

I am pleased to present to you the annual report of Asia TeleMedia Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31st December, 2004.

Attributable to the rebound of the property sector, return of consumer confidence, strong external demand and the revival of tourism during the past year which provided a positive impact on Hong Kong's economy, the Group achieved more than 30% turnover growth in 2004, and that loss for the year further reduced from HK\$37.7 million for 2003 to HK\$21.1 million for 2004.

Notwithstanding the management's effort in rationalizing our operations and enhancing our cost efficiency during the past two years, the aim to attain profitability is yet to be achieved. Besides, the management has commenced negotiation with the Group's single major creditor in connection with the repayment arrangement of the loan with an aim to relieve the Group's heavy immediate financial obligations. The negotiation is yet to be concluded and the management will devote most of its efforts to reach a satisfactory arrangement with the creditor.

Intense competition of financial services business coupled with the persisting downward pressure on commission margin reinforced the management's confidence in the Group's diversification and transformation strategy. The management has made sound deployment in the telecom market in China, which is obviously affirmative to our investment policy on netmedia, telecom service, and internet applications businesses. Apart from maintaining good relationship with the fundamental telecommunication carriers in China, we are going to strengthen the interactive relationship with some carriers. In addition, we aim at teaming up with outstanding content and value added service providers for this operation. We are well prepared for the aforesaid investment direction so as to facilitate the realization of strategic targets set for the telecommunication and media business.

On behalf of the management, I would like to extend my gratitude to our shareholders for their consistent supports and to our staff for their invaluable contribution. I also express my thanks to the entities and consultants for their frequent assistance to the Group.

LU Ruifeng
Chairman

Hong Kong, 27th April, 2005