



CONNECTING
THE WORLD



AsiaTeleMedia
亞洲電信媒體

INTERIM REPORT 2007

Asia TeleMedia Limited
(Stock Code : 376)

CORPORATE INFORMATION

DIRECTORS

Executive:

LU Ruifeng (*Chairman and Chief Executive Officer*)

YIU Hoi Ying (*Director of Finance*)

Independent Non-Executive:

LAU Hak Lap

LI Chun

LU Ning

QUALIFIED ACCOUNTANT

CHANG Yuen Keong

COMPANY SECRETARY

TSOI Lai Kwan

AUDIT COMMITTEE

LAU Hak Lap (*Chairman*)

LI Chun

LU Ning

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REMUNERATION COMMITTEE

LAU Hak Lap (*Chairman*)

LU Ruifeng

LI Chun

LU Ning

REGISTERED OFFICE

2808, One Exchange Square

Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

STOCK CODE

376

WEBSITE

www.asiatelemedia.tv



The board of directors (the “Board”) of Asia TeleMedia Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Notes			
		5,022	2,759
		1,404	306
		9	6
		(367)	(363)
		(136)	(136)
		(10,671)	(3,425)
		(6,348)	(3,270)
		(2,043)	(2,039)
		(13,130)	(6,162)
		-	-
		(13,130)	(6,162)
		HK(0.85) cents	HK(0.42) cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		785	1,070
Trading rights		678	814
Statutory deposits for financial services business		430	430
		1,893	2,314
Current assets			
Account receivables	10	19,695	26,343
Other receivables, deposits and prepayments		36,828	28,518
Bank balances – trust and segregated accounts		57,454	62,438
Bank balances (general accounts) and cash		14,058	12,432
		128,035	129,731
Current liabilities			
Account payables	11	76,694	86,090
Other payables and accrued charges		18,569	17,458
Loan payables	12	60,084	58,084
Amounts due to directors		16,387	28,737
Obligations under finance lease	13	79	79
		171,813	190,448
Net current liabilities		(43,778)	(60,717)
Total assets less current liabilities		(41,885)	(58,403)
Non-current liabilities			
Obligations under finance lease	13	93	136
Net liabilities		(41,978)	(58,539)
Capital and reserves			
Share capital	14	308,301	291,505
Reserves	15	(350,279)	(350,044)
		(41,978)	(58,539)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Asset revaluation reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 January 2006	291,505	30,797	2,650	650	(368,256)	(42,654)
Loss for the period	-	-	-	-	(6,162)	(6,162)
As at 30 June 2006 and 1 July 2006	291,505	30,797	2,650	650	(374,418)	(48,816)
Loss for the period	-	-	-	-	(9,972)	(9,972)
Recognition of equity-settled share based payments	-	-	-	249	-	249
Forfeiture of share options	-	-	-	(6)	6	-
As at 31 December 2006	291,505	30,797	2,650	893	(384,384)	(58,539)
Loss for the period	-	-	-	-	(13,130)	(13,130)
Recognition of equity-settled share based payments	-	-	-	6,745	-	6,745
Share issued upon exercise of share option	16,796	11,539	-	(5,389)	-	22,946
Forfeiture of share options	-	-	-	(627)	627	-
As at 30 June 2007	308,301	42,336	2,650	1,622	(396,887)	(41,978)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(10,837)	(7,812)
Net cash used in investing activities	(82)	–
Net cash from financing activities	12,545	4,997
Net increase/(decrease) in cash and cash equivalents	1,626	(2,815)
Cash and cash equivalents at 1 January	12,432	3,899
Cash and cash equivalents at 30 June	14,058	1,084
Analysis of the balances of cash and cash equivalents		
Bank balances (general accounts) and cash	14,058	1,084



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The nature of operations of the Group and its principal activities have not changed during the period and consisted of securities broking, underwriting, share margin financing and investment holding.

2. BASIS OF PREPARATION

(a) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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(b) In preparing the condensed financial statements, the Directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of HK\$43,778,000 and net liabilities of HK\$41,978,000 as at 30 June 2007. The Directors are taking active steps to improve the liquidity position of the Group. The Company is in process of exploring with potential investors for fund raising purposes. Accordingly, the condensed financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results have been prepared in accordance with the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of intangible assets, and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

4. BUSINESS SEGMENTS

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 business segments are shown as follows:

Income statement for the six months ended 30 June 2007

	Financial services HK\$'000 (unaudited)	Investment holding HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE	4,977	45	5,022
RESULT			
Segment profit/(loss)	1,463	(13,954)	(12,491)
Other operating income			1,404
Finance costs			(2,043)
Loss before taxation			(13,130)
Taxation			-
Loss for the period			(13,130)



4. BUSINESS SEGMENTS (Continued)

Income statement for the six months ended 30 June 2006

	Financial services <i>HK\$'000</i> (unaudited)	Investment holding <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
REVENUE	2,758	1	2,759
RESULT			
Segment loss	(591)	(3,838)	(4,429)
Other operating income			306
Finance costs			(2,039)
Loss before taxation			(6,162)
Taxation			—
Loss for the period			(6,162)

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5. REVENUE

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

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (unaudited)	2006 <i>HK\$'000</i> (unaudited)
Brokerage and commission income	4,732	2,658
Interest income	290	101
	5,022	2,759

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Included in other operating expenses are:		
Auditors' remuneration	180	400
Consultancy fees	774	51
Rentals in respect of office premises	951	1,091

7. TAXATION

No provision for Hong Kong Profits Tax was made for both periods 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 periods ended 30 June 2007 and 2006.

As at 30 June 2007, the Group has estimated unused tax losses of approximately HK\$279 million (2006: HK\$265 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.

8. DIVIDENDS

As at 30 June 2007, the Company did not have any reserves available for cash distribution. However, the Company's share premium account may be distributed in the form of fully-paid bonus shares. The Board does not recommend the payment of an interim dividend (2006: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of approximately HK\$13,130,000 (2006: HK\$6,162,000) and 1,541,507,296 (2006: 1,457,527,296) shares in issue during the period.



10. ACCOUNT RECEIVABLES

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Margin clients	26,163	26,172
Cash clients	19,411	21,529
Brokers, dealers and clearing houses	284	4,813
	<hr/>	<hr/>
	45,858	52,514
Less: Allowance for doubtful debts	(26,163)	(26,171)
	<hr/>	<hr/>
	19,695	26,343
	<hr/>	<hr/>

The aged analysis of account receivables is as follows:

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	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Less than one month	19,650	26,275
Over one month but less than three months	45	67
Over three months	26,163	26,172
	<hr/>	<hr/>
	45,858	52,514
Less: Allowance for doubtful debts	(26,163)	(26,171)
	<hr/>	<hr/>
	19,695	26,343
	<hr/>	<hr/>

The settlement terms of account receivables arising from the business of dealing in securities are two days after trade date.

Receivable from margin clients are secured by margin clients' pledged securities, repayable on demand and bear interest with reference to commercial rates.

11. ACCOUNT PAYABLES

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Margin clients	1,276	1,202
Cash clients	72,403	84,887
Brokers, dealers and clearing houses	3,015	1
	<hr/> 76,694 <hr/>	<hr/> 86,090 <hr/>

There was no payable to Directors for transactions in securities as at 30 June 2007 and 31 December 2006. The age of account payables is less than one month.

12. LOAN PAYABLES

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Loan payables	60,084	58,084

The loan payables include approximately HK\$58,084,000 (31 December 2006: HK\$58,084,000) are unsecured and bear interest at 7% per annum for both periods. Please refer to note 17 for further details in relation to this loan.

The loan payables also include approximately HK\$2,000,000 (31 December 2006: HK\$ Nil) are unsecured, interest free and repayable on demand on or after due date.



13. OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Amount payable under finance lease				
Within one year	93	93	79	79
In the second to fifth year inclusive	111	162	93	136
	<u>204</u>	<u>255</u>	<u>172</u>	<u>215</u>
Less: Future finance charges	(32)	(40)		
Present value of lease obligation	<u>172</u>	<u>215</u>		
Less: Amount due for settlement with twelve months (shown under current liabilities)			(79)	(79)
Amount due for settlement after twelve months			<u>93</u>	<u>136</u>

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It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 5 years and the effective borrowing rate is 3.75%. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and the Company's obligations under finance lease are secured by the lessor's charge over the leased assets.

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.20 each		
Authorised:		
At 1 January 2007 and 30 June 2007	2,000,000,000	400,000
Issued and fully paid:		
At 1 January 2007	1,457,527,296	291,505
Issued upon exercise of share options	83,980,000	16,796
At 30 June 2007	1,541,507,296	308,301

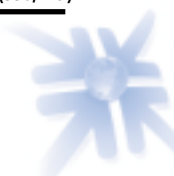
During the six months ended 30 June 2007, 83,980,000 shares of HK\$0.2 each in the Company were issued upon the exercise of share options at a subscription price of HK\$0.20 and HK\$0.40 per share.

All the shares issued during the six months ended 30 June 2007 rank pari passu in all respects with the existing shares.

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15. RESERVES

	Share premium account HK\$'000 (unaudited)	Asset revaluation reserve HK\$'000 (unaudited)	Share option reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1 January 2006	30,797	2,650	650	(368,256)	(334,159)
Loss for the period	-	-	-	(6,162)	(6,162)
As at 30 June 2006 and 1 July 2006	30,797	2,650	650	(374,418)	(340,321)
Loss for the period	-	-	-	(9,972)	(9,972)
Recognition of equity-settled share based payments	-	-	249	-	249
Forfeiture of share options	-	-	(6)	6	-
As at 31 December 2006	30,797	2,650	893	(384,384)	(350,044)
Loss for the period	-	-	-	(13,130)	(13,130)
Recognition of equity-settled share based payments	-	-	6,745	-	6,745
Share issued upon exercise of share option	11,539	-	(5,389)	-	6,150
Forfeiture of share options	-	-	(627)	627	-
As at 30 June 2007	42,336	2,650	1,622	(396,887)	(350,279)



16. RELATED PARTY TRANSACTIONS

The following summarises the significant related party transactions.

- (a) The Group granted the following related party loans on 20 October 1998 to enable the borrowers to reduce the outstanding balances in their margin accounts. These loans were approved by the shareholders of the Company in the extraordinary general meeting held on 23 July 1999 as required by the Listing Rules.

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Capital Limited	A wholly owned subsidiary, Mansion House Capital Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Partially secured by marketable securities and unlisted shares	Partially secured by marketable securities and unlisted shares
– repayment terms	By 14 equal instalments payable semi-annually with the last instalment due in May 2006	By 14 equal instalments payable semi-annually with the last instalment due in May 2006
Balance at 30 June 2007 (unaudited)	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>
Balance at 31 December 2006 (audited)	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>
Allowance at 30 June 2007	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>

These loans were rescheduled in 1999 with the last instalment due in May 2006. However, the loans have been in default since 2000 and a total allowance of HK\$80,843,667 (2006: HK\$80,843,667) has been made.

16. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group provided margin financing to the following related parties:

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 30 June 2007 (unaudited)	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>
Balance at 31 December 2006 (audited)	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>
Allowance at 30 June 2007	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>

The loans have been in default and a total allowance of HK\$17,153,994 (2006: HK\$17,153,994) has been made.



17. LITIGATION

On 6 June 2007, a winding up petition (“Winding Up Petition”) was served on the Company by a petitioner (“Petitioner”). It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Petitioner of a debt in the amount of approximately HK\$70,270,000 as at 26 April 2007 together with interest thereon. Including in the amount claimed is a loan payable of approximately HK\$58,084,000 and an accrued interest of approximately HK\$12,186,000. The right to the alleged debt under a repayment agreement dated 27 April 2004 entered into between the Company and a former creditor was alleged to have been assigned by the former creditor to the Petitioner in February 2007. After having sought legal advices, the Company strenuously protested the Winding Up Petition.

As the Company is opposing the Winding Up Petition, the court adjourned the hearing to 15 October 2007. Based on a review of the current operations of the Group, the Winding Up Petition has not had any material adverse impact on the current operations of the Group since the date of its service on the Company on 6 June 2007.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW & OUTLOOK

The Group recorded a revenue of approximately HK\$5.02 million for the six months ended 30 June 2007 compared to the revenue of approximately HK\$2.76 million for the corresponding period in 2006. The basic and diluted loss per share for the six months ended 30 June 2007 was HK0.85 cents, compared with the basic and diluted loss per share of HK0.42 cents for the previous period.

In the first half of the year 2007, results of the Group's securities business increased significantly when compared to the corresponding period last year. One major reason is the good market condition, and another reason is to raise operation efficiency so as to provide the best service and terms to the customers.

On 6 June 2007, a Winding Up Petition was served on the Company by a Petitioner, and the Company is opposing the Winding Up Petition, the court adjourned the hearing to 15 October 2007. Based on a review of the current operations of the Group, the Winding Up Petition has not had any material adverse impact on the current operations of the Group since the date of its service on the Company on 6 June 2007.

Looking forward to the second half of the year 2007, as the Chinese government approves, launches and implements policies to allow qualified institutions in Mainland to invest in other boundaries and the opening up of individual direct investment in Hong Kong shares, we expect that Hong Kong's stock market will remain active. However, as keen competition in securities brokerage business persists, we will grasp the vigorous development opportunities in China, work to consolidate the basis of securities investment and increase the Group's stable income.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2007, the Group had net current liabilities of approximately HK\$43,778,000 (31 December 2006: HK\$60,717,000) and had cash and cash equivalents of approximately HK\$14,058,000 (31 December 2006: HK\$12,432,000). During the six months ended 30 June 2007, the Group has not made any bank borrowings (31 December 2006: Nil).

The Group's gearing ratio is 1.32 as at 30 June 2007 as compared with 1.44 as at 31 December 2006. The gearing ratio is calculated by dividing total liabilities by total assets.



CAPITAL STRUCTURE

During the six months ended 30 June 2007, a total of 83,980,000 shares were issued pursuant to the exercise of the share options by the option holders of the Company. As a result, the total number of issued shares of the Company as at 30 June 2007 is 1,541,507,296.

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURES

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 six months ended 30 June 2007. 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 investments.

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CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no significant contingent liabilities.

CHARGE ON GROUP ASSETS

As at 30 June 2007, the Group did not have any charges on its assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2007, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group employed 21 (31 December 2006: 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 in order to reward employees who exhibit that they have offered significant contributions to the Group.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests and short positions of the Directors or the chief executives 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 Securities and Futures Ordinance (the "SFO")) which were 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 the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules as follows:

Name of Directors	Nature of interests	Number of shares	Number of underlying shares held pursuant to share options scheme	Approximate % of the issued share capital	
				Total	
Mr. LU Ruifeng	Held by controlled corporations (<i>Note</i>)	731,889,808	-	731,889,808	47.48%
Mr. YIU Hoi Ying	Beneficial owner	-	2,000,000	2,000,000	0.13 %
Mr. LAU Hak Lap	Beneficial owner	-	1,000,000	1,000,000	0.06%
Mr. LI Chun	Beneficial owner	-	1,000,000	1,000,000	0.06%

Note: 730,500,000 shares are owned by China United Telecom Limited, 35% of the entire issued share capital of which is held by Asia TeleMedia Holdings Limited. 1,389,808 shares are owned by Asia TeleMedia Holdings Limited. Asia TeleMedia Holdings Limited is a company beneficially owned by Mr. LU Ruifeng. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 731,889,808 shares in aggregate.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SHARE OPTION SCHEMES

The following table discloses details of the Company's share options held by the Directors, employees and consultants of the Group pursuant to the Company's share option scheme adopted on 27 June 2002 and movements in such holdings during the period.

Name or category of participant	Date of grant	Exercise period	Exercise price HK\$	Outstanding as at 1.1.2007	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30.6.2007
Directors								
Mr. LU Ruifeng	23.3.2005	23.3.2005-22.3.2010	0.2	500,000	-	-	(500,000)	-
		23.3.2007-22.3.2010	0.2	500,000	-	-	(500,000)	-
Mr. YIU Hoi Ying	23.3.2005	23.3.2005-22.3.2010	0.2	4,000,000	-	-	(4,000,000)	-
		23.3.2007-22.3.2010	0.2	4,000,000	-	-	(2,000,000)	2,000,000
Mr. LAU Hak Lap	23.3.2005	23.3.2005-22.3.2010	0.2	500,000	-	-	-	500,000
		23.3.2007-22.3.2010	0.2	500,000	-	-	-	500,000
Mr. LI Chun	23.3.2005	23.3.2005-22.3.2010	0.2	500,000	-	-	-	500,000
		23.3.2007-22.3.2010	0.2	500,000	-	-	-	500,000
Mr. LU Ning	23.3.2005	23.3.2005-22.3.2010	0.2	500,000	-	-	(500,000)	-
		23.3.2007-22.3.2010	0.2	500,000	-	-	(500,000)	-
Employees and Consultants	23.3.2005	23.3.2005-22.3.2010	0.2	9,372,000	-	-	(9,372,000)	-
		23.3.2007-22.3.2010	0.2	9,372,000	-	(1,014,000)	(8,358,000)	-
	26.10.2006	26.10.2006-25.10.2011	0.2	30,000,000	-	(2,500,000)	(27,500,000)	-
		26.10.2008-25.10.2011	0.2	30,000,000	-	(2,500,000)	-	27,500,000
	9.2.2007	9.2.2008-8.2.2010	0.2	-	10,000,000	(7,500,000)	-	2,500,000
	7.5.2007	7.5.2007-6.5.2009	0.4	-	33,750,000	-	(30,750,000)	3,000,000
9.2.2008-8.2.2010		0.4	-	3,750,000	-	-	-	3,750,000
				<u>90,744,000</u>	<u>47,500,000</u>	<u>(13,514,000)</u>	<u>(83,980,000)</u>	<u>40,750,000</u>

The estimated fair value of the options granted during the six months ended 30 June 2007 was HK\$0.0794, HK\$0.1866 and HK\$0.2229 (31 December 2006: HK\$0.0005). These fair value was calculated using the Binomial pricing model (31 December 2006: Binomial pricing model).

A Share-based payment expense amounting to HK\$6,745,000 (31 December 2006: HK\$249,000) has been recognised by the Company for the six months ended 30 June 2007 in relation to share options granted by the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the following persons or corporations, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholders	Nature of interests	Number of Shares held (long position)	Total	Approximate % of the issued share capital
China United Telecom Limited	Beneficial owner	712,725,000	730,500,000	47.39%
	Interest of controlled corporation (Note 1)	17,775,000		
Asia TeleMedia Holdings Limited (Note 2)	Interest of controlled corporation	730,500,000	731,889,808	47.48%
	Beneficial owner	1,389,808		
Mr. LU Ruifeng (Note 3)	Interest of controlled corporations	731,889,808	731,889,808	47.48%
High Reach Assets Limited	Beneficial owner	191,500,000	191,500,000	12.42%
Mr. Evans Carrera LOWE (Note 4)	Interest of controlled corporations	191,500,000	191,500,000	12.42%

Notes:

- 17,775,000 shares are held by Transmedia Asia Limited, which is wholly owned by China United Telecom Limited, and was therefore deemed, by virtue of the SFO, to be interested in such 17,775,000 shares.
- 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 730,500,000 shares deemed held by China United Telecom Limited.



3. The entire issued share capital of Asia TeleMedia Holdings Limited was wholly owned by Mr. LU Ruifeng. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 731,889,808 shares in aggregate.
4. The entire issued share capital of High Reach Assets Limited was beneficially owned by Mr. Evans Carrera LOWE and was therefore deemed, by virtue of the SFO, to be interested in the 191,500,000 shares held by High Reach Assets Limited.

Save as disclosed above, as at 30 June 2007, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

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

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During the six months ended 30 June 2007, 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 six months ended 30 June 2007. The audit committee comprises three members, Mr. LAU Hak Lap, Mr. LI Chun and Mr. LU Ning, all being independent non-executive Directors of the Company.

REMUNERATION COMMITTEE

In addition to the audit committee, the Company has established a remuneration committee on 26 September 2005.

This remuneration committee was formed to ensure maintenance of high corporate governance standards.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, 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 the 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 be appointed for a specific term, subject to re-election. All the independent non-executive Directors of the Company are not appointed for a specific term but are 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 (or such number as nearest to one-third) must retire as Directors by rotation. In this respect, each of the independent non-executive Directors is effectively appointed for a term of approximately three years.

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MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Model Code for Securities Transactions by Directors (“Model Code”) as set out in Appendix 10 of the Listing Rules has been adopted as part of the Corporate Governance Code of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.



ADVANCES TO ENTITIES

As at 30 June 2007, the amounts due from Dynamic Assets Limited (“DAL”), Pharmatech Management Limited (“PML”) and Noblesse Ventures Inc. (“NVI”) before and after allowance are summarised below.

	DAL before (after) allowance <i>HK\$</i>	PML before (after) allowance <i>HK\$</i>	NVI before (after) allowance <i>HK\$</i>
Margin loans (<i>Note 1</i>)	5,695,814 (Nil)	3,099,631 (Nil)	8,358,549 (Nil)
Other loans (<i>Note 2</i>)	45,491,023 (Nil)	28,278,265 (Nil)	7,074,379 (Nil)
Total loans	<u>51,186,837</u> (Nil)	<u>31,377,896</u> (Nil)	<u>15,432,928</u> (Nil)

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Notes:

1. The amounts due result from share margin loans. A total allowance of HK\$17,153,994 has been made. Please refer to note 16(b) to the condensed financial statements for further details in relation to these loans.
2. These loans were approved by shareholders of the Company in an extraordinary general meeting held on 23 July 1999. A total allowance of HK\$80,843,667 has been made. Please refer to note 16(a) to the condensed financial statements for further details in relation to these loans.
3. Due to a consolidated deficiency in net tangible assets of approximately HK\$42.7 million as recorded at the balance sheet date, it is not practicable to express the amount of the above advances to each entity as a percentage of the consolidated net tangible assets value of the Group.

By order of the Board
LU Ruifeng
Chairman

Hong Kong, 21 September 2007