M21 Technology Limited

(Incorporated in Bermuda with limited liability)

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

INTERIM REPORT
2003

For the three months and six months ended
30th September 2003

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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.

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

INTERIM RESULTS

The board of directors (the "Board") of M21 Technology Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2003 (the "Relevant Periods") together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2003

		Unaudited Three months ended 30th September		**Unaudited Six months ended 30th September**	
		2003	2002	**2003**	2002
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**3,365**	2,757	**6,673**	4,995
Cost of sales		**(1,486)**	(2,054)	**(2,939)**	(3,740)
Gross profit		**1,879**	703	**3,734**	1,255
Interest income		**—**	—	**—**	2
Profit on disposal of fixed assets		**1,447**	—	**1,447**	609
General, administrative and other expenses		**(1,585)**	(1,499)	**(3,337)**	(3,070)
Operating profit/(loss)	*3*	**1,741**	(796)	**1,844**	(1,204)
Interest expenses		**—**	(102)	**—**	(130)
Profit/(loss) attributable to shareholders		**1,741**	(898)	**1,844**	(1,334)
Basic earnings/(loss) per share	*7*	**0.56 cent**	(0.29 cent)	**0.59 cent**	(0.43 cent)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2003 AND 31ST MARCH 2003

		Unaudited 30th September 2003	Audited 31st March 2003
	Note	***HK$'000***	*HK$'000*
Fixed assets	*8*	**13,753**	14,592
Current assets			
Inventories		**427**	202
Accounts receivable	*9*	**1,774**	2,100
Other receivables and deposits		**713**	1,080
Amounts due from related companies		**4,356**	1,638
Bank balances and cash		**193**	88
		7,463	5,108
Current liabilities			
Accounts payable	*10*	**414**	227
Other payables and accrued charges		**1,496**	1,651
Amount due to related companies		**—**	360
		1,910	2,238
Net current assets		**5,553**	2,870
Total assets less current liabilities		**19,306**	17,462
Financed by:			
Share capital	*11*	**3,125**	3,125
Reserves		**16,181**	14,337
Shareholders' funds		**19,306**	17,462

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Unaudited Six months ended 30th September 2003 HK$'000	2002 HK$'000
Net cash inflow/(outflow) from operating activities	**109**	(1,272)
Net cash (used in)/from investing activities	**(4)**	1,160
Increase/decrease in cash and cash equivalents	**105**	(112)
Cash and cash equivalents at 1st April	**88**	1,397
Cash and cash equivalents at 30th September	**193**	1,285
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**193**	1,285

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Note	Unaudited Six months ended 30th September 2003 HK$'000	2002 HK$'000
Share capital			
Brought forward and carried forward	*11*	**3,125**	3,125
Share premium			
Brought forward and carried forward		**27,783**	27,783
Merger reserve			
Brought forward and carried forward		**(197)**	(197)
Accumulated losses			
Brought forward		**(13,249)**	(10,983)
Profit/(loss) for the period		**1,844**	(1,334)
Carried forward		**(11,405)**	(12,317)
Shareholders' funds		**19,306**	18,394

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and principal accounting policies

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

These condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has adopted SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003. The adoption of this new SSAP had no material effect on the Group's results.

2. Segment information

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

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

	Unaudited Turnover For the six months ended 30th September		**Unaudited Segment results For the six months ended 30th September**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discontinued operation *(note 4)*				
Sales of stampers for audiovisual products	**1,875**	2,957	**(505)**	(2,040)
Continuing operations				
Provision of pre-mastering and other media services	**2,068**	798	**995**	477
Provision of audiovisual playout services	**2,730**	1,240	**1,378**	237
	6,673	4,995	**1,868**	(1,326)
Unallocated costs			**(1,471)**	(489)
Other revenues — interest income			**—**	2
profit on disposal of fixed assets			**1,447**	609
Operating profit/(loss)			**1,844**	(1,204)
Interest expenses			**—**	(130)
Profit/(loss) attributable to shareholders			**1,844**	(1,334)

Primary report format — business segments

The Group is organised into three main business segments:

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

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

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

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

Secondary report format — geographical segments

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

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

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

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

	Unaudited Turnover For the six months ended 30th September		**Unaudited Operating profit/(loss) For the six months ended 30th September**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Geographical segment:				
Hong Kong	**6,235**	4,347	**1,745**	(1,056)
Other countries	**438**	648	**123**	(270)
	6,673	4,995	**1,868**	(1,326)
Unallocated costs			**(1,471)**	(489)
Other revenues — interest income			**—**	2
profit on disposal of fixed assets			**1,447**	609
			1,844	(1,204)

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

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging depreciation for fixed assets of HK$2,292,000 (2002: HK$1,511,000).

4. Discontinued operation

Pursuant to an agreement dated 29th July 2003, M21 Mastertech Company Limited ("Mastertech"), a wholly-owned subsidiary of the Company, has disposed its ODC Mastering System and ancillary equipment on 1st September 2003 at a consideration of HK$5,900,000. The gain arising on the disposal amounted to approximately HK$1,447,000. After the completion of the transaction, the Group has terminated its mastering operation. Accordingly, the results of which were classified as discontinued operation.

For the three months and six months ended 30th September 2003, excluding the gain on disposal of fixed assets as aforesaid, the results from the discontinued operation was a loss of approximately HK$35,000 (2002: HK$1,490,000) and a loss of approximately HK$505,000 (2002: HK$2,040,000) respectively, while the results from the continuing operations was a gain of approximately HK$328,000 (2002: loss of HK$263,000) and HK$902,000 (2002: HK$836,000) respectively.

Details of the transaction have been set out in the circular of the Company dated 15th August 2003.

5. Staff costs

	Unaudited Six months ended 30th September	
	2003	2002
	HK$'000	*HK$'000*
Wages and salaries	**1,830**	2,483
Pension costs — defined contribution plans	**54**	70
	1,884	2,553

6. Taxation

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit during the three months and six months ended 30th September 2003 (2002: Nil).

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and six months ended 30th September 2003 was based on the Group's profit/(loss) attributable to shareholders of approximately HK$1,741,000 and HK$1,844,000 (2002: loss of HK$898,000 and loss of HK$1,334,000) and on 312,500,000 (2002: 312,500,000) ordinary shares in issue during the periods.

Diluted earnings/(loss) per share for the three months and six months ended 30th September 2003 and 2002 were not presented because there were no dilutive potential ordinary shares.

8. Capital expenditure

	Fixed assets
	HK$'000
Six months ended 30th September 2003	
Opening net book amount	14,592
Additions	5,912
Disposals	(4,459)
Depreciation charge *(note 3)*	(2,292)
Closing net book amount	13,753

9. Accounts receivable

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

	Unaudited 30th September 2003	Audited 31st March 2003
	HK$'000	*HK$'000*
Current	**171**	466
31-60 days	**380**	579
61-90 days	**268**	198
Over 90 days	**979**	881
	1,798	2,124
Less: provision for doubtful debts	**(24)**	(24)
	1,774	2,100

10. Accounts payable

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

	Unaudited 30th September 2003 *HK$'000*	Audited 31st March 2003 *HK$'000*
Current	**189**	104
31-60 days	**54**	8
61-90 days	**81**	115
Over 90 days	**90**	—
	414	227

11. Share capital

	Unaudited 30th September 2003 *HK$'000*	Audited 31st March 2003 *HK$'000*
Authorised		
700,000,000 ordinary shares of HK$0.01 each	**7,000**	7,000
Issued and fully paid		
312,500,000 ordinary shares of HK$0.01 each	**3,125**	3,125

12. Commitments under operating leases

At 30th September 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th September 2003 *HK$'000*	Audited 31st March 2003 *HK$'000*
Within one year	**600**	276
In the second to fifth year inclusive	**1,150**	207
	1,750	483

13. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Unaudited Six months ended 30th September	
	Note	**2003** *HK$'000*	2002 *HK$'000*
Sale of stampers and provision of pre-mastering services to Silver Kent Technology Limited ("Silver Kent")	*(i)*	**662**	1,372
Provision of pre-mastering services and post-production services to Mei Ah Video Production Company Limited ("MAVP"), Mei Ah (HK) Company Limited ("MAHK") and MATV Limited ("MATV")	*(ii)*	**1,603**	601
Rental expense of machinery paid to MAVP	*(iii)*	**250**	300
Interest expense paid to Sundowner Management Limited ("Sundowner")	*(iv)*	**—**	91
Rental expense of factory and office premise paid to Mei Ah Investment Company Limited ("MAI")	*(v)*	**165**	138
Provision of audiovisual playout services to MATV	*(vi)*	**2,220**	1,240

(i) pursuant to the Pre-mastering Services and Stamper Supply Agreement dated 20th March 2001 and the extended agreement dated 15th May 2003 (the "Extended Agreement 1"), M21 Mastertech Company Limited ("Mastertech"), a subsidiary of the Company, has been appointed as a pre-mastering service provider and stamper supplier of Silver Kent for the period from 1st April 2000 to 31st March 2003 and 1st April 2003 to 31st March 2004 respectively. Silver Kent is 55 per cent. owned by Sino Regal Holding Limited ("SRH") and 45 per cent. owned by Sundowner. Both SRH and Sundowner are substantial shareholders of the Company. The transactions were conducted in the normal course of business and in accordance with the terms of the Pre-mastering Services and Stamper Supply Agreement. The Extended Agreement 1 has been terminated since 1st September 2003 after the completion of the disposal of the ODC Mastering System and ancillary equipment. Details of the disposal is stated in notes 4 to the condensed accounts.

(ii) pursuant to the Pre-mastering Services Agreement dated 20th March 2001 and the extended agreement (the "Extended Agreement 2") dated 15th May 2003. Mastertech has been appointed as a pre-mastering service provider of MAVP, which indirectly owns the entire equity interest of Sundowner and in turn is an indirect wholly-owned subsidiary of Mei Ah Entertainment Group Limited ("Mei Ah Entertainment") for the period from 1st April 2000 to 31st March 2003 and 1st April 2003 to 31st March 2004 respectively. The Extended Agreement 2 has been terminated since 1st September 2003 after M21 Digicast Company Limited ("Digicast"), a subsidiary of the Company, has acquired all the pre-mastering and post-production equipment from MAVP which were previously leased to Mastertech (see (iii) below). Details of the acquisition is stated in the Circular of the Company dated 15th August 2003.

Pursuant to an Agreement dated 29th July 2003 Digicast will provide pre-mastering, post-production and other services to MAHK, an indirect wholly-owned subsidiary of Mei Ah Entertainment for the period from 1st September 2003 to 31st March 2006.

Pursuant to the Formal Agreement details set out in note (vi) below, Digicast will provide editing and post-production services to MATV upon request at a fee of not more than HK$50,000 per month from 1st September 2002 to 31st August 2005.

All of the transactions were conducted in the normal course of business and in accordance with the terms of the relevant agreements.

(iii) pursuant to the leasing agreement dated 20th March 2001 (the "Leasing Agreement") and the extended agreement dated 15th May 2003, pre-mastering equipment was leased from MAVP for the period from 1st April 2000 to 31st March 2003 for a term of three years and from 1st April 2003 to 31st March 2004 for a term of one year respectively at a monthly rent of HK$50,000 or such lower sum as may be agreed between MAVP and Mastertech from time to time; the rental was determined in accordance with the Leasing Agreement. The Leasing Agreement has been terminated on 1st September 2003 after Digicast has acquired all the pre-mastering and post-production equipment from MAVP. Details of the acquisition is stated in the Circular of the Company dated 15th August 2003.

(iv) pursuant to the Loan Agreement dated 20th March 2001, loan of approximately HK$8,741,000 was advanced by Sundowner to M21 Investment, a subsidiary of the Company, for the period from 20th March 2001 to 20th March 2004. The amount was unsecured and interest was charged at Hong Kong dollars prime lending rate plus 1.5 per cent per annum. The Group has fully repaid the loan in October 2002.

(v) Pursuant to a rental agreement dated 1st January 2002 (the "Factory Rental Agreement"), factory premise was leased from MAI, an indirect wholly-owned subsidiary of Mei Ah Entertainment, for a period from 1st January 2002 to 31st December 2004 at a monthly rental of HK$23,000. The Factory Rental Agreement has been terminated on 1st September 2003 after the completion of the disposal of the ODC Mastering System and ancillary equipment. Details of the disposal is stated in notes 4 to the condensed accounts.

Pursuant to a rental agreement dated 1st September 2003 (the "Office Rental Agreement"), office premise was leased from MAI, for a period from 1st September 2003 to 31st August 2006 at a monthly rental of HK$50,000.

The transactions was entered into in the normal course of business and the rental is charged in accordance with the terms of the Factory Rental Agreement and the Office Rental Agreement.

(vi) pursuant to an agreement dated 30th March 2002 (the "Trial Agreement") entered into between Digicast and MATV, a wholly-owned subsidiary of Mei Ah Entertainment, Digicast provided audiovisual playout services to MATV for distributing its TV programmes on a trial basis at a monthly fee of HK$198,000 for a five-month period from 1st April 2002 to 31st August 2002.

On 25th July 2002, Digicast and MATV entered into another agreement (the "Formal Agreement"), under which Digicast will provide playout services to MATV for one or more of MATV's TV channel(s). During the six months ended 30th September 2003, Digicast provided audiovisual playout services to two MATV's channels at monthly fees of HK$250,000 and HK$120,000 for the channels commencing 1st September 2002 and 1st January 2003 respectively.

The transactions were entered into in the normal course of business and charged in accordance with the terms of the Trial Agreement and the Formal Agreement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30th September 2003.

BUSINESS REVIEW

Due to the Group restructure on 1st September 2003 in order to focus the Group's business in audiovisual transmission technology, the Group has sold its ODC Mastering System and ancillary equipment to Silver Kent Technology Limited[1] ("SKT") and at the same time acquired the pre-mastering and post-production equipment from Mei Ah Video Production Limited[2] ("MAVP").

Hence, income from VCD/DVD stamper represented only 5 months from April to the end of August, and the income from pre-mastering and post production service has taken into account the new post-production service introduced since 1st September 2003, while the pre-mastering service still remains as a full 6 months period from April to the end of September. The same applied to the costs and expenditure of such businesses correspondingly.

For the six months ended 30th September 2003, the Group recorded a turnover of approximately HK$6,673,000 (2002: HK$4,995,000) and an operating profit of approximately HK$397,000 exclusive of the gain on disposal of the ODC Mastering System and ancillary equipment (2002: a loss of approximately HK$1,943,000 exclusive of the gain on disposal of excess Power TV equipment), and has recorded a profitable result for two consecutive quarters since its listing on the Hong Kong GEM Board.

During the period under review, income from pre-mastering and post-production services accounted for approximately 31% (2002 : 16%) of the Group's turnover whilst income from mastering services accounted for 28% (2002 : 59%) of the Group's turnover. Revenue from playout service generated approximately 41% (2002: 25%) of the Group's turnover during the period. Most of the Group's sales during the period was derived from Hong Kong, accounting for approximately 94% (2002: 87%) of the Group's sales, whilst the remaining 6% (2002: 13%) was mainly derived from India. The decrease in foreign business was due to the increase in local sales of non-stampering services. The foreign capacity is expected to be diminished after the disposal of stampering equipment.

The Group has generated a gross profit of approximately HK$3,734,000 (2002: HK$1,255,000) out of total turnover of approximately HK$6,673,000 (2002: HK$4,995,000) for the six months ended 30th September 2003. The turnover increased by approximately 34% compared to last year, whilst the gross profit margin made a double at approximately 56% (2002: 25%).

For the 5 months' sales of stamper business during the period under review, there was a drop in VCD stamper but an increase in DVD order in comparison with the 6 months stamper business of last year. The average price of both the VCD and DVD stampers have been dramatically decreased. The increase in DVD order was apparently an illusion caused by the prolonged overhaul of stamper machine during same period last year.

The increase in turnover during the 6 months under review, when compared with the corresponding period last year, was mainly attributable to the increase in playout channels, with the latest channel started service in September 2003. The continuous growing playout service has brought an inflow of HK$2,730,000 (2002: HK$1,240,000), which accounted for approximately 41% (2002: 25%) of the Group's turnover, giving rise to an sharp increase in gross profit margin to 56% (2002: 25%). The corresponding expenditure on the playout service was reflected through the machinery depreciation which has recorded a corresponding increase of 59% to the same period last year.

The proportion of business relying from our single largest customer in the proportion in playout, pre-mastering and post-production services was recorded at 57%, while the proportion in mastering services has been decreased to 31% (2002: 42%).

Another income stream was the disposal of mastering equipment which generated a profit of HK$1,447,000 during the period under review. Thus, the profit attributable to the shareholders has been increased to HK$1,844,000 comparing with a loss of HK$1,334,000 in the same period last year.

By showing positive results, the Group has continuously demonstrated its business pursuit in the correct strategy and direction. The Directors are optimistic of the continual growth and profitability of the Group in the coming quarters, given that the benefit of restructure of the Group being realized.

Business Pursuits/Prospects

On 1st September 2003, the Group has sold the ODC Mastering System and ancillary equipment to SKT for a consideration of HK$5,900,000 and used the cash generated from asset disposal to acquire the pre-mastering and post-production equipment from MAVP at a consideration of HK$5,700,000. While acquiring these equipment from MAVP, the Group is able to concentrate in providing audiovisual related transmission and production services such as playout, pre-mastering and post-production etc. The Group has also entered into an Agreement with Mei Ah (HK) Company Limited[2] ("MAHK") to provide them with the provision of pre-mastering, post-production and other services including telecine, compression, encoding, authoring; translation, sub-titling and editing for a period from 1st September 2003 to 31st March 2006. Details of the restructuring have been set out in our circular dated 15th August 2003.

The Group is of the view that the restructure facilitates the convergence of current business pursuit and will open up channels to various types of business opportunities. The restructure has also enabled the effective blending of existing and new resources, such that the business pursuit of the digital platform can be readily attained. In addition, the directors believe that the strengthened asset base, supplemented by the efforts from the Group's executives and staff, will generate promising returns to the Group in the near future.

The Group's penetration into the media services since April 2002 has generated new income stream for the Group, as at 30th September 2003, the Group has been managing five playout channels. With the opening up of Cable Television, Satellite Television, Pay Television and Broadband Network in Hong Kong, the Group is of an optimistic view that there will be more and more channels to be rolled-out by the Pay TV license holders and broadband operators in the coming months. With the recent restructure, the Group has set ready with scalable capability to meet with these demands and will endeavour its best effort in negotiating with channel operators and exploring business opportunity.

The Directors are of the view that the playout capability has been empowered by the ancillary bundle of pre-mastering and post-production services. Though the Group has entered into a two and half years Agreement with MAHK for the provision of pre-mastering and post-production services, the Group has also extended the target customer group to channel/platform operators, as such, the Group will continuously set up facility from the POWER TV equipment to meet with the needs and generate new source of income. Given the establishing digitised platform provides new source of income and strengthens the media services as a whole, the Group is pursuing its business objectives to become a leader in the provision of media service in Hong Kong.

The Directors believed that the restructure will not only converge the resources and current business pursuit of the Group but provide a clearer and stronger image definition to the business, and will also open up channels to various types of business opportunities for the Group to sustain profitable. The management will strive to capture every opportunity to leverage and capitalize the remarkable success on media services, which in return would be in the best interest of the Company and its shareholders as a whole.

Notes:

1. SKT is a company with limited liability incorporated in Hong Kong whose equity is 45% and 55% owned by Sundowner Management Limited ("Sundowner") and Sino Regal Holding Limited ("SRH") respectively. Sundowner and SRH are substantial shareholders of the Company holding 29.25% and 35.75% equity interests respectively and . Sundowner is an indirect wholly owned subsidiary of MAEGL, the shares of which are listed on the Main Board of the Stock Exchange.

2. MAVP and MAHK are companies incorporated in Hong Kong and indirect wholly owned subsidiaries of MAEGL.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows. As at 30th September 2003, the Group has no external borrowing and has no exposure to foreign currency fluctuations.

As at 30th September 2003, the Group had 23 full-time employees. Employee costs, including directors' emoluments for the period amounted to approximately HK$1,884,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the Group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

SHARE OPTION SCHEME

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

(a) Purpose of the Scheme

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

(b) Participants of the Scheme

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

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

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

(d) Maximum entitlement of each participant

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

(e) Exercisable period of Options

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

(f) Payment on acceptance of Option offer

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

(g) Basis of determining the subscription price

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

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

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

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

(h) Remaining life of the Scheme

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

The Scheme will remain valid until 19th March 2011.

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

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September 2003, the interests of the directors and chief executives in the shares of the Company (within the meaning of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.01 each in M21 Technology Limited

Name of directors	Personal interests	Corporate interests	Other interests
Mr. TONG Hing Chi	7,812,500	—	—
Mr. LAW Kwok Leung	7,812,500	*(note (a))* 111,718,750	—
Mr. CHAN Kwok Sun, Dennis	—	—	*(note (a))* 111,718,750

Note:

(a) 111,718,750 shares are held by Sino Regal Holding Limited ("SRH"), a company in which Mr. LAW Kwok Leung and Mr. CHAN Kwok Sun, Dennis have an equity interests of 70% and 30% therein respectively.

Save as disclosed above, as at 30th September 2003, neither the directors nor their associates, had any interests in any equity securities of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th September 2003, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

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

Notes:

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

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

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

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

(e) As at 30th September 2003, Kuo Hsing Holdings Limited is interested in approximately 52.36% per cent. of the issued share capital of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Sundowner.

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

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 336 of the SFO as at 30th September 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30th September 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30th September 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules at any time during the six months ended 30th September 2003.

COMPETING BUSINESS

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

AUDIT COMMITTEE

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

On Behalf of the Board
Tong Hing Chi
Chairman

Hong Kong, 12th November 2003