AGL

MediaTech Holdings Limited

藝立媒體科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

2004 Annual Report

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 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.

Contents

Group Financial Summary

	Year ended 31 March			
	2001	2002	2003	**2004**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS				
Turnover	3	3,781	1,851	**1,388**
(Loss) profit before taxation	(6,240)	910	(3,956)	**(8,642)**
Taxation	—	(193)	(11)	**65**
Net (loss) profit for the year	(6,240)	717	(3,967)	**(8,577)**

	As at 31 March			
	2001	2002	2003	**2004**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES				
Total assets	4,765	1,666	11,579	**5,126**
Total liabilities	(11,005)	(644)	(1,006)	**(2,098)**
(Deficiency) balance of shareholders' funds	(6,240)	1,022	10,573	**3,028**

The results and summary of assets and liabilities for each of the three years ended 31 March 2003, which were extracted from the Company's prospectus dated 22 November 2002 and the 2003 annual report, have been prepared on a combined basis as if the current group structure had been in existence throughout these years.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chu Yen Ling *(Chairman)*
Mr. Matthew Timothy D' Albertson *(Chief Executive Officer)*
Mr. Cheung Man Yau, Timothy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lu Da
Mr. Chan Ping Kuen, Francis
Mr. Ma She Shing, Albert

COMPANY SECRETARY

Mr. Cheung Man Yau, Timothy

QUALIFIED ACCOUNTANT

Mr. Cheung Man Yau, Timothy

COMPLIANCE OFFICER

Mr. Cheung Man Yau, Timothy

AUDIT COMMITTEE

Mr. Chan Ping Kuen, Francis
Mr. Ma She Shing, Albert

AUTHORISED REPRESENTATIVES

Mr. Chu Yen Ling
Mr. Matthew Timothy D' Albertson

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER TO THE COMPANY

As to Hong Kong law
D.S. Cheung & Co.

As to Cayman Islands law
Appleby Spurling Hunter

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2802 One Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Caledonian House
P.O. Box 1043 GT
69 Jennet Street
George Town
Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
G/F., BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank
CITIC Ka Wah Bank Limited

SPONSOR

Hantec Capital Limited

COMPANY HOMEPAGE

www.aglmediatech.com

GEM STOCK CODE

8192

Chairman's Statement

I am pleased to present to the Shareholders my report on the operation of the Group for the year ended 31 March 2004.

Financial Review

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK$1,388,000 (2003: HK$1,851,000), representing a decrease of approximately 25% when compared to last year. Such decrease was principally due to the impact of the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the continued global and local economic downturn, which affected the investment and spending in on-line rich media and content distribution solutions in every industry.

Operating expenses, on the other hand, increased during the year under review to approximately HK$10,163,000 from HK$5,830,000 in last year. The increase in operating expenses was caused primarily by the setting up of a new office in Shanghai 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 year ended 31 March 2004 has reached approximately HK$8,577,000 (2003: HK$3,967,000).

The Group adopts a conservative treasury policy with all bank deposits in Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Dividends

The Board does not recommend the payment of a final dividend.

Chairman's Statement

Business review

For the year ended 31 March 2004, 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 segments.

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 market. For that purpose, additional staff members for the sales and marketing department were recruited in Hong Kong head office and Shanghai subsidiary.

In view of the market trend and increasing demand of CMS ("content management solutions") which generates steady income, the Group has allocated more financial resources to the development of CMS solutions to strengthen the Group's business especially in developing and maintaining strategic alliances with some potential web design providers for better market penetration of the Group's consulting services as well as expansion of the Group's geographical presence in the Asian markets.

To further strengthen its existing customer base and complement its existing business, the Group has signed a memorandum of understanding with two individuals with expertise in the information technology ("IT") and experience in creative design ("IT Consultants") to form a joint venture company ("JV") with a registered share capital of HK$10,000 and which will be principally engaged in developing the content management services especially in web design and effective design solutions with the latest in-house computerised facilities so as to further reinforce the existing business of the Group. The issued share capital of the JV will be owned as to 65% by the Group and 35% by the IT Consultants who are not connected persons (as defined under the GEM Listing Rules) of the Company. The directors are of the view that it is the right time for such expansion.

Chairman's Statement

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 distribution solutions in every industry, to be temporary, for the benefits of the shareholders and the Company as a whole, the Group continues 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 utilizing the Group's expertise. The Group will further explore the possibilities and feasibility of collaborating with outside consultancy firms to broaden the exposures of the Group's products.

Following the introduction of Elite Side Profits Limited as the controlling shareholder of the Group upon the acquisition of shares by Elite Side Profits Limited and the mandatory unconditional cash offers for all the issued shares in the Company (other than those already owned by Elite Side Profits Limited and parties acting in concert with it) and all outstanding options of the Company, the Group has been conducting a review of the Group's existing position with a view to broadening and expanding the income source of the Group. Taking into consideration the continued global and local economic downturn in the Internet business, the Group has decided to take a more prudent approach to implement its future plans in accordance with the specified time schedule as stated in the Prospectus, and has rescheduled the timing and some of the proposed cash outlay for the development of technologies and applications for on-line advertising and connected mobile devices. The Board believes that such arrangements are in the best interests of the shareholders of the Company.

In view of the keen competition in the business of MAS ("mobile advertising solutions") and OAS ("on-line advertising solutions"), the Group will consider to defer the development of i-tvc.net and MAS for PDA and phones respectively. Nevertheless, leveraging on my expertise in management, business development and strategic planning together with Mr. Matthew Timothy D'Albertson's extensive experience in sales and marketing and exploring new markets, the Group will continue its effort in developing CMS by developing and maintaining strategic alliances with web design providers for better market penetration of the Group's consulting services as well as expansion of the Group's geographical presence in the Asian markets. This will benefit the Group by minimizing marketing expenses and reaching multiple geographic markets concurrently.

Going forward, the Group will be devoting considerable resources to further geographical expansion mainly in the PRC. Moreover, the Group believes that it can build up its market niche by integrating its IT know-how into conventional businesses and extending the application of its content management services through the JV to other specific aspects such as construction industry, food industry, pharmaceutical industry and other prospective engineering. The Group considers that its planned geographical expansion with the new contracts that are currently in the process of negotiation will provide good prospects for regeneration of its robust business growth.

The Group will also continue to strengthen its research and development capabilities which will in turn bring in profits to the Group by enhancing product development, product features and popularities.

Chairman's Statement

Appreciation

On behalf of the Board, I would like to express my gratitude to our customers, strategic partners and shareholders for their support and all our staff members for their hard work and dedicated service.

Chu Yen Ling
Chairman

Hong Kong, 28 June 2004

Management Discussion and Analysis

Liquidity, financial resources and capital structure

As at 31 March 2004, the net assets of the Group amounted to HK$3,028,000 (2003: HK$10,573,000). The current assets amounted to HK$3,879,000 (2003: HK$9,451,000) while current liabilities amounted to HK$2,098,000 (2003: HK$941,000).

Significant investment

The Group had no significant investment held in the year ended 31 March 2004.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year, for a consideration of HK$980,000 and a gain of HK$5,000, the Group disposed of its subsidiary AGL MediaWorks Limited to a company namely WebDNA Technology Development Ltd.

Employees and remuneration policies

As at 31 March 2004, the number of employees increased to 20 from 13 as at 31 March 2003. The staff cost incurred in the current financial year increased to HK$5,396,000 as compared with HK$2,031,000 in the previous financial year, representing an increase of 166%. With the Group's continuing efforts in expanding business opportunities in the Mainland China and research and development, the Shanghai subsidiary was established in April 2003 with 3 existing staff members employed.

Remuneration of employees is generally in line with the market trend and commensurable to the level of pay in the industry, with discretionary year-end bonus paid and/ or share options granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Charges on group assets

The assets of the Group were not charged to any third parties in the financial year under review.

Material investment plans

As at 31 March 2004, the Group did not have any significant investment plans, except the plans set out in the section heading "Statement of Business Objectives" in the prospectus dated 22 November 2002.

Gearing ratio

Since the Group did not incur any bank borrowings as at 31 March 2004, the gearing ratio which is expressed as the ratio of total net bank borrowings to shareholder's fund was zero, being the same as that recorded as at the end of the previous financial year.

Management Discussion and Analysis

Exposure to fluctuations in foreign exchange and hedging

As at 31 March 2004, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

Contingent liabilities

As at 31 March 2004, the Group had no contingent liabilities (2003: nil).

Comparison of business objectives with actual business progress

Business objectives as set out in prospectus	Actual business progress
Product and technology	
• Continue product enhancement and product development for i-tvc.net, i-tvc.net for PDA, i-tvc.net for Phone, i-tvServe.net, i-tvSurvey.net, eMail-blast.net, CDMatrix, CMS for Portal, CMS for Office and CMS for Visual	• The development of i-tvc.net, i-tvc.net for PDA and Phone has been deferred due to keen competition • In view of the market trend and increasing demand of CMS which generates steady income, the Group has allocated more resources to the development of CMS solutions to strengthen the Group's business
Marketing	
• Nurture and cultivate market acceptance of On-line advertising technologies: i-tvc.net, i-tvServe.net and CMS line of products	• Strategic Marketing and Promotional Campaigns for on-line advertising technologies has been delayed
• Improve customer support network	• Explored the possibilities and feasibility of collaborating with outside content service consultancy firms to improve customer support network and broaden the exposures
Research & development upgrades	
• Increase headcount of programmers and designers	• Liaised with potential content service consultancy firms to explore the potential and achievability of upgrading the research and development
Enhancement of i-tvc.net and i-tvServe.net platform	
• Revamp and/or enhance systems	• Enhancement of i-tvc.net and i-tvServe.net platform has been postponed • Allocated more resources to the development of CMS solutions to strengthen the Group's business

Management Discussion and Analysis

Use of proceeds

The net proceeds from the Placing, after deduction of related expenses, are HK$14.6 million. An analysis of the use of proceeds as at 31 March 2004 is as follows:

	Proposed	Actual
	HK$ million	
Purchase of design and development tools, recruitment of additional staff to develop and enhance CMS and i-tvc.net technologies and the R&D capability of new rich media solutions	3.6	2.8
Purchase of development tools and the recruitment of additional staff to facilitate the development of new MAS for connected mobile devices	3.6	2.8
Enhancement of the infrastructure	1.7	1.4
Brand-building and marketing campaigns	1	0.7
Geographical expansion and acquisitions of complimentary companies	1.7	1.5
Additional working capital	3	3.1
	14.6	12.3

Taking into consideration the continued global and local economic downturn in the Internet business, the Group has rescheduled the timing and some of the proposed cash outlay for the development of technologies and applications for on-line advertising and connected mobile devices.

The Board believes that such arrangements are in the best interests of the shareholders of the Company. The directors presently do not anticipate any material deviation from the intended uses of proceeds as disclosed in the Prospectus. In the event such net proceeds are not immediately applied for the above purpose, it will be maintained as short terms deposits with authorised financial institutions in Hong Kong.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Chu Yen Ling, aged 69, is currently the managing director of Mitsa (HK) Ltd. and director of Mitsa Group. Mitsa (HK) Ltd. was established by Mr. Chu in 1978 and engaged in paper marketing. Mitsa (HK) Ltd. is currently the sole agent for the Asia-Pacific region for a number of paper factories in Europe. Mr. Chu also has experience in freight forwarding and chemical engineering. Mr. Chu graduated from the Chinese University of Hong Kong majoring in business management.

Mr. Matthew Timothy D'Albertson, aged 40, graduated from the University of Leeds, England with a bachelor's degree in chemical engineering. He has 18 years of extensive experience in business development, investment, management of sales and marketing for companies operated in Europe, North America and Asia (including China, Japan, Korea and Pakistan). Before he joined the Group, Mr. D'Albertson worked for several Global Top 500 companies with offices all over the world. He was the chief representative in the regional offices of these companies and was responsible for the expansion into new markets and the exploration of new business opportunities.

Mr. Cheung Man Yau, **Timothy**, aged 45, is currently a practicing accountant and an associate of the Hong Kong Society of Accountants and a fellow of the Chartered Association of Certified Accountants. He has more than 21 years of extensive experience in the finance field. Before joining the Group, Mr. Cheung worked for a number of international accounting firms and listed companies in Hong Kong. Mr. Cheung graduated from the University of Hong Kong with a Bachelor of Arts degree.

Independent Non-executive Directors

Dr. Lu Da, aged 54, graduated from the Tsinghua University with a doctorate degree in engineering. He is a deputy director of the Tsinghua University Optical Memory National Engineering Research Centre and a part-time professor in the Tsinghua University. Dr. Lu is also a director and chief engineer in an optical disc engineering company. Dr. Lu has more than 30 years of extensive experience in the field of sciences and technology and previously worked for a number of electronic and engineering companies in China.

Mr. Chan Ping Kuen, **Francis**, aged 45, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of The Institute of Chartered Accountants in Australia and an associate member of Hong Kong Society of Accountants. Mr. Chan has over 20 years of extensive experience in accounting and financial management.

Mr. Ma She Shing, Albert, aged 44, graduated from Pomona College, California, USA with a bachelor degree in economics. He has over 19 years of corporate banking and private banking experience in major US and European institutions. Mr. Ma was a vice president in a renowned US investment bank in Hong Kong previously. He is currently carrying out his own investment business.

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2004.

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 11 to the financial statements.

Results

The results of the Group for the year are set out in the consolidated income statement on page 18.

Share Capital

There were no changes in the share capital of the Company during the year.

Reserves

Details of the movements in reserves of the Company and the Group during the year are set out in note 16 to the financial statements and the consolidated statement of changes in equity respectively.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

The Company had no distributable reserve at 31 March 2004.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:	
Chu Yen Ling *(Chairman)*	(appointed on 12 January 2004)
Matthew Timothy D'Albertson *(Chief Executive Officer)*	(appointed on 31 October 2003)
Cheung Man Yau, Timothy	(appointed on 31 March 2004)
Lo Siu Lun, Clarence	(appointed on 12 January 2004 and resigned on 31 March 2004)
Cheung Ka Kin	(resigned on 2 February 2004)
Chan Tik Yuen	(resigned on 31 March 2004)
Non-executive directors:	
Han Seung A	(resigned on 3 October 2003)
Wong Cheung Yun	(resigned on 2 December 2003)

Directors' Report

Directors *(continued)*

Independent non-executive directors:

Chan Ping Kuen, Francis	(appointed on 30 November 2003)
Ma She Shing, Albert	(appointed on 20 April 2004)
Lu Da	(appointed on 17 June 2004)
Cheung Man Yau, Timothy	(appointed on 3 October 2003 and resigned on 31 March 2004)
Chang Carl	(resigned on 26 November 2003)
Shi Huan Zhang	(resigned on 2 December 2003)

In accordance with Articles 108 and 111 of the Company's Articles of Association, all remaining directors retire and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service agreement with the Company, which will continue thereafter until terminated by either party giving to the other not less than one month prior written notice.

Each of the independent non-executive directors has been appointed for a term of one year, which will continue thereafter until terminated by either party giving to the other not less than one month prior written notice.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Equity Securities

As at 31 March 2004, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or long positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name	Personal interests	Family interests	Corporate interests	Total	% of issued share capital
Chu Yen Ling	—	—	264,000,000 *(Note 1)*	264,000,000	55%

Note:

1. These shares are registered in the name of Elite Side Profits Limited, which is wholly and beneficially owned by Mr. Chu Yen Ling.

Directors' Report

Directors' Interests in Equity Securities *(continued)*

Save as disclosed above, as at 31 March 2004, none of the directors of the Company had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

The Company operates two share option schemes. A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002, pursuant to which certain share options were granted to employees and directors prior to the listing of the Company on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "Pre-IPO Share Option Scheme"). According to Clause 7.1 of the Pre-IPO Share Option Scheme, the option to the holders lapsed automatically on 27 January 2004 since an unconditional general offer has been declared on 12 January 2004.

Another share option scheme was also adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). Particulars of the Company's share option schemes are set out in note 15 to the financial statements. No share options have been granted under the Share Option Scheme since its adoption.

Directors' Rights to Acquire Shares or Debentures

Details of share option schemes are set out in the subsection entitled "Share Option Schemes" above and in note 15 to the financial statements.

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements 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.

Substantial Shareholders

As at 31 March 2004, the following persons or corporations 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	Number of shares	% of issued share capital
Elite Side Profits Limited *(Note 1)*	264,000,000	55%
Chu Yen Ling *(Note 1)*	264,000,000	55%
Kuo Li Hwa *(Note 2)*	264,000,000	55%
Elliott Profits Limited *(Note 3)*	51,264,000	10.68%
Hung Wai Fan *(Note 3)*	51,264,000	10.68%

Directors' Report

Substantial Shareholders *(continued)*

Notes:

(1) These shares are beneficially owned by Elite Side Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chu Yen Ling.

(2) 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 Profits Limited under the SFO.

(3) These shares are beneficially owned by Elliott Profits Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Hung Wai Fan.

Directors' Interests in Contracts of Significance

Save as disclosed in above, there were no contracts of significance to which the Company or any of 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.

Major Customers

In the year under review, sales to the Group's five largest customers accounted for 44% of the total sales for the year and sales to the largest customer included therein amounted to 34%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the five largest customers of the Group for the year ended 31 March 2004.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company has complied throughout the year ended 31 March 2004 with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

Competing Interests

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

Directors' Report

Audit Committee

The audit committee, comprising the two independent non-executive directors of the Company, Mr. Chan Ping Kuen, Francis and Mr. Ma She Shing, Albert, had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 March 2004.

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 of the GEM Listing Rules. During the Term, Hantec shall receive an advisory fee.

As confirmed by Hantec, as at 31 March 2004, neither itself nor its directors, employees or associates 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.

Auditors

Messrs. Deloitte Touche Tohmatsu acted as auditors of the Company since its incorporation in May 2002. A resolution will be submitted to the annual general meeting of the Company to re-appoint them as auditors of the Company.

On behalf of the Board

Chu Yen Ling
CHAIRMAN

Hong Kong, 28 June 2004

Auditors' Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF AGL MEDIATECH HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 18 to 38 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2004

Consolidated Income Statement

For the year ended 31 March 2004

	NOTES	2004 HK$'000	2003 HK$'000
Turnover		**1,388**	1,851
Other operating income		**136**	55
Depreciation and amortisation		**(306)**	(171)
Staff costs		**(5,396)**	(2,031)
Other operating expenses		**(4,461)**	(3,628)
Loss from operations	5	**(8,639)**	(3,924)
Interest on bank borrowings wholly repayable within five years		**(3)**	(32)
Loss before taxation		**(8,642)**	(3,956)
Taxation	8	**65**	(11)
Net loss for the year		**(8,577)**	(3,967)
Loss per share	9		
- Basic		**(1.79) cents**	(0.93) cents

Consolidated Balance Sheet

At 31 March 2004

	NOTES	2004 HK$'000	2003 HK$'000
Non-current assets			
Property, plant and equipment	10	**1,247**	2,128
Current assets			
Trade and other receivables	12	**1,498**	626
Deposits placed with a securities company		**—**	6,500
Amount due from a related company		**—**	11
Amounts due from directors		**—**	157
Taxation recoverable		**1**	—
Bank balances and cash		**2,380**	2,157
		3,879	9,451
Current liabilities			
Accounts payables and other payables		**2,098**	802
Taxation payable		**—**	139
		2,098	941
Net current assets		**1,781**	8,510
Total assets less current liabilities		**3,028**	10,638
Non-current liability			
Deferred taxation	13	**—**	65
Net assets		**3,028**	10,573
Capital and reserves			
Share capital	14	**4,800**	4,800
Reserves		**(1,772)**	5,773
Shareholders' funds		**3,028**	10,573

The financial statements on pages 18 to 38 were approved and authorised for issue by the Board of Directors on 28th June, 2004 and are signed on its behalf by:

CHU YEN LING
CHAIRMAN

MATTHEW TIMOTHY D'ALBERTSON
DIRECTOR

Balance sheet

At 31 March 2004

	NOTES	2004 HK$'000	2003 HK$'000
Non-current assets			
Interests in subsidiaries	11	**3,881**	5,680
Current assets			
Other receivables		**48**	112
Deposits placed with a securities company		**—**	4,900
Bank balances and cash		**2**	57
		50	5,069
Current liabilities			
Other payables and accrued charges		**1,135**	183
Amount due to a director		**—**	42
		1,135	225
Net current (liabilities) assets		**(1,085)**	4,844
Net assets		**2,796**	10,524
Capital and reserves			
Share capital	14	**4,800**	4,800
Reserves	16	**(2,004)**	5,724
Shareholders' funds		**2,796**	10,524

CHU YEN LING
CHAIRMAN

MATTHEW TIMOTHY D'ALBERTSON
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2004

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Retained profits (deficit) HK$'000	Total HK$'000
At 1 April 2002	12	—	—	1,010	1,022
Issue of shares	1	—	—	—	1
Arising on group reorganisation	(11)	—	11	—	—
Issue of shares on listing	800	19,200	—	—	20,000
Capitalisation on bonus issue of shares	3,998	(3,998)	—	—	—
Expenses incurred in connection with the issue of shares	—	(6,483)	—	—	(6,483)
Net loss for the year	—	—	—	(3,967)	(3,967)
At 31 March 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 year	—	—	—	(8,577)	(8,577)
At 31 March 2004	**4,800**	**9,751**	**11**	**(11,534)**	**3,028**

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

Consolidated Cash Flow Statement

For the year ended 31 March 2004

	NOTES	2004 HK$'000	2003 HK$'000
Operating activities			
Loss before taxation		**(8,642)**	(3,956)
Adjustments for:			
Interest income		**(17)**	—
Interest expenses		**3**	32
Depreciation and amortisation		**306**	171
Loss on disposal of property, plant and equipment		**130**	—
Impairment in value of property, plant and equipment		**244**	—
Property, plant and equipment written off		**—**	52
Gain on disposal of a subsidiary		**(5)**	—
Allowance for bad and doubtful debts		**652**	—
Operating cash flows before movements in working capital		**(7,329)**	(3,701)
(Increase) decrease in trade and other receivables		**(1,433)**	444
Decrease in amount due from a related company		**—**	89
Increase in accounts payables		**881**	628
Cash used in operations		**(7,881)**	(2,540)
Hong Kong Profits Tax paid		**(140)**	—
Net cash used in operating activities		**(8,021)**	(2,540)
Investing activities			
Interest received		**17**	—
Purchase of property, plant and equipment		**(1,111)**	(1,897)
Proceeds from disposal of property, plant and equipment		**350**	—
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposal of)	17	**980**	—
Proceeds from disposal of other investment		**—**	1
Repayment from (advance to) a director		**54**	(157)
Net cash from (used in) investing activities		**290**	(2,053)
Financing activities			
Interest paid		**(3)**	(32)
Proceeds from issue of shares		**—**	20,001
Expenses refunded (incurred) in connection with the issue of shares		**1,032**	(6,483)
Borrowings raised from (repayment to) a director		**425**	(277)
Net cash from financing activities		**1,454**	13,209
Net (decrease) increase in cash and cash equivalents		**(6,277)**	8,616
Cash and cash equivalents at 1 April		**8,657**	41
Cash and cash equivalents at 31 March		**2,380**	8,657
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**2,380**	2,157
Deposits placed with a securities company		**—**	6,500
		2,380	8,657

Notes to the Financial Statements

For the year ended 31 March 2004

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. In the opinion of the directors, its ultimate holding company is Elite Side Profits Limited, a company which is incorporated in the British Virgin Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 11.

2. Adoption of Revised Statement of Standard Accounting Practice

In the current year, the Group has adopted for the first time the Hong Kong Financial Reporting Standard ("HKFRS") - Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The adoption of this revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements. These changes have not had any significant impact on the Group's results for the current or prior periods. Accordingly, no prior period adjustment was required.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31 March 2004

3. Significant Accounting Policies *(continued)*

Turnover

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the provision of information technology consultancy services as well as content management solution services and on-line advertising solution services.

Revenue recognition

Service revenue is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The cost of leasehold land is amortised over the period of the lease using the straight line method.

The cost of buildings is depreciated using the straight line method over 20 years or the remaining period of the relevant lease where the buildings are erected, if shorter.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases or five years, whichever is shorter.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the rate of 20% per annum.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31 March 2004

3. Significant Accounting Policies *(continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

For the year ended 31 March 2004

3. Significant Accounting Policies *(continued)*

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

4. Business and Geographical Segments

The Group's operation is regarded as a single segment which is the provision of information technology consultancy services as well as content management solution services and on-line advertising solutions services.

Analysis of the Group's turnover and results as well as analysis of carrying amount of segment assets and capital additions by geographical market has not been presented as they are substantially generated from or situated in Hong Kong.

Notes to the Financial Statements

For the year ended 31 March 2004

5. Loss From Operations

	2004 HK$'000	2003 HK$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration *(note 6)*	**2,091**	1,190
Other staff's retirement benefits scheme contributions	**9**	27
Other staff costs	**3,296**	814
	5,396	2,031
Less: Staff costs included in research and development costs	**(202)**	(787)
	5,194	1,244
Allowance for bad and doubtful debts	**652**	—
Auditors' remuneration	**400**	325
Impairment in value of property, plant and equipment	**244**	—
Loss on disposal of property, plant and equipment	**130**	—
Operating lease rentals in respect of		
- computer equipment	**40**	20
- land and buildings	**637**	414
Property, plant and equipment written off	**—**	52
Research and development costs	**219**	787
and after crediting:		
Gain on disposal of a subsidiary *(note 17)*	**5**	—
Interest income	**17**	—

Notes to the Financial Statements

For the year ended 31 March 2004

6. Directors' Remuneration

	2004	2003
	HK$'000	*HK$'000*
Fees for		
- executive directors	**—**	—
- non-executive directors	**380**	200
- independent non-executive directors	**356**	34
	736	234
Other emoluments for non-executive directors	**—**	—
Other emoluments for executive directors		
- basic salaries and allowances	**1,321**	943
- retirement benefits scheme contributions	**34**	13
	1,355	956
Total directors' remuneration	**2,091**	1,190

For the year ended 31 March 2004, basic salaries and allowances paid to the five executive directors were HK$630,000, HK$300,000, HK$317,000, HK$44,000 and HK$30,000 respectively while contributions to retirement benefits scheme in respect of the three executive directors were HK$7,000, HK$10,000 and HK$17,000 respectively. In addition, for the year ended 31 March 2004, the fees paid to the two non-executive directors were HK$140,000 and HK$240,000 respectively. Also, the fees paid to the four independent non-executive directors were HK$178,000, HK$83,000, HK$75,000 and HK$20,000 respectively.

For the year ended 31 March 2003, basic salaries and allowances paid to each of the three executive directors were HK$538,000, HK$270,000 and HK$135,000 respectively while contributions to retirement benefits scheme in respect of the two executive directors were HK$7,000 and HK$6,000 respectively. In addition, for the year ended 31 March 2003, the fees paid to each of the two non-executive director was HK$100,000. Also, the fees paid to each of the two independent non-executive director was HK$17,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31 March 2004

7. Employees' Emoluments

The aggregate emoluments of the five highest paid individuals included three (2003: two) executive directors of the Company whose emoluments are included in note 6 above. The aggregate emoluments of the remaining two (2003: three) highest paid individuals are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries and allowances	**580**	512
Retirement benefits scheme contributions	**24**	25
	604	537

None of the above two (2003: three) highest paid individuals received emoluments in excess of HK$1 million.

8. Taxation

	2004	2003
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Deferred taxation		
- current year	**65**	(6)
- attributable to a change in tax rate	**—**	(5)
	65	(11)

No provision for taxation has been made in the financial statements as the Group had no assessable profit for the year.

Notes to the Financial Statements

For the year ended 31 March 2004

8. Taxation *(continued)*

The tax credit (charge) for the year is reconciled to the loss before taxation per the income statement as follows:

	2004		2003	
	HK$'000	***%***	*HK$'000*	*%*
Loss before taxation	**8,642**		3,956	
Tax at the applicable income tax rate	**1,512**	**17.5**	633	16.0
Tax effect of expenses not deductible for tax purposes	**(317)**	**(3.7)**	(36)	(0.9)
Tax effect of income not taxable for tax purposes	**119**	**1.4**	112	2.8
Tax effect of tax loss not recognised	**(1,393)**	**(15.4)**	(711)	(18.0)
Tax effect attributable to change in tax rate	**—**	**—**	(5)	(0.1)
Others	**144**	**1.0**	(4)	(0.1)
Tax effect and effective tax rate for the year	**65**	**0.8**	(11)	(0.3)

9. Loss Per Share

The calculation of the basic loss per share is based on the net loss for the year of HK$8,577,000 (2003: HK$3,967,000) and 480,000,000 shares in issue during the year (2003: the weighted average number of 427,397,260 shares on the assumption that the 2002 group reorganisation and bonus issue of shares upon listing have been effective on 1 April 2002).

No diluted loss per share has been presented as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the year.

Notes to the Financial Statements

For the year ended 31 March 2004

10. Property, Plant and Equipment

	Land and buildings HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 April 2003	980	481	172	31	656	2,320
Additions	—	82	53	503	473	1,111
Disposal of a subsidiary	(980)	—	—	—	—	(980)
Disposals	—	—	—	—	(600)	(600)
At 31 March 2004	**—**	**563**	**225**	**534**	**529**	**1,851**
DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 April 2003	—	98	34	2	58	192
Provided for the year	18	105	43	21	119	306
Eliminated on disposal of a subsidiary	(18)	—	—	—	—	(18)
Eliminated on disposals	—	—	—	—	(120)	(120)
Impairment in value	—	—	—	244	—	244
At 31 March 2004	**—**	**203**	**77**	**267**	**57**	**604**
NET BOOK VALUES						
At 31 March 2004	—	360	148	267	472	1,247
At 31 March 2003	980	383	138	29	598	2,128

At the balance sheet date, a subsidiary of the company became inactive, therefore, the subsidiary's leasehold improvement was fully impaired.

11. Interests in Subsidiaries

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**753**	743
Amount due from subsidiary	**8,828**	4,937
Less: Allowance for amount due from subsidiary	**(5,700)**	—
	3,881	5,680

Notes to the Financial Statements

For the year ended 31 March 2004

11. Interests in Subsidiaries *(continued)*

Details of the Company's principal subsidiaries, all of which are wholly-owned by the Company, at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued/ registered capital	Principal activity
AGL IsoTech (HK) Limited*	Hong Kong	HK$10,000	Provision of information technology consultancy services
AGL MediaTech (Hong Kong) Limited	Hong Kong	HK$10,000	Research and development
雅格博信息科技(上海)有限公司 (AGL MediaTech (Shanghai) Limited) **	Mainland China (the "PRC")	US$200,000	Provision of on-line advertising solutions, mobile advertising solutions and content management solutions services
Magnum Century Limited	Hong Kong	HK$10,000	Provision of on-line advertising solutions, mobile advertising solutions and content management solutions services
Joy Creations Limited	Hong Kong	HK$2,000	Investment holding

* Directly held by the Company.

** This is a foreign investment enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

Notes to the Financial Statements

For the year ended 31 March 2004

12. Trade and Other Receivables

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Trade receivables	**603**	192
Other receivables	**895**	434
	1,498	626

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 30 to 90 days of issuance. The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Age		
0 - 30 days	**533**	50
31 - 60 days	**30**	22
61 - 90 days	**40**	—
91 - 180 days	**—**	120
Over 360 days	**538**	—
	1,141	192
Less: Allowance for bad and doubtful debts	**(538)**	—
	603	192

Notes to the Financial Statements

For the year ended 31 March 2004

13. Deferred Taxation

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the year:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1 April 2002	54	—	54
Charge (credit) to income for the year	90	(79)	11
At 31 March 2003	144	(79)	65
(Credit) charge to income for the year	(144)	79	(65)
At 31 March 2004	—	—	—

At the balance sheet date, the Group and the Company have unutilised tax losses of HK$10,800,000 (2003: HK$3,290,000) and HK$1,530,000 (2003: HK$969,000) representing available for offset against future profits. A deferred tax has been recognised in respect of nil (2003: HK$451,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$10,800,000 (2003: HK$2,839,000) due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

14. Share Capital

	Number of ordinary shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$0.01 each		
- on incorporation	10,000,000	100,000
- increase in authorised share capital	1,990,000,000	19,900,000
- at 31 March 2003 and 31 March 2004	2,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
- issue of shares	100,000	1,000
- issue of shares on group reorganisation	100,000	1,000
- issue of new shares on listing	80,000,000	800,000
- bonus issue of shares	399,800,000	3,998,000
- at 31 March 2003 and 31 March 2004	480,000,000	4,800,000

Notes to the Financial Statements

For the year ended 31 March 2004

15. Share Option Schemes

During the year, the Company operates two share option schemes. A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002, pursuant to which the Company granted certain share options to employees and directors prior to the listing of the Company on the GEM of the Stock Exchange (the "Pre-IPO Share Option Scheme"). Another share option scheme was also adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme").

Both schemes were adopted for a period of ten years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under both schemes, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the Board of Directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

(i) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time.

(ii) the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 48,000,000 shares, representing 10% of the issued share capital of the Company at 29 November 2002.

The terms of the Pre-IPO Share Option Scheme are substantially the same as those of the Share Option Scheme, except that the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is limited to 37,241,377.

A nominal consideration of HK$10 is payable upon acceptance of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

Notes to the Financial Statements

For the year ended 31 March 2004

15. Share Option Schemes *(continued)*

Details of the Company's share options granted under the Pre-IPO Share Option Scheme are as follows:

			Number of share options					
Type of participants	Exercise price	Exercisable period	Granted on 26.10.2002	Reclassified during the period	Outstanding at 31.3.2003	Reclassified during the year	Cancelled during the year	Outstanding at 31.3.2004
Directors	HK$0.05	26.10.2002 - 25.10.2012	21,724,137	(7,758,621)	13,965,516	(9,310,344)	(4,655,172)	—
Former directors	HK$0.05	26.10.2002 - 25.10.2012	—	7,758,621	7,758,621	9,310,344	(17,068,965)	—
Employees	HK$0.05	26.10.2002 - 25.10.2012	15,517,240	—	15,517,240	—	(15,517,240)	—
			37,241,377	—	37,241,377	—	(37,241,377)	—

No options have been granted under the Share Option Scheme since its adoption.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted during the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

16. Reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Deficit *HK$'000*	Total *HK$'000*
THE COMPANY				
Arising on group reorganisation	—	742	—	742
Premium arising on issue of shares	19,200	—	—	19,200
Capitalisation on bonus issue of shares	(3,998)	—	—	(3,998)
Expenses incurred in connection with the issue of shares	(6,483)	—	—	(6,483)
Net loss for the period	—	—	(3,737)	(3,737)
At 31 March 2003	8,719	742	(3,737)	5,724
Adjustment of expenses incurred in connection with the issue of shares in prior year	1,032	—	—	1,032
Net loss for the year	—	—	(8,760)	(8,760)
At 31 March 2004	9,751	742	(12,497)	(2,004)

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

Notes to the Financial Statements

For the year ended 31 March 2004

17. Disposal of a Subsidiary

In December 2003, the Group disposed of its property holding subsidiary AGL MediaWorks Limited to a company namely WebDNA Technology Development Ltd. A summary of the effect of the disposal is as follows:

	2004	2003
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	962	—
Trade and other receivables	23	—
Accounts payables	(10)	—
Net assets	975	—
Gain on disposal	5	—
	980	—
Satisfied by:		
Cash consideration	980	—
Cash inflow arising from disposal:		
Cash consideration received	980	—

The subsidiary disposed of during the year did not have any significant impact on the Group's cash flows or operating results.

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For the year ended 31 March 2004

18. Operating Lease Commitments

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Computer equipment		
Within one year	**35**	60
In the second to fifth year inclusive	**4**	40
	39	100
Land and buildings		
Within one year	**771**	442
In the second to fifth year inclusive	**1,340**	18
	2,111	460

19. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all its qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting of AGL MediaTech Holdings Limited (the "Company") will be held at 2802 One Exchange Square, 8 Connaught Place, Central, Hong Kong on 30 July 2004 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31 March 2004;

2. To re-elect the retiring directors and to authorise the board of directors (the "Board") to fix the remuneration of directors;

3. To re-appoint the Company's auditors and to authorise the Board to fix their remuneration;

ORDINARY RESOLUTIONS

4. Repurchase Mandate

   As regards a general and unconditional mandate to the Board to repurchase the Company's own shares (the "Repurchase Mandate"), to consider and if though fit, to pass with or without amendments, the following resolutions as Ordinary Resolution No. I:

   "**THAT**:

   (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its issued shares of HK$0.01 each in the capital of the Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and

   (c) for the purposes of this Resolution:

   "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earlier of:

   (i) the conclusion of the next annual general meeting of the Company;

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; or

   (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

Notice of Annual General Meeting

5. Securities Issue Mandate

As regards a general and unconditional mandate to the Board to allot shares (the "Securities Issue Mandate"), to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. II:

"**THAT**:

(a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company or any class thereof whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

Notice of Annual General Meeting

6. Extension of the Securities Issue Mandate

As regards the extension of shares repurchased under the Repurchase Mandate, to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. III:

"**THAT**:

subject to the passing of Ordinary Resolutions Nos. I and II set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution No. II set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. I set out in the notice convening this meeting, provided that such amount of shares shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution."

SPECIAL RESOLUTION

7. Amendments of Articles of Association

As regards the amendments of Articles of Association (the "Articles") of the Company, to consider and if thought fit, to pass the following resolution as a Special Resolution:

"**THAT**: the Articles of the Company be and are hereby amended in the following manner:

(a) by deleting the existing definition of "Associates" in Article 1(b) and substituting therefor the following:

"Associate(s)" shall have the meaning as prescribed in the Listing Rules;

(b) by deleting the existing definition of "Clearing House" in Article 1(b) and substituting therefor the following:

"Clearing House" means a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any amendments thereto for the time being in force or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(c) by deleting the existing definition of "Holding Company" in Article 1(b) and substituting therefor the following:

"Holding Company" shall have the meaning as prescribed in the Listing Rules;

(d) by adding the following definition of "Listing Rules" in Article 1(b) in appropriate alphabetical sequence:

"Listing Rules" means the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended from time to time;

Notice of Annual General Meeting

(e) by deleting the existing definition of "Subsidiary" in Article 1(b) and substituting therefor the following:

"Subsidiary" shall have the meaning as prescribed in the Listing Rules;

(f) by renumbering Article 79 as Article 79(a) and adding the following new Article as Article 79(b) immediately thereafter:

"79(b) Where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted."

(g) by deleting the existing Article 113 in its entirety and substituting therefore the following:

"113 No person, other than a Director retiring at the general meeting shall, unless recommended by the Board for election, be eligible for election to the office of a Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office at least seven (7) days before the date of such meeting. The period for lodgment of the notice required under this Article shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting."

(h) by deleting the existing Article 107(c) in its entirety and substituting therefore the following:

"107(c) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his Associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving to the Director or his Associate(s) of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its Subsidiaries;

(ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which the Director or his Associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

Notice of Annual General Meeting

(iv) any proposal concerning any other company in which the Director or his Associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his Associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his Associate(s) are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his Associates is derived);

(v) any proposal or arrangement concerning the benefit of employees of the Company or its Subsidiaries including:

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his Associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his Associates and employees of the Company or any of its Subsidiaries and does not provide in respect of any Director or his Associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(vi) any contract or arrangement in which the Director or his Associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."

(i) by deleting the existing Article 107(e) in its entirety and substituting therefore the following:

"107(e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman) or his Associate(s) or as to the entitlement of any Director (other than such Chairman) to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman and his ruling in relation to such other Director or his Associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned or his Associate(s) as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman or his Associate(s) such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman or his Associate(s) as known to such Chairman has not been fairly disclosed to the Board."

"107(f) A company shall be deemed to be a company in which a Director and any of his Associates in aggregate own five (5) per cent. or more if and so long as (but only if and so long as) he and his Associates (either directly or indirectly) are in aggregate the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights to members of such company (or of any third company through which his interest or that of any of his Associates is derived). For

Notice of Annual General Meeting

the purpose of this Article there shall be disregarded any shares held by a Director or his Associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his Associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his Associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right."

(j) by adding the following new Article as Article 107(g):

"107(g) Where a company in which a Director and any of his Associates in aggregate holds five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to shareholder of the company is materially interested in a transaction, then that Director and his Associates shall also be deemed materially interested in such transaction."

By Order of the Board
Chu Yen Ling
Chairman

Hong Kong, 28 June 2004

Principal place of business in Hong Kong
2802 One Exchange Square
8 Connaught Place
Central
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, at the Company's branch share registrars, Tengis Limited, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be).

3. A circular containing further details regarding Ordinary Resolution No. I and the Special Resolution above will be sent to shareholders of the Company together with the 2004 Annual Report of the Company.