



**AGL**

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)



**3rd 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 RESULTS**

The board (the "Board") of 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 nine months ended 31 December 2003 together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2003	2002	2003	2002
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover	2	769	1,693	266	164
Other revenue		64	1	—	1
Research and development expenditures		(13)	(602)	—	(211)
Selling expenses		(89)	(382)	(28)	(163)
Administrative expenses		(6,009)	(2,092)	(2,134)	(1,062)
Loss from operations		(5,278)	(1,382)	(1,896)	(1,271)
Finance costs		(3)	—	—	—
Loss before taxation		(5,281)	(1,382)	(1,896)	(1,271)
Taxation	3	—	(13)	—	—
Net loss for the period		<u>(5,281)</u>	<u>(1,395)</u>	<u>(1,896)</u>	<u>(1,271)</u>
Loss per share, in HK cents					
— basic	5	<u>(1.10)</u>	<u>(0.34)</u>	<u>(0.39)</u>	<u>(0.30)</u>

*Notes to the unaudited consolidated results:***1. Basis of preparation**

The unaudited consolidated income statements have been prepared under the historical cost convention. The principal accounting policies adopted in preparing the unaudited consolidated income statements are in accordance with the general accepted accounting principles in Hong Kong and are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003.

The unaudited consolidated income statements also comply with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

**2. 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.

**3. Taxation**

No provision for taxation has been made as the Group had no assessable profit for the nine months ended 31 December 2003. The charge for the nine months ended 31 December 2002 represented Hong Kong profits tax calculated at 16% on the estimated assessable profit for that period.

**4. Dividend**

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2003 (2002: Nil).

**5. Loss per share**

The calculation of basic loss per share for the three months and nine months ended 31 December 2003 is based on the net loss for the period of approximately HK\$1,896,000 (2002: HK\$1,271,000) and HK\$5,281,000 (2002: HK\$1,395,000) respectively, and on the weighted average number of ordinary shares of 480,000,000 (2002: 430,434,783 for the three months and 410,181,818 for the nine months ended 31 December 2002) in issue during the periods.

No diluted loss per share for the periods is presented as the exercise of share options would result in a decrease in the loss per share.

## 6. Capital and reserves

	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	—	—	—	(5,281)	(5,281)
At 31 December 2003	<u>4,800</u>	<u>9,751</u>	<u>11</u>	<u>(8,238)</u>	<u>6,324</u>
At 1 April 2002	12	—	—	1,010	1,022
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)
Share capital eliminated on group reorganisation	(12)	—	11	—	(1)
Initial share capital of the Company	1	—	—	—	1
Net loss for the period	—	—	—	(1,395)	(1,395)
At 31 December 2002	<u>1</u>	<u>8,719</u>	<u>11</u>	<u>(385)</u>	<u>8,346</u>

## FINANCIAL REVIEW

For the nine months ended 31 December 2003, the Group recorded a turnover of approximately HK\$769,000 (2002: approximately HK\$1,693,000), representing a decrease of approximately 55% when compared to the corresponding period in 2002. The decrease was principally due to the impact of the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the continued global and local economic downturn during the period, which affected the investment and spending in on-line rich media and content solutions in every industry.

For the nine months ended 31 December 2003, administrative expenses increased to approximately HK\$6,009,000 as compared to approximately HK\$2,092,000 of the same period in 2002. The increase in higher operating expenses was caused primarily by the renting of additional office space by the Group and the increased number of sales and marketing staff, in anticipation of the expansion of the business.

As a result of the decrease in the Group's total revenue and the increase in administrative expenses, the Group's net loss for the nine months ended 31 December 2003 reached approximately HK\$5,281,000 (2002: approximately HK\$1,395,000).

## BUSINESS REVIEW

During the quarter ended 31 December 2003, the Group continued its efforts in enhancing the Group's market development in Hong Kong and in the Mainland China, in which the Group saw a reasonable growth potential in the relevant revenue segment.

Strategic marketing and promotional campaigns, including 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 local distributors in Hong Kong and in the Mainland China's market. For that purpose, additional staff members for the sales and marketing department were recruited in Hong Kong head office and Shanghai subsidiary.

## PROSPECTS

While we expect the impact of the outbreak of SARS and the continued global and local economic downturn in 2003, which further aggravated the investment and spending in on-line rich media and content solutions in every industry, to be temporary; however, for the benefit of the shareholders and the Company as a whole, the Group will continue its effort in market penetration in Hong Kong and Greater China region (with emphasis on content management solutions) with the intention to diversify the Group's existing customer base utilising the Group's expertise. The Group will further explore the possibilities and feasibility of collaborating with outside consultancy to broaden the exposures of the Group's products.

Following the introduction of Elite Side Profits Limited ("Elite Side") as the controlling shareholder of the Group upon the acquisition of shares by Elite Side and the mandatory unconditional cash offers for all the issued shares in the Company (other than those already owned by Elite Side and parties acting in concert with it) and all outstanding options of the Company on 10 December 2003, Elite Side intends to conduct a review of the Group's existing position with a view to broadening and expanding the income source of the Group. The Group will also review the use of proceeds as set out in the prospectus of the Company dated 22 November 2002 (the "Prospectus") resulting from the placing of shares whereby the shares became listed on GEM and to ensure better allocation of the Group's financial resources.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND LONG POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests and long positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) 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 long positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interests	Number of shares	% of issued share capital
Mr. Chan Tik Yuen	Interests of a controlled corporation	96,000,000 Shares ( <i>Note 1</i> )	20%
	Interests of spouse	4,655,172 Shares ( <i>Note 2</i> )	0.97%
Mr. Cheung Ka Kin	Beneficial interests	4,655,172 Shares ( <i>Note 3</i> )	0.97%

### Notes:

- (1) These shares were held by City Pacific Ventures Limited ("City Pacific"). City Pacific is wholly owned by Joy Ventures International Limited ("Joy Ventures") as trustee of The WCY Unit Trust, all but one unit of which are beneficially owned by The CNH Trust. The CNH Trust is a discretionary trust and the discretionary objects of which are family members of Mr. Chan Tik Yuen and Mr. N.H. Chan (the father of Mr. Chan Tik Yuen) including Ms. Han Seung A (the spouse of Mr. Chan Tik Yuen), Ms. Wong Cheung Yun (the mother of Mr. Chan Tik Yuen) and Ms. Chan Shiu Shu (the daughter of Mr. Chan Tik Yuen). The remaining one unit of The WCY Unit Trust is beneficially held by Ms. Wong Cheung Yun as protector for the beneficiaries who are Ms. Han Seung A and Ms. Chan Shiu Shu.
- (2) These shares represent the outstanding options granted to Ms. Han Seung A, the spouse of Mr. Chan Tik Yuen, entitling her to subscribe for an aggregate 4,655,172 shares.
- (3) These shares represent the outstanding options granted to Mr. Cheung Ka Kin entitling him to subscribe for an aggregate 4,655,172 shares.

Save as disclosed above, as at 31 December 2003, none of the Directors or chief executive of the Company had any interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 long positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## INTERESTS AND LONG POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as the Directors or chief executive of the Company were aware, as at 31 December 2003, shareholders (other than Directors or chief executive of the Company) who had interests or long 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:

Name of Shareholder	Capacity	Number of shares	% of issued shares capital
City Pacific	Beneficial interests	96,000,000	20%
Joy Ventures	Interests of a controlled corporation	96,000,000 (Note 1)	20%
Elite Side	Beneficial interests	264,000,000	55%
Mr. Chu Yen Ling	Corporate interests	264,000,000 (Note 2)	55%
Ms. Kuo Li Hwa	Interests of spouse	264,000,000 (Note 3)	55%
Ms. Han Seung A	Interests of spouse	96,000,000 (Note 4)	20%
	Beneficial interests	4,655,172 (Note 5)	0.97%

### Notes:

- (1) City Pacific is wholly owned by Joy Ventures as trustee of the WCY Unit Trust.
- (2) These shares are beneficially owned by Elite Side, the entire issued share capital of which is wholly and beneficially owned by Mr. Chu Yen Ling.
- (3) Ms. Kuo Li Hwa is the spouse of Mr. Chu Yen Ling, accordingly, she is deemed to be interested in the 264,000,000 shares held by Elite Side under the SFO.
- (4) These shares were held by City Pacific, as at 31 December 2003, Ms. Han Seung A is deemed to be interested in these shares under the SFO.
- (5) These shares represent the outstanding options granted to Ms. Han Seung A entitling her to subscribe for an aggregate 4,655,172 shares.

Saved as disclosed above, as at 31 December 2003, the Directors or chief executive of the Company are not aware of any other person (other than a director or chief executive of the Company) who had any interests and long 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the nine months ended 31 December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.



## COMPETING INTERESTS

None of the Directors, management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

## SPONSOR'S INTERESTS

Pursuant to the sponsorship agreement dated 22 November 2002 entered into between the Company and South China Capital Limited ("South China"), South China received a fee for acting as the Company's retained sponsor of the Company for the purpose of 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 South China mutually agreed to terminate the sponsor agreement with effect from 13 October 2003.

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

As confirmed by Hantec, as at 31 December 2003, neither itself nor its directors, employees or associates (as referred to 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.

## 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. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and interim and quarterly reports. The Audit Committee has two members who are the two independent non-executive Directors, namely, Mr. Chan Ping Kuen, Francis and Mr. Cheung Man Yau, Timothy.

## BOARD PRACTICES AND PROCEDURES

The Company has been 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  
Chu Yen Ling  
Chairman

Hong Kong, 12 February 2004