

## Chairman's Statement

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, 2005.

Since three years ago, the Group was heavily in debt as a result of substantial losses sustained prior to these years. Faced with liquidity problems and increasing intense competition in financial business, the management set aggressive goals and took bold actions for preparing the transformation of the Group's core business into telecommunication and media services in China. During the same time, the management made every effort to reduce the huge debts through funding from major shareholders and negotiation of better practical repayment terms.

In terms of business transformation, the management made discussions with a number of groups in 2005 that may result in the establishment of valuable strategic relationships.

In terms of debt repayment, the Group repaid more than half of the debt during the last three years and as of December 2005, the Group had an indebtedness in the principal amount of around HK\$58 million due to one individual creditor. Although discussions and negotiations have been going on, no formal conclusion for the settlement of the indebtedness has been reached with the creditor thus far.

Throughout 2005, the Group needed to stay relying on brokerage services as its core business, the results of which, in general, have been encouraging. The Hang Seng Index in 2005 finished the twelve months at 14876, up 4.5% y.o.y.; the Hang Seng China Enterprises Index closed up 12.4% y.o.y. at 5330. The mainland economy in 2006 is expected to be steady and positive, with the Hang Seng China Enterprises Index continuing to outperform the Hang Seng Index. Numerous mainland large enterprises and banks are applying for listing in Hong Kong. Hong Kong stock market is regarded by domestic enterprises as the most preferred market for funding and its function is evident. The turnover of the stock market in 2006 is expected to remain high and is likely to hit a new high.

A key objective for next year is to achieve a practical conclusion for settlement of the indebtedness. I would describe that the Group now has the momentum to enter into the rapidly evolving telecommunication industry in China, but this is only possible when the Group is no longer burdened with debt or legal problems.

Finally, as Chairman, I would like to acknowledge the hard work and contribution of all our staff. I would also like to extend my gratitude to our shareholders for their consistent supports. I look forward to sharing our results as we continue our journey into the future.

**LU Ruifeng**

*Chairman*

Hong Kong, 25th April, 2006