ANNUAL REPORT 2004

M21 TECHNOLOGY LIMITED

INCORPORATED IN BERMUDA WITH LIMITED LIABILITY

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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 in order to obtain up-to-date information on GEM-listed issuers.

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Tong Hing Chi *(Chairman)*
Mr. Law Kwok Leung *(CEO)*

Non-Executive Director

Mr. Chan Kwok Sun, Dennis

Independent Non-Executive Directors

Mr. Chang Carl
Mr. Sousa Richard Alvaro

COMPLIANCE OFFICER

Mr. Law Kwok Leung

COMPANY SECRETARY

Mr. Chan Lun Ho

AUTHORISED REPRESENTATIVE

Mr. Tong Hing Chi
Mr. Law Kwok Leung

QUALIFIED ACCOUNTANT

Mr. Sit Hon Wing, AHKSA, ACCA

AUDIT COMMITTEE

Mr. Sousa Richard Alvaro
(Chairman of the audit committee)
Mr. Chang Carl

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1/F., Mei Ah Centre
28 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants, Hong Kong

LEGAL ADVISERS

As to Bermuda Law:

Conyers Dill & Pearman

As to Hong Kong Law:

Baker & Mckenzie

STOCK CODE

8153

WEBSITE OF THE COMPANY

www.m21.com.hk

Dear Shareholders,

On behalf of the Board of Directors of M21 Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I would like to present the annual results of the Group for the year ended 31st March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results

For the year ended 31st March 2004, the Group recorded a turnover of approximately HK$12,709,000 (2003: approximately HK$12,232,000) and a profit attributable to shareholders of approximately HK$1,844,000 (2003: loss of approximately HK$2,536,000), the first profitable year since the Company's listing on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited.

For the year ended 31st March 2004, income from pre-mastering and media services ("Media Services") accounted for approximately 42% (2003: approximately 27%) of the Group's turnover whilst income from mastering services accounted for only approximately 15% (2003: approximately 42%). Such increase in the income from Media Services and decrease in the income from mastering services were attributable to the restructuring of the Group on 1st September 2003 in pursuit of focusing the Group's business in audiovisual transmission technology area. Accordingly, the Group disposed of all its mastering machinery to Silver Kent Technology Limited ("SKT")[1], and at the same time acquired certain pre-mastering and post-production equipment from Mei Ah Video Production Company Limited ("MAVP")[2]. Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 43% (2003: approximately 31%) of the Group's turnover and the increase has been a result of the additional number of playout channels operated.

Income from mastering services represented only 5 months' results for the period from 1st April 2003 to 31st August 2003 while the income from pre-mastering and post-production service has taken into account the new post-production services introduced after 1st September 2003 upon the acquisition of the equipment from MAVP. This also explained the costs and expenditure aspects of the respective business segments for the year.

The Group has generated a remarkable gross profit of approximately HK$7,034,000 (2003: approximately HK$4,346,000) out of a total turnover of approximately HK$12,709,000 (2003: approximately HK$12,232,000) for the year ended 31st March 2004. The gross profit margin has been increased from approximately 36% in 2003 to a remarkable approximately 55% in current year, mainly due to the disposal of mastering business, a business with a comparatively lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Group Results *(Continued)*

Most of the Group's sales during the year ended 31st March 2004 were derived from Hong Kong, accounting for approximately 97% (2003: approximately 91%) of the Group's sales, whilst the remaining 3% was derived from India. The proportion of business relying from our single large customer has increased to 45% in comparison to 26% in 2003. This is mainly due to the fewer number of customers of Playout Services but each of which with higher turnover. The situation is the opposite in the case of Mastering Services, that is, more customers but each of which with lower turnover.

The profit attributable to shareholders is approximately HK$1,844,000 (2003: loss of approximately HK$2,536,000). The profit was mainly derived from Media Services and Playout Services and the contribution from the gain on disposal of mastering machinery to SKT as mentioned above.

While 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 years, given that the benefit of restructure of the Group being realised.

Dividends

The directors do not recommend the payment of any dividend for the year ended 31st March 2004.

Business Review and Pursuits

The Group has been taking aggressive approaches in gearing towards profitability since its successful listing on GEM. The Group has been continuing its efforts towards consolidating resources, strengthening management and exploring new business opportunities for the development of our core business areas including pre-mastering, media production, playout and audiovisual technology, so as to maintain business growth.

Since the listing of the Company on GEM on 30th March 2001, the global business environment has been adversely affected by a number of significant events, the 911 terrorist attack in the US, the subsequent collapse of several reputable corporation in the US due to the questionable integrity of the management and its advisors, the anti-terrorist wars in Afghanistan and Iraq and, the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in the Asia Pacific region and later a worldwide epidemic. The SARS disaster has created further negative impact on the already depressing economy of Hong Kong, and has further contributed to this protracted worldwide recession. The capital markets globally have spiraled downwards over the past few years in response to these events and the ensuing recession.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Pursuits *(Continued)*

Despite all the above tragic events, the turnover of the Group from Media Services and Playout Services have been shooting up continuously. Our Media Services has been enabled and enhanced by the continuous acquisition of relevant equipment and most recently, through the acquisition of equipment from MAVP as mentioned above, which has proven to be successful and in line with the Group's development strategy. For audiovisual playout services, our initial appearance in this market was in April 2002, managing one playout channel, since then the number of playout channels that we are managing has climbed up to eight as at 31st March 2004. The increase in number of channels has brought along with considerable turnover derived from the provision of ancillary bundle of post-production services.

Being one of the mainstream development strategies, the Group has always been focusing on the audiovisual transmission technology. The Directors are of the view that the mastering business has stronger synergy with optical disc manufacturing than with the audiovisual production and transmission, and therefore, to pursue with the Group's objectives and strategy for penetration into the audiovisual industry. The Group disposed of all mastering machinery to SKT at a consideration of HK$5,900,000 which gave rise to a gain on disposal of HK$1,447,000.

The acquisition of equipment from MAVP enable the Group to concentrate on the provision of audiovisual related transmission and production services including playout, pre-mastering and post-production etc. With such strong equipment and expertise base, the Group has entered into an agreement with Mei Ah (HK) Company Limited ("MAHK") [2] to provide MAHK with pre-mastering, post-production and other services including telecine, compression, encoding, authoring, translation, sub-titling and editing for the period from 1st September 2003 to 31st March 2006. Details of the above transactions have been set out in our circular dated 15th August 2003.

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Pursuits *(Continued)*

The management has continued to evaluate the dynamics of the operating environment in order to carve and identify the growth opportunities within the audiovisual market. With the opening up of Cable, Satellite and Pay Television in Hong Kong, and the popularisation of broadband network, the demand for audiovisual contents increases rapidly. More and more broadcasters, operators and content owners formed business ventures to deliver audiovisual contents to end users and they require well-prepared programmes. The Directors are of an optimistic view that there will be a rapid growth in a variety of programme channel transmitting in digital signal format. The Directors believed that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing Media Services as a whole. The Group further anticipated that our Media Services and digitised platform will soon be utilised in full and thus the Group has invested in certain equipment related to server transmission to satisfy the growing demand.

Due to the capital-intensive nature of the Media Services market and the Playout Services market, the Directors believe that the sector will be less competitive and therefore profitable as shown by the profit margin of approximately 55% this year. Such high margin was due to the fact that the provision of Playout Services usually bring along with considerable turnover derived from the provision of ancillary bundle of pre-mastering and post-production services.

The Group has successfully generated new lines of revenue stream and will endeavour its best effort to keep negotiating with the channel operators and exploring more business opportunities.

In May 2004, the Group has entered into a conditional agreement to acquire the entire interest in Sky Dragon Digital Television and Movies Limited which holds a subsidiary in Hunan Province which engages in the development of digital set-top boxes and the system platform for the digital television network and the provision of the related technical support services. The Directors consider the acquisition represents an excellent opportunity for the Group to extend its existing business geographically into the People's Republic of China ("PRC") and through the acquisition, the Group will be able to participate in the technical support sector in the media industry in Hunan Province and other possible parts of the PRC. The acquisition is subject to shareholders' approval in a special general meeting.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operation with internally generated cash flows. The Group has no exposure to foreign currency fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employee Information

As at 31st March 2004, the Group has 27 full-time employees. Employees costs, including directors' emoluments, for the year amounted to approximately HK$4,152,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to 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.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks and express appreciation to our business associates, customers and suppliers for their continual support, to the management and staff for their valuable contribution and devotion to the Group throughout the years.

Tong Hing Chi
Chairman
Hong Kong, 23rd June 2004

Notes:

1 SKT is a company with limited liability and incorporated in Hong Kong. As at 31st March 2004, its equity interest 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 as at 31st March 2004, and Sundowner is an indirect wholly owned subsidiary of Mei Ah Entertainment Group Limited ("MAEGL"), the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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

EXECUTIVE DIRECTORS

Mr. TONG Hing Chi, aged 49, is the Chairman and Managing Director of the Group. Mr. Tong has over 16 years' experience in the home entertainment industry, particularly multimedia and optical disc manufacturing, in Hong Kong and overseas. Mr. Tong is responsible for the strategic planning and development of the Group. Mr. Tong is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He is also the managing director of Mei Ah Entertainment Group Limited and non-executive director of New Spring Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. Mr. Tong joined the Group in February 1999.

Mr. LAW Kwok Leung, aged 43, is a major shareholder, founder, Compliance Officer and Chief Executive Office of the Group. Mr. Law is responsible for the formulation of corporate strategies, including initiation of video-compression-related research and development projects of the Group. Mr. Law holds an honoured Bachelor of Science degree in Mathematics with Operational Research from the University of London and a Master's degree in Business Administration from the University of Greenwich. Mr. Law is a member of the Chartered Institute of Marketing, a fellow member of the Institute of Analysts and Programmers and full member of the Institute of Management. Before establishing the Group, Mr. Law has been involved in the consultancy of audiovisual compression, transmission of audiovisual signals over the Internet and video-on-demand licensing. Mr. Law has 19 years of experience in the advanced technology. Mr. Law joined the Group in February 1999.

NON-EXECUTIVE DIRECTOR

Mr. CHAN Kwok Sun, Dennis, aged 54, has accumulated more than 22 years of execution experience in sales, marketing and production in the entertainment business, including with Disney and Era International Film and Distribution (Taiwan) and as an independent movie producer. He is currently the honorary committee of Hong Kong Performing Artists Guild and the executive committee member of the Hong Kong Film Directors Guild. Mr. Chan is a shareholder of Sino Regal Holding Limited, a founder and an Initial Management Shareholder of the Company. Mr. Chan was appointed as a non-executive director on 30th January 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SOUSA Richard Alvaro, aged 43, was qualified as a solicitor of the High Court of Hong Kong in May 1996 and is now a solicitor of Messrs. Chan, Lau and Wai. Mr. Sousa was appointed as an independent non-executive director on 30th January 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. CHANG Carl, aged 48, holds a bachelor's degree of Arts (Honours) from the University of Hong Kong. Mr. Chang has vast experience in the broadcasting, publishing and other media related industries. Prior joining to the Group as an independent non-executive director, Mr. Chang was the chief executive officer of Tom.com Limited, a company listed on the GEM. Mr. Chang was appointed as an independent non-executive director on 19th March 2001.

SENIOR MANAGEMENT

Mr. SIT Hon Wing, aged 27, is the Financial Controller of the Group and the Qualified Accountant of the Company. Mr. Sit is responsible for all financial and accounting matters including budgetary control and internal control procedures of the Group. Mr. Sit holds a Bachelor of Arts Degree in Accountancy and is an associate member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants. Mr. Sit has over 5 years of auditing and accounting experience. Mr. Sit joined the Group in December 2002.

Mr. CHAN Lun Ho, aged 34, is the Company Secretary of the Company with effect from August 2002. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He has over 12 years of auditing and accounting experience.

Mr. LAI Ka Man, aged 30, is the System Manager of the Group. Mr. Lai is responsible for the design and implementation of the networking system. Mr. Lai holds a Bachelor degree of Science with honors in Mathematics, Statistics and Computing from the University of Greenwich in United Kingdom. Before joining the Group, Mr. Lai worked in a telecommunication company. He joined the Group in December 2000, left the Group in July 2002 and re-joined the Group in September 2003.

The directors submit their report together with the audited accounts for the year ended 31st March 2004.

PRINCIPAL ACTIVITY AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

DISTRIBUTABLE RESERVES

As at 31st March 2004, the Company had no distributable reserves available for distribution to shareholders of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 55.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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) Purposes 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 Group, 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% 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 the 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 Employee 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 the Scheme.

SHARE OPTION SCHEME *(Continued)*

(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 on 20th March 2001.

DIRECTORS

The directors during the year were:

Executive directors

Mr. TONG Hing Chi
Mr. LAW Kwok Leung

Non-executive director

Mr. CHAN Kwok Sun, Dennis

Independent non-executive directors

Mr. CHANG Carl
Mr. SOUSA Richard Alvaro

In accordance with clause 87 of the Company's bye-laws, Mr. CHAN Kwok Sun, Dennis retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

The non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under "Connected transactions", no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed under "Share Option Scheme", at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 8 to 9.

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

At 31st March 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures 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	111,718,750 *(note (a))*	—
Mr. CHAN Kwok Sun, Dennis	—	—	111,718,750 *(note (a))*

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 equity interests of 70% and 30% therein respectively.

Save as disclosed above, the directors do not have any interests or short positions in the shares of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st March 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Ordinary shares of HK$0.01 each in M21 Technology Limited

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 31st March 2004, Kuo Hsing Holdings Limited is interested in approximately 52.4% 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, the Chairman of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Sundowner.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Pursuant to the Placing Agreement dated 4th May 2004, Sundowner has placed 91,406,250 shares to independent investors at a placing price of HK$0.28 per share. Such placing represented 29.25% of the issued share capital of the Company immediately before the placing. Upon completion of the placing on 7th May 2004, Sundowner has disposed of its entire interest in the Company and Sundowner, Mei Ah China, MAVP, Mei Ah Holdings Limited, Mei Ah Entertainment, Kuo Hsing Holdings Limited and Mr. Li Kuo Hsing ceased to be the substantial shareholders of the Company.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 24 to the accounts also constitute connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), out of which the transactions set out in note 24 (i), (ii), (vi) and (viii) are required to be disclosed in accordance with Chapter 20 of the GEM Listing Rules.

The Stock Exchange has granted a conditional waiver for strict compliance with the requirements set out in Rules 20.35 and 20.36 of the GEM Listing Rules (before amendments effective on 31st March 2004) in respect of the transactions under the Pre-Mastering Services and Stamper Supply Agreement and the Pre-mastering Services Agreement (both Agreements have been terminated on 31st August 2003) as set out in note 24 (iii) and (iv) to the accounts respectively.

In accordance with an ordinary resolution passed on a special general meeting dated 31st August 2002, the transactions under the Playout Agreement entered into between M21 Digicast Company Limited, a subsidiary of the Company, and MATV Limited as set out in note 24 (vi) and the relevant annual cap amount of HK$10,000,000 have been approved by the shareholders of the Company.

In accordance with another ordinary resolution passed on a special general meeting dated 30th August 2003, the transactions under the Agreement for the Provision of Pre-Mastering and Post-Production Services entered into between Digicast and Mei Ah (HK) Company Limited ("MAHK") as set out in note 24 (viii) and the relevant annual cap amount of HK$3,800,000 have been approved by the shareholders of the Company. Details of the transaction have been set out in the circular of the Company dated 15th August 2003.

CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive directors of the Company have reviewed the connected transactions set out in note 24 (vi) and (viii) to the accounts and confirmed that these transactions have been entered into:—

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned;

(3) in accordance with the relevant agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) in the manner that the annual cap amounts of HK$10,000,000 and HK$3,800,000 for the Playout Agreement and the Agreement for the Provision of Pre-Mastering and Post-Production Services respectively have not been exceeded.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group provides a mandatory provident fund scheme ("MPF Scheme") for its staff in Hong Kong in compliance with the requirements under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("MPF Scheme Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of the employee's relevant income as defined in the MPF Scheme Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The MPF contributions from the employer are 100% fully and immediately vested in the employees as accrued benefits once they are paid. All benefits derived from the mandatory contribution must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	21%
— five largest suppliers combined	66%
Sales	
— the largest customer	45%
— five largest customers combined	79%

(i) One of the five largest customers is 55% owned by SRH and 45% owned by Sundowner as at 31st March 2004.

(ii) Two of the five largest customers, including the largest customer, and one of the five largest suppliers, are wholly-owned subsidiaries of Mei Ah Entertainment in which Mr. TONG Hing Chi has approximately 0.44% equity interest as at 31st March 2004.

Save as aforesaid, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. SOUSA Richard Alvaro and Mr. CHANG Carl. Two meetings were held during the current financial year.

DIRECTORS' INTEREST IN 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.

SUBSEQUENT EVENTS

Pursuant to the sale and purchase agreement dated 19th May 2004, the Group has conditionally agreed to acquire from two independent third parties (the "Vendors") the entire issued share capital of Sky Dragon Digital Television and Movies Limited ("Sky Dragon") for a cash consideration of HK$5,000,000.

Sky Dragon is an investment holding company and its sole asset is 70% interest in Hunan Digital Television Technology Company Limited ("Hunan Digital"), which is a Sino-foreign cooperative joint venture in the People's Republic of China and engaged in the development of digital set-top boxes and the system platform for the digital television network and the provision of the related technical support services to Hunan Provincial Television Network Company Limited ("Hunan TV"), an independent third party. The Group has agreed to grant 30,000,000 options to subscribe for shares of the Company at an exercise price of HK$0.788 per share to one of the Vendors provided that a technical support service agreement between Hunan Digital and Hunan TV can be entered into within three months from the completion of the sale and purchase agreement as mentioned above.

Details of the above transaction have been set out in the announcement of the Company dated 25th May 2004.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company. A resolution for the appointment of Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tong Hing Chi
Chairman

Hong Kong, 23rd June 2004

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
M21 TECHNOLOGY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 21 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd June 2004

			As restated
		2004	2003
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**12,709**	12,232
Cost of sales		**(5,675)**	(7,886)
Gross profit		**7,034**	4,346
Other revenues	*2*	**17**	37
Gain on disposal of discontinuing operation	*3*	**1,447**	—
Gain on disposal of fixed assets		**—**	609
General, administrative and other expenses		**(6,300)**	(7,152)
Operating profit/(loss)	*4*	**2,198**	(2,160)
Finance costs	*5*	**—**	(106)
Profit/(loss) before taxation		**2,198**	(2,266)
Taxation	*6*	**(354)**	(270)
Profit/(loss) attributable to shareholders	*7*	**1,844**	(2,536)
Basic earnings/(loss) per share	*8*	**0.59 cent**	(0.81 cent)

Consolidated Balance Sheet

As at 31st March 2004

	Note	2004 HK$'000	As restated 2003 HK$'000
Non-current assets			
Fixed assets	11	**13,510**	14,592
Current assets			
Inventories	13	**579**	202
Accounts receivable	14	**5,672**	3,737
Other receivables, deposits and other current assets		**1,037**	1,080
Amounts due from related companies	16	**253**	1
Bank balances and cash		**438**	88
		7,979	5,108
Current liabilities			
Accounts payable	17	**562**	227
Other payables and accrued charges		**1,267**	1,651
Amount due to a related company		**—**	360
		1,829	2,238
Net current assets		**6,150**	2,870
Total assets less current liabilities		**19,660**	17,462
Financed by:			
Share capital	18	**3,125**	3,125
Reserves	20(a)	**15,911**	14,067
Shareholders' funds		**19,036**	17,192
Non-current liabilities			
Deferred tax liabilities	21	**624**	270
		19,660	17,462

On behalf of the Board

Tong Hing Chi
Director

Law Kwok Leung
Director

	Note	2004 HK$'000	2003 HK$'000
Investments in subsidiaries	*12*	**19,822**	18,517
Current assets			
Other receivables and deposits		**119**	—
Bank balances and cash		**—**	1
		119	1
Current liabilities			
Other payables and accrued charges		**114**	534
Amount due to a subsidiary	*15*	**791**	502
Amount due to a related company		**—**	20
		905	1,056
Net current liabilities		**(786)**	(1,055)
Total assets less current liabilities		**19,036**	17,462
Financed by:			
Share capital	*18*	**3,125**	3,125
Reserves	*20(b)*	**15,911**	14,337
Shareholders' funds		**19,036**	17,462

On behalf of the Board

Tong Hing Chi
Director

Law Kwok Leung
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2004

	Note	**2004** HK$'000	As restated 2003 HK$'000
Total equity as at the beginning of year, as previously reported		**17,462**	19,728
Effect of change in accounting policy	*1(j)*	**(270)**	—
Total equity as at the beginning of year, as restated		**17,192**	19,728
Profit/(loss) for the year	*1(j), 20(a)*	**1,844**	(2,536)
Total equity as at the end of year		**19,036**	17,192

	Note	2004 HK$'000	2003 HK$'000
Net cash inflow from operations	22(a)	**989**	896
Investing activities			
Sale of fixed assets		**6**	1,555
Purchase of fixed assets		**(645)**	(665)
Interest received		**—**	2
Net cash (outflow)/inflow from investing activities		**(639)**	892
Net cash inflow before financing activities		**350**	1,788
Financing activities			
Repayment of loan from a shareholder	22(b)	**—**	(3,097)
Net cash outflow from financing activities		**—**	(3,097)
Increase/(decrease) in cash and cash equivalents		**350**	(1,309)
Cash and cash equivalents at the beginning of year		**88**	1,397
Cash and cash equivalents at the end of year		**438**	88
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**438**	88

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting this revised policy are set out in note 1(j) below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Fixed assets

Fixed assets, comprising leasehold improvements, plant and machinery and furniture, fixtures and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	10% or lease term, whichever is the shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises invoiced cost of raw materials. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Employee benefits *(Continued)*

(ii) Pensions obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Deferred taxation *(Continued)*

As detailed in note 20 to the accounts, there is no impact on accumulated losses at 1st April 2002. After offsetting the deferred tax liabilities and the deferred tax assets, the net balance of the deferred tax account is nil as at 31st March 2002. The accumulated losses at 1st April 2003 have been increased by HK$270,000, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK$1,641,000 and HK$1,911,000 respectively. The loss for the year ended 31st March 2003 has been increased by HK$270,000.

(k) Revenue recognition

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(ii) Revenue from the provision of pre-mastering and other media services is recognised when the services are rendered.

(iii) Revenue from the provision of audiovisual playout services is recognised when the services are rendered.

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(m) Borrowing costs

During the year, no borrowing costs are directly attributable to the acquisition of an asset. All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to fixed assets *(note 11)*.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

2 TURNOVER, REVENUES AND 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. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of stampers for audiovisual products	**1,879**	5,134
Provision of pre-mastering and other media services	**5,284**	3,338
Provision of audiovisual playout services	**5,546**	3,760
	12,709	12,232
Other revenues		
Interest income	**—**	2
Others	**17**	35
	17	37
Total revenues	**12,726**	12,269

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Primary report format — business segments

The Group is organised into three main business segments:

— Sale of stampers for audiovisual products — manufacture and sale of stampers for audiovisual products;

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

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

On 1st September 2003, the equipment for sale of stampers for audiovisual products segment was disposed of to a related company, Silver Kent Technology Limited ("SKT") *(note 3)*, and thereafter the segment was discontinued.

There are no sales or other transactions between the business segments.

Secondary report format — geographical segments

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

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

— Other countries (principally India) — sale of stampers for audiovisual products.

There are no sales between the geographical segments.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Primary report format — business segments

	Discontinuing operation	Continuing operations		
	Sale of stampers	Provision of pre-mastering and other media services	Provision of audiovisual playout services	Total
	2004	2004	2004	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,879	5,284	5,546	12,709
Segment results	(201)	1,943	1,861	3,603
Gain on disposal of discontinuing operation	1,447	—	—	1,447
	1,246	1,943	1,861	5,050
Unallocated income				17
Unallocated costs				(2,869)
Operating profit				2,198
Finance costs				—
Profit before taxation				2,198
Taxation				(354)
Profit attributable to shareholders				1,844
Segment assets	12	9,151	9,691	18,854
Unallocated assets				2,635
Total assets				21,489
Segment liabilities	274	811	270	1,355
Unallocated liabilities				1,098
Total liabilities				2,453
Capital expenditure	166	5,088	1,233	6,487
Unallocated capital expenditure				716
				7,203
Depreciation	1,285	594	1,783	3,662
Unallocated depreciation				164
				3,826

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Primary report format — business segments *(Continued)*

	Discontinuing operation	Continuing operations		
	Sale of stampers	Provision of pre-mastering and other media services	Provision of audiovisual playout services	As restated Total
	2003	2003	2003	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5,134	3,338	3,760	12,232
Segment results	(1,496)	1,670	1,711	1,885
Unallocated income				2
Unallocated costs				(4,047)
Operating loss				(2,160)
Finance costs				(106)
Loss before taxation				(2,266)
Taxation				(270)
Loss attributable to shareholders				(2,536)
Segment assets	6,701	2,101	10,762	19,564
Unallocated assets				136
Total assets				19,700
Segment liabilities	587	—	463	1,050
Unallocated liabilities				1,458
Total liabilities				2,508
Capital expenditure	—	—	650	650
Unallocated capital expenditure				15
				665
Depreciation	2,845	—	458	3,303
Unallocated depreciation				177
				3,480

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Secondary report format — geographical segments

	Turnover	**Segment results**	**Segment assets**	**Capital expenditure**
	2004	**2004**	**2004**	**2004**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**12,271**	**3,560**	**21,489**	**7,203**
Other countries	**438**	**43**	**—**	**—**
	12,709	**3,603**	**21,489**	**7,203**
Gain on disposal of discontinuing operation		**1,447**		
Unallocated income		**17**		
Unallocated costs		**(2,869)**		
Operating profit		**2,198**		

	Turnover	Segment results	Segment assets	Capital expenditure
	2003	2003	2003	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	11,134	1,290	19,355	665
Other countries	1,098	595	345	—
	12,232	1,885	19,700	665
Unallocated income		2		
Unallocated costs		(4,047)		
Operating loss		(2,160)		

3 DISCONTINUING OPERATION

Pursuant to an agreement dated 29th July 2003, M21 Mastertech Company Limited ("Mastertech"), a wholly-owned subsidiary of the Company, disposed of its mastering system and ancillary equipment to SKT on 1st September 2003 at a consideration of HK$5,900,000. Upon completion of the transaction, the Group terminated its sale of stampers for audiovisual products segment operations. The results of which are classified as a discontinuing operation in these accounts. The sales, results, cash flows and net assets of the segment were as follows:

	Five months ended 31st August 2003	Year ended 31st March 2003
	HK$'000	*HK$'000*
Turnover	**1,879**	5,134
Operating costs	**(633)**	(6,630)
Profit/(loss) for the period/year	**1,246**	(1,496)
Net operating cash (outflow)/inflow	**(327)**	794
Net investing cash outflow	**(166)**	(15)
Total net cash (outflow)/inflow	**(493)**	779

	At 31st August 2003	At 31st March 2003
	HK$'000	*HK$'000*
Fixed assets	**4,453**	4,166
Current assets	**—**	2,535
Total assets	**4,453**	6,701
Total liabilities	**—**	(587)
Net assets	**4,453**	6,114
Net assets sold	**4,453**	
Proceeds from sale	**(5,900)**	
Gain on disposal of discontinuing operation	**(1,447)**	

4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Auditors' remuneration	**250**	300
Bad debts written-off	**135**	—
Cost of inventories sold	**1,963**	5,426
Depreciation	**3,826**	3,480
Operating leases in respect of		
— land and buildings	**465**	276
— plant and machinery	**250**	610
Staff costs (including directors' emoluments) *(note 9)*	**4,152**	5,279

5 FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on loan from a shareholder	**—**	106

6 TAXATION

No provision for Hong Kong profits tax has been made in these accounts as there was no estimated assessable profit for the year (2003: Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax	**—**	—
Deferred taxation relating to the origination and reversal of temporary differences	**354**	270
Taxation charge	**354**	270

6 TAXATION *(Continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the countries in which the Group operates as follows:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**2,198**	(2,266)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	**385**	(397)
Expenses not deductible for taxation purposes	**—**	18
Utilisation of previously unrecognised tax losses	**(100)**	(47)
Tax losses unrecognised	**69**	696
Taxation charge	**354**	270

7 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$1,574,000 (2003: loss of HK$5,257,000).

8 BASIC EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK$1,844,000 (2003: loss of HK$2,536,000) and on 312,500,000 (2003: 312,500,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share has not been presented for both years as there were no dilutive potential ordinary shares.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2004	2003
	HK$'000	*HK$'000*
Wages and salaries	**4,020**	5,146
Pension costs — defined contribution plan	**132**	133
	4,152	5,279

10 DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Independent non-executive directors		
— Fees	**60**	50
— Other emoluments	**—**	—
Executive directors		
— Fees	**—**	—
— Other emoluments, including basic salaries, other allowances and benefits in kind	**822**	1,553
— Pension costs — defined contribution plan	**12**	23
	894	1,626

During the year, the two independent non-executive directors of the Company received directors' fee of HK$30,000 (2003: HK$30,000) and HK$30,000 (2003: HK$20,000) respectively.

The non-executive director did not receive any fees and emoluments during the year (2003: Nil).

10 DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

During the year, the executive directors received individual emoluments for the year ended 31st March 2004 of HK$714,000 (2003: HK$763,000) and HK$120,000 (2003: HK$120,000) respectively. During the year ended 31st March 2003, HK$693,000 was paid to an executive director who resigned during the year.

No director waived or agreed to waive any of their emoluments in respect of the year ended 31st March 2004 (2003: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Group	
	2004	2003
Directors	**1**	2
Non-directors	**4**	3
	5	5

The five individuals whose emoluments were the highest in the Group for the year include one director (2003: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003: three) individuals during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**929**	1,131
Pension costs — defined contribution plan	**42**	30
	971	1,161

The emoluments of the five individuals fell within the band of nil to HK$1,000,000.

During the year ended 31st March 2004, no emoluments have been paid by the Group to the one director (2003: two directors) or the four (2003: three) highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

11 FIXED ASSETS

	Group			
	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1st April 2003	1,951	23,277	107	25,335
Additions	613	6,487	103	7,203
Disposals	(1,570)	(14,397)	—	(15,967)
At 31st March 2004	994	15,367	210	16,571
Accumulated depreciation				
At 1st April 2003	195	10,507	41	10,743
Charge for the year	139	3,662	25	3,826
Disposals	(250)	(11,258)	—	(11,508)
At 31st March 2004	84	2,911	66	3,061
Net book value				
At 31st March 2004	910	12,456	144	13,510
At 31st March 2003	1,756	12,770	66	14,592

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost *(note (a))*	**13,307**	13,307
Amount due from a subsidiary *(note (b))*	**21,114**	21,763
	34,421	35,070
Less: Provision for impairment	**(14,599)**	(16,553)
	19,822	18,517

(a) The following is a list of the principal subsidiaries at 31st March 2004:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital	Interest held
Held directly:				
M21 Investment Limited ("M21 Investment")	British Virgin Islands, limited liability company	Investment holding in Hong Kong	400 ordinary shares of US$1 each	100%
Held indirectly:				
M21 Mastertech Company Limited ("Mastertech")	Hong Kong, limited liability company	Provision of broadband services and web hosting services in Hong Kong	2,000 ordinary shares of HK$1 each	100%
M21 Digicast Company Limited ("Digicast")	Hong Kong, limited liability company	Provision of audiovisual playout services on audiovisual data and provision of post-production services in Hong Kong	1,000 ordinary shares of HK$1 each	100%

12 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

13 INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials, at cost	**579**	202

14 ACCOUNTS RECEIVABLE

The Group's credit term granted to trade debtors generally ranges from 15 to 90 days. At 31st March 2004, details of the ageing analysis of accounts receivable were as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current	**818**	807
30-60 days	**764**	867
61-90 days	**796**	270
Over 90 days	**3,294**	1,817
	5,672	3,761
Less: Provision for doubtful debts	**—**	(24)
	5,672	3,737

Included in the accounts receivable are amounts due from certain related companies in which the substantial shareholders of the Company have beneficial interests. The amounts due from such related companies amounted to HK$5,171,000 (2003: HK$1,637,000). The amounts are unsecured, interest-free and have no fixed terms of repayment.

15 AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

16 AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies mainly represented balance due from Mei Ah (HK) Company Limited ("MAHK") in which the substantial shareholders of the Company have beneficial interests. The amounts are unsecured, interest-free and have no fixed terms of repayment.

17 ACCOUNTS PAYABLE

At 31st March 2004, details of the ageing analysis of accounts payable were as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current	**168**	104
30-60 days	**127**	8
Over 60 days	**267**	115
	562	227

18 SHARE CAPITAL

	Company Authorised Ordinary shares of HK$0.01 each	
	No. of shares	*HK$'000*
At 31st March 2004 and 31st March 2003	700,000,000	7,000

	Issued and fully paid Ordinary shares of HK$0.01 each	
	No. of shares	*HK$'000*
At 31st March 2004 and 31st March 2003	312,500,000	3,125

19 SHARE OPTIONS

Under the share option scheme (the "Share Option Scheme") approved by the shareholders, the Board of the Company may, at its discretion, invite full-time employees including any executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 30% 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 Share Option 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 Share Option Scheme.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of the shares on the date of grant (the "Offer Date"); (ii) the average closing price of the shares for the five day business days immediately preceding the Offer Date; and (iii) the nominal value of the shares of the Company. The options are exercisable within a period not less than 3 years nor more than 10 years from the Offer Date.

No share options were granted under the Share Option Scheme since its adoption on 20th March 2001.

20 RESERVES

(a) Group

	Share premium HK$'000	Accumulated losses HK$'000	Merger reserve HK$'000 (note (i))	Total HK$'000
At 1st April 2003, as previously reported	27,783	(13,249)	(197)	14,337
Effect of change in accounting policy — adoption of revised SSAP 12 *(note 1(j))*	—	(270)	—	(270)
At 1st April 2003, as restated	27,783	(13,519)	(197)	14,067
Profit for the year	—	1,844	—	1,844
At 31st March 2004	**27,783**	**(11,675)**	**(197)**	**15,911**
At 1st April 2002, as previously reported and restated *(note 1(j))*	27,783	(10,983)	(197)	16,603
Loss for the year, as restated *(note 1(j))*	—	(2,536)	—	(2,536)
At 31st March 2003, as restated	27,783	(13,519)	(197)	14,067

Note:

(i) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20th March 2001 as set out in the prospectus of the Company dated 26th March 2001.

20 RESERVES *(Continued)*

(b) Company

	Share premium	Accumulated losses	Contributed surplus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(note (i))	
At 1st April 2003	19,601	(18,371)	13,107	14,337
Profit for the year	—	1,574	—	1,574
At 31st March 2004	**19,601**	**(16,797)**	**13,107**	**15,911**
At 1st April 2002	19,601	(13,114)	13,107	19,594
Loss for the year	—	(5,257)	—	(5,257)
At 31st March 2003	19,601	(18,371)	13,107	14,337

Note:

(i) The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20th March 2001 as set out in the prospectus of the Company dated 26th March 2001. Under the Companies Act 1998 of Bermuda (as amended), contributed surplus is available for distribution to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

21 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the deferred tax liabilities account is as follows:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
At the beginning of year	**270**	—
Deferred taxation charged to consolidated profit and loss account *(note 6)*	**354**	270
At the end of year	**624**	270

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$14,800,000 (2003: HK$14,995,000) to carry forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability. Such tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities	Group	
	Accelerated tax depreciation	
		As restated
	2004	2003
	HK$'000	*HK$'000*
At the beginning of year	**1,911**	1,934
Credited to the consolidated profit and loss account	**(80)**	(23)
At the end of year	**1,831**	1,911

21 DEFERRED TAXATION *(Continued)*

Deferred tax assets

	Group Tax losses	
		As restated
	2004	2003
	HK$'000	*HK$'000*
At the beginning of year	**(1,641)**	(1,934)
Charged to the consolidated profit and loss account	**434**	293
At the end of year	**(1,207)**	(1,641)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
Deferred tax assets	**(1,207)**	(1,641)
Deferred tax liabilities	**1,831**	1,911
	624	270

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) to net cash inflow from operations

		As restated
	2004	2003
	HK$'000	*HK$'000*
Operating profit/(loss)	**2,198**	(2,160)
Interest income	**—**	(2)
Depreciation of fixed assets	**3,826**	3,480
Gain on disposal of mastering equipment	**(1,447)**	—
Gain on disposal of fixed assets	**—**	(609)
Operating profit before working capital changes	**4,577**	709
(Increase)/decrease in inventories	**(377)**	4
Increase in accounts receivable	**(3,364)**	(2,958)
Decrease in other receivables, deposits and other current assets	**814**	478
(Increase)/decrease in amounts due from related companies	**(252)**	2,359
Increase/(decrease) in accounts payable	**335**	(137)
(Decrease)/increase in other payables and accrued charges	**(384)**	81
(Decrease)/increase in amount due to a related company	**(360)**	360
Net cash inflow from operations	**989**	896

(b) Analysis of changes in financing activities

	Loan from a shareholder	
	2004	2003
	HK$'000	*HK$'000*
At the beginning of year	**—**	2,991
Repayment of loan	**—**	(3,097)
Interest on loan from a shareholder	**—**	106
At the end of year	**—**	—

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) During the year, the Group purchased and sold fixed assets amounting to HK$6,558,000 and HK$5,900,000 respectively, and acquired other current assets of HK$771,000. These transactions were settled through current accounts with the respective parties.

23 COMMITMENTS

(a) Capital commitment for property, plant and equipment

	Group	
	2004	2003
	HK$'000	*HK$'000*
Contracted but not provided for	**75**	59

(b) Commitments under operating leases

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**600**	276
Later than one year and not later than five years	**850**	207
	1,450	483

24 RELATED PARTY TRANSACTIONS

Save as disclosed in note 14 and note 16 to the accounts, significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Group	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Disposal of mastering machinery to SKT	*(i)*	**5,900**	—
Acquisition of machinery from Mei Ah Video Production Company Limited ("MAVP")	*(ii)*	**5,700**	—
Sale of stampers and provision of pre-mastering services to SKT	*(iii)*	**656**	2,511
Provision of pre-mastering services to MAVP	*(iv)*	**369**	1,983
Rental expense of machinery paid to MAVP	*(v)*	**250**	600
Provision of audiovisual playout services and post-production services to MATV Limited ("MATV")	*(vi)*	**5,728**	3,191
Rental expense of factory and office premise paid to Mei Ah Investment Company Limited ("MAI")	*(vii)*	**465**	276
Provision of pre-mastering and post-production services to MAHK	*(viii)*	**2,717**	—
Interest expense paid to Sundowner Management Limited ("Sundowner")	*(ix)*	**—**	106

Notes:

(i) Pursuant to an agreement dated 29th July 2003, Mastertech disposed of its mastering machinery, including the mastering system and ancillary equipment, which were used for capturing data from the source media and in turn used to manufacture stampers, to SKT, on 1st September 2003 at a consideration of HK$5,900,000. After the completion of the transaction, the Group has terminated its mastering operation. Accordingly, the results of which were classified as discontinuing operation as disclosed in note 3 to the accounts.

24 RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(ii) Pursuant to an agreement dated 29th July 2003, Digicast acquired certain pre-mastering and post-production equipment from MAVP, which indirectly owns the entire equity interest of Sundowner, a substantial shareholder of the Company, and in turn is an indirect wholly-owned subsidiary of Mei Ah Entertainment Group Limited ("Mei Ah Entertainment"), on 1st September 2003 at a consideration of HK$5,700,000.

(iii) Pursuant to the Pre-mastering Services and Stamper Supply Agreement dated 20th March 2001 and the extended agreement dated 15th May 2003, Mastertech has been appointed as a pre-mastering service provider and stamper supplier of SKT for the period from 1st April 2000 to 31st March 2003 and 1st April 2003 to 31st March 2004 respectively. SKT is 55% owned by Sino Regal Holding Limited ("SRH") and 45% 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 was terminated on 31st August 2003.

(iv) Pursuant to the Pre-mastering Services Agreement dated 20th March 2001 and the extended agreement dated 15th May 2003. Mastertech has been appointed as a pre-mastering service provider of MAVP. The transactions were conducted in the normal course of business and in accordance with the terms of the Pre-mastering Services Agreement. The extended agreement was terminated on 31st August 2003.

(v) 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 extended agreement was terminated on 31st August 2003.

(vi) Pursuant to an agreement dated 25th July 2002 entered into between Digicast and MATV, a wholly-owned subsidiary of Mei Ah Entertainment, (the "Playout Agreement"), Digicast will provide (i) playout services to MATV for one or more of MATV's TV channel(s); and (ii) editing and post-production services to MATV upon request from 1st September 2002 to 31st August 2005. During the year, Digicast provided playout services to two MATV's channels at monthly fees of HK$250,000 and HK$120,000 respectively. The playout services were entered into in the normal course of business and charged in accordance with the terms of the Playout Agreement. The post-production services provided are charged at normal commercial terms which were mutually agreed by both parties.

(vii) 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 was terminated on 1st September 2003 after the completion of the disposal of the mastering system and ancillary equipment. Details of the disposal are set out in note 3 to the accounts.

24 RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(vii) (Continued)

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 were entered into in the normal course of business and charged in accordance with the terms of the Factory Rental Agreement and the Office Rental Agreement.

(viii) Pursuant to an agreement dated 29th July 2003 (the "Agreement for the Provision of Pre-Mastering and Post-Production Services") entered into between Digicast and MAHK, a wholly-owned subsidiary of Mei Ah Entertainment, Digicast has been appointed to provide pre-mastering and post-production services for the period from 1st September 2003 to 31st March 2006. The pre-mastering and post-production services provided are charged at normal commercial terms which were mutually agreed by both parties.

(ix) 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 during the year ended 31st March 2003.

25 SUBSEQUENT EVENTS

Pursuant to the sale and purchase agreement dated 19th May 2004, the Group has conditionally agreed to acquire from two independent third parties (the "Vendors") the entire issued share capital of Sky Dragon Digital Television and Movies Limited ("Sky Dragon") for a cash consideration of HK$5,000,000.

Sky Dragon is an investment holding company and its sole asset is 70% interest in Hunan Digital Television Technology Company Limited ("Hunan Digital"), which is a Sino-foreign cooperative joint venture in the People's Republic of China and engaged in the development of digital set-top boxes and the system platform for the digital television network and the provision of the related technical support services to Hunan Provincial Television Network Company Limited ("Hunan TV"), an independent third party. The Group has agreed to grant 30,000,000 options to subscribe for shares of the Company at an exercise price of HK$0.788 per share to one of the Vendors provided that a technical support service agreement between Hunan Digital and Hunan TV can be entered into within three months from the completion of the sale and purchase agreement as mentioned above.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd June 2004.

	Year ended 31st March 2004 HK$'000	As restated Year ended 31st March 2003 HK$'000	Year ended 31st March 2002 HK$'000	Year ended 31st March 2001 HK$'000	Period from 5th February 1999 to 31st March 2000 HK$'000
Results					
Profit/(loss) attributable to shareholders	**1,844**	(2,536)	(5,785)	(2,966)	(2,232)

	As at 31st March 2004 HK$'000	As restated As at 31st March 2003 HK$'000	As at 31st March 2002 HK$'000	As at 31st March 2001 HK$'000	As at 31st March 2000 HK$'000
Assets and liabilities					
Total assets	**21,489**	19,700	24,653	43,661	14,765
Total liabilities	**(2,453)**	(2,508)	(4,925)	(17,994)	(16,994)
	19,036	17,192	19,728	25,667	(2,229)

The results for the period from 5th February 1999 to 31st March 2000 and the year ended 31st March 2001, and the assets and liabilities as at 31st March 2000 have been prepared on the basis of merger accounting as if the group structure, which became effective in March 2001, had been in existence since 5th February 1999 (the earliest date of incorporation of the companies comprising the Group).

The assets and liabilities as at 31st March 2001, 2002, 2003 and 2004, and the results for the years ended 31st March 2002, 2003 and 2004 have been prepared on a consolidated basis.

The figures for the year ended 31st March 2003 have been restated pursuant to the adoption of revised SSAP 12 which has no material impact for the years ended 31st March 2002 or before and accordingly no restatement was made in these financial years.