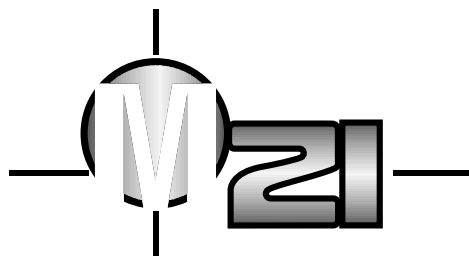


# **M21 Technology Limited**

(Incorporated in Bermuda with limited liability)

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



## **THIRD QUARTERLY REPORT 2002**

Quarterly ended  
31st December 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.*

## RESULTS

The board of directors (the "Board") of M21 Technology Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st December 2002, together with the comparative figures for the corresponding periods in 2001 as follows:

	Notes	Three months ended 31st December		Nine months ended 31st December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	1	3,689	2,028	8,683	5,656
Cost of sales		(2,430)	(1,372)	(6,170)	(4,109)
Gross profit		1,259	656	2,513	1,547
Other revenue	1	2	13	2	239
Profit on disposal of fixed assets		—	—	609	—
General, administrative and other expenses		(1,660)	(1,226)	(4,728)	(4,386)
Operating loss		(399)	(557)	(1,604)	(2,600)
Interest expenses		(35)	—	(165)	(3)
Loss attributable to shareholders		(434)	(557)	(1,769)	(2,603)
Basic loss per share	3	(0.14 cents)	(0.18 cents)	(0.57 cents)	(0.83 cents)

Notes:

### 1. Revenues and turnover

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 play-out services. Revenues recognised during the three months and nine months ended 31st December 2002 are as follows:

	For the three months ended 31st December		For the nine months ended 31st December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>				
Sales of stampers for audiovisual products	1,181	1,655	4,105	4,594
Provision of pre-mastering and other media services	1,758	373	2,588	1,062
Provision of playout services	750	—	1,990	—
	3,689	2,028	8,683	5,656
<b>Other revenue</b>				
Interest income	2	13	2	239
<b>Total revenues</b>	<b>3,691</b>	<b>2,041</b>	<b>8,685</b>	<b>5,895</b>

### 2. Taxation

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the three months and nine months ended 31st December 2002 (2001: Nil).

### 3. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31st December 2002 was based on the Group's loss attributable to shareholders of approximately HK\$434,000 and approximately HK\$1,769,000 (2001: HK\$557,000 and HK\$2,603,000) 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 nine months ended 31st December 2002 and 2001 were not presented because there were no dilutive potential ordinary shares.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the three months and nine months ended 31st December 2002 (2001: Nil).

## BUSINESS REVIEW

For the nine months ended 31st December 2002, income from pre-mastering and other media services accounted for approximately 30% (2001 : 19%) of the Group's turnover whilst income from mastering services accounted for 47% (2001 : 81%) of the Group's turnover. Most of the Group's sales during the period was derived from Hong Kong and PRC, accounting for approximately 90% of the Group's sales, whilst the remaining 10% was derived from India.

The Group has generated a gross profit of approximately HK\$2,513,000 (2001: HK\$1,547,000) out of total turnover of approximately HK\$8,683,000 (2001: HK\$5,656,000) for the nine months ended 31st December 2002. Turnover has increased by approximately 54% compared to last year, the gross profit margin has increased from 27% of last year to 29%.

Both the VCD and DVD stamper orders suffered from dramatic decrease in quantity and average price, the drop in quantity was due to the equipment maintenance while the drop in price was mainly caused by the competition in the market. The increase in turnover was mainly attributable to the new income stream of the playout service provided to MATV Limited ("MATV") under a trial agreement during the period from April 2002 to August 2002, and has turned into a formal agreement thereafter. This new income stream brought an extra inflow of HK\$1,990,000, which accounted for approximately 23% of the Group's turnover. The Group has also been successfully extended the pre-mastering service to incorporate with other media services, and was represented by the shoot up of 144% comparing with the same period last year.

The proportion of business relying from our single large customer in mastering services has been decreased to 43% (2001: 52%) 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 stream was the disposal of excess PowerTV machinery which generated a profit of HK\$609,400 during the period under review. Loss attributable to the shareholders for the nine months ended 31st December 2002 has decreased by approximately 32% comparing with the same period last year. Despite the fact that the Group is still sustaining loss, the directors are optimistic of the growth and profitability of the Group in the near future.

## BUSINESS PURSUITS/PROSPECTS

Though the general climate remains prudent and the depressing economy has been further threatened by the possible war of Middle East, the Group has been developing aggressively and utilizing its excellence in audiovisual technology to sustain high growth and to pursue the Group's product/service development strategy as a whole.

Since the acquisition of PowerTV equipment, the Group has been enabled 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. Playout service is a kind of such transmission that the Group will develop on.

Furthermore, for the Group to provide playout service will also create other business opportunity in areas such as media service, which prepares the audio and video signal ready for the playout purpose.

The Group has been exploring business opportunities in pre-mastering, mastering, webcasting and media services and believes 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.

The Directors are of the view that it is a good opportunity for the Group to consolidate and enhance its business and asset base during a economic recession that will generate promising returns to the Group in the future.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 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 31st December 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.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31st December 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 ( <i>note a</i> )	91,406,250	29.25
Mei Ah Video Production Company limited ("MAVP") ( <i>note b</i> )	91,406,250	29.25
Mei Ah Holdings Limited ( <i>note c</i> )	91,406,250	29.25
Mei Ah Entertainment Group Limited ( <i>note d</i> )	91,406,250	29.25
Kuo Hsing Holdings Limited ( <i>note e</i> )	91,406,250	29.25
Li Kuo Hsing ( <i>note f</i> )	91,406,250	29.25

### Notes:

- 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.
- 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.
- 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.
- 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.
- As at 31st December 2002, Kuo Hsing Holdings Limited is interested in approximately 52 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.
- 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 31st December 2002.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the nine months ended 31st December 2002. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the nine months ended 31st December 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 31st December 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 nine months ended 31st December 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 present members of the audit committee are Mr. Sousa Richard Alvaro and Mr. Carl Chang. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

On Behalf of the Board  
**Tong Hing Chi**  
Chairman

Hong Kong, 12th February 2003