M21 Technology Limited

(Incorporated in Bermuda with limited liability)

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

INTERIM REPORT
2004

For the three months and six months ended
30th September 2004

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

INTERIM RESULTS

The board of directors (the "Board") of M21 Technology Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2004 (the "Relevant Periods") together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2004

		Unaudited Three months ended 30th September		**Unaudited Six months ended 30th September**	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**3,088**	3,365	**6,026**	6,673
Cost of sales		**(1,933)**	(1,486)	**(3,276)**	(2,939)
Gross profit		**1,155**	1,879	**2,750**	3,734
Profit on disposal of fixed assets		**–**	1,447	**–**	1,447
General, administrative and other expenses		**(2,651)**	(1,585)	**(4,064)**	(3,337)
Operating (loss)/profit	*3*	**(1,496)**	1,741	**(1,314)**	1,844
Finance costs	*4*	**(79)**	–	**(79)**	–
(Loss)/profit attributable to shareholders		**(1,575)**	1,741	**(1,393)**	1,844
Basic (loss)/earnings per share	*8*	**(0.5 cent)**	0.56 cent	**(0.45 cent)**	0.59 cent

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2004 AND 31ST MARCH 2004

		Unaudited 30th September 2004	Audited 31st March 2004
	Note	***HK$'000***	*HK$'000*
Fixed assets	*9*	**27,175**	13,510
Goodwill		**4,137**	–
Current assets			
Inventories		**2,018**	579
Accounts receivable	*10*	**3,636**	5,672
Other receivables and deposits	*11*	**11,157**	1,037
Amounts due from related companies		**–**	253
Bank balances and cash		**5,678**	438
		22,489	7,979
Current liabilities			
Accounts payable	*12*	**683**	562
Other payables and accrued charges		**4,756**	1,267
Other loans		**500**	–
		5,939	1,829
Net current assets		**16,550**	6,150
Total assets less current liabilities		**47,862**	19,660
Financed by:			
Share capital	*13*	**3,125**	3,125
Reserves		**14,518**	15,911
Shareholders' funds		**17,643**	19,036
Non-current liabilities			
Deferred tax liabilities		**624**	624
Bank and other loans		**29,595**	–
		47,862	19,660

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Unaudited Six months ended 30th September 2004 HK$'000	2003 HK$'000
Net cash inflow from operating activities	**4,102**	109
Net cash used in investing activities	**(361)**	(4)
Net cash from financing activities	**1,499**	–
Increase in cash and cash equivalents	**5,240**	105
Cash and cash equivalents at 1st April	**438**	88
Cash and cash equivalents at 30th September	**5,678**	193
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**5,678**	193

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Six months ended 30th September 2004 HK$'000	2003 HK$'000
Share capital			
Brought forward and carried forward	*13*	**3,125**	3,125
Share premium			
Brought forward and carried forward		**27,783**	27,783
Merger reserve			
Brought forward and carried forward		**(197)**	(197)
Accumulated losses			
Brought forward		**(11,675)**	(13,519)
(Loss)/profit for the period		**(1,393)**	1,844
Carried forward		**(13,068)**	(11,675)
Shareholders' funds		**17,643**	19,036

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and principal accounting policies

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

These condensed accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004 except the accounting policy for goodwill which is relevant to the group only until 26th August 2004.

Groodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary at the date of acquisition.

Groodwill on acquisitions is amortised using the straight-line method over its estimated useful life at a maximum period of 20 years.

2. **Segment information**

The Group is principally engaged in the provision of pre-mastering and other media services, the provision of audiovisual playout services in Hong Kong and the development of digital television system platform and provision of related service, sales and rental of set-top boxes, development of program database, design and manufacture of digital television equipment and facilities in the People's Republic of China ("PRC") (collectively known as "TV digitalisation related services").

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

	Unaudited Turnover For the six months ended 30th September		**Unaudited Segment results For the six months ended 30th September**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Discontinued operation *(note 5)*				
Sales of stampers for audiovisual products	**–**	1,875	**–**	(505)
Continuing operations				
Provision of pre-mastering and other media services	**2,732**	2,068	**753**	995
Provision of audiovisual playout services	**3,294**	2,730	**766**	1,378
Provision of TV digitalisation related services	**–**	–	**(799)**	–
	6,026	6,673	**720**	1,868
Unallocated costs			**(2,113)**	(1,471)
Other revenues – profit on disposal of fixed assets			**–**	1,447
(Loss)/profit attributable to shareholders			**(1,393)**	1,844

The Group is organised into three main business segments:

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

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

– Provision of TV digitalisation related service – development of digital set-top boxes and the system platform for digital TV network and provision of digitalisation-related technical support services. This segment has not generated any turnover during the Relevant Periods.

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

3. **Operating (loss)/profit**

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

	Unaudited Six months ended 30th September	
	2004	2003
	HK$'000	*HK$'000*
Depreciation	**1,859**	2,292
Amortisation of goodwill	**17**	–

4. **Finance costs**

	Unaudited Six months ended 30th September	
	2004	2003
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years	**79**	–

5. **Discontinued operation**

Pursuant to an agreement dated 29th July 2003, M21 Mastertech Company Limited ("Mastertech") , a wholly-owned subsidiary of the Company, has disposed of its mastering system and ancillary equipment on 1st September 2003 at a consideration of HK$5,900,000. After the completion of the transaction, the Group has terminated its sale of stampers for audiovisual products segment operations. Accordingly, the results of which in 2003 were classified as discontinued operation. Details of the transaction have been set out in the circular of the Company dated 15th August 2003.

6. Staff costs

	Unaudited Six months ended 30th September	
	2004	2003
	HK$'000	*HK$'000*
Wages and salaries	**2,543**	1,830
Pension costs – defined contribution plans	**87**	54
	2,630	1,884

7. Taxation

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group had no estimated assessable profit during the three months and six months ended 30th September 2004 (2003: Nil) .

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the three months and six months ended 30th September 2004 was based on the Group's loss attributable to shareholders of approximately HK$1,575,000 and HK$1,393,000 (2003: profit of HK$1,741,000 and profit of HK$1,844,000) and on 312,500,000 (2003: 312,500,000) ordinary shares in issue during the periods.

Diluted (loss)/earnings per share for the three months and six months ended 30th September 2004 and 2003 were not presented because there were no dilutive potential ordinary shares.

9. Capital expenditure

	Fixed assets
	HK$'000
Six months ended 30th September 2004	
Opening net book amount	**13,510**
Acquisition	**13,934**
Additions	**1,590**
Depreciation charge *(note 3)*	**(1,859)**
Closing net book amount	**27,175**

10. Accounts receivable

The Group's credit term granted to trade debtors generally ranges from 30 to 90 days. At 30th September 2004, details of the ageing analysis of accounts receivable were as follows:

	Unaudited 30th September 2004	Audited 31st March 2004
	HK$'000	*HK$'000*
Current	**714**	818
31–60 days	**173**	764
61–90 days	**217**	796
Over 90 days	**2,532**	3,294
	3,636	5,672

11. Other receivables and deposits

Other receivables and deposits mainly represent amount paid to a purchasing agent to source equipment in respect of its TV digitalisation related services.

12. Accounts payable

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

	Unaudited 30th September 2004 ***HK$'000***	Audited 31st March 2004 *HK$'000*
Current	**162**	168
31–60 days	**237**	127
61–90 days	**124**	–
Over 90 days	**160**	267
	683	562

13. Share capital

	Unaudited 30th September 2004 ***HK$'000***	Audited 31st March 2004 *HK$'000*
Authorised		
700,000,000 ordinary shares of HK$0.01 each	**7,000**	7,000
Issued and fully paid		
312,500,000 ordinary shares of HK$0.01 each	**3,125**	3,125

14. Capital Commitments

At 30th September 2004, the Group had capital commitments in respect of the following:

	Unaudited 30th September 2004 ***HK$'000***	Audited 31st March 2004 *HK$'000*
Contracted for but not provided for		
– Capital contribution of a subsidiary in the PRC	**37,690**	–
– Acquisitions of plant and machinery	**652**	75
	38,342	75

15. Commitments under operating leases

At 30th September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30th September 2004 ***HK$'000***	Audited 31st March 2004 *HK$'000*
Not later than one year	**933**	600
Later than one year and not later than five years	**1,014**	850
	1,947	1,450

16. Related party transactions

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

		Unaudited Six months ended 30th September	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Sale of stampers and provision of pre-mastering services to Silver Kent Technology Limited ("Silver Kent")	*(i)*	–	662
Provision of pre-mastering services and post-production services to Mei Ah Video Production Company Limited ("MAVP"), Mei Ah (HK) Company Limited ("MAHK") and MATV Limited ("MATV")	*(ii)*	**416**	1,603
Rental expense of machinery paid to MAVP	*(iii)*	–	250
Rental expense of factory and office premise paid to Mei Ah Investment Company Limited ("MAI")	*(iv)*	**50**	165
Provision of audiovisual playout services to MATV	*(v)*	**606**	2,220

Notes:

(i) 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 Silver Kent for the period from 1st April 2000 to 31st March 2003 and 1st April 2003 to 31st March 2004 respectively. Silver Kent is 55 per cent. owned by Sino Regal Holding Limited ("SRH") who is a substantial shareholder 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 has been terminated since 1st September 2003 after the completion of the disposal of the mastering system and ancillary equipment. Details of the disposal is stated in note 5 to the condensed accounts.

(ii) 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, which indirectly owns the entire equity interest of Sundowner Management Limited ("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") for the period from 1st April 2000 to 31st March 2003 and 1st April 2003 to 31st March 2004 respectively. The extended agreement has been terminated since 1st September 2003 after M21 Digicast Company Limited ("Digicast"), a subsidiary of the Company, has acquired all the pre-mastering and post-production equipment from MAVP which were previously leased to Mastertech (see (iii) below). Details of the acquisition is stated in the Circular of the Company dated 15th August 2003.

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

Pursuant to the Playout Agreement (see note (v) below), Digicast will provide editing and post-production services to MATV, a wholly-owned subsidiary of Mei Ah Entertainment upon request at a fee of not more than HK$50,000 per month from 1st September 2002 to 31st August 2005.

The above transactions are not related party transactions after 7th May 2004 as Sundowner ceased to be a substantial shareholder of the Company.

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

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

(iv) Pursuant to a rental agreement dated 1st January 2002 (the "Factory Rental Agreement"), factory premise was leased from MAI, an indirect wholly-owned subsidiary of Mei Ah Entertainment, for a period from 1st January 2002 to 31st December 2004 at a monthly rental of HK$23,000. The Factory Rental Agreement has been terminated on 1st September 2003 after the completion of the disposal of the mastering system and ancillary equipment. Details of the disposal is stated in note 5 to the condensed accounts.

Pursuant to a rental agreement dated 1st September 2003 (the "Office Rental Agreement"), office premise was leased from MAI, for a period from 1st September 2003 to 31st August 2006 at a monthly rental of HK$50,000. These transactions are not related party transactions after 7th May 2004 as Sundowner ceased to be a substantial shareholder of the Company.

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

(v) Pursuant to an agreement dated 25 July 2002 entered into between Digicast and MATV (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 period, 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. These transactions are not related party transactions after 7th May 2004 as Sundowner ceased to be a substantial shareholder of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30th September 2004.

BUSINESS REVIEW

Completion of Acquisition of Hunan Digital

On 19th May 2004, the Group has conditionally agreed to acquire the entire issued share capital of Sky Dragon Digital Television and Movies Limited ("Sky Dragon") for a cash consideration of HK$5,000,000 (the "Acquisition"). 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 (the "PRC") and engaged in the development of digital set-top boxes and system platform for digital television network and the provision of related technical support services in the PRC. Upon the subsequent completion of the Acquisition on 26th August 2004, the post-acquisition results of Sky Dragon, and its subsidiary ("Sky Dragon Group") are consolidated into the Group's results for the six months ended 30th September 2004. Details of which have been set out in the circular dated 28th June 2004.

The Directors regarded the Acquisition as an excellent timing to penetrate into the media industry of the PRC, where huge opportunities will be generated during the launch of digital television network nationwide in the following 10 years, which in turn will create demands for the related services to grow dramatically.

Continuing Connected Transactions

Hunan Digital has entered into a Technical Support Agreement and a Supplemental Agreement (the "Agreements") on 2nd August 2004 and 26th August 2004 respectively with Hunan Provincial Television Network Company Limited ("Hunan TV") in which Hunan Digital will provide digitalisation-related technical support services and packed TV programs to Hunan TV. As Hunan TV owns 30% interest of Hunan Digital, the transactions under the Agreements constitutes Continuing Connected Transactions (the "Transactions") under the GEM Listing Rules. Independent shareholders' approval is required for these Transactions and therefore, a special general meeting will be held on 20th November 2004. Details of the Transactions have been set out in the Circular dated 4 November 2004.

Since the digital television network in the PRC was launching only on a trial basis until the fourth quarter of 2004 and until the proper approval for the Transactions from the shareholders of the Company, there is no income from Sky Dragon Group for the six months ended 30th September 2004.

Financial review

For the six months ended 30th September 2004, the Group's turnover has decreased by approximately 10% to approximately HK$6,026,000 (2003: approximately HK$6,673,000). Such decrease is due to the effect of termination of mastering business in September 2003 (turnover from mastering business in 2003 was approximately HK$1,875,000).

Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 55% (2003: approximately 41%) of the Group's turnover to approximately HK$3,294,000 (2003: approximately HK$2,730,000). The increase was attributable to the continual increase in the number of playout channels operated, by the Group from five in 2003 to eight at present.

Income from pre-mastering and other media services ("Media Services") accounted for approximately 45% (2003: approximately 31%) of the Group's turnover to approximately HK$2,732,000 (2003: approximately HK$2,068,000). Such increase was in line with the increased playout channels operated by the Group as mentioned above. The acquisition of certain pre-mastering and post-production equipment in 2003, which increased the diversity and capacity of the provision of Media Services, also contributed to such increase.

The Group has generated a gross profit of approximately HK$2,750,000 (2003: approximately HK$3,734,000) out of a total turnover of approximately HK$6,026,000 (2003: approximately HK$6,673,000) during the six-month period. The gross profit margin has been decreased from 56% in 2003 to 46% in the current period, partially due to discount granted to a customer whose number of playout channels operating with us was continuously increasing, and also to the fact that no income has yet generated from Sky Dragon Group and certain direct costs were incurred prior to the effective of Agreement.

During the period under review, loss attributable to shareholder was approximately HK$1,393,000 (2003: profit of approximately HK$1,844,000). Such loss was mainly due to the operation loss of Sky Dragon Group of approximately HK$799,000. Sky Dragon is still in its initial phase and certain capital expenditure and set-up expenses are required. However, the Directors believe that such loss will be diminished as soon as the Agreements with Hunan TV commence.

BUSINESS PURSUITS AND PROSPECTS

The Group has been kept focusing on 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.

To realise the above strategy, the Group has acquired Sky Dragon Group in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation as and when it arises. At present, the PRC government is in the process of launching the digital television network to completely phase out the prevailing analog television network gradually across the country by Year 2015. It is expected that from 2005 to 2008, the cable television networks in the direct-controlled cities and provinces in the eastern, middle and western parts of the PRC will be digitalised and the number of digital television network subscribers will reach 30 million in 2005. With such large hinterland, immense population, encouraging government policy, the Directors are optimistic and confident about the future of the digital television market in PRC especially after the signing of the Agreements with Hunan TV which substantially improves the profitability of the Group.

Hunan TV, the authorised digital television network operator in Hunan Province, owns and operates a fibre optic trunk network covering 14 major districts in Hunan (the "First Tier Network"). The First Tier Network is connected to fibre optic trunk networks in 108 cities and counties in Hunan (the "Second Tier Network"). The First Tier Network and the Second Tier Network together form a nation-wide cable television network in Hunan, covering over 4 million households in the territory which is the source of income of Hunan Digital by virtue of sharing of the subscription fee from these households with Hunan TV after deducting a fee to Second Tier Network Operators. In order to provide digital television services to subscribers, the Second Tier Network Operators must enter into agreement with Hunan TV on the sharing of subscription fee. As required to be disclosed by the Circular dated 4 November 2004, the number of Second Tier Network Operators who has not yet reached agreement with Hunan TV remains 88.

The income from our core business, Media Services and Playout Services, has been increasing continuously due to the increase in number of playout channels. The boom in Pay TV industry in 2004 has created demand for the Group to increase service capacity and in turn generated opportunities for the Group to take on more channels at an optimal cost. Media Services being an ancillary service to the playout channels, income from Media Services also increased. The success in grabbing opportunities arise from the Playout Services market contributed to the correct pursuit of development strategy and visions of the management . In fact, our initial appearance in the Playout Services market was on April 2002 and was managing one playout channel only, since then the number of playout channels that we are managing has been climbed up to eight on September 2004. Such increase has brought along with considerable ancillary bundle of Media Services.

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. As the Pay TV market has been getting more complicated with the emerge of broadband network, the demand for audiovisual contents as well as its quality increases dramatically. While more Pay TV operators are continually enhancing the range and quality of delivered audiovisual contents, the Directors are of an optimistic view that the increase in servicing capacity in digital format will meet the growth in such demand. 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 service as a whole. The Group further anticipated that our increased capacity of media service and digitised platform will soon be utilised in full and thus have been continually invested in our Media Services and digitalised platform to satisfy the growing demand.

The Group, with its growing and successful core business, will endeavour its best effort in keeping its established brand in Hong Kong and will also adopt an aggressive approach towards the bright digital television market in the PRC.

Liquidity and financial resources

The Group used to finance its operation using internally generated cashflows. However, the acquisition of Sky Dragon and the related capital investments in certain digital television equipments and machineries, together with the increased number of playout channels induce the need for certain debt financing. Therefore, as at 30th September 2004, the Group has unsecured external borrowing of approximately HK$30,095,000. The Directors foresee that the level of debts will be gradually decreased after the formal launch of digital television services in the PRC and after large cashflows being generated from increased number of Pay TV channels in Hong Kong.

The Group's bank balances and borrowings are denominated in Hong Kong dollars and Renminbi and the Group has no significant exposure to foreign currency fluctuations.

As at 30th September 2004, the Group had 98 full-time employees. Employee costs, including directors' emoluments for the period amounted to approximately HK$2,630,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the Group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

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

As at 30th September 2004, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance ("SFO")) , as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.01 each in M21 Technology Limited

Name of directors	Personal interests	Corporate interests	Other interests
Mr. TONG Hing Chi	7,812,500	–	–
Mr. LAW Kwok Leung	7,812,500	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 an 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 30th September 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.

Name of shareholders	Number of shares	Percentage of share capital *(%)*
SRH	111,718,750	35.75

Pursuant to the Placing Agreement dated 4th May 2004, Sundowner Management Limited ("Sundowner") , a substantial shareholder of the Company immediately before the placing, 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) Company Limited, Mei Ah Video Production Company Limited, Mei Ah Holdings Limited, Mei Ah Entertainment Group Limited, Kuo Hsing Holdings Limited and Mr. Li Kuo Hsing ceased to be the substantial shareholders of the Company.

Save as disclosed above, the Company had no notice of any interests and short positions to be recorded under Section 336 of the SFO as at 30th September 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months and six months ended 30th September 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months and six months ended 30th September 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules at any time during the three months and six months ended 30th September 2004.

COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The present members of the audit committee are Mr. Sousa Richard Alvaro, Mr. Carl Chang and Mr. Ngai Wai Fung. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

On Behalf of the Board
Tong Hing Chi
Chairman

Hong Kong, 12th November 2004