



AGL

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



INTERIM 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.

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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 Consolidated 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 and six months ended 30 September 2003 together with the comparative figures for the corresponding periods in 2002 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2003

	Notes	Three months ended 30 September		Six months ended 30 September	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover	3	270	707	503	1,529
Other operating income		31	—	64	—
Research and development expenditures		—	(208)	(13)	(392)
Selling expenses		(24)	(171)	(61)	(219)
Administrative expenses		(2,177)	(472)	(3,875)	(1,029)
		<u>(1,900)</u>	<u>(144)</u>	<u>(3,382)</u>	<u>(111)</u>
Loss from operations		(1,900)	(144)	(3,382)	(111)
Finance cost		(3)	—	(3)	—
		<u>(1,903)</u>	<u>(144)</u>	<u>(3,385)</u>	<u>(111)</u>
Loss before tax	4	(1,903)	(144)	(3,385)	(111)
Taxation	5	—	—	—	(13)
		<u>(1,903)</u>	<u>(144)</u>	<u>(3,385)</u>	<u>(124)</u>
Net loss for the period		<u>(1,903)</u>	<u>(144)</u>	<u>(3,385)</u>	<u>(124)</u>
Loss per share, in HK cents	7				
— basic		<u>(0.40)</u>	<u>(0.04)</u>	<u>(0.71)</u>	<u>(0.03)</u>
— diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2003 <i>(Unaudited)</i> HK\$'000	As at 31 March 2003 <i>(Audited)</i> HK\$'000
	<i>Notes</i>		
Non-current asset			
Property, plant and equipment	8	2,365	2,128
Current assets			
Trade and other receivables	9	1,549	626
Deposits placed in a securities company		—	6,500
Amounts due from directors		—	157
Amount due from a related company		11	11
Tax recoverable		1	—
Bank balances and cash		5,948	2,157
		<u>7,509</u>	<u>9,451</u>
Current liabilities			
Other payables and accrued charges		1,183	802
Obligation under a finance lease due within one year		143	—
Taxation payable		—	139
		<u>1,326</u>	<u>941</u>
Net current assets		<u>6,183</u>	<u>8,510</u>
Total assets less current liabilities		8,548	10,638
Non-current liabilities			
Obligation under a finance lease due after one year		263	—
Deferred taxation		65	65
Net Asset		<u>8,220</u>	<u>10,573</u>
Capital and reserves			
Share capital	10	4,800	4,800
Reserves		3,420	5,773
		<u>8,220</u>	<u>10,573</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN EQUITY**

For the six months ended 30 September 2003

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits (deficits) HK\$'000	Total HK\$'000
At 1 April 2003	4,800	8,719	11	(2,957)	10,573
Adjustment of expenses incurred in connection with the issue of shares in prior year	—	1,032	—	—	1,032
Net loss for the period	—	—	—	(3,385)	(3,385)
At 30 September 2003	<u>4,800</u>	<u>9,751</u>	<u>11</u>	<u>(6,342)</u>	<u>8,220</u>
At 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
Net loss for the period	—	—	—	(124)	(124)
At 30 September 2002	<u>1</u>	<u>—</u>	<u>11</u>	<u>886</u>	<u>898</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(3,742)	(1,673)
NET CASH USED IN INVESTING ACTIVITIES	(405)	(109)
NET CASH FROM FINANCING ACTIVITIES	1,438	142
NET DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT 1 APRIL	(2,709) 8,657	(1,640) 41
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>5,948</u>	<u>(1,599)</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
BANK BALANCES AND CASH	5,948	57
BANK OVERDRAFTS	<u>—</u>	<u>(1,656)</u>
	<u>5,948</u>	<u>(1,599)</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. General

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

2. Basis of Preparation and Principal Accounting Policies

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The unaudited condensed consolidated financial statement has been prepared under the historical cost convention. The accounting policies adopted in preparing the unaudited condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003.

In the current period, the Group has adopted 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 was required.

3. Segment Information

	Three months ended 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The turnover comprises:				
Content management solution income	265	432	481	1,164
On-line advertising solution income	5	275	22	365
	<u>270</u>	<u>707</u>	<u>503</u>	<u>1,529</u>

Turnover and contribution to loss from operations by segment has not been presented as all the Group's turnover was derived from the provision of services in Hong Kong for both periods.

4. Loss from operations

	Three months ended 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Loss from operations is arrived at after charging (crediting):				
Depreciation	97	27	168	54
Interest expense	3	18	3	18
Staff cost	1,106	364	1,999	681
Interest income	(31)	—	(64)	—

5. Taxation

No provision for taxation has been made in the unaudited condensed financial statements as the Group had no assessable profit for the six months ended 30 September 2003. The charge for the six months ended 30 September 2002 represented Hong Kong Profits Tax calculated at 16% of the estimated profit of the Group for that period.

6. Interim Dividend

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

7. Loss per Share

The calculation of basic loss per share for the three months and the six months ended 30 September 2003 is based on the loss of the Group of approximately HK\$1,903,000 (2002: loss of approximately HK\$144,000) and HK\$3,385,000 (2002: loss of HK\$124,000) respectively, and on the weighted average number of ordinary shares of 480,000,000 (2002: 400,000,000) in issue during the period. The shares of the Company that would have been in issue throughout the period from 1 April 2002 to 30 September 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 periods are not presented as the exercise of share options would result in a decrease in the loss per share.

8. Fixed Assets

During the six months ended 30 September 2003, the Group spent approximately HK\$405,000 (2002: HK\$109,000) on acquisition of property, plant and equipment.

The Group had no disposal of property, plant and equipment during the six months ended 30 September 2003 (2002: Nil).

9. 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 as at September 2003 is as follows:

	As at 30 September 2003 <i>HK\$'000</i>	As at 31 March 2003 <i>HK\$'000</i>
Trade receivable		
Within 30 day	113	50
31-60 days	44	22
61-90 days	67	—
Over 90 days	29	120
	<hr/>	<hr/>
	253	192
Other receivables	1,296	434
	<hr/>	<hr/>
	1,549	626
	<hr/> <hr/>	<hr/> <hr/>

10. Share capital

	As at 30 September 2003 and 31 March 2003	
	Number of shares	Nominal value <i>HK\$</i>
Authorised	2,000,000,000	20,000,000
	<hr/>	<hr/>
Issued and fully paid	480,000,000	4,800,000
	<hr/>	<hr/>

11. Contingent Liabilities

The Group had no material contingent liabilities at the balance sheet date.

12. Operating Lease Commitments

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
Within one year	249	502
In the second to fifth year inclusive	—	58
	<hr/>	<hr/>
	249	560
	<hr/> <hr/>	<hr/> <hr/>

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.

13. Connected Transaction

During the six months ended 30 September 2003, the Group has received approximately HK\$1,049,000 from a shareholder for the payment of the expenses incurred in connection with the issue of the Group's shares in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS*Liquidity, Financial Resources and Capital Structure*

The Group generally finances its operations through internally generated cash flows and finance lease obligations during the period. As at 30 September 2003, the Group reported cash and bank balances of HK\$5,948,000 while the Group reported deposits in a securities company together with cash and bank balances of HK\$8,657,000 as at 31 March 2003.

As at 30 September 2003, the unaudited net asset of the Group amounted to HK\$8,220,000 (as at 31 March 2003: HK\$10,573,000). The unaudited current assets of the Group amounted to HK\$7,509,000 (as at 31 March 2003: HK\$9,451,000) while current liabilities amounted to HK\$1,326,000 (as at 31 March 2003: HK\$941,000).

Significant Investment

The Group had no significant investment held as at 30 September 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 six months ended 30 September 2003.

Employees and Remuneration Policies

The number of employees of the head office of the Group in Hong Kong increased from 8 as at 30 September 2002 to 18 as at 30 September 2003. The staff cost incurred in the current period increased to HK\$1,999,000 as compared with HK\$681,000 for the corresponding period in the previous financial year, representing an increase of 194%. With the Group's continuous efforts in expanding business opportunities in the Greater China region and research and development, a Shanghai subsidiary was established in April 2003.

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 period under review.

Material Investment Plans

As at 30 September 2003, the Group did not have any significant investment plans, except the plans set out in the section headed "Statement of Business Objectives" in the prospectus dated 22 November 2002.

Gearing Ratio

Since the Group did not have any bank borrowings as at 30 September 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.

Exposure to Fluctuations in Foreign Exchange and Hedging

As at 30 September 2003, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

Contingent Liabilities

As at 30 September 2003, the Directors were not aware of any material contingent liabilities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the prospectus dated 22 November 2002

Actual Business Progress up to 30 September 2003

Product and Technology

- | | |
|--|---|
| <ul style="list-style-type: none"> • 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, WebMatrix, CMS for Portal, CMS for Office, CMS for SOHO and CMS for Visual | <ul style="list-style-type: none"> • Continued to enhance product performance <ul style="list-style-type: none"> — 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. — 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. • Continued efforts in product development <ul style="list-style-type: none"> — CMS CodeOne Chinese Code Conversion product was well-received by the market. 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 — i-tvcSurvey.net and eMail-Blast.net were completed in development and under the planning for strategic marketing — 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. |
|--|---|

Business Objectives as stated in the prospectus dated 22 November 2002

Actual Business Progress up to 30 September 2003

- 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

- Continue to penetrate into the market of on-line advertising technologies
- Start marketing campaign for CMS for SOHO
- Organize seminars and training classes to recruit independent solution providers so as to expand the market of the Group's products
- Strategic Marketing and promotional campaigns, including exhibitions and multimedia marketing, were launched for better acceptance of on-line advertising technologies and CMS Advance (formerly named CMS SOHO) in the market.
- Additional staff members for sales and marketing team were recruited.

Research & Development upgrades

- Install more development tools and hire more programmers to increase product development speed
- Set up development office in the United States to further customize the Group's products in the United States market
- Additional 3 programmers and 1 designer were recruited.
- Certain new servers with higher performance were installed for facilitating the product development processes.
- Setting up development office in the United States was postponed due to the relocation of the Group's resources to the PRC market, which the Group anticipates increase in demand of the Group's products and services brought by the PRC's accession into the WTO and the signing of CEPA (Closer Economic Partnership Arrangement).

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

- Continue system software and infrastructure improvements as appropriate
- Install additional servers in the United States to fulfill new client and to prepare anticipated demand increase from the United States market
- Continued enhancement and testing of the platform were adopted.
- Additional servers were installed in Hong Kong and the PRC's subsidiary for better service performance. The installation of servers in the United States office is deferred in line with the postponement of the setting up of the office in the United States.

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 30 September 2003 is as follows:

	Proposed	From date of listing to 31 March 2003	Actual For the six months ended 30 September 2003	From date of listing to 30 September 2003
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<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	1.0	1.8
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	1.0	1.8
Enhancement of the infrastructure	1.7	1.1	0.1	1.2
Brand-building and marketing campaigns	1	0.2	0.1	0.3
Geographical expansion and acquisitions of complimentary companies	1.7	0.5	0.4	0.9
Additional working capital	3	2.6	0.3	2.9
	<u>14.6</u>	<u>6.0</u>	<u>2.9</u>	<u>8.9</u>

FINANCIAL REVIEW

For the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$503,000 (2002: HK\$1,529,000), representing a decrease of approximately 67% when compared to the corresponding period in 2002. The decrease was principally due to the temporary impact of the outbreak of Severe Acute Respiratory Syndrome ("SARS") and 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 six months ended 30 September 2003, administrative expenses increased to approximately HK\$3,875,000 compared to HK\$1,029,000 of the same period in 2002. The increase was mainly attributable 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 unaudited net loss attributable to shareholders for the six months ended 30 September 2003 reached approximately HK\$3,385,000 (2002: HK\$124,000).

BUSINESS REVIEW

For the six months ended 30 September 2003, the Group experienced a short term set back with the impact of the outbreak of SARS. As a result, the Group rescheduled its planned extensive marketing campaigns but still maintained product exposure by launching certain promotional activities. The Group regards the impact of SARS as temporary and the Group will record a stable increase due to the economic recovery in the region.

The positive market responses towards the Group's proprietary developed technologies further encouraged the Group to continue its efforts in developing, testing and implementing of new technologies and new products. Additional developmental staff and sales, professionals were recruited.

PROSPECTS

Product and Technology

The Group will continue its devotion in further enhancing the effectiveness and upgrading the functionalities of the developed products and technologies while emphasis will be put on i-tvc.net, i-tvServe.net, i-tvSurvey.net and CMS CodeOne.

Marketing

Brand building

The Group will continue to create brand name awareness through promotional activities, marketing campaigns and conferences to strengthen its established foothold and to penetrate further into the on-line advertising industry, SMEs and Portal operators.

Solutions Providers and Consultants

The Group will continue to promote its products and technologies to major solution providers and consultants in the targeted market region for better penetration of the Group's products and on the other hand, minimizing the marketing and administrative expenses.

R&D upgrade

The Group is exploring opportunities in forming alliances with international high-tech and/or research companies.

The Group will continue to examine the possibility of expanding the applications of the existing products and technologies into new and different areas by upgrading the functionalities and enhancing the effectiveness so as to meet the requirements of the more advanced devices.

It will also explore the possibilities and feasibility of collaborating with outside consultancy to broaden the exposures of the Group's products.

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

The Group will be devoted to examine the possibility of implementing an online real time help function to facilitate the international customer services.

The Group will also study on the implementation of additional security measure on the platform as well as start the research on the development of country specific platform for potential target countries such as PRC, Japan and Korea.

Benefited from PRC's accession into the WTO and the signing of CEPA

The Group also expects that it will be benefited from the PRC's accession into the WTO and signing of CEPA (Closer Economic Partnership Arrangement) between the Central Government and the HKSAR Government by the anticipated increase in the demands of our US patent pending i-tvc.net technology, the 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 30 September 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 AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 352 of the SFO pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the shares of the Company

Name	Number of ordinary shares held				Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Chan Tik Yuen	—	4,655,172 <i>(Note 2)</i>	360,000,000 <i>(Note 1)</i>	360,000,000	75%
Han Seung A	—	360,000,000 <i>(Note 2)</i>	—	360,000,000	75%

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.

Long Positions in the rights to acquire shares

As at 30 September 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. Cheung Ka Kin (Executive Director)	4,655,172	4,655,172	HK\$0.05
Ms. Wong Cheung Yun (Non-executive Director)	4,655,172	4,655,172	HK\$0.05
Ms. Han Seung A (Non-executive Director)	4,655,172	4,655,172	HK\$0.05

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

(2) Share Options Scheme

No options had been granted to directors or employees of the Group under the Share Options Scheme during the six months ended 30 September 2003.

Save as disclosed above, at no time during the periods from 1 April 2003 to 30 September 2003 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.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 September 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.40 to 5.58 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30 September 2003, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position of Substantial Shareholders in the shares of the Company

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

Notes:

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

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS DISCLOSEABLE UNDER THE SFO

So far as known to any Directors or chief executive of the Company, as at 30 September 2003, there was no other person (other than a director or chief executive of the Company) who had any interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 30 September 2003, neither the Sponsor nor its directors, or employees or 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 received and will receive a fee for acting as the Company's retained 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.

Due to cost consideration, the Company and the Sponsor mutually agreed to terminate the Sponsor Agreement with effect from 13 October 2003.

On 13 October 2003, Hantec Capital Limited was appointed by the Company as the replacement sponsor for the period commencing on 13 October 2003 and expiring on 31 March 2005 in accordance with the requirements under Rules 6.01 and 17.81 of the GEM Listing Rules.

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 three members which comprises the three independent non-executive Directors, namely, Mr. Carl Chang, Mr. Shi Huan Zhang and Mr. Cheung Man Yau, Timothy.

BOARD PRACTICES AND PROCEDURES

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

By Order of the Board
AGL MediaTech Holdings Limited
Chan Tik Yuen
Chairman

Hong Kong, 13 November 2003