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## **ASIA TELEMEDIA LIMITED**

### **亞洲電信媒體有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 376)**

## **CONTINUING CONNECTED TRANSACTIONS — PROVISION OF SECURITIES SERVICES AND ADJUSTMENT TO CONVERSION PRICE OF CONVERTIBLE BONDS**

### **CONTINUING CONNECTED TRANSACTIONS — PROVISION OF SECURITIES SERVICES**

On 11 October 2011, the Company entered into the Securities Services Agreement with Mr. Ko, under which the Group will provide the Securities Services to Mr. Ko or any of his associates for a term of up to 31 December 2013.

Gainhigh is the controlling shareholder of the Company and is beneficially 80%-owned by Mr. Ko. Mr. Ko and his associates are connected persons to the Company under the Listing Rules. The transactions contemplated under the Securities Services Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules. Accordingly, the Securities Services Agreement and the relevant proposed annual caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Ko and his associates will abstain from voting at the EGM in respect of the resolutions approving the Securities Services Agreement and the relevant proposed annual caps.

A circular containing, among other things, (i) further information in respect of the Securities Services Agreement and the proposed annual caps; (ii) a letter from the independent board committee to the Independent Shareholders; and (iii) a letter from the independent financial adviser to the independent board committee and the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders on or before 12 October 2011.

### **ADJUSTMENT TO CONVERSION PRICE OF CONVERTIBLE BONDS**

As a result of the Subscription, the Conversion Price will be adjusted from HK\$0.62 per Conversion Share to HK\$0.562 per Conversion Share subject to the Subscription becoming unconditional.

## SECURITIES SERVICES AGREEMENT

- Date : 11 October 2011
- Parties : (i) the Company; and  
: (ii) Mr. Ko
- Terms : The Securities Services Agreement shall become effective from the date when the Independent Shareholders approve the Securities Services Agreement and the transactions contemplated thereunder and the relevant proposed annual caps and for a term up to 31 December 2013. Subject to the compliance with applicable laws and the Listing Rules, the parties may renew the Securities Services Agreement.
- Services : Under the Securities Services Agreement, the Company agrees to provide, or procure its subsidiaries to provide, the Securities Services to Mr. Ko or any of his associates during the term of the Securities Services Agreement. Both parties agree that the terms of any Securities Services to be provided by the Company or any of its subsidiaries to Mr. Ko or any of his associates will be on normal commercial terms or terms (including fees and cash payment terms) comparable to those offered by the Group to independent third parties.

### **Proposed annual caps for the Securities Services**

For the purpose of complying with Rule 14A.35(2) of the Listing Rules, the Company proposes to set annual caps for the fee payable to the Group in respect of the Securities Services to be provided by the Group to Mr. Ko or any of his associates under the Securities Services Agreement for the year ending 31 December 2011, 2012 and 2013 of HK\$8 million (from the effective date of the Securities Services Agreement to 31 December 2011), HK\$25 million and HK\$25 million respectively.

The above proposed annual caps were determined taking into account, including but not limited to:

- (i) possible transaction amount of securities trading by Mr. Ko and his associates;
- (ii) other potential fund raising exercises (such as top-up placing) by the listed companies in which Mr. Ko and his associates have a controlling interest;
- (iii) other possible services which the Group may provide to Mr. Ko or any of his associates such as corporate finance services and asset management services; and
- (iv) the rates offered by the Group to Mr. Ko or any of his associates for its provision of the Securities Services.

The proposed annual cap of HK\$25 million represents approximately 1.8 times of the revenue of the Group for the year ended 31 December 2010. As set out in the circular of the Company dated 28 June 2011, the business operation of the Group was re-activated since September 2010. The Directors consider that it is not appropriate to compare the proposed annual cap with the historical revenue of the Group.

The Group is a financial service group. Any Securities Services provided by the Group to Mr. Ko and/or any of his associates will be conducted on normal commercial terms as required under the Securities Service Agreement and will generate additional revenue for the Group. It is one essential element that securities transactions, like share placements and/or other corporate finance deals, may be conducted in a very tight timeframe. The need to obtain approval from the Independent Shareholders when there is an actual transaction may lead to the Group losing such business opportunities and would be detrimental to the performance of the Group. Accordingly, the Directors consider that it is to the best interests to the Group to build in sufficient rooms for future business opportunities when determining the proposal annual caps.

### **Reasons for the Securities Services Agreement**

The Group is principally engaged in the provision of financial services — currently comprising securities broking, share placing and underwriting, corporate finance, consulting and related services.

Mr. Ko is an active investor in Hong Kong. Mr. Ko also from time to time holds a controlling interest in other companies (which may include companies listed on the Stock Exchange) which may also require securities broking, placing and other securities related services. Any Securities Services to be provided by the Group to Mr. Ko or any of his associates will be on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors consider that the entering into of the Securities Services Agreement and the provision of the Securities Services will allow the Group to carry out its normal business activities in compliance with the Listing Rules and will benefit the Group by increasing its income base.

As set out in the announcement of the Company dated 7 September 2011, the controlling shareholder of the Company, Gainhigh, has arranged to place 67,000,000 existing Shares to other investors. As the Company has yet to obtain Independent Shareholders' approval for the Provision of Securities Services at the relevant time, Gainhigh could only engage the wholly-owned subsidiary of the Company, REORIENT FINANCIAL MARKETS LIMITED (formerly known as Mansion House Securities (F.E.) Limited), to provide brokerage services in relation to the Placing. Commission income earned by the Group amounted to approximately HK\$0.5 million, being 0.25% of the gross proceeds from the Placing. Should Gainhigh have engaged the Group as the placing agent in relation to the Placing, commission income earned by the Group would be substantially increased to approximately HK\$5.6 million (with reference to the placing commission rate charged to Gainhigh in relation to the share placement as set out in the announcement of the Company dated 9 August 2011).

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the opinion of the independent financial adviser appointed by the independent board committee) consider that the terms of the Securities Services are on normal commercial terms and fair and reasonable and the Securities Services are in the interests of the Company and its Shareholders as a whole.

### **Listing Rules implications**

Gainhigh is the controlling shareholder of the Company and is beneficially 80%-owned by Mr. Ko. Mr. Ko and his associates are connected persons to the Company under the Listing Rules. The transactions contemplated under the Securities Services Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules. Accordingly, the Securities Services Agreement and the relevant proposed annual caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Ko and his associates will abstain from voting at the EGM in respect of the resolutions approving the Securities Services Agreement and the relevant proposed annual caps.

### **ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE NOTES**

Reference is made to the announcement of the Company dated 7 September 2011 in respect of, among others, the Subscription of 67,000,000 Subscription Shares by Gainhigh.

As set out in the announcement of the Company dated 27 May 2011, the Convertible Notes will be subject to the usual anti-dilutive adjustments in respect of events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues under the terms and conditions of the Convertible Notes. As a result of the Subscription, the Conversion Price of HK\$0.62 of the Convertible Notes is subject to the Adjustment based on the terms and conditions of the Convertible Notes.

The Adjustment is conditional upon the Subscription becoming unconditional.

The calculation of the Adjustment is based on the terms and conditions of the Convertible Notes that if and whenever the Company shall issue any Shares at a price per Share which is less than the Current Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for such issue would purchase at such Current Market Price; and

R = the number of Shares allotted pursuant to such issue.

Such adjustment shall become effective on the date of such issue.

Based on the above formula, the Conversion Price will be adjusted from HK\$0.62 per Conversion Share to HK\$0.562 per Conversion Share. The number of new Shares to be issued upon full conversion of the outstanding Convertible Notes under the adjusted Conversion Price of HK\$0.562 will be 98,398,576 Shares, representing (i) approximately 44.91% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 34.39% of the issued share capital of the Company after the completion of the Subscription; and (iii) approximately 25.59% of the issued share capital of the Company after the completion of the Subscription and the full conversion of the outstanding Convertible Notes at the adjusted Conversion Price of HK\$0.562 per Conversion Share.

## **GENERAL**

An independent board committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Securities Services Agreement and the proposed annual caps. KBC Bank has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information in respect of the Securities Services Agreement and the proposed annual caps; (ii) a letter from the independent board committee to the Independent Shareholders; and (iii) a letter from the independent financial adviser to the independent board committee and the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders on or before 12 October 2011.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Adjustment”	the proposed adjustment to the Conversion Price of the Convertible Notes from HK\$0.62 to HK\$0.562 in accordance with the terms and conditions of the Convertible Notes
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Asia TeleMedia Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules

“controlling shareholder”	has the meanings ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.62 per Conversion Share (before the Adjustment)
“Conversion Shares”	the new Shares to be issued upon conversion of the Convertible Notes
“Convertible Notes”	the non-interest bearing non-redeemable convertible notes issued by the Company in the aggregate principal amount of HK\$55.3 million which are convertible into Conversion Shares at the conversion price of HK\$0.62 (before the Adjustment) per Conversion Share
“Current Market Price”	the average closing price per share quoted on the daily quotation sheet of the Stock Exchange for the five consecutive trading days immediately preceding a particular date
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to approve the proposed change of the Company name
“Gainhigh”	Gainhigh Holdings Limited, the controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	the shareholder(s) of the Company other than Mr. Ko and his associates and any Shareholders who have material interest in the Securities Services Agreement
“KBC Bank”	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ko”	Mr. Ko Chun Shun, Johnson, who is the chairman of the Company and an executive Director, owns 80% beneficial interest in Gainhigh, the controlling shareholder of the Company

“Placing”	the placing of 67,000,000 Shares owned by Gainhigh as set out in the announcement of the Company dated 7 September 2011
“Securities Services”	services including but not limited to brokerage, share placing and underwriting, asset management, financial advisory, corporate finance and related services
“Securities Services Agreement”	the securities services agreement dated 11 October 2011 entered into between the Company and Mr. Ko in respect of provision of the Securities Services by the Company or any of its subsidiaries to Mr. Ko or any of his associates
“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Subscription”	the subscription for 67,000,000 Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Subscriber and the Company on 6 September 2011 in relation to the subscription for 67,000,000 Shares by Gainhigh
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per cent

By order of the Board  
**Ko Chun Shun, Johnson**  
*Chairman and Executive Director*

Hong Kong, 11 October 2011

*As at the date of this announcement, the Board comprises six executive directors, namely Mr. Ko Chun Shun, Johnson, Mr. Zhang Binghua, Mr. Chen Shengjie, Ms. Angelina Kwan, Mr. Tsoi Tong Hoo, Tony and Ms. Ko Wing Yan, Samantha and three independent non-executive directors, namely Mr. Liu Zhengui, Mr. Ding Kebai and Mr. Chu Chung Yue, Howard.*