



# AGL

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



**2002** third quarterly report

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “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 of the Stock Exchange 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 at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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*This report, for which the directors of AGL MediaTech Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to AGL MediaTech Holdings Limited. 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. (incorporated in the Cayman Islands with limited liability)*

**HIGHLIGHTS**

- Successful listing on the GEM on 29 November, 2002.
- Turnover achieved approximately HK\$1,693,000 for the nine months ended 31 December, 2002, representing a slight decrease of approximately 2% when compared with the same period in 2001.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December, 2002.

**FINANCIAL INFORMATION****Unaudited Combined Results**

The board (the "Board") of directors (the "Directors") of AGL MediaTech Holdings Limited (the "Company") is pleased to announce the unaudited combined financial results of the Company and its subsidiaries (together, the "Group") for the three months and the nine months ended 31 December, 2002 together with the comparative figures for the corresponding periods ended 31 December, 2001 as follows:

**CONDENSED COMBINED INCOME STATEMENT**

For the Three Months and the Nine Months Ended 31 December, 2002

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	3	164	1,035	1,693	1,733
Other operating income		1	—	1	—
Research and development expenditures		(211)	(169)	(602)	(297)
Selling expenses		(163)	(10)	(382)	(13)
Administrative expenses		(1,062)	(575)	(2,092)	(986)
(Loss) profit from operations		(1,271)	281	(1,382)	437
Finance costs		—	—	—	—
(Loss) profit before taxation		(1,271)	281	(1,382)	437
Taxation	4	—	—	(13)	—
Net (loss) profit for the period		(1,271)	281	(1,395)	437
(Loss) earnings per share, in HK cents	6				
— basic		(0.30)	0.07	(0.34)	0.11
— diluted		N/A	0.07	N/A	0.10

**NOTES TO COMBINED FINANCIAL STATEMENTS****For the Three Months and the Nine Months Ended 31 December, 2002****1. Group Reorganisation and Basis of Preparation**

The Company was incorporated in the Cayman Islands on 28 May, 2002 as an exempted company with limited liability under the Companies Law (2002 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 23 October, 2002.

The shares of the Company were listed on the GEM of the Stock Exchange on 29 November, 2002.

The combined results for the three months and the nine months ended 31 December, 2001 and 2002 are prepared as if the current group structure had been in existence throughout the periods, or since their respective dates of incorporation, where this is a shorter period, and only include the results of the business operations from the date of acquiring the business operations from Capital Automation Company Limited ("Capital Automation"). The basis of preparation of this quarterly financial report differ from the basis used in the accountants' report included in the prospectus of the Company dated 22 November, 2002 in which the business operations carried on by Capital Automation for the period from 1 April, 2000 to 23 June, 2001 are deemed to have been carried on by the Group.

Details of the Group Reorganisation were set out in the prospectus of the Company dated 22 November, 2002.

**2. Principal Accounting Policies**

The principal accounting policies adopted in preparing the unaudited combined income statement are consistent with the accounting policies used in the preparation of the accountants' report as included in the prospectus of the Company dated 22 November, 2002.

**3. Turnover**

Turnover represents the net amounts received and receivable by the Group for on line advertising solution, mobile advertising solution and content management solution provided to customers.

**4. Taxation**

The Group had no assessable profit for the three months ended 31 December, 2002. The charge for the nine months ended 31 December, 2002 represents the Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that period.

**5. Dividend**

The directors do not recommend the payment of a dividend for the three months and the nine months ended 31 December, 2002 (2001: Nil).

**6. (Loss) Earnings Per Share**

The calculation of basic (loss) earnings per share for the three months and the nine months ended 31 December, 2002 is based on the respective net loss for the period of HK\$1,271,000 and HK\$1,395,000 (2001: profit of HK\$281,000 and HK\$437,000) and the weighted average of 430,434,783 and 410,181,818 (2001: 400,000,000 and 400,000,000) shares of the Company that would have been in issue throughout the period on the assumption that the Group Reorganisation had been completed as at 1 April, 2001.

Diluted loss per share for the three months and nine months ended 31 December, 2002 is not presented as the exercise of share options would result in a decrease in the loss per share.

The calculation of the diluted earnings per share for the three months and the nine months ended 31 December, 2001 are based on the respective net profit for the period of HK\$281,000 and HK\$437,000 and the weighted average of 429,793,102 and 429,793,102 shares (after adjusting for the deemed issue of 29,793,102 shares, calculated with reference to the number of shares issuable under the share option scheme of the Company).

## 7. Reserves

The movements in the reserves of the Group are as follows:

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated (loss) profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2002	—	—	1,010	1,010
Premium arising on issue of shares	19,200	—	—	19,200
Expenses incurred in connection with the issue of shares	(6,483)	—	—	(6,483)
Capitalisation	(3,998)	—	—	(3,998)
Special reserve arising on Group Reorganisation	—	11	—	11
Net loss for the period	—	—	(1,395)	(1,395)
At 31 December, 2002	<u>8,719</u>	<u>11</u>	<u>(385)</u>	<u>8,345</u>

The special reserve represents the difference between the nominal value of the shares of Yorkmax Investments Limited, the company which was the holding company of the other members of the Group prior to the Group Reorganisation, and the nominal value of the Company's shares issued for share exchange at the time of the Group Reorganisation.

## FINANCIAL REVIEW

For the nine months ended 31 December, 2002, the Group recorded a turnover of approximately HK\$1,693,000 (2001: HK\$1,733,000), representing a slight decrease of approximately 2% when compared to the corresponding period in 2001. For the three months ended 31 December, 2002, the Group's turnover was approximately HK\$164,000 (2001: HK\$1,035,000). The decrease was mainly attributed to the economic downturn, which led to the drop in demand of the Group's product over the period.

For the nine months ended 31 December, 2002, administrative expenses increased to approximately HK\$2,092,000 compared to HK\$986,000 in the same period of 2001. The increase was mainly attributed to the expansion of the Group's operations and businesses. Consequently, the Group occupied more office space over the period. In addition, the increase was due to the inclusion of remuneration paid to the 3 executive Directors, 2 non-executive Directors and 2 independent non-executive Directors for the services rendered during the period.

As a result of the slight decrease in the Group's total revenue and the increase in administrative expenses, the Group's net loss for the period for the nine months ended 31 December, 2002 has reached approximately HK\$1,395,000 (2001: profit of HK\$437,000).

## BUSINESS REVIEW

During the Review Period, the Group continued to engage itself in research and development, as well as to increase the market penetration in Hong Kong. The Group also started the process of setting up a new subsidiary in Shanghai for expanding the Group's business opportunities in the Greater China region.

The Group has achieved significant research and development results in testing and implementing a series of scheduled products including, i-tvSurvey.net, eMail-Blast.net, and CDMatrix. The success in R&D results encourages the continuous efforts in further development and commercialisation of innovative technologies to increase revenue of the Group.

Due to the 3G service in Hong Kong is not yet released and the Directors' reservation of customer acceptance of the 3G service, the Group has postponed the launching of its Mobile Advertising Solutions (MAS) products to third quarter of the following fiscal year.

The Group has initiated and maintained close relationships with clients in Hong Kong and the Greater China region for business development of the Group. Extensive marketing activities on the Group's proprietary and US patent pending technologies and products to the existing and potential clients as well as numbers of distributors have been launched.

Apart from the focus on the business development and R&D, the Group was successfully listed on the GEM of The Stock Exchange of Hong Kong, which has enhanced its financial position for better development and expansion of the Group's products and services.

## PROSPECTS

The successful listing of the Group on the GEM of The Stock Exchange of Hong Kong represents a milestone in the Group's history. The Group continues to build on its vision to become the leading provider of the On-line Rich Media and Content Distribution Solutions in Asia, with focus on the three core lines of business: On-line advertising solutions, mobile advertising solutions and content management solutions.

The Group will continue its efforts in developing and maintaining strategic alliances with solution providers for better market penetration of the Group's products and services as well as the expansion of the Group's geographical presence in markets in Asia. This approach benefits the Group by minimizing marketing expenses and to reach multiple geographic markets concurrently.

As several products, namely Webtomatic! (WebMatrix) and CMS Advance (CMS for SOHO), will come to the market earlier than planned, the Directors believe that these afore-mentioned new products will increase revenue and market share for the Group.

In addition, the Group will also introduce a new pricing model, monthly fee for application server leasing, to its solution providers. With this approach, the Group will continue to receive fixed and variable fees for its products and services and at the same time increase its recurring income by monthly application server rental and maintenance fee. The Directors believe that the new pricing model will increase the Group's cash flow as well as its revenue and market share.

In view of the immense business opportunities followed by the PRC's accession into the WTO and the gaining popularity of digital marketing in Greater China Region, the Shanghai subsidiary will be set up in the coming quarter for better market penetration in the PRC market. The Group will also continue to strengthen its research and development capabilities which will in turn bring in profits to the Group and shareholders by enhancing product features and popularities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 31 December, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL**

As at 31 December, 2002, the interests of the Directors and chief executive of the Company and their respective associates in the Company and their associated corporation as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests). Ordinance the "SDI Ordinance" of the Company or which required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rule, to be notified to the Company and the Exchange were as follows:

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Mr. Chan Tik Yuen	—	4,655,172 (Note 2)	360,000,000 (Note 1)	—	364,655,172
Ms. Han Seung A	—	360,000,000 (Note 2)	—	4,655,172 (Note 3)	364,655,172
Mr. Cheung Ka Kin	—	—	—	4,655,172 (Note 3)	4,655,172
Mr. Chung Yan Yee, Andrew	—	—	—	7,758,621 (Note 3)	7,758,621
Ms. Wong Cheung Yun	—	—	—	4,655,172 (Note 3)	4,655,172

Note:

- (1) These shares are registered in the name of City Pacific Ventures Limited, of which Mr. Chan Tik Yuen has indirect beneficial interest. Accordingly, Mr. Chan Tik Yuen is deemed to be interested in all the shares in which City Pacific Ventures Limited is interested pursuant to the SDI Ordinance.
- (2) Ms. Han Seung A and Mr. Chan Tik Yuen are spouses to each other and are deemed to be interested in all the interests in which the other is interested.
- (3) This represents the number of Shares which may fall to be allotted and issued upon the exercise of all the relevant options granted to the relevant Directors under the Pre-IPO Share Option Scheme.

Save as disclosed above, as at 31 December, 2002, none of the Directors, the chief executive of the Company or their respective associates had any personal, family, corporate or other interests in the shares in the Company or any of its associated corporation as defined in the SDI Ordinance or which, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Exchange.

**DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES**

As at 31 December, 2002, the Company had two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme (both terms as defined in the prospectus of the Company dated 22 November, 2002).

**(1) PRE-IPO SHARE OPTION SCHEME**

Pursuant to the Pre-IPO Share Option Scheme, as hereinafter defined, the Company has granted options to certain Directors to subscribe for shares in the Company. Details of the options granted to Directors are as follows:

Name of Director	No. of options granted	No. of options outstanding as at the date hereof	Exercise price per underlying Share
Mr. Chung Yan Yee, Andrew (Executive Director)	7,758,621	7,758,621	HK\$0.05
Mr. Cheung Ka Kin (Executive Director)	4,655,172	4,655,172	HK\$0.05
Ms. Wong Cheung Yun (Non-executive Director)	4,655,172	4,655,172	HK\$0.05
Ms. Han Seung A (Non-executive Director)	4,655,172	4,655,172	HK\$0.05

No options granted pursuant to the Pre-IPO Share Option Scheme as stated above had been exercised or cancelled during the three months ended 31 December, 2002.

## (2) SHARE OPTIONS SCHEME

No options had been granted to directors or employees of the Group under the Share Options Scheme during the three months ended 31 December, 2002.

Save as disclosed above, at no time during the periods from 1 April, 2002 to 31 December, 2002 was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December, 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the Company has been notified the following interests, being 10% or more in the Company's issued share capital:

Name of Shareholder	Number of Shares	Shareholding
City Pacific Ventures Limited ( <i>Note 1</i> )	360,000,000	75%
Joy Ventures International Limited ( <i>Note 1</i> )	360,000,000	75%
Mr. Chan Tik Yuen ( <i>Notes 2 &amp; 3</i> )	360,000,000	75%
Ms. Han Seung A ( <i>Note 3</i> )	360,000,000	75%

Notes:

- (1) City Pacific Ventures Limited is wholly-owned by Joy Ventures International Limited as trustee of The WCY Unit Trust, all but one units of which are beneficially owned by The CNH Trust. The remaining one unit of The WCY Unit Trust is beneficially owned by Ms. Wong Cheung Yun (the mother of Mr. Chan Tik Yuen). HSBC International Trustee Limited and Ms. Wong Cheung Yun are the trustee and the protector of The CNH Trust, respectively. The discretionary objects of The CNH Trust during the Moratorium Period are Mr. Chan Tik Yuen (as to 60% of the trust assets) and Mr. N. H. Chan, father of Mr. Chan Tik Yuen (as to 40% of the trust assets) and thereafter are the family members of Mr. Chan Tik Yuen and Mr. N. H. Chan including, but not limited to, Ms. Han Seung A (the spouse of Mr. Chan Tik Yuen), Ms Wong Cheung Yun and Chan Shiu Shu (the daughter of Mr. Chan Tik Yuen). Joy Ventures International Limited is wholly-owned by The CNH Trust. In accordance with the terms of the trust deed of The CNH Trust, Mr. Chan Tik Yuen, as the settlor of The CNH Trust, has conferred the widest possible discretionary power onto HSBC International Trustee Limited as to the administration of the trust fund. Hence, HSBC International Trustee Limited has a complete and unfettered discretion as to whether or not to make any distribution, the amount of the distribution, which beneficiaries will receive the distribution, the investment of the trust fund and early termination of the trust period, subject to the restriction that no distribution of the trust fund shall be made under The CNH Trust during the Moratorium Period. To this end, HSBC International Trustee Limited will not be influenced by Mr. Chan Tik Yuen to cause any disposal of the Shares. In accordance with the terms of the trust deed of The CNH Trust, the protector, Ms. Wong Cheung Yun has the power to remove HSBC International Trustee Limited as trustee of The CNH Trust and appoint a replacement. As such, Ms. Wong Cheung Yun will exercise this removal power if it is found that HSBC International Trustee Limited has any serious mismanagement or misconduct as to the trust fund.
- (2) Mr. Chan Tik Yuen has indirect beneficial interest in City Pacific Ventures Limited and is deemed to be interested in all the shares held by City Pacific Ventures Limited for the purposes of the SDI Ordinance.
- (3) Mr. Chan Tik Yuen and Ms. Han Seung A are spouses to each other and are deemed to be interested in all the interests held by the other for the purposes of the SDI Ordinance.

## COMPETING INTERESTS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.



## **SPONSOR'S INTERESTS**

As confirmed by the Company's sponsor, South China Capital Limited (the "Sponsor"), as at 31 December, 2002, neither the Sponsor nor its directors, employees and associates (as referred in Note 3 to rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company, or any members of the Group.

Pursuant to the agreement dated 22 November, 2002 entered into between the Company and the Sponsor, the Sponsor has received and will receive a fee for acting as the Company's sponsor to the Company for the purpose at the GEM Listing Rules for the period from 22 November, 2001 to 31 March, 2005 or until the Sponsor Agreement is otherwise terminated upon the terms and conditions set out therein.

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 26 October, 2002 with written terms of reference in compliance with rules 5.23 to 5.25 of the GEM Listing Rules and with reference to guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has two members which comprises the two independent non-executive Directors, namely, Mr. Carl Chang and Mr. Shi Huan Zhang.

## **BOARD PRACTICES AND PROCEDURES**

Since the date of listing of the Group on 29 November, 2002, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board  
**AGL MediaTech Holdings Limited**  
**Chan Tik Yuen**  
*Chairman and Chief Executive Officer*

Hong Kong, 13 February, 2003