ASIA TELEMEDIA LIMITED
亞洲電信媒體有限公司

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

Annual Report 2010

Contents

Corporate Information

JOINT AND SEVERAL LIQUIDATORS

Patrick COWLEY
Edward Simon MIDDLETON

DIRECTORS

Executive:

LU Ruifeng
YIU Hoi Ying

Independent Non-Executive:

LI Chun
LU Ning
LAU Hak Lap (resigned on 15 April 2010)

AUDITORS

Graham H.Y. Chan & Co.
Unit 1, 15th Floor
The Center
99 Queen's Road Central
Hong Kong

REGISTERED OFFICE

8th Floor, Prince's Building
10 Chater Road
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SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

376

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

TO THE SHAREHOLDERS OF ASIA TELEMEDIA LIMITED (In Liquidation)
(incorporated in Hong Kong with limited liability)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of Asia TeleMedia Limited (in Liquidation) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 59, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Appointment of the Joint and Several Liquidators

A winding-up petition against the Company was filed on 5 June 2007, and a winding-up order was made by the High Court of Hong Kong (the "Court") on 18 March 2008. The trading in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 18 March 2008. Messers Edward Simon Middleton and Patrick Cowley were appointed as the Joint and Several Liquidators of the Company (the "Liquidators") on 14 January 2009, pursuant to an Order of the Court. Further explained in note 2 to the financial statements, the Liquidators have been obliged to prepare these financial statements on the basis of the books and records which came into their possession following their appointment.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatements. Because of the matter described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for disclaimer of opinion

1. *Prior year audit scope limitations affecting opening balances*

The auditor's report on the consolidated financial statements for the year ended 31 December 2009 were also qualified in respect of limitations of audit scope similar to those described in sub-paragraphs (2) to (4) below. Any adjustments to these comparative amounts may have a consequential effect on the balance of accumulated losses of the Group and the Company as at 1 January 2010, the profit for the year ended 31 December 2010 and related disclosures in these financial statements.

2. *Completeness of information*

A winding-up order was made against the Company on 18 March 2008 and the Liquidators were appointed on 14 January 2009. The Liquidators only have access to the books and records of the Company that were left behind by the directors and management of the Company for the purpose of preparing the consolidated financial statements. Accordingly, the Liquidators could not provide us any written representations. In consequence, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in the financial statements. There were no satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the assets, liabilities, income and expenses of the Company and of the Group, and the adequacy of disclosures in these financial statements.

3. *Loss of accounting records*

The consolidated financial statements and the financial statements of the Company contain financial information of the representative offices located in Beijing and Shenzhen (the "PRC representative offices"). The PRC representative offices were closed and the accounting records could not be retrieved. As a consequence, we were unable to obtain all information that we required in relation to our audit and were also unable to carry out other satisfactory auditing procedures that we considered necessary to obtain adequate assurance regarding assets, liabilities and profit or loss contributed by the PRC representative offices for the year and the adequacy of disclosures in these financial statements. In the current year, no amount is contributed from assets and profit or loss of the PRC representative offices. Liabilities contributed by the PRC representative offices amounting to HK$1,936,000 have been included in other payables and accrued charges in the financial statements, of which we could not carry out satisfactory auditing procedures in the current year.

Any adjustments to the above balances would affect the net liabilities of the Group and the Company as at 31 December 2010 and the profit for the year then ended.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Basis for disclaimer of opinion *(Continued)*

4. Directors' emoluments

We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding directors' emoluments as set out in note 11 to the financial statements. This is not in accordance with the requirements of Section 161A of the Hong Kong Companies Ordinance.

Material uncertainty relating to the going concern basis

As explained in note 2 to the financial statements, the Company submitted a resumption proposal on 17 December 2010 (updated on 25 March 2011) and subsequently amended by a written submission to the Stock Exchange on 31 March 2011 (together the "Resumption Proposal"). By a letter dated 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the conditions to the satisfaction of Listing Division within six months from the date of the Stock Exchange's letter. These conditions are explained in note 2 to the financial statements.

As at 31 December 2010, the Group and the Company had net current liabilities of approximately HK$107,639,000 and HK$123,206,000 respectively, had deficiency of shareholders' funds of approximately HK$107,091,000 and HK$117,954,000 respectively and had a consolidated profit attributable to owners of the Company of approximately HK$2,510,000 and a loss of HK$5,577,000 for the year then ended, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that in the foreseeable future and the financial position of the Group will be substantially improved as all liabilities of the Company will be discharged through the implementation of a scheme to be proposed by the Company under Section 166 of the Companies Ordinance of Hong Kong (the "Scheme").

The financial statements do not include any adjustments which would result from a failure to complete the Resumption Proposal and to approve the Scheme by the Company's Scheme Creditors and the Court; and other approvals to be obtained from shareholders, the Court and the Hong Kong regulatory authorities.

If the Resumption Proposal could not be completed, further adjustments might have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. We consider that appropriate disclosures have been made accordingly. However, in view of the extent of the uncertainties relating to the completion of the Resumption Proposal as at the end of the reporting period, we disclaim our opinion in respect of material uncertainty relating to the going concern basis.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Disclaimer of opinion

Because of the significance of the matter described in the "Basis for disclaimer of opinion" and the "Material uncertainty relating to the going concern basis" as described above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence as set out in the basis for disclaimer of opinion paragraphs of this report:

– We have not obtained all the information and explanations that we considered necessary for the purpose of our audit;

– We were unable to determine whether proper books of accounts have been kept; and

– We have not received proper returns adequate for our audit from representative offices not visited by us.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong
3 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	7	**14,041**	3,769
Other operating income	9	**348**	270
Staff costs	10	**(3,454)**	(2,369)
Other operating expenses		**(8,166)**	(14,422)
Finance costs	13	**(259)**	(70)
Profit/(loss) before tax		**2,510**	(12,822)
Income tax	14	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	15, 16	**2,510**	(12,822)
Earnings/(loss) per share	18		
Basic		**0.16 cents**	(0.83) cents
Diluted		**0.16 cents**	N/A

Details of dividend payable to owners of the Company are set out in note 17.

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	19	**73**	100
Trading rights	21	**–**	–
Statutory deposits for financial services business	24(a)	**475**	430
		548	530
Current assets			
Trade receivables	22	**34,500**	26,042
Other receivables, deposits and prepayments	24(b)	**353**	2,489
Loan receivables	23	**–**	–
Bank balances – trust and segregated accounts	24(c)	**35,459**	34,155
Bank balances (general accounts) and cash	24(d)	**36,918**	5,265
		107,230	67,951
Current liabilities			
Trade payables	25	**66,916**	59,657
Other payables and accrued charges	24(e)	**32,599**	29,371
Loan payables	26	**60,084**	60,084
Deposits from the Investor	27	**11,500**	7,000
Loan from the Investor	27	**23,700**	–
Other borrowings – due within one year	28	**–**	1,500
Amounts due to directors	29	**20,070**	20,070
		214,869	177,682
Net current liabilities		**(107,639)**	(109,731)
Total assets less current liabilities		**(107,091)**	(109,201)
Non-current liabilities			
Other borrowings – due after one year	28	**–**	400
Net liabilities		**(107,091)**	(109,601)
Capital and reserves			
Share capital	30	**308,701**	308,701
Reserves		**(415,792)**	(418,302)
Total capital deficiency		**(107,091)**	(109,601)

The financial statements on pages 7 to 59 were approved and authorised for issue by the Joint and Several Liquidators on 3 June 2011 and are signed on its behalf by:

Edward Simon Middleton
Joint and Several Liquidator
acting as agent without personal liability

Patrick Cowley
Joint and Several Liquidator
acting as agent without personal liability

Statement of Financial Position

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**–**	11
Investments in subsidiaries	*20*	**5,244**	5,244
Amounts due from subsidiaries	*20*	**8**	–
		5,252	5,255
Current assets			
Bank balances (general accounts) and cash	*24(d)*	**4,253**	3,660
Current liabilities			
Other payable and accruals	*24(e)*	**30,575**	28,908
Loan payables	*26*	**60,084**	60,084
Deposits from the Investor	*27*	**11,500**	7,000
Amounts due to subsidiaries	*20*	**5,230**	5,230
Amounts due to directors	*29*	**20,070**	20,070
		127,459	121,292
Net current liabilities		**(123,206)**	(117,632)
Net liabilities		**(117,954)**	(112,377)
Capital and reserves			
Share capital	*30*	**308,701**	308,701
Reserves	*31*	**(426,655)**	(421,078)
Total capital deficiency		**(117,954)**	(112,377)

Edward Simon Middleton
Joint and Several Liquidator
acting as agent without personal liability

Patrick Cowley
Joint and Several Liquidator
acting as agent without personal liability

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK$'000	Share premium account HK$'000	Asset revaluation account HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2009	308,701	42,395	2,650	1,415	(451,940)	(96,779)
Loss and total comprehensive loss for the year	–	–	–	–	(12,822)	(12,822)
As at 31 December 2009 and 1 January 2010	308,701	42,395	2,650	1,415	(464,762)	(109,601)
Profit and total comprehensive income for the year	–	–	–	–	2,510	2,510
As at 31 December 2010	308,701	42,395	2,650	1,415	(462,252)	(107,091)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit/(loss) for the year	**2,510**	(12,822)
Adjustments for:		
Finance costs	**259**	70
Impairment loss on trade receivables	**20**	138
Recovery of impairment loss on trade receivables	**(8)**	(9)
Depreciation of property, plant and equipment	**78**	198
Amortisation of trading rights	**–**	273
	2,859	(12,152)
Increase in trade receivables	**(8,470)**	(15,373)
Increase in statutory deposits for financial services business	**(45)**	–
Decrease/(increase) in other receivables, deposits and prepayments	**2,136**	(1,544)
Increase in bank balances – trust and segregated accounts	**(1,304)**	(12,155)
Increase in trade payables	**7,259**	27,708
Increase in other payables and accrued charges	**3,053**	5,009
Net cash from/(used in) operating activities	**5,488**	(8,507)
Interest paid	**(84)**	(70)
Net cash from/(used in) operating activities	**5,404**	(8,577)
Investing activities		
Purchase of property, plant and equipment	**(51)**	(9)
Net cash used in investing activities	**(51)**	(9)
Financing activities		
Advancement of other borrowings	**–**	400
Advancement of loan from the Investor	**23,700**	–
Repayment of other borrowings	**(1,900)**	–
Receipt of deposits from the Investor	**4,500**	7,000
Net cash from financing activities	**26,300**	7,400
Net increase/(decrease) in cash and cash equivalents	**31,653**	(1,186)
Cash and cash equivalents at 1 January	**5,265**	6,451
Cash and cash equivalents at 31 December represented by:		
Bank balances (general accounts) and cash	**36,918**	5,265

1 CORPORATE INFORMATION

Asia TeleMedia Limited (In Liquidation) (the "Company") is a limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") but have been suspended from trading since 18 March 2008.

The address of the registered office and the principal place of business of the Company was 2808, One Exchange Square, Central, Hong Kong. This office was surrendered to the landlord on 17 June 2008. The registered office and the principal place of business is now the office of the Joint and Several Liquidators of the Company (the "Liquidators") at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 20.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Liquidators have received no cooperation from the directors of the Company who are responsible for preparing the financial statements of the Company. As a result and in the absence of such cooperation, the Liquidators have been obliged to prepare these financial statements on the basis of the books and records which came into their possession following their appointment.

The Company and its subsidiaries (the "Group") had a consolidated profit attributable to owners of the Company of approximately HK$2,510,000 for the year ended 31 December 2010 (2009: a consolidated loss of HK$12,822,000) and the Company incurred a loss attributable to owners of the Company of approximately HK$5,577,000 (2009: HK$11,510,000). As at 31 December 2010, the Company and the Group had net current liabilities of approximately HK$123,206,000 and HK$107,639,000 (2009: HK$117,632,000 and HK$109,731,000) respectively, and deficiency of shareholders' funds of approximately HK$117,954,000 and HK$107,091,000 (2009: HK$112,377,000 and HK$109,601,000), respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern. Therefore, the Company and the Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

A winding-up petition was filed against the Company on 5 June 2007, and a winding-up order was granted by the High Court of Hong Kong (the "Court") on 18 March 2008. Messrs Edward Simon Middleton and Patrick Cowley were appointed as the Joint and Several Liquidators of the Company on 14 January 2009 pursuant to an Order of the Court.

As such, the Liquidators do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to their appointment date.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

Trading in the Company's shares on the Stock Exchange has been suspended since 18 March 2008. The Company was placed into the third stage of delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 8 July 2010.

The Liquidators circulated an invitation for restructuring proposals to a number of potential investors and received a number of such proposals. The Liquidators have ultimately accepted the restructuring proposal of Gainhigh Holdings Limited (the "Investor"), a company incorporated in the British Virgin Islands with limited liability. On 14 July 2009, a letter of intent (the "First Letter") jointly issued by the Investor and its controlling shareholder, Mr. Ko Chun Shun Johnson (the "Guarantor") was accepted by the Liquidators (acting as agents for and on behalf of the Company without personal liability) to confirm their interests in a capital and debt restructuring and a subscription of new securities and convertible notes to be issued by the Company with a view to enabling the resumption of trading in the shares of the Company on the Stock Exchange (the "Proposed Restructuring"). Pursuant to the First Letter, the Liquidators granted the Investor an exclusive right to negotiate the detailed terms and implementation of the Proposed Restructuring of the Company (the "Restructuring Agreement") for a period up to 13 April 2010.

Pursuant to a second letter of intent dated 23 July 2010 (the "Second Letter") which was terminated and superseded by a third letter of intent dated 17 December 2010 (the "Third Letter") and a side letter dated 28 February 2011 (the "Side Letter"), the Liquidators granted an exclusive right to the Investor to negotiate the Proposed Restructuring up to the date on which (i) the listing of the Company's shares on the Stock Exchange is cancelled, (ii) the signing of the Restructuring Agreement, or (iii) the Investor withdraws from negotiations on the Proposed Restructuring, whichever is the earliest (the "Exclusivity Period").

Up to the date of the publication of these financial statements, the Investor has funded (i) a sum of HK$12.5 million to the Company to meet the professional costs and expenses incurred in connection with the Proposed Restructuring; and (ii) HK$3 million to an escrow agent as a deposit (subject to it being refundable under certain conditions). On 22 September 2009, a facility agreement was entered into between Mansion House Financial Holdings Limited ("MHF"), a wholly-owned subsidiary of the Company, and the Investor. The Investor agreed to provide an interest-bearing term loan facility of up to HK$8 million to the Group as secured by all the issued shares of Mansion House Securities (F.E.) Limited ("MHSFE"), which is an indirect wholly-owned subsidiary of the Company, to finance the regulatory and general working capital requirements of the Group. On 21 September 2010, the Investor approved the injection of the HK$8 million as equity by MHF to MHSFE. MHF further entered into an Amendment Agreement dated 14 October 2010 and an Amendment and Restatement Agreement dated 23 November 2010 with the Investor to amend certain terms of the facility agreement dated 22 September 2009 and for an additional interest-bearing loan facility of up to HK$15,700,000. The facility amount was further increased by HK$15 million pursuant to an Amendment Agreement dated 21 February 2011 and was fully utilised as at 28 February 2011.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

The Company submitted a resumption proposal on 17 December 2010 (updated on 25 March 2011) and subsequently amended by a written submission to the Stock Exchange on 31 March 2011 (together the "Resumption Proposal"). By a letter dated 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the following conditions to the satisfaction of the Listing Division within six months from the date of the Stock Exchange's letter:

i) completion of the subscription of new shares and convertible notes by the Investor, the scheme of arrangement (the "Scheme") between the Company and its creditors and all transactions under the Resumption Proposal;

ii) recruitment of qualified institutional sales (as evidenced by the signing of binding contractual agreements);

iii) inclusion in the circular to shareholders of a pro forma balance sheet upon completion of the transactions under the Resumption Proposal and provision of a comfort letter from the auditors under Rule 4.29 of the Listing Rules;

iv) publication of all outstanding financial results; and

v) permanent stay of the winding-up order and the release and discharge of the Liquidators.

The Company shall also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and the Company's place of incorporation. The Stock Exchange may modify the resumption conditions if the Company's situation changes.

On 27 May 2011, the Company announced that an agreement for the implementation of the Proposed Restructuring which comprises capital restructuring, subscription of new shares and convertible notes, the Scheme and group reorganisation, was entered into on 15 April 2011 among the Company, the Liquidators (acting as agents for and on behalf of the Company without personal liability), the Investors and the Guarantor (the said agreement as the "Restructuring Agreement"). The principal elements of the Restructuring Agreement are as follows:

a) Capital restructuring

The Company will undergo capital restructuring, involving share consolidation, capital reduction, capital cancellation and authorised share capital increase.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(Continued)*

b) Subscription of new shares and convertible notes

Under the Restructuring Agreement, the Investor will contribute HK$172 million to subscribe for the new shares at a subscription price of HK$0.62 each, representing a total consideration of HK$79.5 million and the convertible notes issued by the Company with the principal amount of HK$92.5 million and tenure of five years bearing no interest and convertible into new shares at an initial conversion price of HK$0.62 per new share.

c) The Scheme

Under the Restructuring Agreement, the Company will apply to the Court for an order to convene a creditors' meeting to consider the Scheme between the Company and its creditors (the "Scheme Creditors"). Upon completion, all the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) will be compromised and discharged in full in return for a cash payment of HK$72 million to be distributed in accordance with the terms of the Scheme. This cash payment will be funded by the Company out of the proceeds from the subscription.

d) Group reorganisation

Under the Restructuring Agreement, upon completion, all the issued shares of several subsidiaries of the Company (the "Excluded Companies") will be transferred to a nominee of the scheme administrators for the benefit of the Scheme Creditors at a nominal consideration of HK$1 and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Excluded Companies shall be released and discharged in full upon such transfer.

The financial statements of the Group and the Company have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the financial position of the Group and the Company will be substantially improved. The financial statements of the Group and the Company for the year ended 31 December 2010, which have been prepared on the going concern basis, present fairly the results and state of affairs of the Group and the Company.

Should the Group and the Company be unable to achieve a successful restructuring and to continue their businesses as a going concern, adjustments would have to be made to the financial statements to adjust the value of the assets of the Group and the Company to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for annual periods beginning on or after 1 January 2010.

HKFRS 1 (revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (revised)	Business Combinations
HKAS 27 (revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interest in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (revised) and HKAS 27 (revised) are applicable, the application of HKFRS 3 (revised), HKAS 27 (revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (revised), HKAS 27 (revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements for the current or prior accounting periods.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but were not effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1 February 2010*
[2] *Effective for annual periods beginning on or after 1 July 2010*
[3] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
[4] *Effective for annual periods beginning on or after 1 January 2011*
[5] *Effective for annual periods beginning on or after 1 July 2011*
[6] *Effective for annual periods beginning on or after 1 January 2012*
[7] *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

– Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

– In relation to financial liabilities, the significant change relates to the financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. It is required to be applied retrospectively, but if adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information. The Group is presently studying the implications of applying HKFRS 9. It is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these financial statements.

The Group anticipates that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for trading rights which are measured at revalued amounts, as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between Group entities are eliminated on consolidation.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale.

(b) Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 (Continued)

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations that took place prior to 1 January 2010

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at costs, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination, the excess is recognised immediately in profit or loss.

(c) Intangible assets

Trading rights represent right to trade on the Stock Exchange and Hong Kong Futures Exchange Limited (the "Futures Exchange"). They are stated at revalued amount and amortised using the straight-line method over their estimated useful lives.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Intangible assets *(Continued)*

Trading rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the trading rights' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of determining the recoverable amount of trading rights, the Group estimates the recoverable amount of smallest cash generating unit to which the trading rights belong.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accounted impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Computers	20%
Office equipment and furniture	20%
Leasehold improvements	Over the shorter of lease term or 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the year in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(e) Revenue recognition

Revenue arising from financial services are recognised on the following bases:

– Commission income for broking business is recorded as income on trade date basis.

– Underwriting fee and placing fee are recognised as income in accordance with the terms of the underwriting and placing agreements or deal mandate when the relevant significant acts have been completed.

– Arrangement, management, advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

– Interest income from clients is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Interest income from authorised institutions is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition *(Continued)*

Dividend income is recognised when the right to receive payment is established.

Service fees are recognised when the relevant services are rendered.

(f) Operating leases

Where the Group has assets held under operating leases, payments made under the leases are charged to profit or loss over the accounting periods covered by the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Income tax *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(h) Retirement benefit costs

Payments to defined contribution retirement benefit plans and Mandatory Provident Fund Scheme which are defined contribution scheme are charged as expenses when employees have rendered service entitling them to the contributions.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets with the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, financial assets included in other receivables, deposits and prepayments and bank balances (trust, segregated and general accounts) and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group classifies its financial liabilities into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities, including trade and other payables, amounts due to directors and subsidiaries, loan payables, loan from the Investor and other borrowings, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and short-term bank deposits with an original maturity period of three months or less.

(k) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended used or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in which they are incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

In application of the Group's accounting policies, which are described in note 4, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

The financial statements have been prepared on a going concern basis, the validity of which depends upon the Company being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements above.

Estimated impairment of trade and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and loan receivables are approximately HK$34,500,000 and nil respectively (net of allowance for doubtful debts of approximately HK$26,282,000 and HK$80,843,000 respectively).

Contingent liabilities in respect of claims

The Group has been engaged in a number of claims which may affect the results of the current year. Contingent liabilities arising from these claims have been assessed by the Liquidators with reference to legal advice. Provision for the possible obligation, if appropriate, is made based on the Liquidators' best estimates and judgements.

6 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group's financial assets and liabilities as at the end of the reporting period are as follows:

Financial assets

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Trade receivables	**34,500**	26,042	**–**	–
Financial assets included in other receivables, deposits and prepayment	**46**	–	**–**	–
Amounts due from subsidiaries	**–**	–	**8**	–
Bank balances – trust and segregated accounts	**35,459**	34,155	**–**	–
Bank balances (general accounts) and cash	**36,918**	5,265	**4,253**	3,660
	106,923	65,462	**4,261**	3,660

Financial liabilities

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised costs:				
Trade payables	**66,916**	59,657	**–**	–
Financial liabilities included in other payables and accrued charges	**28,621**	25,703	**27,039**	25,533
Amounts due to directors	**20,070**	20,070	**20,070**	20,070
Amounts due to subsidiaries	**–**	–	**5,230**	5,230
Loan payables	**60,084**	60,084	**60,084**	60,084
Loan from the Investor	**23,700**	–	**–**	–
Other borrowings	**–**	1,900	**–**	–
	199,391	167,414	**112,423**	110,917

6 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(i) Currency risk

The Group carries out business in overseas trading and therefore is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollars. Currency risk arises from future commercial transactions and recognised assets and liabilities.

The Group's net trading positions are denominated in currencies other than its functional currency and are subject to fluctuation in foreign exchange among the different currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are denominated in Hong Kong dollars during the year. The Company does not expect any significant impact of foreign exchange exposure.

(ii) Interest rate risk

The Group's exposure to cashflow interest rate risk is mainly attributable to its bank balance (general accounts) and variable-rate trade receivables. The Group's fair value interest rate risk relates primarily to fixed-rate other borrowings.

The Group currently does not have any interest rate hedging policy. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arises.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points (2009: 100 basis points) in interest rates, with all other variables held constant, would have no significant impact on the Group's profit/loss and equity for the year ended 31 December 2010 and 2009.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date. A 100 basis points (2009: 100 basis points) increase or decrease in interest rates represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for 2009.

6 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group are exposed to credit risk are loan receivables, trade receivables and bank balances (trust, segregated and general accounts).

Full allowance of impairment on loan receivables has been made in previous years, and thus, there is no significant credit risk on the balance of loan receivables.

In order to minimise the credit risk on trade receivables, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from cash clients with shortfalls. In addition, the Group reviews the recoverable amount of each individual account receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Group's credit risk is effectively controlled and significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. At the end of the reporting period, the Group has a certain concentration of credit risk as 86% (2009: 97%) of the total client receivables net of allowance for impairment loss was due from the five largest clients of the Group.

Bank balances (trust, segregated and general accounts) are placed with high-credit-quality institutions and management considers that the credit risk for such is minimal.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22.

6 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk

As at 31 December 2010, the Company and the Group had net current liabilities of approximately HK$123,206,000 and HK$107,639,000 (2009: HK$117,632,000 and HK$109,731,000) respectively, and deficiency of shareholders' funds of approximately HK$117,954,000 and HK$107,091,000 (2009: HK$112,377,000 and HK$109,601,000), respectively. The maintenance of the Company and the Group as going concerns depends upon the Company being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements above.

The following table details the remaining contractual maturities at the end of the reporting period of the Company and the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Company and the Group can be required to pay:

The Group

As at 31 December 2010	Less than 1 year HK$'000	1 – 2 years HK$'000	Total undiscounted cash flow HK$'000	Carrying Amount HK$'000
Trade payables	**66,916**	**–**	**66,916**	**66,916**
Financial liabilities included in other payables and accrued charges	**28,621**	**–**	**28,621**	**28,621**
Loan payables	**60,084**	**–**	**60,084**	**60,084**
Loan from the Investor	**23,700**	**–**	**23,700**	**23,700**
Amounts due to directors	**20,070**	**–**	**20,070**	**20,070**
	199,391	**–**	**199,391**	**199,391**

6 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk (Continued)

The Group *(Continued)*

As at 31 December 2009	Less than 1 year HK$'000	1 – 2 years HK$'000	Total undiscounted cash flow HK$'000	Carrying Amount HK$'000
Trade payables	59,657	–	59,657	59,657
Financial liabilities included in other payables and accrued charges	25,703	–	25,703	25,703
Loan payables	60,084	–	60,084	60,084
Other borrowings	1,569	408	1,977	1,900
Amounts due to directors	20,070	–	20,070	20,070
	167,083	408	167,491	167,414

The Company

As at 31 December 2010	**Less than 1 year HK$'000**	**Total undiscounted cash flow HK$'000**	**Carrying Amount HK$'000**
Financial liabilities included in other payables and accrued charges	**27,039**	**27,039**	**27,039**
Loan payables	**60,084**	**60,084**	**60,084**
Amounts due to subsidiaries	**5,230**	**5,230**	**5,230**
Amounts due to directors	**20,070**	**20,070**	**20,070**
	112,423	**112,423**	**112,423**

6 FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk (Continued)

The Company *(Continued)*

As at 31 December 2009	Less than 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying Amount HK$'000
Financial liabilities included in other payables and accrued charges	25,533	25,533	25,533
Loan payables	60,084	60,084	60,084
Amounts due to subsidiaries	5,230	5,230	5,230
Amounts due to directors	20,070	20,070	20,070
	110,917	110,917	110,917

(c) Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determine with reference to quoted market bid prices; and

– the fair values of other financial assets and financial liabilities determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

7 REVENUE

Revenue represents the net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2010	2009
	HK$'000	HK$'000
Brokerage and commission income	**8,723**	3,607
Placing, underwriting and sub-underwriting commission income	**4,801**	–
Consultancy and advisory fee income	**346**	–
Interest income	**171**	162
	14,041	3,769

The analysis of revenue by major products and services is set out in note 8 below.

8 SEGMENT INFORMATION

The operating segments have been determined based on the reports reviewed by the directors of the Group's principal operating subsidiary and the Liquidators of the Company that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group is currently organised into three operating segments, namely (i) securities brokerage, (ii) securities underwriting and placements, and (iii) consultancy and advisory services. In the current year, the Group started to engage in securities underwriting and placements, and consultancy and advisory services. Accordingly, these two segments have been separately reported for the current year. In prior year, the Group only operated in one operating segment and no segment information was presented. For consistency, comparative information has been restated to conform to current year presentation.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment revenue represents the revenue generated by each operating segment from external customers. There were no significant inter-segment transactions during the year.

Segment profit for securities brokerage represents the profit earned by the segment without allocation of staff costs other than commission paid to staff and other central administrative costs, other income, finance costs, depreciation, amortisation and taxation. No costs are allocated to other segments as the amounts involved are insignificant. This is the measure reported to the directors of the Group's principal operating subsidiary and the Liquidators of the Company for the purposes of resource allocation and performance assessment.

8 SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2010

	Securities brokerage HK$'000	Securities underwriting and placements HK$'000	Consultancy and advisory services HK$'000	Total HK$'000
Segment revenue	**8,894**	**4,801**	**346**	**14,041**
Segment profit	**8,717**	**4,801**	**346**	**13,864**
Other income				**348**
Staff costs other than commission paid to staff				**(3,303)**
Finance costs				**(259)**
Depreciation				**(78)**
Other central administrative costs				**(8,062)**
Profit for the year				**2,510**

For the year ended 31 December 2009

	Securities brokerage HK$'000	Securities underwriting and placements HK$'000	Consultancy and advisory services HK$'000	Total HK$'000
Segment revenue	3,769	–	–	3,769
Segment profit	3,447	–	–	3,447
Other income				270
Staff costs other than commission paid to staff				(2,198)
Finance costs				(70)
Depreciation				(198)
Amortisation				(273)
Other central administrative costs				(13,800)
Loss for the year				(12,822)

8 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

As the assets and the liabilities are regularly reviewed by the directors of the Group's principal operating subsidiary and the Liquidators of the Company for the Group as a whole, the measure of total assets and liabilities by operating segment is therefore not presented.

Other segment information

For the year ended 31 December 2010

	Securities brokerage HK$'000	**Securities underwriting and placements HK$'000**	**Consultancy and advisory services HK$'000**	**Total HK$'000**
Interest income from cash clients	**168**	**–**	**–**	**168**
Other interest income	**3**	**–**	**–**	**3**
Impairment loss on trade receivables	**20**	**–**	**–**	**20**
Recovery of impairment loss on trade receivables	**(8)**	**–**	**–**	**(8)**

For the year ended 31 December 2009

	Securities brokerage HK$'000	Securities underwriting and placements HK$'000	Consultancy and advisory services HK$'000	Total HK$'000
Interest income from cash clients	146	–	–	146
Other interest income	16	–	–	16
Impairment loss on trade receivables	138	–	–	138
Recovery of impairment loss on trade receivables	(9)	–	–	(9)

Geographical information

The Group's capital expenditures are located in Hong Kong. The Group's turnover was derived from Hong Kong where the customers are located.

8 SEGMENT INFORMATION *(Continued)*

Information about major customers

The Group's revenue to external customers which accounted for 10% or more of its total revenue are as follows:

	2010 **HK$'000**	2009 HK$'000
Customer A	**2,751**	1,836
Customer B	**N/A**	723
Customer C	**2,963**	N/A
Customer D	**2,047**	N/A
	7,761	2,559

Revenue derived from customers A, B and C is included in the segment of securities brokerage and revenue derived from customer D is included in the segment of securities underwriting and placements.

9 OTHER OPERATING INCOME

	2010 **HK$'000**	2009 HK$'000
Management, handling fee and nominee services	**266**	196
Miscellaneous income	**82**	74
	348	270

10 STAFF COSTS

	2010 **HK$'000**	2009 HK$'000
Staff costs (including directors' remuneration)		
– salaries and allowances	**3,179**	2,068
– commission paid	**151**	171
– contributions to defined contribution retirement plan	**124**	130
Total staff costs	**3,454**	2,369

11 DIRECTORS' EMOLUMENTS

No emoluments were paid to directors of the Company for the years ended 31 December 2010 and 2009.

12 EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2009: none) was a director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the five individuals (2009: five) were as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**2,155**	1,294
Retirement benefits scheme contribution	**52**	56
	2,207	1,350

Analysis of emoluments of the five highest paid individuals (including directors and other employees) by emolument range is as follows:

	Number of employees	
	2010	2009
Not exceeding HK$1,000,000	**4**	5
Exceeding HK$1,000,000 but not exceeding HK$1,500,000	**1**	–

During the years ended 31 December 2009 and 2010, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office. In addition, during the years ended 31 December 2009 and 2010, no directors waived any emoluments.

13 FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on other loans, wholly repayable within five years	**259**	70

14 INCOME TAX

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2010 as the Group had an allowable tax loss brought forward which exceeded its estimated assessable profit for the year.

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2009 as the Group had no assessable profits arising in Hong Kong for the year.

The tax charge for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit/(loss) before taxation	**2,510**	(12,822)
Tax at applicable Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**413**	(2,115)
Tax effect of non-deductible expenses	**1,148**	1,961
Tax effect of non-taxable income	**(1)**	–
Tax effect of utilisation of tax losses previously not recognised	**(1,560)**	–
Tax effect of tax losses not recognised	**–**	154
Tax charge for the year	**–**	–

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$278 million (2009: HK$287 million) available to set off 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 liability in respect of accelerated depreciation allowance has been recognised as the amount involved is insignificant.

15 PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting) the following:

	2010	2009
	HK$'000	HK$'000
Auditors' remuneration	**580**	315
Amortisation of trading rights	**–**	273
Impairment loss on trade receivables	**20**	138
Recovery of impairment loss on trade receivables	**(8)**	(9)
Depreciation	**78**	198
Rental in respect of office premises	**709**	770
Liquidators' remuneration	**3,210**	7,174

16 PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of HK$5,577,000 (2009: HK$11,510,000) which has been dealt with in the financial statements of the Company.

17 DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2010 (2009: nil), nor has any dividend been proposed since the end of the reporting period.

18 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit for the year of HK$2,510,000 (2009: loss for the year of HK$12,822,000) and 1,543,507,296 (2009: 1,543,507,296) shares in issue during the year.

(b) Diluted earnings/(loss) per share

The earnings and the weighted average number of ordinary shares used in the calculation of diluted earnings per share for the year ended 31 December 2010 are the same as those for the basic earnings per share, as outlined above.

Diluted loss per share for the year ended 31 December 2009 has not been presented as the effect of any dilution is anti-dilutive.

19 PROPERTY, PLANT AND EQUIPMENT

The Group

	Computers HK$'000	**Office equipment and furniture** HK$'000	**Leasehold improvements** HK$'000	**Total** HK$'000
Cost				
At 1 January 2009	532	325	192	1,049
Additions	–	9	–	9
Disposals	(337)	(23)	–	(360)
At 31 December 2009 and 1 January 2010	195	311	192	698
Additions	51	–	–	51
At 31 December 2010	246	311	192	749
Accumulated depreciation and impairment				
At 1 January 2009	454	252	54	760
Charge for the year	56	45	97	198
Eliminated on disposals	(337)	(23)	–	(360)
At 31 December 2009 and 1 January 2010	173	274	151	598
Charge for the year	9	28	41	78
At 31 December 2010	182	302	192	676
Net book value				
At 31 December 2010	64	9	–	73
At 31 December 2009	22	37	41	100

19 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Computers	Office equipment and furniture	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	76	202	278
Accumulated depreciation and impairment			
At 1 January 2009	53	164	217
Charge for the year	23	27	50
At 31 December 2009 and 1 January 2010	76	191	267
Charge for the year	–	11	11
At 31 December 2010	76	202	278
Net book value			
At 31 December 2010	–	–	–
At 31 December 2009	–	11	11

20 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**13,460**	13,460
Impairment loss recognised	**(8,216)**	(8,216)
	5,244	5,244
Amounts due from subsidiaries	**78,722**	78,714
Impairment loss recognised	**(78,714)**	(78,714)
	8	–
Amounts due to subsidiaries	**5,230**	5,230

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amount at the end of the reporting period approximates their fair value.

Due to the continue losses incurred by the subsidiaries, the Company reassessed the recoverable amounts of the investment costs of the subsidiaries and the amounts due from subsidiaries based on discounted future cash flow from the subsidiaries and recognised an impairment of HK$8,216,000 (2009: HK$8,216,000) and HK$78,714,000 (2009: HK$78,714,000) respectively.

There is no movement in the allowance for impairment as of 31 December 2010 and 2009.

20 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries which principally affected the results or assets of the Group as at 31 December 2010 are all operating in Hong Kong and are as follows:

Name of company	Place of incorporation	Paid up share capital	Class of shares held	Percentage of nominal values of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Mansion House Financial Holdings Limited	British Virgin Islands	955,000 shares of US$1 each	Ordinary	100	–	Investment holding
Mansion House Securities (F.E.) Limited	Hong Kong	51,000,000 shares of HK$1 each (2009: 30,000,000 shares of HK$1 each)	Ordinary	–	100	Securities broking, securities underwriting and placements, and corporate finance and advisory services
Mansion House Asset Management Limited	Hong Kong	1,000,000 shares of HK$1 each	Ordinary	–	100	Inactive
Mansion House (Nominee) Limited	Hong Kong	100 shares of HK$1 each	Ordinary	–	100	Nominee service and investment holding
MHS Futures Limited	Hong Kong	6,000,000 shares of HK$1 each	Ordinary	100	–	Investment holding

21 TRADING RIGHTS

	The Group HK$'000
Revalued amount	
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	6,000
Accumulated amortisation	
At 1 January 2009	5,727
Provided for the year	273
At 31 December 2009 and 1 January 2010	6,000
Provided for the year	–
At 31 December 2010	6,000
Net book value	
At 31 December 2010	–
At 31 December 2009	–

The Group holds two trading rights at the Stock Exchange and one trading right at the Futures Exchange. These trading rights were revalued as at 31 December 2001 and are amortised over 8 years from 2002.

Had the trading rights been carried at cost less accumulated amortisation, they would have been fully amortised as at 31 December 2010 and 31 December 2009.

22 TRADE RECEIVABLES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Margin clients *(note (ii))*	**26,126**	26,134
Cash clients	**30,871**	26,079
Broker, dealers and clearing houses	**3,785**	99
	60,782	52,312
Less: allowance for doubtful debts *(note (ii))*	**(26,282)**	(26,270)
	34,500	26,042

22 TRADE RECEIVABLES *(Continued)*

Note (i)

The Group allows the settlement terms of trade receivables arising from the business of dealing in securities to be two days after trade date. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

	2010	2009
	HK$'000	HK$'000
Within 30 days	**34,416**	25,838
Within 31 – 90 days	**1**	126
More than 90 days	**83**	78
	34,500	26,042

The Group has procedures and policies to assess the potential client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness. Most of the trade receivables that are neither past due nor impaired have good repayment history in prior years.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK$2,680,000 (2009: HK$329,000) which are past due at the end of the reporting period in respect of which the Group has not provided for impairment loss.

Ageing analysis of trade receivables which are past due but not impaired is as follows:

	2010	2009
	HK$'000	HK$'000
Within 30 days	**2,597**	128
More than 30 days	**83**	201
	2,680	329

No impairment loss was provided for these balances as the Group holds securities collateral for those balances with fair values over the past due amounts.

The Group has policy for allowance for doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the creditworthiness, collaterals and the collection history of each client.

22 TRADE RECEIVABLES *(Continued)*

Note (ii)

The Group ceased providing margin financing services in 2004 and the balance represented the past due amount due from margin clients brought forward from the year 2004. A substantial amount of impairment has been provided. During the year ended 31 December 2009, the Group started to provide impairment loss on trade receivables arising from the business of dealing in securities. The movement of the allowance for doubtful debts during the year is as follows:

	2010 **HK$'000**	2009 HK$'000
Balance at beginning of the year	**26,270**	26,141
Amount recovered during the year	**(8)**	(9)
Impairment losses recognised on trade receivables	**20**	138
Balance at end of the year	**26,282**	26,270

Included in the allowance for doubtful debts were individually impaired trade receivables which have financial difficulties and defaults in payments. Among the allowance for doubtful debts, approximately HK$26,124,000 (2009: HK$26,132,000) relates to individually impaired margin clients trade receivable while HK$158,000 (2009: HK$138,000) relates to individually impaired trade receivables arising from the business of dealing in securities. Consequently, specific allowance for doubtful debts was recognised. The Group does not hold any collateral over these balances.

Included among the margin clients trade receivables, the Group granted HK$17,154,000 (2009: HK$17,154,000) margin loans to the companies controlled by family members of an ex-director, which were fully provided. Details of the loans are set out in note 35(c).

23 LOAN RECEIVABLES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Loan receivables	**80,843**	80,843
Less: allowance for doubtful loans	**(80,843)**	(80,843)
	–	–

Details of the loan receivables are set out in note 35.

24 OTHER ASSETS AND LIABILITIES

(a) Statutory deposits for financial services business

Statutory deposits for financial services business represent deposits with various exchanges and clearing houses. The amounts are non-interest bearing and have no fixed terms of repayment.

(b) Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments are on demand collateral deposits with the Hong Kong Securities Clearing Company Limited ("HKSCC") as the Group maintains a net long Continuous Net Settlement position as at the end of the reporting period, which amounts to HK$118,000 (2009: HK$2,266,000). The settlement terms of the deposits are the same as that of the trade receivables arising from the business of dealing in securities, which is two days after trade day.

(c) Bank balances – trust and segregated accounts

From the Group's ordinary business, it receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has classified the bank balances – trust and segregated accounts under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

(d) Bank balances (general accounts) and cash

The amounts comprise cash held by the Group.

(e) Other payables and accrued charges

	The Group	
	2010	2009
	HK$'000	HK$'000
Accrued loan interest payable in respect of:		
– loan payables as set out in note 26	**16,477**	16,477
– loan from the Investor as set out in note 27	**175**	–
Other accrued operating expenses	**15,947**	12,894
	32,599	29,371

24 OTHER ASSETS AND LIABILITIES *(Continued)*

(e) Other payables and accrued charges *(Continued)*

	The Company	
	2010	2009
	HK$'000	HK$'000
Accrued loan interest payable in respect of:		
– loan payables as set out in note 26	**16,477**	16,477
Other accrued operating expenses	**14,098**	12,431
	30,575	28,908

25 TRADE PAYABLES

	The Group	
	2010	2009
	HK$'000	HK$'000
Cash clients	**66,915**	54,276
Broker, dealers and clearing houses	**1**	5,381
	66,916	59,657

Included in trade and other payables are payables to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities, which amount to HK$35,459,000 (2009: HK$34,155,000). Details of bank balances – trust and segregated accounts are set out in note 24(c) above.

The ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is within 30 days.

26 LOAN PAYABLES

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Loan payables	**60,084**	60,084

Included in the loan payables is an amount due to a lender with carrying amount of HK$2,000,000 (2009: HK$2,000,000) which does not carry interest as at 31 December 2010. Interest at a rate of 8% per annum will be charged in the event of default. As a winding-up order was made against the Company by the Court on 18 March 2008, such loan has been classified as repayable on demand and no interest was charged for the default.

The remaining amount represents the loan payables which carries interest at 7% per annum. The Company was in default in repayment of the loan in prior year. As a consequence, a winding-up petition against the Company was filed by the lender on 5 June 2007 and a winding-up order was made by the Court on 18 March 2008.

27 DEPOSITS AND LOAN FROM THE INVESTOR

As at 31 December 2010, the Investor has deposited a total sum of HK$11,500,000 (2009: HK$7,000,000) to meet the costs and expenses in relation to the restructuring of the Company in accordance with the terms stated in the First Letter, the Second Letter, the Third Letter and the Side Letter as described in note 2 above.

On 22 September 2009, MHF entered into a facility agreement with the Investor pursuant to which the Investor agreed to provide an interest-bearing loan facility of up to HK$8,000,000 to MHF to finance the regulatory and general working capital requirements of MHSFE. On 21 September 2010, the Investor approved the injection of the HK$8,000,000 as equity by MHF to MHSFE. MHF further entered into an Amendment Agreement dated 14 October 2010 and an Amendment and Restatement Agreement dated 23 November 2010 with the Investor and to amend certain terms of the facility agreement dated 22 September 2009 and for an additional interest-bearing loan facility of up to HK$15,700,000. On 1 December 2010, the Investor advanced funds of HK$15,700,000 to MHF. The loan facility is secured by way of first fixed charge on all interests and dividends from all the issued shares of MHSFE. It carries a fixed interest rate of 5% per annum and is repayable upon completion of the Restructuring Agreement. The total borrowings from the Investor amounted to HK$23,700,000 as at 31 December 2010.

28 OTHER BORROWINGS

	The Group 2010 HK$'000	2009 HK$'000
Within one year	–	1,500
In more than one year, but not more than two years	–	400
	–	1,900

At 31 December 2009, the Group's other borrowings of HK$1,900,000 were due to a director of a subsidiary of the Group, which carried an interest rate of 5% per annum and were unsecured. The interest expenses for the first quarter of 2009 were waived by the lender. The Securities and Futures Commission (the "SFC") has agreed to treat these borrowings as approved subordinated loans for the purpose of compliance by the Group with the Financial Resources Rules. During the year ended 31 December 2010, pursuant to the approval granted by the SFC, the Group has fully settled the amount.

29 AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

30 SHARE CAPITAL

(a) Authorised and issued share capital

	2010 Number of shares	2010 Amount HK$'000	2009 Number of shares	2009 Amount HK$'000
Ordinary shares of HK$0.20 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**400,000**	2,000,000,000	400,000
Issued and fully paid:				
At 1 January and 31 December	**1,543,507,296**	**308,701**	1,543,507,296	308,701

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2009 and 2010.

30 SHARE CAPITAL *(Continued)*

(b) Capital management

Capital comprises of share capital and reserves stated on the Group's and the Company's statements of financial position. The Company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity analyses.

Neither the Company nor its subsidiaries, except for MHSFE, is subject to externally imposed capital requirements.

MHSFE, is regulated by the SFC and is required to comply with certain minimum capital requirements according to Hong Kong Securities and Futures Ordinance.

MHSFE manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on daily basis. The management monitors the MHSFE's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, the MHSFE must maintain its liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities whichever is higher. The required information is filed with the SFC on a monthly basis. MHSFE had no non-compliance with the capital requirements imposed by FRR during the year except that it failed to comply with the liquid capital requirement under the FRR on 21 September 2010 with a required liquid capital deficit of HK$4.6 million. The breach was rectified on 22 September 2010 after its immediate holding company, MHF, injected cash of HK$8 million as share capital into MHSFE.

31 SHARE PREMIUM AND RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

	Share premium account	**Warrant reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(note i)	*(note ii)*		
The Company				
As at 1 January 2009	42,395	1,415	(453,378)	(409,568)
Total comprehensive loss for the year	–	–	(11,510)	(11,510)
As at 31 December 2009 and 1 January 2010	42,395	1,415	(464,888)	(421,078)
Total comprehensive loss for the year	–	–	(5,577)	(5,577)
As at 31 December 2010	42,395	1,415	(470,465)	(426,655)

Note (i)

The share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. The application of share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

Note (ii)

On 31 January 2008, the Company issued 154,000,000 unlisted warrants at HK$0.01 per warrant. The issuance resulted in a net proceed of approximately HK$1,415,000 to the Company.

Principal terms of the warrants are as follows:

(a) The exercise period commences on the date of issue of warrants and it will end three years from the date of issuance. Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid.

(b) The warrants are issued in registered form and constituted by a Deed Pool on 31 January 2008.

(c) The exercise price will be HK$0.25 payable in full in respect of each new share of the Company issued upon the exercise of the warrant. Each warrant carries the entitlement to subscribe for one new ordinary share of the Company.

(d) In the event of an issue of shares or other securities convertible to shares by the Company, the warrant holders shall not have any participating right in respect of such issue although the exercise price and the number of additional warrants to be issued shall be adjusted, calculated and determined as per the Deed Pool, unless otherwise resolved by the Company in a general meeting.

During the years ended 31 December 2009 and 2010, none of the warrants issued was exercised.

32 OPERATING LEASE COMMITMENT

Minimum lease payments paid under operating leases in respect of land and buildings during the year amounted to approximately HK$709,000 (2009: HK$770,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**196**	240

Operating lease payments represent rentals payable by the Group for certain of its office premises with remaining lease terms of approximately 4 months (2009: 4 months) and rentals are fixed throughout the lease periods. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

33 RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution retirement benefits schemes which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a mandatory provident fund scheme established under the Mandatory Provident Fund Ordinance in December 2000. Contributions are made based on the lower of (i) a percentage of the employee's salaries and (ii) statutory ceiling, if any.

Contributions paid to retirement benefits schemes for Directors and staff are charged to profit or loss for the year ended 31 December 2010 and amounted to HK$124,000 (2009: HK$130,000). Any forfeited employer contributions in respect of employees who leave the ORSO Scheme prior to such contributions vesting fully will be used by the Group to reduce contributions. There was no forfeited contribution utilised by the Group in 2010 and 2009.

34 PLEDGE OF ASSETS

As at 31 December 2009 and 2010, MHSFE's shares were pledged to the Investor as the security for the loan from the Investor. The loan facility granted by the Investor was not utilised as at 31 December 2009.

Details of the loan from the Investor are set out in note 27 above.

35 RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions:

(a) Details of investments and outstanding amounts with subsidiaries, other borrowings from a director of a subsidiary and amounts with directors were disclosed in notes 20, 28 and 29 to the financial statements respectively.

(b) 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 shareholders 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
Term of 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 31 December 2009 and 2010	HK$73,769,000	HK$7,074,000
Allowance at 31 December 2009 and 2010	HK$73,769,000	HK$7,074,000

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 approximately HK$80,843,000 (2009: HK$80,843,000) has been made.

35 RELATED PARTY TRANSACTIONS *(Continued)*

(c) 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
Term of loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 31 December 2009 and 2010	HK$8,795,000	HK$8,359,000
Allowance at 31 December 2009 and 2010	HK$8,795,000	HK$8,359,000

The loans have been in default and a total allowance of approximately HK$17,154,000 (2009: HK$17,154,000) has been made.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 **HK$'000**	2009 HK$'000
Short-term benefits	**2,349**	1,350
Post-employment benefits	**61**	57
	2,410	1,407

36 CONTINGENT LIABILITIES

(a) At the time when the winding-up order was made, several staff of the Company filed claims of unpaid staff costs against the Company amounting to approximately HK$738,000, which relate to prior periods. Such claims have not been admitted by the Liquidators up to the date of this report.

(b) In March 2008, The Hongkong Land Property Company Limited filed a Proof of Debt against the Company on the basis of the Company's alleged breach of the tenancy agreement dated 25 June 2007. The claim amounts to approximately HK$11 million which comprises the outstanding rental, accrued charges, damages and losses as a result of the breach.

The Liquidators are of the view that it will be premature to make any provision in respect of the alleged claims before their legitimacy and the amount of any liabilities can be determined.

37 EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 22 February 2011, the Investor advanced funds of HK$15 million to MHF, of which HK$13 million was injected to MHSFE as equity and HK$2 million was retained by MHF for general corporate purposes.

(b) On 28 February 2011, the Side Letter was issued by the Investor and the Guarantor and accepted by the Liquidators, under which the Liquidators further extended the Exclusivity Period as set out in note 2 above.

(c) On 1 April 2011, the Stock Exchange informed the Company that it was allowed to proceed with the Resumption Proposal, subject to prior compliance with the conditions to the satisfaction of the Listing Division within six months from the date of the Stock Exchange's letter. These conditions are set out in note 2 above.

(d) On 15 April 2011, the Company, the Liquidators (acting as agents for and on behalf of the Company without personal liability), the Investor and the Guarantor entered into the Restructuring Agreement. The principal elements of the Restructuring Agreement are set out in note 2 above.

Financial Summary

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
RESULTS					
Revenue	**14,041**	3,769	3,877	10,742	5,600
Profit/(loss) from operations after finance costs	**2,510**	(12,822)	(20,997)	(47,603)	(16,134)
Share of result of associates	**–**	–	–	–	–
Loss on disposal of subsidiaries	**–**	–	–	–	–
Profit/(loss) before taxation	**2,510**	(12,822)	(20,997)	(47,603)	(16,134)
Taxation	**–**	–	–	–	–
Profit/(loss) before tax	**2,510**	(12,822)	(20,997)	(47,603)	(16,134)
Minority interests	**–**	–	–	–	–
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company	**2,510**	(12,822)	(20,997)	(47,603)	(16,134)
Basic earnings/(loss) per share (cents)	**0.16**	(0.83)	(1.36)	(3.15)	(1.11)
ASSETS AND LIABILITIES					
Property, plant and equipment	**73**	100	289	380	1,069
Interest in associates	**–**	–	–	–	–
Investment securities	**–**	–	–	–	–
Other assets	**475**	430	703	974	1,245
Net current (liabilities)/assets	**(107,639)**	(109,731)	(96,271)	(78,551)	(60,717)
Non-current liabilities	**–**	(400)	(1,500)	–	(136)
	(107,091)	(109,601)	(96,779)	(77,197)	(58,539)
Share capital	**308,701**	308,701	308,701	308,701	291,505
Share premium	**42,395**	42,395	42,395	42,395	30,797
Other reserves	**(458,187)**	(460,697)	(447,875)	(428,293)	(380,841)
Shareholders' deficit	**(107,091)**	(109,601)	(96,779)	(77,197)	(58,539)
Minority interests	**–**	–	–	–	–
	(107,091)	(109,601)	(96,779)	(77,197)	(58,539)

Joint and Several Liquidators' Report

Trading in the shares of Asia TeleMedia Limited (In Liquidation) (the "Company") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 18 March 2008.

A winding-up petition was filed against the Company on 5 June 2007, and a winding-up order was made by the High Court of Hong Kong (the "Court") on 18 March 2008. Messrs Edward Simon Middleton and Patrick Cowley, both of KPMG, were appointed as the Joint and Several Liquidators (the "Liquidators") of the Company on 14 January 2009 pursuant to an Order (the "Order") of the Court.

The Liquidators present their report together with the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 based on the books and records available to them. It is the responsibility of the directors of the Company to prepare the financial statements of the Company. Since their appointment, the Liquidators have written to the directors to enquire about the affairs of the Company, however, the Liquidators have not received any response from them. Given this lack of cooperation, the Liquidators are obliged to prepare these financial statements.

The Liquidators have been granted the authority to sign, approve, publish and do all such acts in connection with this report pursuant to the Order to the Court.

Capitalised terms used in this report shall have the same meaning attributed to them as in the Annual Report to which this is attached.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the Group is principally engaged in securities brokerage, securities underwriting and placements, and corporate finance and advisory services.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 19 to the consolidated financial statements.

FINANCIAL RESULTS

The Group recorded a revenue of approximately HK$14.04 million for the year ended 31 December 2010 compared to the revenue of approximately HK$3.77 million for the corresponding year in 2009. The basic earnings per share for the year were HK0.16 cents, compared to the basic loss per share of HK0.83 cents for the previous year.

The revenue of the Group for the year ended 31 December 2010 has substantially increased due to the additional revenue generated from securities brokerage, placing and underwriting business, corporate finance and advisory services.

RESTRUCTURING OF THE GROUP UP TO THE DATE OF THIS REPORT

On 27 May 2011, the Company announced that the Restructuring Agreement was entered into on 15 April 2011 among the Company, the Liquidators, the Investor and the Guarantor for the implementation of the Proposed Restructuring. The Company, the Liquidators and the Investor are now taking appropriate steps to implement the transactions completed under the Restructuring Agreement and fulfill the resumption conditions as set out by the Stock Exchange.

Details of the restructuring of the Group are explained in note 2 to the consolidated financial statements.

PROSPECTS

It is expected that the financial position of the Group will be substantially improved upon completion of the Proposed Restructuring of the Group as contemplated under the Restructuring Agreement. The Investor and the Liquidators expect all existing liabilities owed to creditors of the Company will be compromised and discharged through the Scheme.

Subject to, among other things, the approvals of the shareholders of the Company and the Stock Exchange, upon completion of the Restructuring Agreement, the Company's shares are expected to resume trading on the Stock Exchange.

It is the Investor's intention to maintain and expand the Group's existing business in securities broking, placing and underwriting, corporate finance, consulting and related services, which are carried out through its main operating subsidiary, MHSFE.

With the strong and continuous support provided by the Investor to the Group in terms of both business and financial aspects, the Group will be able to sustain its business at a sufficient level in upcoming financial years and expand its business to a substantial level within a reasonable period of time after the resumption of trading in the shares of the Company on the Stock Exchange.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at the balance sheet date, the Group had net current liabilities of approximately HK$107,639,000 (2009: HK$109,731,000) and had cash and cash equivalents of approximately HK$36,918,000 (2009: HK$5,265,000). During the year, the Group did not have any bank borrowings (2009: Nil).

The Group's gearing ratio was 1.99 as at 31 December 2010 as compared to 2.60 as at 31 December 2009. The gearing ratio is calculated by dividing total liabilities by total assets.

FIXED ASSETS

Details are set out in note 19 to the consolidated financial statements.

CAPITAL STRUCTURE

Details are set out in note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details are set out in note 36 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details are set out in note 35 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

To the best of their knowledge and belief, the Liquidators are not aware of any material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2010.

CHARGE ON GROUP ASSETS

In September 2009, the Group pledged all the issued shares of its principal operating subsidiary, MHSFE to the Investor for the loan facility granted to finance the regulatory and general working capital requirements of the Group. HK$23.7 million was drawndown from the loan facility as at 31 December 2010.

Details of the pledge are set out in note 34 to the consolidated financial statements.

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURES

To the best knowledge and belief of the Liquidators, during the year:

- the business activities of the Group were mainly funded by the loan from the Investor and cash generated from operating activities;
- the Group had minimal exposure to foreign currency risks as most of its assets and liabilities were principally denominated in Hong Kong dollars; and
- the Group was not exposed to significant capital market risk as the Group did not have material equity investment.

SIGNIFICANT INVESTMENTS HELD

To the best knowledge and belief of the Liquidators, the Group did not have any significant investment throughout the period.

BUSINESS SEGMENTS

Details are set out in note 8 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2010, the Group employed 15 (31 December 2009: 14) staff in Hong Kong. All the options granted under the share option scheme adopted by the Company lapsed on 5 June 2007, the date of commencement of the winding-up of the Company.

Details of employees' emoluments are set out in note 12 to the consolidated financial statements. The Remuneration Committee has not functioned since the appointment of the Liquidators.

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

To the best knowledge and belief of the Liquidators, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2010.

MAJOR CUSTOMERS

For the year ended 31 December 2010, approximately 70% of the Group's revenue was attributable to the Group's five largest customers. In particular, the largest customer of the Group accounted for approximately 21% of the Group's total revenue for the year.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

LU Ruifeng
YIU Hoi Ying

Independent Non-Executive Directors:

LU Ning
LI Chun
LAU Hak Lap (resigned on 15 April 2010)

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

To the best knowledge and belief of the Liquidators, as at 31 December 2010, the interests and short positions of the directors or the 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 Securities and Futures Ordinance (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 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 ("Model Code") in the Listing Rules were as follows:

Name of Director	Nature of interest	Number of shares	Approximate % of the issued share capital
Mr. LU Ruifeng	Held by controlled corporations *(Note)*	712,889,808	46.19%

Note: 711,500,000 shares were owned by China United Telecom Limited, 35% of the entire issued share capital of which was held by Asia TeleMedia Holdings Limited. 1,389,808 shares were owned by Asia TeleMedia Holdings Limited. Asia TeleMedia Holdings Limited was a company beneficially owned by Mr. LU Ruifeng. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 712,889,808 shares in aggregate.

Save as disclosed above, to the best knowledge and belief of the Liquidators, as at 31 December 2010, none of the Company's Directors, its chief executive or any of 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 SCHEME

All the options granted under the share option scheme dated 28 May 2002 and adopted by the Company on 27 June 2002 lapsed on 5 June 2007, the date of commencement of the winding-up.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

To the best knowledge and belief of the Liquidators, as at 31 December 2010, the interests of the substantial shareholders of the Company, other than the interests disclosed above in respect of the directors and chief executive, as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Nature of interest	Number of shares held (long position)	Total	Approximate % of the issued share capital
China United Telecom Limited *(Note 1)*	Beneficial owner	693,725,000	711,500,000	46.10%
	Interest of controlled corporation	17,775,000		
Asia TeleMedia Holdings Limited *(Note 2)*	Interest of controlled corporation	711,500,000	712,889,808	46.19%
	Beneficial owner	1,389,808		
High Reach Assets Limited	Beneficial owner	184,370,000	184,370,000	11.94%
Mr. Evans Carrera LOWE *(Note 3)*	Interest of controlled corporation	184,370,000	184,370,000	11.94%

Notes:

1. China United Telecom Limited, through its wholly owned subsidiary, Transmedia Asia Limited, was deemed to be interested in 17,775,000 shares, by virtue of the SFO.

2. 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 711,500,000 shares held by China United Telecom Limited.

3. According to the disclosure of interests filing dated 30 October 2007 published on the website of the Stock Exchange, Mr. Evans Carrera Lowe was deemed to be interested in 184,900,000 shares of the Company through High Reach Assets Limited, the entire issued share capital of which was wholly owned by Mr. Lowe. High Reach Assets Limited disposed of 530,000 shares in December 2007 and as a result, Mr. Lowe was deemed, by virtue of the SFO, to be interested in the 184,370,000 shares held by High Reach Assets Limited.

DIRECTORS' SERVICE CONTRACTS

The Liquidators have not been able to locate any service contract entered into between the Company and its directors from the books and records available to them.

FIVE YEAR FINANCIAL SUMMARY

A summary of published results and assets and liabilities of the Group for the last five financial years, extracted from the audited consolidated financial statements of the Company, is set out on page 60. This summary does not form part of the audited financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 10 and note 31 to the financial statements respectively.

NON-COMPLIANCE WITH APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

With limited books and records available to the Liquidators, the Liquidators do not have sufficient data to compile the annual report so as to comply with Appendix 16 "Disclosure of financial information" to the Listing Rules. The following information has been omitted from this annual report:

1 A statement in respect of connected transactions and continuing connected transactions with the connected person as defined in Chapter 14A (or Chapter 14 prior to the coming into force of Chapter 14A) of the Listing Rules.

2 Details of contracts of significance between the Company and its directors, substantial shareholders and subsidiaries.

3 A separate Corporate Governance Report containing the information as required under Appendix 23 to the Listing Rules.

4 Details of management contracts.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by Graham H.Y. Chan & Co.

DIVIDEND

No dividend has been proposed for the year ended 31 December 2010 (31 December 2009: Nil).

PUBLIC FLOAT

As at the date of these financial statements, the trading in the shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

Joint and Several Liquidators' Report

DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

As at the date of the appointment of the Liquidators, the Company had insufficient funds to enable the financial statements to be prepared and audited. Accordingly, the preparation, auditing and publication of the financial statements has been delayed until such time as the Company's funding arrangements allowed it.

The delay in the dispatch of the 2010 Annual Report constitutes a non-compliance with Rule 13.46(1) of the Listing Rules by the Company.

AUDIT COMMITTEE

Following the resignation of Mr. Lau Hak Lap on 15 April 2010, the Company has only two independent non-executive directors and two Audit Committee members, the number of which falls below the minimum number required under Listing Rules 3.10(1) and 3.21 respectively and none of the remaining independent non-executive directors has the appropriate professional qualification or accounting or related financial management expertise as required under Listing Rules 3.10(2) and 3.21. As a result, the consolidated financial statements for the year ended 31 December 2010 have not been reviewed by the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Liquidators make no representation as to whether the Company had complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Liquidators make no representation as to whether the Company and its directors had complied with the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules throughout the year ended 31 December 2010.

For and on behalf of
Asia TeleMedia Limited
(In Liquidation)
Edward Simon Middleton
Patrick Cowley
Joint and Several Liquidators
acting as agents without personal liability

Hong Kong, 3 June 2011