



# AGL

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



**2003** annual 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.

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 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.

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## Corporate Information

### EXECUTIVE DIRECTORS

Dr. Chan Tik Yuen (*Chairman*)  
Mr. Cheung Ka Kin

### NON-EXECUTIVE DIRECTORS

Ms. Han Seung A  
Ms. Wong Cheung Yun

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shi Huan Zhang  
Mr. Carl Chang

### COMPANY SECRETARY

Mr. Tam Chi Ming George

### QUALIFIED ACCOUNTANT

Mr. Tam Chi Ming George

### COMPLIANCE OFFICER

Dr. Chan Tik Yuen

### AUDIT COMMITTEE

Mr. Shi Huan Zhang  
(*Chairman of the audit committee*)  
Mr. Carl Chang

### AUTHORISED REPRESENTATIVES

Dr. Chan Tik Yuen  
Mr. Cheung Ka Kin

### AUDITORS

Deloitte Touche Tohmatsu

### Legal Adviser

*As to Hong Kong law*  
D.S. Cheung & Co.

*As to Cayman Islands law*  
Truman Bodden & Company

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor  
99 Hennessy Road  
Wan Chai  
Hong Kong

### REGISTERED OFFICE

Caledonian House  
P.O. Box 1043 GT  
69 Jennet Street  
George Town  
Grand Cayman  
Cayman Islands

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.  
Butterfield House  
68 Fort Street  
P.O. Box 705  
George Town  
Grand Cayman  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
28th Floor, BEA Harbour View Centre  
56 Gloucester Road  
Wan Chai  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited  
CITIC Ka Wah Bank Limited  
Bank of China (Hong Kong) Limited

### COMPANY HOMEPAGE

[www.aglmediatech.com](http://www.aglmediatech.com)

### GEM Stock Code

8192

## Chairman's Statement

I am pleased to present the Shareholders my report on the operation of the Group for the year ended 31 March 2003.

### Financial Review

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$1,851,000 (2002: HK\$3,726,000), representing a decrease of approximately 50% when compared to last year. The drop in turnover was mainly attributable to the decrease in content management solution income during the year to approximately HK\$1,477,000 from HK\$2,749,000 in last year. Such decrease was principally due to the continued global and local economic downturn, which further aggravated the investment and spending in on-line rich media and content distribution solutions in every industry.

Administrative expenses, on the other hand, increased during the year under review to approximately HK\$4,697,000 from HK\$1,612,000 in last year. The increase was mainly a result of the expansion of the Group's operations and businesses.

In addition, the Group continued its efforts in initiating the Groups market penetration in Hong Kong and the Greater China region and in maintaining closer relationships with clients. Consequently the Group occupied more office space and recruited more sales and marketing staffs during the year, which together led to the increase in administrative expenses.

As a result of the decrease in the Group's total revenue and the increase in administrative expenses, the Group's net loss for the year ended 31 March 2003 has reached approximately HK\$3,967,000 (2002: profit of HK\$1,010,000).

The Group adopts a conservative treasury policy with all bank deposits in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

### Dividend

The Board does not recommend the payment of a final dividend.

## Chairman's Statement

### Business review

For the year ended 31 March 2003, the Group continued its efforts in enhancing the Group's market penetration in Hong Kong and the Greater China region. Close relationships with clients were initiated and maintained. In April 2003, the Group established a new subsidiary in Shanghai for its further expansion of potential market and effective initiation of business opportunities in the Greater China region.

Extensive strategic marketing campaigns, including exhibitions, printing advertisement and digital e-marketing, were launched for promoting the Group's proprietary and US patent pending technologies and boosting the interests in adopting on-line advertising technologies in the market. The Group's active participation in SME Market Day 2003 exhibition organized by Hong Kong Trade Development Council successfully further promoted the Group's brand name and products to the SME market. Additional and new staff members for sales and marketing team are recruited in Hong Kong head office and Shanghai subsidiary.

The Group has achieved significant research and development results in testing and implementing a series of newly developed products, namely CMS CodeOne Chinese code conversion server, i-tvSurvey.net, eMail-Blast.net, CDMatrix and VisualCMS. The successful R&D results encourage the continuous efforts in further development and commercialization of innovative technologies to boost the revenue of the Group.

The Group continued to enhance the performance of a series of products. i-tvc.net and i-tvServe.net were further enhanced and enabled to display and handle video with longer length, which expands the Group's potential market. Webtomatic! (previously named WebMatrix) was enriched to become an one-stop and all-rounded package with hosting and e-marketing tools for better penetration to SME market. The launch of the Mobile Advertising Solutions (MAS) i.e. i-tvc.net for PDA and i-tvc.net for Phone was deferred in line with the delayed launching of 3G service in the region.

The successful listing of the Group on the GEM of The Stock Exchange of Hong Kong Limited has enhanced its financial position for better development and expansion of the Group's products and service.

## Chairman's Statement

### Prospects

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 3 lines of solutions: on-line advertising solutions, mobile advertising solutions and content management solutions.

The enhanced Group's proprietary and US patent pending on-line advertising solutions, i-tvc.net will increase in demand due to the empowered capability for handling video with longer length. With the PRC's accession into the WTO and the gaining popularity of digital marketing in the Greater China region, CMS CodeOne Chinese code conversion server and the packages offered under the brand name of Webtomatic! will increase revenue and market share of the Group.

To increase recurring income together with fixed and variable income, the Group will continue to promote the new application server service packages with pricing model of monthly payment. Comprehensive marketing and promotional activities will be launched to enhance the brand awareness and acceptance towards the Group's products.

A new branding, Modules2Go.com, will be launched in July 2003 for the Group's application service provision services to system integrators and design houses. Modules2Go.com is a new recurring revenue model which requires a fixed monthly subscription fee and transaction fee based on actual licenses of the Group's program modules sold, such as CMS Lite, CMS Advance, i-tvSurvey.net, etc. The Group believes this flexible pricing model will contribute positively to the Group and enable better reseller network building in the U.S. and the Greater China region.

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 expansion of the Group's geographical presence in the Asian market. It benefits the Group by minimizing marketing expenses and reaching multiple geographic markets concurrently.

The Group will also continue to strengthen its research and development capabilities which will in turn bring in profits to the Group by enhancing product development, product features and popularities.

### Appreciation

On behalf of the Board, I would like to express my gratitude to our customers, strategic partner and shareholders for their support and all our staff members for their hard work and dedicated service.

**Chan Tik Yuen**  
*Chairman*

Hong Kong, 24 June 2003

# Management Discussion and Analysis

## Liquidity, Financial Resources and Capital structure

As at 31 March 2003, the net asset of the Group is amounted to HK\$10,573,000 (2002: HK\$1,022,000). The current assets amounted to HK\$9,451,000 (2002: HK\$1,212,000) while current liabilities amounted to HK\$941,000 (2002: HK\$590,000).

## Significant investment

The Group had no significant investment held in the year ended 31 March 2003.

## Material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no significant disposals or acquisitions of subsidiaries and affiliated companies during the financial year ended 31 March 2003.

## Employees and Remuneration Policies

As at 31 March 2003, the number of employees of the head office in Hong Kong increased to 13 as at 31 March 2003 from 9 as at 31 March 2002. The staff cost incurred in the current financial year increased to HK\$2,013,000 as compared with HK\$1,546,000 in the previous financial year, representing an increase of 31%. With the Group's continuous efforts in expanding business opportunities in the Greater China region and research and development, the Shanghai subsidiary was established in April 2003 with 4 staff members employed.

Remuneration of employees was generally in line with the market trend and commensurable to the level of pay in the industry, with discretionary year-end bonus paid and/ or share options granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

## Charges on group assets

The assets of the Group had not been charged to any third parties in the financial year under review.

## Material Investment Plans

As at 31 March 2003, the Group did not have any significant investment plans, except the plans set out in the section heading "Statement of Business Objectives" in the prospectus dated 22 November 2002.

## Gearing ratio

Since the Group did not incur any bank borrowings as at 31 March 2003, the gearing ratio which is expressed as the ratio of total net bank borrowings to shareholder's fund was zero, being the same as that recorded as at the end of the previous financial year.



## Management Discussion and Analysis

### Exposure to fluctuations in foreign exchange and hedging

As at 31 March 2003, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

### Contingent Liabilities

As at 31 March 2003, the Group had no contingent liabilities (2002: nil).

### Comparison of Business Objectives with Actual Business Progress

#### Business Objectives

#### Actual Business Progress

##### Product and Technology

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Continue product enhancement and product development for i-tvc.net, i-tvc.net for PDA, i-tvc.net for Phone, i-tvServe.net, i-tvSurvey.net, eMail-blast.net, CDMatrix, CMS for Portal, CMS for Office and CMS for Visual</li></ul> | <ul style="list-style-type: none"><li>• Continued to enhance product performance<ul style="list-style-type: none"><li>- i-tvc.net and i-tvServe.net were further enhanced and become enable to display video with longer length, which further expanded the potential market.</li><li>- Webtomatic! was enriched to become an one-stop and all-rounded package with hosting with e-marketing tools and i-tvSurvey.net for better penetration to the SME Market.</li></ul></li><li>• Continued efforts in product development<ul style="list-style-type: none"><li>- CMS CodeOne Chinese Code Conversion product was successfully developed earlier than scheduled. It enables instant code conversion between Traditional Chinese and Simplified Chinese in virtually all types of Internet contents, ranging from standard HTML documents, PHP, ASP, JSP, ColdFusion and Macromedia Flash</li><li>- i-tvcSurvey.net and eMail-Blast.net were completed in development and under the planning for strategic marketing</li></ul></li></ul> |
|---|---|

## Management Discussion and Analysis

### Business Objectives

- Nurture and cultivate market acceptance of On-line advertising technologies: i-tvc.net, i-tvServe.net and CMS line of products
- Improve customer support network

### Actual Business Progress

- CDMatrix was undergoing a series of internal testing.
- VisualCMS (previously named CMS for Visual) was completely developed and the Group was liaising with potential agents.
- The Launch of i-tvc.net for PDA and Phone was deferred in line with the delayed launching of 3G service in the region.
- Product Renaming strategies
  - Product renaming strategies were adopted for more effective marketing of products, thus welcoming a wider range of customers.
  - Renamed products: CMS for Portal to CMS Platinum, CMS for SOHO to CMS Advance, CMS for Visual to VisualCMS, and WebMatrix to Webtomatic!.

### Marketing

- Strategic Marketing and promotional campaigns, including exhibitions and multimedia marketing, were launched for better acceptance of on-line advertising technologies in the market.
- Additional staff members for sales and marketing team were recruited.
- A comprehensive customer support system for all products was setup.
- Automated systems were installed for streamlining the fulfillment process.

## Management Discussion and Analysis

### Business Objectives

### Actual Business Progress

#### Research & Development upgrades

- Increase headcount of programmers and designers
- Additional 2 more programmers and 1 new designer were recruited.
- Certain new servers with higher performance were installed for facilitating the Research & Development processes

#### Enhancement of i-tvc.net and i-tvServe.net platform

- Revamp and/or enhance systems
- Continued enhancement and testing of the platform were adopted.

### Use of proceeds

The net proceeds from the Placing, after deduction of related expenses, are HK\$14.6 million. An analysis of the use of proceeds as at 31 March 2003 is as follows:

	Proposed	Actual
	<i>HK\$ million</i>	
Purchase of design & development tools, recruitment of additional staff to develop and enhance CMS and i-tvc.net technologies and the R&D capability of new rich media solutions	3.6	0.8
Purchase of development tools and the recruitment of additional staff to facilitate the development of new MAS for connected mobile devices	3.6	0.8
Enhancement of the infrastructure	1.7	1.1
Brand-building and marketing campaigns	1	0.2
Geographical expansion and acquisitions of complimentary companies	1.7	0.5
Additional working capital	3	2.6
	14.6	6.0
	14.6	6.0

## Biographical Details of Directors and Senior Management

### Executive Directors

**Dr. CHAN Tik Yuen**, aged 29, is the Chairman of the Board and the Chief Executive Director of the Group. With his extensive experience in the research and development of on-line advertising tools and mobile phone content development and marketing analysis, Dr. Chan is responsible for the overall strategic planning and business development of the Group. Dr. Chan is elected as the chief representative for the Hong Kong and Taiwan Region of the Trade & Economic Bureau of Shaoxing Economic Development Zone (浙江省紹興經濟開發區經貿局) since 2002. He holds a Bachelor's degree of Science and Business Administration from the University of North Carolina (Charlotte) in the United States and a Doctor of Philosophy degree of Business Administration. Prior to joining the Group, Dr. Chan was the Chairman of the board of directors of Capital Automation Holdings Limited (now named China Eagle Group Co. Ltd.), a listed Company on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the Chairman and Chief Executive Officer of 32days.com Asia and a director of Capital Embroidering & Weaving Ltd. He is the spouse of Ms. Han Seung A and the son of Ms. Wong Cheung Wan and Mr. N.H. Chan.

**Mr. CHEUNG Ka Kin**, aged 30, is an Executive Director and the Chief Operating Officer of the Group. He is responsible for the daily operation and product development management of the Group. Prior joining to the Group in 2000, Mr. Cheung has gained extensive experience in engineering and project management from Paragon Electronic Company Limited, Hewlett Packard and Tiger Electronic Far East Ltd. since 1995-2000. He holds a Bachelor's degree of Engineering in Electronic Engineering from The Hong Kong University of Science and Technology.

### Non-executive Directors

**Ms. WONG Cheung Yun**, aged 59, is a Non-executive Director and joined the Group in May 2002. With her over 20 years' experience in business development in the PRC market, Ms. Wong advises the Group's market development policies in the PRC. From 1992-1997, Ms. Wong was elected as a Non-executive Director of Capital Automation Holdings Limited (now named China Eagle Group Co. Ltd.), a listed company on the Main Board of The Stock Exchange of Hong Kong Limited. Ms Wong is the mother of Dr. Chan and the mother-in-law of Ms. Han Seung A.

**Ms. HAN Seung A**, aged 32, is a Non-executive Director and joined the Group in June 2001. With her five years' trading and marketing experience gained in the Korean market, Ms. Han advises the development of the Group in the Korean market. Ms. Han holds the directorship and the title of Business Development Manager of 32days.com. Ms. Han is the spouse of Dr. Chan and the daughter-in-law of Ms. Wong Cheung Yun.

## Biographical Details of Directors and Senior Management

### Independent Non-executive Directors

**Mr. Carl CHANG**, aged 47, was appointed as an Independent Non-executive Director of the Group in October 2002. He has extensive experience in the broadcasting, publishing and other media related industries. He was a general manager of Commercial Radio and TV Enterprise International from 1994 to 1995, the President of Rock Communications Limited in Taiwan from 1996 to 1997, the Chief Executive Officer of Metro Broadcast Corporation Limited from 1998 to 1999. Mr. Chang is now the Chief Executive Officer of Emperor Multimedia Group since 2002. Mr. Chang is a director of M21 Technology Ltd., a listed company on GEM. Mr. Chang holds a Bachelor of Arts (Honours) degree from The University of Hong Kong.

**Mr. SHI Huan Zhang**, aged 68, was appointed as an Independent Non-executive director in October 2002. He is the principal partner and researcher of All Bright Law Offices in Shanghai, the PRC. He is also the present president of Shanghai Criminology Institute, vice president of Shanghai Jurisprudence Institute, the chief editor of "Shanghai Jurisprudential Study", president of Shanghai Jurist and Entrepreneur, Vice-President of China Behavioral Jurisprudence Institute and member of Shanghai Social Combination Association. Mr. Shi is the independent director of Wonders Information Co. Limited. He holds a Law degree in Business Transaction and Corporation from Beijing University, the PRC.

### Senior Management

**Mr. CHAN Sai keung**, aged 42, joined the Group in 2003 as the General Manager. With his over 20 year's experience in technology business, Mr. Chan is responsible for the management and administration of Group. He is a holder of Master of Arts in Electronic Business and Master of Business Administration from the City University of Hong Kong.

**Mr. TAM Chi Ming George**, aged 27, is the Chief Financial Officer and is responsible for making strategic and financial advisory to the Chairman of the Group. Prior to joining the Group in 2002, Mr. Tam was a manager of a corporate consulting company and had previously worked with PricewaterhouseCoopers. Mr. Tam holds a Bachelor's degree in Accountancy from Hong Kong Polytechnic University. He is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

**Mr. WU Xin Jun**, aged 27, is the Chief Technology Officer of the Group. Mr. Wu is primarily responsible for directing and supervising the Group's technology deployment and research and development. Prior to joining the Group in 2002, Mr. Wu gained experience in developing Internet-based applications from Capsoft. Mr. Wu graduated from the China Textile University Shanghai with a Bachelor in Science degree and a Master in Science degree.

**Mr. JEON Sang Hoon**, aged 30, is the Chief Creative Officer (Rich Media) of the Group. Prior joining to the Group in 2002, Mr. Jeon was a web site developer, system administrator, a senior designer for Capital Automation, Inc. from 1999 to 2000 and as a creative director for CAIC from 2000 to 2001. Mr. Jeon holds a Bachelor's degree in Computer Science from Taegu University in Korea. He received certificates of Information Processing Manager in 1997 and KCIP (Korea Certificate of Internet Professional) in 1998.

## Biographical Details of Directors and Senior Management

**Mr. KANG Tae Wook**, aged 32, is Chief Creative Officer (Design) of the Group. Prior to joining the Group in 2002, Mr. Kang worked as a senior designer for Capital Automation, Inc. from 1999 to 2000 and as a creative director for CAIC from 2000 to 2001. Mr. Kang graduated from Dong-Ah University in Korea with a Bachelor of Fine Arts (Visual Design) degree. Mr. Kang continued his learning in the Parsons School of Design and University of North Carolina (Charlotte) in the United States. Mr. Kang was awarded the special prizes from Korea Institute of Industrial Design Promotion both in Poster and Package design from 1996-1997.

**Mr. YUN Yong Ho**, aged 28, is the Creative Director (Rich Media) of the Group. Before joining the Group in 2002, Mr. Yun worked as a freelance designer, and a contractor of the Group. Mr. Yun graduated from Kyungpook National University in Korea with a Bachelor degree in Landscape Architecture.

Many of Mr. Yun's works were selected in various design competitions such as Creative 2001, the 3rd University Computer Graphics Promotion for Graduation Exhibition, held by Korea Adobe systems Inc. and Korea Epson Corporate. In June 2000, Mr. Yun won the 2nd prize in 2000 Communication Design Competition, held by Korea Institute of Industrial Design Promotion, and in 2002, Mr. Yun was awarded Macromedia Power User by Macromedia.

Mr. Yun is also the author of design books, such as Dreamweaver4 Tutorial (nSF Samsung Publishing), Homepage Tutorial (nSF Samsung Publishing), Flash 5 Tutorial (nSF Samsung Publishing), Director 8 Tutorial (Bestbook Publishing), Dreamweaver 3 Tutorial (Bestbook Publishing) and Director 7 Tutorial (Bestbook Publishing).

**Mr. FU Siu Yau**, aged 28, is the Creative Director (Design) of the Group. Before joining the Group in 2002, Mr. Fu started his career with Eric Mower & Associate (Buffalo, N.Y) as a graphic designer in 1998. From 1999 to 2001, Mr. Fu has worked for Capital Automation, Inc and CAIC as senior designer.

Mr. Fu graduated from the State University of New York College at Buffalo in the United States in 1998, with a Bachelor of Fine Arts degree. Mr. Fu received the 1st prize of International Student Organization Logo Design Competition in 1994 and International Student Organization Annual Banner Design Competition in 1995.

## Directors' Report

The directors present their first annual report and the audited financial statements of the Company from 28 May 2002 (the date of incorporation) to 31 March 2003 and of the Group for the year ended 31 March 2003.

### **Reorganisation and listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

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 to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 23 October 2002.

Details of the Group Reorganisation are set out in the prospectus issued by the Company dated 22 November 2002.

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

### **Principal Activities**

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 9 to the financial statements.

### **Results and Appropriation**

The results and appropriation of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 21.

### **Property, Plant and Equipment**

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 8 to the financial statements.

### **Share Capital**

Details of movements in the share capital of the Company during the period are set out in note 17 to the financial statements.

## Directors' Report

### Directors

The directors of the Company during the period and up to the date of this report were:

*Executive directors:*

Chan Tik Yuen	(appointed on 28 May 2002)
Cheung Ka Kin	(appointed on 28 May 2002)
Chung Yan Yee, Andrew	(appointed on 28 May 2002 and resigned on 27 March 2003)

*Non-executive directors:*

Wong Cheung Yun	(appointed on 28 May 2002)
Han Seung A	(appointed on 28 May 2002)

*Independent non-executive directors:*

Carl Chang	(appointed on 26 October 2002)
Shi Huan Zhang	(appointed on 26 October 2002)

In accordance with Article 108 of the Company's Articles of Association, Wong Cheung Yun retires and, being eligible, offer herself for re-election.

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing on 26 October 2002 which shall continue thereafter until terminated by either party giving to the other party not less than three months prior written notice.

Each of the non-executive directors and the independent directors has entered into a letter of appointment with the Company for an initial term of one year commencing on 26 October 2002 which shall continue thereafter until terminated by either party giving to the other party not less than three months prior written notice.

### Directors' Interests in Equity Securities

As at 31 March 2003, the interests of the Directors and chief executives 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 Interests) Ordinance (the "SDI Ordinance") of the Company or which required, pursuant to rules 5.41 to 5.59 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal interest	Family interest	Corporate interest	Total
Chan Tik Yuen	—	—	360,000,000 (Note 1)	360,000,000
Han Seung A	—	360,000,000 (Note 2)	—	360,000,000



## Directors' Report

### Directors' Interests in Equity Securities (continued)

Notes:

1. These shares are registered in the name of City Pacific Ventures Limited, of which Chan Tik Yuen has an indirect beneficial interest. Accordingly, 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. Han Seung A and Chan Tik Yuen are spouses to each other and are deemed to be interested in all the interests in which the other is interested.

Save as disclosed above, as at 31 March 2003, none of the directors or 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 5.41 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

### Directors' and Chief Executive's Right to Acquire Shares

The Company operates two share option schemes. A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002, pursuant to which certain share options were granted to employees and directors prior to the listing of the Company on the GEM of the Stock Exchange (the "Pre-IPO Share Option Scheme"). Another share option scheme was also adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). Particulars of the Company's share option schemes are set out in note 18 to the financial statements.

The following table discloses the movements in the number of share options granted to the directors of the Company under the Pre-IPO Share Option Scheme during the year:

Name of director	Date of grant	Exercise price	Exercisable period	Number of share options		
				Granted on 26.10.2002	Exercised during the year	Outstanding at 31.3.2003
Cheung Ka Kin	26.10.2002	HK\$0.05	26.10.2002 - 25.10.2012	4,655,172	—	4,655,172
Chung Yan Yee, Andrew	26.10.2002	HK\$0.05	26.10.2002 - 25.10.2012	7,758,621	—	7,758,621
Wong Cheung Yun	26.10.2002	HK\$0.05	26.10.2002 - 25.10.2012	4,655,172	—	4,655,172
Hang Seung A	26.10.2002	HK\$0.05	26.10.2002 - 25.10.2012	4,655,172	—	4,655,172
				21,724,137	—	21,724,137

No share options have been granted under the Share Option Scheme since its adoption.

## Directors' Report

### Directors' and Chief Executive's Right to Acquire Shares *(continued)*

The fair value of the options granted in the current year measured as at the date of grant on 26 October 2002 was HK\$0.22 per option. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

- 1) an expected volatility of 39.7% based on historical volatility;
- 2) no annual dividend based on historical dividends;
- 3) the estimated expected life of the options granted during the year is 10 years; and
- 4) a risk-free interest rate of 4.76% was based on Hong Kong Government bond interest rate at the date the options were granted.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because the changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements 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. None of the directors or chief executives, nor any of their spouses or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

### Substantial Shareholders

As at 31 March 2003, 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 interest, 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%
Chan Tik Yuen <i>(Notes 2 &amp; 3)</i>	360,000,000	75%
Han Seung A <i>(Note 3)</i>	360,000,000	75%

## Directors' Report

### Substantial Shareholders (continued)

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 Wong Cheung Yun (the mother of Chan Tik Yuen). HSBC International Trustee Limited and 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 Chan Tik Yuen (as to 60% of the trust assets) and N. H. Chan, father of Chan Tik Yuen (as to 40% of the trust assets) and thereafter are the family members of Chan Tik Yuen and N. H. Chan including, but not limited to, Han Seung A (the spouse of Chan Tik Yuen), Wong Cheung Yun and Chan Shiu Shu (the daughter of 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, 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 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, Wong Cheung Yun has the power to remove HSBC International Trustee Limited as trustee of The CNH Trust and appoint a replacement. As such, 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) 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) Chan Tik Yuen and 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.

### Connected Transactions

Significant connected transactions entered into by the Group during the year are disclosed in note 23 to the financial statements.

### Directors' Interests in Contracts of Significance

Other than disclosed in note 23 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Sponsor's Interests

As at 31 March 2003, none of South China Capital Limited ("South China"), its directors, employees or associates had any interest in the securities of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any of its subsidiaries.

Pursuant to the agreement dated 22 November 2002 entered into between the Company and South China, South China will receive a fee for acting as the Company's sponsor for the period from 29 November 2002 to 31 March 2003.

## Directors' Report

### Major Customers

During the year, the five largest customers in aggregate accounted for approximately 58% of the turnover of the Group and the largest customer accounted for approximately 20% of the total turnover of the Group. 32days.com Asia Company Limited and Capital Embroidering and Weaving Company Limited, two of the five largest customers, accounted for approximately 16% and 5% of the Group's turnover for the year, respectively. 32days.com Asia Company Limited is a company in which Chan Tik Yuen and Han Seung A have beneficial interests, whereas Capital Embroidering and Weaving Company Limited is beneficially owned by Chan Tik Yuen.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the total purchases of the Group.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### Purchases, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the year.

### 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.

### Corporate Governance

The Company has complied in the period between its listing date and 31 March 2003 with rules 5.28 to 5.39 of the GEM Listing Rules.

## Directors' Report

### Audit Committee

The Company established an audit committee on 26 October 2002 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 comprising two independent non-executive directors, Carl Chang and Shi Huan Zhang.

An audit committee meeting was held since the date of listing on the GEM to the date of this report. The Group's financial statements for the year ended 31 March 2003 have been reviewed by the audit committee, who was of the opinion that the financial statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

### Auditors

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company at the time of its incorporation on 28 May 2002. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

### Chan Tik Yuen

*DIRECTOR*

Hong Kong, 24 June 2003

## Auditors' Report

### 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

執業會計師  
香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

#### **TO THE SHAREHOLDERS OF AGL MEDIATECH HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 21 to 42 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 24 June 2003

## Consolidated Income Statement

For the year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	3	1,851	3,726
Other operating income		55	11
Research and development expenditure		(787)	(806)
Selling expenses		(346)	(115)
Administrative expenses		(4,697)	(1,612)
(Loss) profit from operations	4	(3,924)	1,204
Interests on bank borrowings wholly repayable within five years		(32)	(1)
(Loss) profit before taxation		(3,956)	1,203
Taxation	6	(11)	(193)
Net (loss) profit for the year		(3,967)	1,010
(Loss) earnings per share, in HK cents	7		
- Basic		(0.93)	0.25
- Diluted		N/A	0.23

## Consolidated Balance Sheet

At 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current asset			
Property, plant and equipment	8	<u>2,128</u>	<u>454</u>
Current assets			
Other investment	10	—	1
Trade and other receivables	11	626	1,070
Deposits placed in a securities company	12	6,500	—
Amounts due from directors	13	157	—
Amount due from a related company	14	11	100
Bank balances and cash		<u>2,157</u>	<u>41</u>
		<u>9,451</u>	<u>1,212</u>
Current liabilities			
Other payables and accrued charges		802	174
Amount due to a director	15	—	277
Taxation payable		<u>139</u>	<u>139</u>
		<u>941</u>	<u>590</u>
Net current assets		<u>8,510</u>	<u>622</u>
Total assets less current liabilities		<u>10,638</u>	<u>1,076</u>
Non-current liability			
Deferred taxation	16	<u>65</u>	<u>54</u>
		<u>10,573</u>	<u>1,022</u>
Capital and reserves			
Share capital	17	4,800	12
Reserves		<u>5,773</u>	<u>1,010</u>
		<u>10,573</u>	<u>1,022</u>

The financial statements on pages 21 to 42 were approved and authorised for issue by the Board of Directors on 24 June 2003 and are signed on its behalf by:

**Chan Tik Yuen**  
DIRECTOR

**Cheung Ka Kin**  
DIRECTOR



## Balance Sheet

At 31 March 2003

	<i>Notes</i>	<i>HK\$'000</i>
Non-current asset		
Interests in subsidiaries	9	5,680
Current assets		
Other receivables		112
Deposits placed in a securities company	12	4,900
Bank balances and cash		57
		<u>5,069</u>
Current liabilities		
Other payables and accrued charges		183
Amount due to a director	15	42
		<u>225</u>
Net current assets		<u>4,844</u>
		<u>10,524</u>
Capital and reserves		
Share capital	17	4,800
Reserves		5,724
		<u>10,524</u>

**Chan Tik Yuen**  
DIRECTOR

**Cheung Ka Kin**  
DIRECTOR

## Statements of Changes in Equity

For the year ended 31 March 2003

	Share capital HK\$'000 (Note 17)	Share premium HK\$'000	Special reserve HK\$'000 (Note 19)	Contributed surplus HK\$'000 (Note 19)	Accumulated profits (loss) HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
At 1 April 2001	—	—	—	—	—	—
Issue of shares	12	—	—	—	—	12
Net profit for the year	—	—	—	—	1,010	1,010
At 31 March 2002 and 1 April 2002	12	—	—	—	1,010	1,022
Share capital eliminated on Group Reorganisation	(12)	—	11	—	—	(1)
Initial share capital of the Company	1	—	—	—	—	1
Issues of shares on acquisition of a subsidiary	1	—	—	—	—	1
Issue of shares on placing	800	19,200	—	—	—	20,000
Issue of shares by way of capitalisation of share premium account	3,998	(3,998)	—	—	—	—
Expenses incurred in connection with the issue of shares	—	(6,483)	—	—	—	(6,483)
Net loss for the year	—	—	—	—	(3,967)	(3,967)
<b>At 31 March 2003</b>	<b>4,800</b>	<b>8,719</b>	<b>11</b>	<b>—</b>	<b>(2,957)</b>	<b>10,573</b>
<b>THE COMPANY</b>						
Initial share capital of the Company	1	—	—	—	—	1
Issues of shares on acquisition of a subsidiary	1	—	—	—	—	1
Contributed surplus arising on Group Reorganisation	—	—	—	742	—	742
Issue of shares on placing	800	19,200	—	—	—	20,000
Issue of shares by way of capitalisation of share premium account	3,998	(3,998)	—	—	—	—
Expenses incurred in connection with the issue of shares	—	(6,483)	—	—	—	(6,483)
Net loss for the period	—	—	—	—	(3,737)	(3,737)
<b>At 31 March 2003</b>	<b>4,800</b>	<b>8,719</b>	<b>—</b>	<b>742</b>	<b>(3,737)</b>	<b>10,524</b>

## Consolidated Cash Flow Statement

For the year ended 31 March 2003

	2003 HK\$'000	2002 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(3,956)	1,203
Adjustments for:		
Interest expenses	32	1
Interest income	—	(11)
Depreciation	171	45
Property, plant and equipment written off	52	—
Operating cash flows before working capital changes	(3,701)	1,238
Decrease (increase) in trade and other receivables	444	(1,070)
Decrease (increase) in amount due from a related company	89	(100)
Increase in other payables and accrued charges	628	174
Cash (used in) generated from operations	(2,540)	242
Interest paid	(32)	(1)
Interest received	—	11
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<b>(2,572)</b>	<b>252</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,897)	(499)
Advance to directors	(157)	—
Proceeds from disposal of other investment	1	—
Acquisition of other investment	—	(1)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,053)</b>	<b>(500)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	13,518	12
(Repayment to) advance from directors	(277)	277
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>13,241</b>	<b>289</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,616</b>	<b>41</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>41</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>8,657</b>	<b>41</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	2,157	41
Deposits placed in a securities company	6,500	—
	<b>8,657</b>	<b>41</b>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 1. Group Reorganisation and Basis of Preparation of Financial Statements

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. Its ultimate holding company is Joy Ventures International Limited, a company incorporated in the British Virgin Islands.

Pursuant to a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Group Reorganisation”), 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 Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these financial statements have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group. This basis of preparation, so far as the results for the year ended 31 March 2002 are concerned, differs from the basis used in the accountants’ report as included in the prospectus of the Company dated 22 November 2002 in which the business operations carried on by Capital Automation Company Limited, a company whose business was acquired by the Group, for the period prior to 23 June 2002 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.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 9.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

#### Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 31 March each year.

The consolidated financial statements incorporate the effects of the Group Reorganisation which has been accounted for by using merger accounting.

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.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the lease
Buildings	Over the terms of the lease or 20 years, whichever is the shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Computer equipment	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 2. Significant Accounting Policies (continued)

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 as income immediately.

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Revenue recognition

Revenue from advertising projects is recognised when the project is completed.

Revenue from content management solutions is recognised when the management services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally generated intangible asset arising from the Group's software development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 2. Significant Accounting Policies (continued)

#### Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

#### Operating leases

Rental payables under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

#### Retirement benefits costs

Payments to Mandatory Provident Fund scheme are charged as an expense as they fall due.

#### Share options

No employee benefits cost is recognised when options are granted. When the options are exercised, equity is increased by the amount of the proceeds received.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 3. Turnover and Segment Information

	2003 HK\$'000	2002 HK\$'000
The turnover comprises:		
Content management solution income	1,477	2,749
On-line advertising solution income	374	972
Mobile advertising solution income	—	5
	<u>1,851</u>	<u>3,726</u>

Turnover and contribution to (loss) profit from operations by segment has not been presented as all the Group's turnover was derived from the provision of services in Hong Kong and all assets were located in Hong Kong for both years.

### 4. (Loss) Profit from Operations

	2003 HK\$'000	2002 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 5</i> )	1,190	525
Other staff costs	841	1,021
Total staff costs	<u>2,031</u>	<u>1,546</u>
Auditors' remuneration	325	50
Depreciation	171	45
Property, plant and equipment written off	52	—
Minimum lease payments paid under operating leases		
- Premises	414	66
- Computer equipment	20	—
and after crediting:		
Interest income	<u>—</u>	<u>11</u>



## Notes to the Financial Statements

For the year ended 31 March 2003

### 5. Directors' and Employees' Emoluments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-executive directors fees	200	—
Independent non-executive directors fees	34	—
Executive directors		
- Salaries and other benefits	943	509
- Mandatory Provident Fund scheme contributions	13	16
	<u>1,190</u>	<u>525</u>

The directors' fee for each non-executive director was HK\$100,000 (2002: nil) and for each independent non-executive director was HK\$17,000 (2002: nil). Other than director's fees, none of the non-executive directors receive any emoluments.

The three executive directors received emoluments for the year in the amount of HK\$545,000, HK\$276,000 and HK\$135,000, respectively (2002: HK\$263,000, HK\$262,000 and nil).

Of the five individuals with the highest emoluments in the Group, two individuals (2002: two individuals) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining three individuals (2002: three individuals) were as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	512	529
Mandatory Provident Fund scheme contributions	25	—
	<u>537</u>	<u>529</u>

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 6. Taxation

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	—	139
Deferred taxation ( <i>note 16</i> )		
- Current year	6	54
- Attributable to a change in tax rate	5	—
	<u>11</u>	<u>54</u>
	<u>11</u>	<u>193</u>

No provision of Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year. The charge in 2002 represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that year.

Details of the deferred taxation for the year are set out in note 16.

### 7. (Loss) Earnings Per Share

The calculation of basic (loss) earnings per share for the year ended 31 March 2003 is based on the net loss for the year of HK\$3,967,000 (2002: a profit of HK\$1,010,000) and the weighted average of 427,397,260 (2002: 400,000,000) shares of the Company that would have been in issue throughout the year on the assumption that the Group Reorganisation had been completed as at 1 April 2001.

Diluted loss per share for the year ended 31 March 2003 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 year ended 31 March 2002 is based on the net profit for the year of HK\$1,010,000 and the weighted average of 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).

## Notes to the Financial Statements

For the year ended 31 March 2003

### 8. Property, Plant and Equipment

#### THE GROUP

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2002	—	76	82	285	56	499
Additions	980	31	90	196	600	1,897
Written off	—	(76)	—	—	—	(76)
<b>At 31 March 2003</b>	<b>980</b>	<b>31</b>	<b>172</b>	<b>481</b>	<b>656</b>	<b>2,320</b>
DEPRECIATION						
At 1 April 2002	—	8	7	23	7	45
Provided for the year	—	18	27	75	51	171
Eliminated on written off	—	(24)	—	—	—	(24)
<b>At 31 March 2003</b>	<b>—</b>	<b>2</b>	<b>34</b>	<b>98</b>	<b>58</b>	<b>192</b>
NET BOOK VALUE						
At 31 March 2003	980	29	138	383	598	2,128
At 31 March 2002	—	68	75	262	49	454

The leasehold land and buildings are located in Hong Kong under a medium-term lease.

### 9. Interests in Subsidiaries

	<b>2003</b>
	<b>HK\$</b>
Unlisted shares, at cost	<b>743</b>
Amount due from a subsidiary	<b>4,937</b>
	<b>5,680</b>

The cost of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group on the date of the Group Reorganisation.

The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors, the amount will not be repayable within twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 9. Interests in Subsidiaries (continued)

Particulars of the Company's subsidiaries as at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation and operations	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company (note i)	Principal activity
Art Global Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of on-line advertising solutions, mobile advertising solutions and content management solutions services
AGL MediaTech Limited	Hong Kong	Ordinary HK\$2,000	100%	Investment holding
AGL Creations Limited	Hong Kong	Ordinary HK\$10,000	100%	Research and development
AGL MediaWorks Limited	Hong Kong	Ordinary HK\$10,000	100%	Property holding
Yorkmax Investments Limited ("Yorkmax")	British Virgin Islands	Ordinary US\$1,500	100%	Investment holding
Hong Kong International Enterprises Limited	British Virgin Islands	Ordinary US\$1	100%	Inactive

Notes:

- (i) Other than Yorkmax which is held directly by the Company, all subsidiaries shown above are held indirectly by the Company.
- (ii) None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 10. Other Investment

#### THE GROUP

The balance as at 31 March 2002 represented the Group's 99.9% equity investment in 32days.com Asia. Although the Group held 99.9% in 32days.com Asia, it had not been consolidated because the investment was acquired in December 2001 exclusively with a view to its disposal in the near future. The investment is therefore accounted for as an other investment under Statement of Standard Accounting Practice No. 24 "Investments in securities" issued by the Hong Kong Society of Accountants.

32days.com Asia was incorporated in Hong Kong on 20 October 2000 with an ordinary share capital of HK\$10,000. Its principal activity is the operation of 32days.com portal.

The investment was disposed of by the Group in April 2002 to Chan Tik Yuen, a director of the Company. Details of the disposal are set out in note 23.

### 11. Trade and Other Receivables

The Group generally allows an average credit period of 30 days to its trade customers. An aging analysis of trade receivables of the Group at the balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
Trade receivables:		
- Within 30 days	50	942
- 31 - 60 days	22	46
- 61 - 90 days	—	5
- Over 90 days	120	60
	<hr/>	<hr/>
	192	1,053
Other receivables	434	17
	<hr/>	<hr/>
	626	1,070
	<hr/> <hr/>	<hr/> <hr/>

### 12. Deposits Placed in a Securities Company

The deposits are unsecured, interest-bearing and repayable on demand.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 13. Amounts Due From Directors

	Balance at 31.3.2003 HK\$'000	The Group	
		Balance at 1.4.2002 HK\$'000	Maximum balance outstanding during the year HK\$'000
Name of director			
Wong Cheung Yun	95	—	100
Chan Tik Yuen	62	—	108
	<u>157</u>	<u>—</u>	<u>208</u>

The amounts are unsecured, interest-free and repayable on demand.

### 14. Amount Due From a Related Company

	Balance at 31.3.2003 HK\$'000	The Group	
		Balance at 1.4.2002 HK\$'000	Maximum balance outstanding during the year HK\$'000
Name of related company			
32days.com Asia Company Limited ("32days.com Asia")	11	100	100
	<u>11</u>	<u>100</u>	<u>100</u>

32days.com Asia is a company in which Chan Tik Yuen and Han Seung A, directors of the Company, have beneficial interests. The amount is unsecured, interest-free and repayable on demand.

### 15. Amount Due to a Director

#### THE COMPANY AND THE GROUP

It represents the balance with Chan Tik Yuen. The amount was unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 16. Deferred Taxation

	The Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of the year	54	—
Charge for the year ( <i>note 6</i> )	11	54
	<u>65</u>	<u>54</u>
Balance at end of the year	<u>65</u>	<u>54</u>

At the balance sheet date, the major components of the deferred taxation liabilities (assets) are as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences arising from:		
Excess of tax allowance over depreciation	144	54
Tax loss	(79)	—
	<u>65</u>	<u>54</u>

There was no material unrecognised deferred taxation during the year or at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 17. Share Capital

	Number of ordinary shares	Amount HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each		
At the date of incorporation ( <i>note (i)</i> )	10,000,000	100,000
Increase during the period ( <i>note (iv)</i> )	1,990,000,000	19,900,000
	<u>2,000,000,000</u>	<u>20,000,000</u>
At 31 March 2003	<u>2,000,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each		
Issue of share to initial subscriber ( <i>note (i)</i> )	1	—
Issue of shares ( <i>note (ii)</i> )	99,999	1,000
Issue of shares on acquisition of a subsidiary ( <i>note (iii)</i> )	100,000	1,000
Issue of shares by capitalisation of the share premium account ( <i>note (v)</i> )	399,800,000	3,998,000
Issue of shares on placing ( <i>note (vi)</i> )	80,000,000	800,000
	<u>480,000,000</u>	<u>4,800,000</u>
At 31 March 2003	<u>480,000,000</u>	<u>4,800,000</u>

Details of the changes in the Company's share capital for the period from 28 May 2002 (date of incorporation) to 31 March 2003 are as follows:

- (i) The Company was incorporated on 28 May 2002 with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. One share was allotted and issued to the initial subscriber of the Company on the date of incorporation.
- (ii) On 28 May 2002, the Company allotted and issued 99,999 ordinary shares of HK\$0.01 each at par to City Pacific Ventures Limited ("City Pacific"). These new shares ranked *pari passu* in all respects with the then existing share.
- (iii) On 23 October 2002, the Company issued 100,000 ordinary shares of HK\$0.01 each for the acquisition of Yorkmax pursuant to a reorganisation agreement.
- (iv) Pursuant to a written resolution passed by the then sole member of the Company on 23 October 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of additional 1,990,000,000 ordinary shares of HK\$0.01 each.



## Notes to the Financial Statements

For the year ended 31 March 2003

### 17. Share Capital (continued)

- (v) Pursuant to a written resolution passed by the then sole member of the Company on 26 October 2002, the Company allotted and issued a total of 399,800,000 ordinary shares of HK\$0.01 each to City Pacific by way of capitalisation of the sum of HK\$3,998,000 standing to the credit of the share premium account of the Company. These new shares ranked *pari passu* in all respects with the then existing shares.
- (vi) On 27 November 2002, the Company placed 80,000,000 ordinary shares of HK\$0.01 each to professional, institutional and other investors at a price of HK\$0.25 per share. These new shares ranked *pari passu* in all respects with the then existing shares.

The amount of share capital at 31 March 2002 shown on the consolidated balance sheet represents the share capital of Yorkmax which was the ultimate holding company of the other members of the Group prior to the Group Reorganisation.

### 18. Share Option Schemes

As at 31 March 2003, the Company operates two share option schemes. A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002, pursuant to which the Company granted certain share options to employees and directors prior to the listing of the Company on the GEM of the Stock Exchange (the "Pre-IPO Share Option Scheme"). Another share option scheme was also adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme").

Both schemes were adopted for a period of ten years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under both schemes, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the Board of Directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

- (i) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time.
- (ii) the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 48,000,000 shares, representing 10% of the issued share capital of the Company at 29 November 2002.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 18. Share Option Schemes (continued)

The terms of the Pre-IPO Share Option Scheme are substantially the same as those of the Share Option Scheme, except that the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is limited to 37,241,377.

A nominal consideration of HK\$10 is payable upon acceptance of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

Details of the Company's share option granted under the Pre-IPO Share Option Scheme held by employees (including directors) of the Company are as follows:

	Exercise price	Exercisable period	Granted on 26.10.2002	Exercised during the year	Outstanding at 31.3.2003
Directors	HK\$0.05	26.10.2002 - 25.10.2012	21,724,137	—	21,724,137
Employees	HK\$0.05	26.10.2002 - 25.10.2012	15,517,240	—	15,517,240
			<u>37,241,377</u>	<u>—</u>	<u>37,241,377</u>

No options have been granted under the Share Option Scheme since its adoption.

### 19. Reserves

The special reserve represents the difference between the nominal value of the shares of Yorkmax, 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 thereof pursuant to the Group Reorganisation.

The contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise share premium, contributed surplus after deducting accumulated losses which in aggregate amounted to HK\$5,724,000. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company and, under the Companies Law (2002 Revision) of the Cayman Islands, the Company must be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or dividend.

## Notes to the Financial Statements

For the year ended 31 March 2003

### 20. Non-Cash Transactions

During the year ended 31 March 2003, the major non-cash transactions were as follows:

- (i) On 23 October 2002, the Company issued a total of 100,000 ordinary shares of HK\$0.01 each for the acquisition of Yorkmax pursuant to the Group Reorganisation.
- (ii) Pursuant to a written resolution passed by the sole member of the Company on 26 October 2002, the Company allotted and issued a total of 399,800,000 ordinary shares of HK\$0.01 each to City Pacific by way of capitalisation of the sum of HK\$3,998,000 standing to the credit of the share premium account of the Company.

### 21. Operating Lease Commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises and computer equipment which fall due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	502	—
In the second to fifth year inclusive	58	—
	<u>560</u>	<u>—</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and equipment. The average lease term is two years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

### 22. Retirement Benefits Schemes

The Group participates in a Mandatory Provident Fund scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

During the year, the total amount contributed by the Group to the MPF Scheme are HK\$40,000 (2002: HK\$34,000).

## Notes to the Financial Statements

For the year ended 31 March 2003

### 23. Related Party Disclosures

#### (a) Related party transactions

During the year, the Group had significant transactions with the following related parties:

Name of related party	Nature of transaction	Notes	2003 HK\$'000	2002 HK\$'000
32days.com Asia	Content management solutions income received by the Group	(i)	300	1,090
Capital Embroidering and Weaving Limited	Content management solutions income received by the Group	(i)&(ii)	100	—
Wong Cheung Yun	Rental expenses paid by the Group	(i)	120	—
Wong Cheung Yun	Purchase of properties by the Group	(i)	980	—
Chan Tik Yuen	Purchase of motor vehicle by the Group	(i)	600	—
Chan Tik Yuen and Han Seung A	Disposal of other investments by the Group	(iii)	1	—
			<u>          </u>	<u>          </u>

Notes:

- (i) The above transactions were undertaken on terms determined by the directors on the basis of estimated market value.
- (ii) Capital Embroidering and Weaving Limited is a company in which two of the directors, Chan Tik Yuen and Wong Cheung Yun, have beneficial interest.
- (iii) The consideration was calculated on the basis of nominal value of the shares or the net asset value represented by the shares, whichever was higher.

#### (b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the balance sheet and in notes 13, 14 and 15.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at Meeting Room 1 & 2, Business Centre, The Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 5 August 2003 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the directors and auditors for the year ended 31 March 2003.
2. To re-elect directors and to fix the remuneration of directors.
3. To re-appoint the Company's auditors and to authorise the directors to fix their remuneration.
4. To consider and, if though fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

### ORDINARY RESOLUTIONS

A. "THAT:

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;

## Notice of Annual General Meeting

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

### B. “THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; or

## Notice of Annual General Meeting

- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company). “

- C. “**THAT** subject to the passing of Ordinary Resolutions Nos. 4A and 4B set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution No. 4B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 4A set out in the notice convening this meeting, provided that such amount of shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.”

By Order of the Board  
**Chan Tik Yuen**  
*Chairman*

Hong Kong, 30 June 2003

*Principal office in Hong Kong*  
10/F, 99 Hennessy Road  
Wanchai  
Hong Kong

## Notice of Annual General Meeting

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal office of the Company at 10/F, 99 Hennessy Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. An explanatory statement containing further details regarding resolution No.4A above as required by the GEM Listing Rules will be dispatched to the members of the Company together with the 2003 Annual Report of the Company.