M21 Technology Limited

(Incorporated in Bermuda with limited liability)

Website: http://www.m21.com.hk

INTERIM REPORT

For the three months and six months ended
30th September 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of M21 Technology Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities ("GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS

The board of directors (the "Board") of M21 Technology Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2002 (the "Relevant Periods") together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2002

		Unaudited Three months ended 30th September		**Unaudited Six months ended 30th September**	
		2002	2001	**2002**	2001
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**2,757**	1,718	**4,995**	3,628
Cost of sales		**(2,054)**	(1,550)	**(3,740)**	(2,737)
Gross profit		**703**	168	**1,255**	891
Interest income		**—**	76	**2**	226
Profit on disposal of fixed assets		**—**	—	**609**	—
General, administrative and other expenses		**(1,499)**	(1,350)	**(3,070)**	(3,160)
Operating loss	*3*	**(796)**	(1,106)	**(1,204)**	(2,043)
Interest expenses		**(102)**	(2)	**(130)**	(3)
Loss attributable to shareholders		**(898)**	(1,108)	**(1,334)**	(2,046)
Basic loss per share	*6*	**(0.29 cents)**	(0.35 cents)	**(0.43 cents)**	(0.65 cents)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2002 AND 31ST MARCH 2002

		Unaudited 30th September 2002	Audited 31st March 2002
	Note	***HK$'000***	*HK$'000*
Fixed assets	*7*	**16,292**	18,353
Current assets			
Inventories		**178**	206
Accounts receivable	*8*	**1,216**	779
Other receivables and deposits		**1,094**	1,558
Amounts due from related companies		**2,970**	2,360
Bank balances and cash		**1,285**	1,397
		6,743	6,300
Current liabilities			
Accounts payable	*9*	**262**	364
Other payables and accrued charges		**1,297**	1,570
		1,559	1,934
Net current assets		**5,184**	4,366
Total assets less current liabilities		**21,476**	22,719
Financed by:			
Share capital	*10*	**3,125**	3,125
Reserves		**15,269**	16,603
Shareholders' funds		**18,394**	19,728
Loan from a shareholder	*11*	**3,082**	2,991
		21,476	22,719

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Unaudited Six months ended 30th September 2002 *HK$'000*	2001 *HK$'000*
Net cash outflow from operating activities	**(1,272)**	(8,731)
Net cash from/(used in) investing activities	**1,160**	(422)
Net cash used in financing activities	**—**	(6,154)
Decrease in cash and cash equivalents	**(112)**	(15,307)
Cash and cash equivalents at 1st April	**1,397**	28,777
Cash and cash equivalents at 30th September	**1,285**	13,470
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**1,285**	13,470

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Note	Unaudited Six months ended 30th September 2002 *HK$'000*	2001 *HK$'000*
Share capital			
Brought forward and carried forward	*10*	**3,125**	3,125
Share premium			
Brought forward		**27,783**	27,937
Listing expenses		**—**	(154)
Carried forward		**27,783**	27,783
Merger reserve			
Brought forward and carried forward		**(197)**	(197)
Accumulated losses			
Brought forward		**(10,983)**	(5,198)
Loss for the period		**(1,334)**	(2,046)
Carried forward		**(12,317)**	(7,244)
Shareholders' funds		**18,394**	23,467

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and principal accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for acounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34:	Employee benefits

The adoption of these new SSAPs had no material effect on the Group's results.

2. **Segment information**

The Group is principally engaged in the manufacture and sale of stampers for audiovisual products, the provision of pre-mastering and media services and the provision of playout services in Hong Kong.

An analysis of the Group's revenues and results for the Relevant Periods by business segments is as follows:

			Unaudited Turnover For the six months ended 30th September		**Unaudited Segment results For the six months ended 30th September**	
			2002	2001	**2002**	2001
			HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of stampers for audiovisual products			**2,957**	2,939	**(1,232)**	(1,337)
Provision of pre-mastering and other media services			**798**	689	**(331)**	(250)
Provision of playout services			**1,240**	—	**237**	—
			4,995	3,628	**(1,326)**	(1,587)
Unallocated costs					**(489)**	(682)
Other revenues —	interest income				**2**	226
	profit on disposal of fixed assets				**609**	—
Operating loss					**(1,204)**	(2,043)
Interest expenses					**(130)**	(3)
Loss attributable to shareholders					**(1,334)**	(2,046)

Primary report format — business segments

The Group is organised into three main business segments:

— Sales of stampers for audiovisual products — manufacture, wholesale and distribution of stampers for audiovisual products;

— Provision of pre-mastering and other media services — provision of editing, authoring and digitalisation of audiovisual data processes;

— Provision of playout services — provision of playout services on audiovisual data

There are no sales and other transactions between the business segments. Unallocated costs represent corporate expenses.

Secondary report format — geographical segments

The Group's three business segments are operated in three main geographical areas:

— Hong Kong — sale of stampers, provision of pre-mastering and other media services and playout services;

— The People's Republic of China excluding Hong Kong (the "PRC") — sale of stampers;

— Other countries (principally India and Thailand) — sale of stampers.

An analysis of the Group's turnover and contribution to operating loss for the Relevant Periods by geographical segment is as follows:

		Unaudited Turnover For the six months ended 30th September		**Unaudited Operating loss For the six months ended 30th September**	
		2002	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Geographical segment:					
Hong Kong		**4,347**	3,214	**(1,056)**	(1,399)
The PRC		**—**	64	**—**	(29)
Other countries		**648**	350	**(270)**	(159)
		4,995	3,628	**(1,326)**	(1,587)
Unallocated costs				**(489)**	(682)
Other revenues —	interest income			**2**	226
	profit on disposal of fixed assets			**609**	—
				(1,204)	(2,043)

Sales are based on the country in which the customer is located. There are no sales between the geographical segments.

3. **Operating loss**

Operating loss is stated after charging depreciation for fixed assets of HK$1,511,000 (2001: HK$1,504,000).

4. **Staff costs**

	Unaudited Six months ended 30th September	
	2002	2001
	HK$'000	*HK$'000*
Wages and salaries	**2,483**	1,961
Pension costs — defined contribution plans	**70**	93
	2,553	2,054

5. **Taxation**

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the three months and six months ended 30th September 2002 (2001: Nil).

6. **Loss per share**

The calculation of basic loss per share for the three months and six months ended 30th September 2002 was based on the Group's loss attributable to shareholders of approximately HK$898,000 and HK$1,334,000 (2001: HK$1,108,000 and HK$2,046,000) and on 312,500,000 (2001: 312,500,000) ordinary shares in issue during the period.

Diluted loss per share for the three months and six months ended 30th September 2002 and 2001 were not presented because there were no dilutive potential ordinary shares.

7. Capital expenditure

	Fixed assets *HK$'000*
Six months ended 30th September 2002	
Opening net book amount	18,353
Additions	145
Disposals	(695)
Depreciation charge *(note 3)*	(1,511)
Closing net book amount	16,292

8. Accounts receivable

Details of the ageing analysis of accounts receivable were as follows:

	Unaudited 30th September 2002 *HK$'000*	Audited 31st March 2002 *HK$'000*
Current	**261**	539
31-60 days	**272**	78
61-90 days	**195**	97
Over 90 days	**488**	163
	1,216	877
Less: provision for doubtful debts	**—**	(98)
	1,216	779

The majority of the Group's sales are on open account with credit term of 30 to 60 days.

9. Accounts payable

Details of the ageing analysis of accounts payable were as follows:

	Unaudited 30th September 2002 *HK$'000*	Audited 31st March 2002 *HK$'000*
Current	**50**	162
31-60 days	**110**	192
61-90 days	**78**	—
Over 90 days	**24**	10
	262	364

10. Share capital

	Unaudited 30th September 2002	Audited 31st March 2002
Authorised		
700,000,000 ordinary shares of HK$0.01 each	**7,000**	7,000
Issued and fully paid		
312,500,000 ordinary shares of HK$0.01 each	**3,125**	3,125

11. Loan from a shareholder

The loan balance due to Sundowner Management Limited ("Sundowner"), a shareholder of the Company, is unsecured, interest bearing at Hong Kong dollars prime lending rate plus 1.5 per cent. per annum and repayable on 20th March 2004. The Group is given a right to repay all or part of the loan prior to the maturity date. Subsequent to the balance sheet date, all outstanding loan balance has been settled.

12. Commitments under operating leases

At 30th September 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th September 2002		Audited 31st March 2002	
	Machinery *HK$'000*	**Others** *HK$'000*	Machinery *HK$'000*	Others *HK$'000*
Within one year	**300**	**276**	600	276
In the second to fifth year inclusive	**—**	**414**	—	552
	300	**690**	600	828

13. **Related party transactions**

Save as disclosed in note 11 to the accounts, significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Note	**Unaudited 30th September 2002** ***HK$'000***	2001 *HK$'000*
Sale of stampers to Silver Kent Technology Limited ("Silver Kent")	*(i)*	**1,239**	1,645
Provision of pre-mastering services to Mei Ah Video Production Company Limited ("MAVP")	*(ii)*	**750**	643
Rental expenses of machinery paid to MAVP	*(iii)*	**300**	300
Interest expense paid to Sundowner	*(iv)*	**91**	—
Rental expense of office premise paid to Mei Ah Investment Company Limited ("MAI")	*(v)*	**138**	—
Provision of playout services to MATV Limited ("MATV")	*(vi)*	**1,240**	—

(i) Silver Kent is directly owned as to 55 per cent. by Sino Regal Holding Limited ("SRH") and 45 per cent. by Sundowner. Both SRH and Sundowner are substantial shareholders of the Company. These transactions are conducted in the normal course of business and in accordance with the terms of a pre-mastering services and stamper supply agreement.

(ii) The pre-mastering services are rendered to MAVP. Sundowner is indirectly wholly-owned by MAVP. These transactions are conducted in the normal course of business at prices and in accordance with the terms of a pre-mastering services agreement.

(iii) MAVP is a wholly-owned subsidiary of Mei Ah Entertainment Group Limited ("Mei Ah Entertainment"). The rental is determined in accordance with the terms of the relevant rental agreement.

(iv) Sundowner is a shareholder of the Company. Interest is charged at Hong Kong dollars prime lending rate plus 1.5 per cent. per annum and is complied with the terms of the relevant loan agreement.

(v) MAI is a wholly-owned subsidiary of Mei Ah Entertainment. The rental is determined in accordance with the terms of the relevant rental agreement.

(vi) MATV is a wholly-owned subsidiary of Mei Ah Entertainment. The service fee is determined in accordance with the trial agreement dated 30th March 2002 and the formal agreement dated 25th July 2002.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30th September 2002 (2001: Nil).

Business Review

For the six months ended 30th September 2002, income from pre-mastering services accounted for approximately 16% (2001: 19%) of the Group's turnover whilst income from mastering services accounted for 59% (2001: 81%) of the Group's turnover. Revenue from playout service generated approximately 25% (2001: Nil) of the Group's turnover during the period. Most of the Group's sales during the period was derived from Hong Kong and PRC, accounting for approximately 87% (2001: 90%) of the Group's sales, whilst the remaining 13% (2001: 10%) was derived mainly from India and Thailand.

The Group has generated a gross profit of approximately HK$1,255,000 (2001: HK$ 891,000) out of total turnover of approximately HK$4,995,000 (2001: HK$ 3,628,000) for the six months ended 30th September 2002. Although turnover increased by approximately 38% compared to last year, the gross profit margin remains roughly the same at approximately 25%.

Though there was an increase in quantity of VCD stamper orders, the quantity of DVD orders dropped slightly, both the average price of VCD and DVD stampers have been dramatically decreased when compared to last year. This has an offsetting effect to the turnover in comparison with last year. The increase in turnover was mainly attributable to the new income stream of the playout service provided to MATV Limited, a related company to the Group, under a trial agreement during the period from April 2002 to August 2002, and it has turned into a formal agreement thereafter. This new income stream brought an extra revenue inflow of HK$1,240,000 with a corresponding costs in the recruitment of professionals in the TV broadcasting field to enable the smooth running of the playout service, which in average maintained the gross profit margin at 25%.

The proportion of business relying from our single large customer in mastering services has been decreased to 42% (2001: 56%) due to the increase in external orders during the period under review. The maximum daily production capacity of the mastering line stayed at 70% with consistent performance.

Another income during the period was the disposal of excess PowerTV machineries which generated a net profit of HK$ 609,000 during the period under review. Thus, the loss attributable to the shareholders has decreased by approximately 35% comparing with the same period of last year. Despite the fact that the Group was still suffering loss during the period, the directors are optimistic of the growth and profitability of the Group in the next quarter.

Business Pursuits/Prospects

The general economic climate remains prudent, the Group will keep focusing in our core business on audiovisual technology as an important mean to sustain high growth and to pursue the Group's product/service development strategy as a whole.

Since the enforcement of the registration of mastering lines in Hong Kong on 19th July 2002, a number of mastering lines of some manufactures in Hong Kong has been re-located to China and the lower operating costs overthere has created competitive pressure to those manufacturers in Hong Kong. However, the Group believes that this is only a temporary phenomenon and such competitive pressure will soon be faded out while the Customs implement the related control.

Although the Group's pre-mastering and mastering businesses are affected by the present unfavourable business environment, the acquisition of PowerTV equipment in February 2002 has enabled the Group to extend its pre-mastering arm into a digitised platform with post-production facilities that cater for business development in areas of audiovisual contents transmission. Those equipment have been set up in our head office located in Tseung Kwan O and they are ready to generate immediate returns.

With the popularity of Cable Television, Satellite Television, Pay Television and Broadband Network in Hong Kong, the Group is of an optimistic view that there will be a rapid growth in transmitting a variety of programme channels into digital signal format. The Group anticipated that our digitised platform and post-production facilities will soon be utilised in full. The Group will endeavour its best effort in negotiating with the channel operators and exploring other business opportunities.

The Group is of the view that the convergence of current business pursuit will open up channels to various types of business opportunities and enable the use of the current resources more efficiently and effectively. In addition, the directors believe that the strengthened asset base, supplemented by the efforts from the Group's executives and staff, will generate promising returns to the Group in the near future.

Comparison of business objectives and actual business progress

Business objectives as stated in the prospectus dated 26th March 2001	Actual business progress/change in business objectives
Development of the iP encoder	*Development of the iP encoder*
— Decoding software development — completion of version 2.0 of decoding software to support MPEG-4 and commercial launch of iP encoder version 2.0	The development of the iP encoder has been temporary deferred due to the non-existence of multi-cast network in Hong Kong and the slow roll-out of the network in other countries.
Other research and development	*Other research and development*
— Development of MPEG-4 and 7 compliant compression algorithm	As stated in the annual report for the year ended 31st March 2002, due to the worsen of economic condition, the Group has suspended the development project until the economic situation becomes more visionable.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and shareholder's loan. As at 30th September 2002, the Group's gearing ratio was approximately 17% which was calculated on the loan from a shareholder of HK$3,082,000 and the shareholders' funds of HK$18,394,000. The loan from a shareholder has been fully settled subsequent to 30th September 2002. The Group has no exposure to foreign currency fluctuations.

As at 30th September 2002, the Group had 22 full-time employees. Employee costs for the period amounted to approximately HK$2,553,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the Group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

Share option scheme

Pursuant to the written resolutions of the shareholders of the Company dated 20th March 2001, a Share Option Scheme (the "Scheme") was adopted by the Company. Details of the Scheme are as follows:

(a) *Purpose of the Scheme*

The purposes of the Scheme are to recognise the contribution made by the executive directors and the employees of the Group and to retain the services of the employees who will make valuable contribution to the Company.

(b) *Participants of the Scheme*

Pursuant to the Scheme, the Company may offer to grant share options ("Options") to any full-time employees (the "Employee"), including any executive director of the Company and its subsidiaries, to subscribe for shares in the Company.

(c) *Maximum number of shares available for issue under the Scheme*

The maximum number of shares available for issue under the Scheme is 30 per cent. of the issued share capital of the Company from time to time, excluding for this purpose from the calculation of issued share capital (i) any shares issued pursuant to the exercise of Options under the Scheme or pursuant to the exercise of Options under any other scheme; and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) above during a period of 10 consecutive years from the date of adoption of the Scheme.

(d) *Maximum entitlement of each participant*

No Employees shall be granted an Option which, if exercised in full, would result in such Employee's maximum entitlement exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under Scheme.

(e) *Exercisable period of Options*

Pursuant to the Scheme, an Option may be exercised in whole or in part in the manner provided in the Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of grant of the Option, to be notified by the Board of the Company to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is offered (the "Offer Date").

(f) *Payment on acceptance of Option offer*

Pursuant to the Scheme, a sum of HK$1.00 is payable by the Employee on acceptance of the Option offer.

(g) *Basis of determining the subscription price*

The subscription price for the shares in relation to Options to be granted under the Scheme shall be determined by the Board and notified to an Employee and shall be at least the highest of:

(i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotation sheet on the Offer Date;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the shares of the Company.

(h) *Remaining life of the Scheme*

The Scheme will be valid and effective for a period of ten years from the date of adoption of the Scheme.

The Scheme will remain valid until 19th March 2011.

No share options were granted under the Scheme since its adoption.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September 2002, the interests of the directors and chief executives in the shares of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Ordinary shares of HK$0.01 each in M21 Technology Limited

Name of director	Number of shares Personal interests	Corporate * interests *(note a)*
Mr. Law Kwok Leung	7,812,500	111,718,750
Mr. Tong Hing Chi	7,812,500	—

Note:

(a) 111,718,750 shares are held by Sino Regal Holding Limited, a company incorporated in the British Virgin Islands in which Mr. Law Kwok Leung has an equity interest of 70% therein.

Save as disclosed above, as at 30th September 2002, neither the directors nor their associates, had any interests in any equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed under the heading "Share option scheme", at no time during the period was the Company, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30th September 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholders	Number of shares	Percentage of share capital (%)
Sino Regal Holding Limited ("SRH")	111,718,750	35.75
Sundowner Management Limited ("Sundowner")	91,406,250	29.25
Mei Ah (China) Company Limited *(note a)*	91,406,250	29.25
Mei Ah Video Production Company limited ("MAVP") *(note b)*	91,406,250	29.25
Mei Ah Holdings Limited *(note c)*	91,406,250	29.25
Mei Ah Entertainment Group Limited *(note d)*	91,406,250	29.25
Kuo Hsing Holdings Limited *(note e)*	91,406,250	29.25
Li Kuo Hsing *(note f)*	91,406,250	29.25

Notes:

(a) Sundowner is a wholly-owned subsidiary of Mei Ah (China) Company Limited ("Mei Ah China"). The shares referred to herein relate to the same parcel of shares held by Sundowner.

(b) Mei Ah China is a wholly-owned subsidiary of MAVP. The shares referred to herein relate to the same parcel of shares held by Sundowner.

(c) MAVP is a wholly-owned subsidiary of Mei Ah Holdings Limited. The shares referred to herein relate to the same parcel of shares held by Sundowner.

(d) Mei Ah Holdings Limited is a wholly-owned subsidiary of Mei Ah Entertainment Group Limited ("Mei Ah Entertainment"). The shares referred to herein relate to the same parcel of shares held by Sundowner.

(e) As at 30th September 2002, Kuo Hsing Holdings Limited is interested in approximately 50 per cent of the issued share capital of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Sundowner.

(f) Kuo Hsing Holdings Limited is wholly owned by Mr. Li Kuo Hsing, chairman of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Sundowner.

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as at 30th September 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30th September 2002. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th September 2002.

SPONSOR'S INTEREST

None of Shenyin Wanguo Capital (H.K.) Limited ("Shenyin", the Company's sponsor), its directors, employees or associates as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules had any interests in the share capital of the Company as at 30th September 2002.

Pursuant to the agreement dated 23rd March 2001 entered into between the Company and Shenyin, Shenyin has received and will receive a fee for acting as the Company's retained sponsor for the purpose of the GEM Listing Rules.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules at any time during the six months ended 30th September 2002.

COMPETING BUSINESS

None of the directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which compete or may compete with the business of the Group.

AUDIT COMMITTEE

In compliance with Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee comprising two independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. The present members of the audit committee are Mr. Sousa Richard Alvaro and Mr. Carl Chang.

On Behalf of the Board
Tong Hing Chi
Chairman

Hong Kong, 12th November 2002