



**AGL**

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

ON-LINE ADVERTISING

EMAIL MARKETING

VIDEO DELIVERY

ECOMMERCE

MOBILE ADVERTISING

CONTENT MANAGEMENT

**FIRST QUARTERLY REPORT 2003**

## **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.*

**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 consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June, 2003 together with the comparative figures for the corresponding period in 2002 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the Three Months Ended 30 June, 2003

	Notes	Three months ended 30 June	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover	3	233	822
Other operating income		33	—
Research and development expenditures		(13)	(184)
Selling expenses		(34)	(48)
Administrative expenses		(1,720)	(559)
		<hr/>	<hr/>
(Loss) profit before taxation		(1,501)	31
Taxation	4	—	(13)
		<hr/>	<hr/>
Net (loss) profit for the period		(1,501)	18
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share, in HK cents	6		
— basic		(0.31)	0.005
		<hr/> <hr/>	<hr/> <hr/>
— diluted		N/A	0.004
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the Three Months Ended 30 June, 2003

### 1. Basis of Preparation

The condensed consolidated income statement has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

### 2. Principal Accounting Policies

The condensed consolidated income statement has been prepared under the historical cost convention. The accounting policies adopted in preparing the condensed income statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2002. In applying such accounting policies in the preparation of the condensed consolidated income statement, greater use has been made of estimation methods than in the preparation of the annual financial statements.

In the current period, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Accounting for income taxes" issued by the Hong Kong Society of Accountants. The adoption of this revised SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. Turnover

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

### 4. Taxation

The Group had no assessable profit for the three months ended 30 June, 2003. The charge for the three months ended 30 June, 2002 represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that period.

### 5. Divided

The directors do not recommend the payment of a dividend for the three months ended 30 June, 2003 (2002: Nil).

### 6. (Loss) Earnings Per Share

The calculation of basic (loss) earnings per share for the three months ended 30 June, 2003 is based on the net loss for the period of HK\$1,501,000 (2002: profit of HK\$18,000) and 480,000,000 (2002: 400,000,000) shares in issued during the period. The shares of the Company that would have been in issue throughout the period from 1 April, 2002 to 30 June, 2002 for the purpose of earnings per share is calculated on the assumption that the group reorganisation had been completed as at 1 April, 2002.

Diluted loss per share for the three months ended 30 June, 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 three months ended 30 June, 2002 is based on the net profit for the period of HK\$18,000 and 429,793,102 shares (after adjusting for the effect of dilutive share options of 29,793,102 shares).

## 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 (losses) profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April, 2002	—	—	1,010	1,010
Net profit for the period	—	—	18	18
At 30 June, 2002	—	—	1,028	1,028
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 year	—	—	(3,985)	(3,985)
At 31 March, 2003 and 1 April, 2003	8,719	11	(2,957)	5,773
Net loss for the period	—	—	(1,501)	(1,501)
At 30 June, 2003	8,719	11	(4,458)	4,272

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 on 23 October, 2002, and the nominal value of the Company's shares issued for share exchange at the time of the group reorganisation.

## FINANCIAL REVIEW

For the three months ended 30 June, 2003, the Group recorded a turnover of approximately HK\$233,000 (2002: HK\$822,000), representing a decrease of approximately 72% when compared to the corresponding period in 2002. The 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 solutions in every industry.

For the three months ended 30 June, 2003, administrative expenses increased to approximately HK\$1,720,000 compared to HK\$559,000 in the same period of 2002. The increase was mainly attribute to 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, when compared to the corresponding period in 2002, 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 attributable to shareholders has reached approximately HK\$1,501,000 (2002: net profit of HK\$18,000).

## BUSINESS REVIEW

For the period ended 30 June 2003, the Group continued its efforts in enhancing the Group's market development in Hong Kong and the PRC. With the second generation of i-tvc.net, enhanced i-tvServe.net and Webtomatic! content management solutions for SMEs, the Group recorded a stable increase in the relevant revenue segment.

The successful development and launching of the Group's products further enhanced the market penetration of the Group. The launch of CodeOne Traditional-Simplified Chinese conversion server, which enables instant code conversion between Traditional Chinese and Simplified Chinese in virtually all types of Internet contents, was well-received by the market. Modules2go.com, which is targeted to system integrators and design houses for a wide range of application service provision services including eShop, on-line catalogue, digital photo album, SME content management systems, customer feedback collection tools, etc., was successfully developed and launched during this quarter. The Group will continue to liaise with potential distributors in Hong Kong and the PRC for better market penetration. However, the launch of i-tvc.net for Phone and PDA was deferred in line with the delayed launching of 3G service in the region.

Strategic marketing and promotional campaigns, including exhibitions, advertisement and digital marketing were launched for better understanding and acceptance of on-line marketing and advertising technologies to existing and potential customers as well as numbers of distributors in Hong Kong and the PRC market. Additional staff members for the sales and marketing department were recruited in Hong Kong head office and Shanghai subsidiary.

The success in research and development further encouraged the continuous efforts in developing, testing and implementing the innovative and proprietary technologies into new products or for product enhancement. To enhance the efficiency and effectiveness of research and development, additional programmers and designers were recruited and certain new servers with higher performance were installed.

## PROSPECTS

### *Product and technology*

The Group will continue its devotion in product development and enhancement for its proprietary technologies and products.

### *Marketing*

The Group will continue its efforts penetrating into the market segment of on-line rich media and content distribution solution services in the Greater China region with the Shanghai subsidiary, which was set up for the expected immense business opportunities followed by the PRC's accession into the WTO as well as the gaining popularity of digital marketing in the Greater China region.

The Group also expects that it will be benefited from the signing of CEPA (Closer Economic Partnership Arrangement) between the Central Government and the Hong Kong SAR Government by the anticipated increase in the demands of our US patent pending i-tvc.net technology, our proprietary CodeOne Traditional-Simplified Chinese Conversion Server and other services brought by the earlier accession of the advertising and exhibition industries into the PRC market.

Exclusive and extensive marketing campaign for CMS Advance, which is now promoted in line with Webtomatic! packages for the SME market, will be launched. Seminars and training classes will be organized to recruit and educate the independent solution providers for the market expansion of the Group's products.

### *R&D upgrades*

More programmers will be hired for enhancing the product development speed. A development office and powerful Servers will be set up in the United States for the anticipated demand in the North American market.

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

System software and infrastructure improvements are expected to continue as planned.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 30 June, 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30th June 2003, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors pursuant to Rules 5.40 of the GEM Listing Rules (other than options which have been granted under any Pre-IPO share option plans of the Company to certain directors of the Company, details of such options are set out in the paragraph headed "Pre-IPO Share Options Plans" below), were as follows:

Number of issued ordinary shares of HK\$0.10 each in the Company held  
and nature of interests

Name of director/ chief executive	Personal interests	Family Interests	Corporate interests	Other interests	Capacity	Total	Approximate percentage of the total number of shares in issue
Mr. Chan Tik Yuen	—	4,655,172 (Note 2)	360,000,000 (Note 1)	—	Beneficial Owner	364,655,172	76.0%
Ms. Han Seung A	—	360,000,000 (Note 2)	—	4,655,172 (Note 3)	Beneficial Owner	364,655,172	76.0%
Mr. Cheung Ka Kin	—	—	—	4,655,172 (Note 3)	Beneficial Owner	4,655,172	1.0%
Mr. Chung Yan Yee, Andrew (Note 4)	—	—	—	7,758,621 (Note 3)	Beneficial Owner	7,758,621	1.6%
Ms. Wong Cheung Yun	—	—	—	4,655,172 (Note 3)	Beneficial Owner	4,655,172	1.0%

### Notes:

- (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 SFO.
- (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.
- (4) Mr. Chung resigned as an executive director on 27 March 2003.

Save as disclosed above and in the paragraph headed "Pre-IPO Share Options Scheme" below, as at 30th June 2003, none of the directors, chief executive or their associates had any personal, family, corporate or other interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations and none of the directors, chief executive or any of their respective spouses or children under the age of 18 were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for any shares or debentures of the Company.



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

As at 30 June, 2003, 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 ( <i>Executive Director</i> )	7,758,621	7,758,621	HK\$0.05
Mr. Cheung Ka Kin ( <i>Executive Director</i> )	4,655,172	4,655,172	HK\$0.05
Ms. Wong Cheung Yun ( <i>Non-executive Director</i> )	4,655,172	4,655,172	HK\$0.05
Ms. Han Seung A ( <i>Non-executive Director</i> )	4,655,172	4,655,172	HK\$0.05

\* Mr. Chung resigned as an executive director on 27 March 2003 and the options granted to Mr. Chung have lapsed.

No options granted pursuant to the Pre-IPO Share Option Scheme as stated above had been exercised or cancelled during the three months ended 30 June, 2003.

**(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 30 June, 2003.

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 HAVING INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any director or chief executive of the Company, as at 30th June 2003, the following substantial shareholders of the Company (within the meaning of the GEM Listing Rules) had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO (other than those interests of directors disclosed above):

Name of shareholder	Number of shares of HK\$0.10 each in the Company held	Capacity	Approximate percentage of the total number of shares in issue
City Pacific Ventures Limited ( <i>Note 1</i> )	360,000,000	Beneficial Owner	75%
Joy Ventures International Limited ( <i>Note 1</i> )	360,000,000	Beneficial Owner	75%
Mr. Chan Tik Yuen ( <i>Notes 2 &amp; 3</i> )	360,000,000	Beneficial Owner	75%
Ms. Han Seung A ( <i>Note 3</i> )	360,000,000	Beneficial Owner	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 SFO.
- (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 SFO.

Save as disclosed herein, and as far as the directors are aware, as at 30th June 2003, no other person had any interest or short position in the shares or underlying shares of the Company which are recorded in the register of the Company to be kept under section 336 of the SFO (other than interests of persons as recorded in the register to be kept under section 336 of the SFO pursuant to Division 5 of Part XV of the SFO).

## 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 rules 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 August, 2003