁸ Effective for annual periods beginning on or after 1 January 2009

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue, which is also turnover of the Group, is analysed as follows:

	2006 HK\$	2005 HK\$
Brokerage and commission income	5,396,664	3,249,338
Interest income	203,820	191,108
Management fees	-	101,837
	5,600,484	3,542,283

(b) Segment Information

For management purposes, the Group is currently organised into two main operating segments, namely financial services and investment holding. Financial services comprises securities broking, underwriting and share margin financing services.

Both financial services and investment holding are based in Hong Kong. The combined business and geographical segments are shown as follows:

Income statement for the year ended 31 December 2006

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
REVENUE	5,594	6	5,600
RESULT			
Segment profit/(loss)	91	(13,743)	(13,652)
Other operating income			1,600
Finance costs			(4,082)
Loss before taxation			(16,134)
Taxation			-
Loss for the year			(16,134)

Balance sheet as at 31 December 2006

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
ASSETS			
Segment assets	91,956	40,089	132,045
Interest in an associate	-	-	-
Consolidated total assets			132,045
LIABILITIES			
Segment liabilities	45,695	86,590	132,285
Unallocated corporate liabilities			58,298
Consolidated total liabilities			190,583

Other information for the year ended 31 December 2006

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
Additions to property, plant and equipment	5	17	22
Allowance for doubtful debts	48	-	48
Depreciation of property, plant and equipment	32	694	726
Amortisation of intangible assets	271	-	271

Income statement for the year ended 31 December 2005

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
REVENUE	3,526	16	3,542
RESULT			
Segment loss	(2,181)	(18,231)	(20,412)
Other operating income			1,768
Finance costs			(4,092)
Share of loss of an associate			-
Loss before taxation			(22,736)
Taxation			-
Loss for the year			(22,736)

Balance sheet as at 31 December 2005

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
ASSETS			
Segment assets	46,199	37,528	83,727
Interest in an associate	-	716	716
Consolidated total assets			84,443
LIABILITIES			
Segment liabilities	40,416	28,297	68,713
Unallocated corporate liabilities			58,384
Consolidated total liabilities			127,097

Other information for the year ended 31 December 2005

	Hong Kong		Consolidated HK\$'000
	Financial services HK\$'000	Investment holding HK\$'000	
Additions to property, plant and equipment	-	316	316
Loss on disposal of property, plant and equipment	80	-	80
Allowance for doubtful debts	-	-	-
Depreciation of property, plant and equipment	155	853	1,008
Amortisation of intangible assets	271	-	271

4. OTHER OPERATING INCOME

	2006 HK\$	2005 HK\$
Management, handling fee and nominee services	448,408	401,377
Miscellaneous income	162,749	386,560
Net exchange gain	873,185	980,180
Gain on disposal of other intangible assets	115,460	-
	1,599,802	1,768,117

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006 HK\$	2005 HK\$
Directors' remuneration		
- fees	190,000	190,000
- other emoluments	1,320,000	1,320,000
- retirement benefits scheme contribution	24,000	20,000
- share-based payments	105,000	288,740
Salaries, allowances and commission	5,580,439	5,903,789
Share-based payments	144,000	361,260
	7,363,439	8,083,789

6. OTHER OPERATING EXPENSES

	2006 HK\$	2005 HK\$
Included in other operating expenses are:		
Auditors' remuneration	360,000	800,000
Loss on disposal of property, plant and equipment	-	80,202
Loss on dissolution of an associate	18,444	-
Consultancy fees	2,609,900	5,476,202
Rentals in respect of office premises	2,111,257	3,014,293
	5,099,601	9,350,707

7. FINANCE COSTS

	2006 HK\$	2005 HK\$
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	4,065,879	4,075,743
Finance lease	16,090	16,090
	4,081,969	4,091,833

8. TAXATION

No provision for Hong Kong Profits Tax was made for both years as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the two years ended 31 December 2006 and 2005.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006 HK\$	2005 HK\$
Loss before taxation	(16,133,833)	(22,736,301)
Tax at domestic income tax rate of 17.5%	(2,823,420)	(3,978,853)
Tax effect of income not taxable for tax purpose	(23,867)	(3,714)
Tax effect of expenses not deductible for tax purpose	1,121,934	1,471,089
Tax effect of tax losses not recognised	1,725,353	2,423,538
Others	-	87,940
Tax charge for the year	(2,000,837)	(2,900,207)

At the balance sheet date, the Group has estimated unused tax losses of approximately HK\$274 million (2005: HK\$264 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams, and no deferred tax liabilities in respect of accelerated depreciation allowance have been recognised as the amount involved is insignificant.

9. LOSS FOR THE YEAR

The consolidated loss for the year included a loss of HK\$15,544,848 (2005: HK\$25,351,905) which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK\$16,133,833 (2005: HK\$22,736,301) and 1,457,527,296 (2005: 1,457,527,296) shares in issue during the year.

Diluted loss per share for the years ended 31 December 2006 and 2005 has not been presented as the effect of any dilution is anti-dilutive.

11. ACCOUNT RECEIVABLES

The aged analysis of account receivables is as follows:

	2006 HK\$	2005 HK\$
Less than one month	26,274,823	7,230,486
Over one month but less than three months	67,128	36,893
Over three months	26,172,157	26,266,350
	52,514,108	33,533,729
Less: Allowance for doubtful debts	(26,171,327)	(26,185,827)
	26,342,781	7,347,902

The settlement terms of account receivables arising from the business of dealing in securities are two days after trade date, except for the loans to margin clients, all the account receivables arising from the business of dealing in securities aged within 30 days. The loans to margin clients are aged over three months as the Group has not provided margin financing any more.

12. ACCOUNT PAYABLES

The age of accounts payable is less than one month.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded a loss attributed to shareholders of approximately HK\$16,134,000 for the year ended 31 December 2006 compared to the loss attributable to shareholders of approximately HK\$22,736,000 for the corresponding period in 2005. The basic loss per share for the year was HK1.11 cents, compared with the basic loss per share of HK1.56 cents for the previous year.

Liquidity, Financial Resources and Gearing Ratio

As at the balance sheet date, the Group had net current liabilities of approximately HK\$60,716,000 (2005: HK\$46,937,000) and had cash and cash equivalents of approximately HK\$12,432,000 (2005: HK\$3,899,000). During the year, the Group has not made any bank borrowings (2005: Nil).

The Group's gearing ratio was 1.44 as at 31 December 2006 as compared with 1.51 as at 31 December 2005. The gearing ratio is calculated by dividing total liabilities by total assets.

Treasury Policies

The business activities of the Group are mainly funded by shareholders' fund and cash generated from operating activities.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are either denominated in Hong Kong dollars or Renminbi which were quite stable during the year. No financial instruments have been employed for hedging purposes by the Group.

The Group is not exposed to significant capital market risk as the Group does not have material equity investment.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the year, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Employees

As at 31 December 2006, the Group employed 21 (2005: 21) staff in Hong Kong. Remuneration is reviewed annually and a discretionary bonus will be declared based on the performance of the staff. Also, the share option scheme adopted by the Company in June 2002 is in operation.

BUSINESS REVIEW & OUTLOOK

For the year ended 2006, the overall turnover of the stock market in Hong Kong surged 85% as compared with the corresponding period last year, while the average daily turnover amounted to HK\$33.9 billion. The Hang Seng Index in 2006 finished the twelve months at 19,964, up 34% y.o.y.; the Hang Seng China Enterprises Index closed up 94% y.o.y. at 10,340. In this regard, the latter was particularly outstanding. In view of the anticipated persistent development of Mainland China, Hong Kong would definitely and directly benefit from its growth.

Throughout the year, the Group relied on brokerage services as its core business. With the devoted effort of all our staff, the brokerage business achieved satisfactory growth during the year, despite of the increasing intense competition and tough business atmosphere for operation. Nevertheless, numerous mainland large enterprises and banks are applying for listing in Hong Kong. We will leverage on the prosperous economic growth of Mainland China and strive to strengthen our business foundation in securities investment and in turn provide significant and steady revenue for the Group.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares other than as an agent for clients of the Company's subsidiaries.

AUDIT COMMITTEE

The Audit Committee has met to review the system of internal control and its compliance, and the results of the Group for the year ended 31 December 2006. The audit committee comprises three members, Mr. LU Ning, Mr. LI Chun and Mr. LAU Hak Lap, all being independent non-executive directors of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2006, except with deviations from Code provisions A.2.1 and A.4.1 in respect of the separate role of chairman and chief executive officer and service term of non-executive directors.

Under Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At present, Mr. LU Ruifeng is the Chairman and the Chief Executive Officer of the Company responsible for overseeing the operations of the Group. The Board will continue to review the management structure, taking into consideration the nature and extent of the Group's operation, and ensure a balance of power and authority at the Board level in accordance with the relevant principle of the CG Code.

Under Code provision A.4.1, non-executive directors should not be appointed for a specific term, but subject to re-election. Non-executive directors of the Company are not appointed for a specific term but, subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association. As at each annual general meeting one-third of the directors of the Company (or such number as nearest to one-third) must retire as directors by rotation, each of the non-executive directors is effectively appointed for a term of approximately three years.

GENERAL

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

By Order of the Board
Asia TeleMedia Limited
LU Ruifeng
Chairman

Hong Kong, 20 April 2007