AGL
MediaTech Holdings Limited
藝立媒體科技控股有限公司
(incorporated in the Cayman Islands with limited liability)

MediaTech

2004 | Annual Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, make 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 ("Directors") of AGL MediaTech Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.

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GROUP FINANCIAL SUMMARY

	Year ended 31 March				Period from 1 April 2004 to 31 December
	2001	2002	2003	2004	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	3	3,781	1,851	1,388	**1,709**
(Loss)/Profit before taxation	(6,240)	910	(3,956)	(8,642)	**(5,026)**
Taxation	—	(193)	(11)	65	**—**
Net (loss)/profit for the year/period	(6,240)	717	(3,967)	(8,577)	**(5,026)**

	As at 31 March				As at 31 December
	2001	2002	2003	2004	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	4,765	1,666	11,579	5,126	**7,135**
Total liabilities	(11,005)	(644)	(1,006)	(2,098)	**(3,065)**
Net assets/(liabilities)	(6,240)	1,022	10,573	3,028	**4,070**

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)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lu Da
Mr. Lau Man Yiu
Ms. Xue Xiaoyi

COMPANY SECRETARY

Mr. Lee Chan Wah, Ivan

QUALIFIED ACCOUNTANT

Mr. Lee Chan Wah, Ivan

COMPLIANCE OFFICER

Mr. Matthew Timothy D'Albertson

AUDIT COMMITTEE

Dr. Lu Da
Mr. Lau Man Yiu
Ms. Xue Xiaoyi

AUTHORISED REPRESENTATIVES

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

AUDITORS

Grant Thornton

LEGAL ADVISER TO THE COMPANY

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

As to Cayman Islands law
Conyers Dill & Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2802 One Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
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.agl-mediatech.com

GEM STOCK CODE

8192

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of Directors (the "Board") of AGL MediaTech Holdings Limited (the "Company"), I herein presents the results of the Company and its subsidiaries (the "Group") for the nine months period ended 31 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of image design services and information technology consultancy services as well as on-line rich media and content distribution solutions, with focus on three lines of solutions: on-line advertising solutions, mobile advertising solutions and content management solutions in Hong Kong.

Business Review and Prospect

The Group's core business, especially in the areas of image design and effective design solutions, had received increasing recognition in the market. For the nine months period ended 31 December 2004, the Group recorded higher revenue of approximately HK$1.7 million, representing an increase of approximately 23% as compared with that for the year ended 31 March 2004. In tandem with the decrease of other operating expenses due to the adoption of cost control policy, the Group's loss attributable to shareholders decreased to approximately HK$5.0 million from approximately HK$8.6 million recorded in the previous financial year.

On 27 October 2004, the Company entered into two subscription agreements (the "Subscription Agreements") with two subscribers namely Grand Ever Limited and Data Expert Limited (the "Subscribers"). Pursuant to the Subscription Agreements, the Subscribers agreed to subscribe a total of 96,000,000 new shares of the Company at a price of HK$0.064 each. The subscription raised approximately HK$6.1 million. The Directors consider the subscription an opportunity for the Company to raise funds for future development purpose and for broadening the capital base of the Company. The Directors believe additional fund raised by the subscription would help in strengthening the financial position of the Company.

Going forward, in addition to further strengthen the development of the Group's core business, the Directors will also explore valuable investment opportunities so as to diversify and broaden the revenue sources. The Directors are committed to a proactive and yet prudent plan for continuing the returns to the shareholders of the Company in the years ahead.

Financial Review

During the period, the Group's consolidated turnover and loss attributable to shareholders were approximately HK$1.7 million (year ended 31 March 2004: approximately HK$1.4 million) and approximately HK$5.0 million (year ended 31 March 2004: approximately HK$8.6 million) respectively. There was approximately 23% increase in turnover with an approximately 41% decrease in loss attributable to shareholders as compared with that for the year ended 31 March 2004.

CHAIRMAN'S STATEMENT

The decrease in the loss attributable to shareholders was primarily attributable (1) the increase of turnover; (2) the decrease of staff costs and (3) the decrease of other operating expenses. The increase in turnover was mainly attributed to the increase in consultancy fee income in the areas of image design and effective design solutions. With the adoption of rigorous cost control policy, staff costs and other operating expenses decreased to approximately HK$3.6 million and HK$3.0 million from HK$5.4 million and HK$4.5 million recorded in the last financial year respectively.

Liquidity, financial resources and capital structure

As at 31 December 2004, the Group had assets of approximately HK$7.1 million (31 March 2004: approximately HK$5.1 million), including net cash and bank balances of approximately HK$5.8 million (31 March 2004: approximately 2.4 million).

During the nine months period ended 31 December 2004, the Group financed its operations with internally generated cash flows, balance of the proceeds from issuance of new shares and proceeds from the subscription of new shares on 27 October 2004. Save for the finance lease of a motor vehicle, of which the balance as at 31 December 2004 was approximately HK$328,000, entered into by the Group during the period, there was no charge on the Group assets as at 31 December 2004 (31 March 2004: nil).

As at 31 December 2004, save for the finance lease of a motor vehicle entered into by the Group during the period, the Group did not have any bank borrowings nor any banking facilities. The gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was approximately 8% (31 March 2004: nil).

Most of the transactions of the Group were denominated in Hong Kong Dollars, United States Dollars and Renminbi. As the exchange rate of the United States and Renminbi to Hong Kong Dollars are fairly stable, the Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent liabilities

As at 31 December 2004, the Group had no contingent liabilities.

Significant investment

The Group had no significant investment held during the period ended 31 December 2004 (year ended 31 March 2004: nil).

Material acquisitions and disposal of subsidiaries and affiliated companies

During the period, the Group disposed of 15% interests in the subsidiary, AGL MediaTech Limited (formerly known as Joy Creations Limited). Save as disclosed above, there were no material acquisitions or disposal of subsidiaries and affiliated companies during the period.

CHAIRMAN'S STATEMENT

Futures plans for materials investments and expected source of funding

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 22 November 2002 under the section "Statement of Business Objectives" and "Reasons for the Placing and Use of Proceeds" respectively.

Employees and remuneration policies

As at 31 December 2004, the Group had 18 (31 March 2004: 20) full times employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

ACKNOWLEDGEMENT

Finally, I would like to thank my fellow directors and staff for the enormous effort and commitment they made in overcoming many challenges to achieve the year's results, and thank our shareholders for their trust and support.

Chu Yen Ling
Chairman

Hong Kong, 22 March 2005

COMPARISION OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing of business objectives as stated in the Company's prospectus dated 22 November 2002 with the Group's actual business progress up to 31 December 2004 is set out below:

Business Objectives	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-blaset.net, CDMatrix, Web Matrix, CMS for Portal, CMS for Office, CMS for SOHO and CMS for Visual.	— The development of 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 Groups'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, broaden the exposures and start to promote solution provider and consultant channels.
— Promote solution provider and consultant channels.	

COMPARISION OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives	Actual Business Progress
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.
— Install more development tools.	— More development tools were installed.
— Setting up development office outside Hong Kong and installation of additional servers.	— The setting up of development office and installation of additional servers outside Hong Kong have been postponed.
— Form alliances with international high-tech and/or research companies.	— The formation of alliances with international high-tech and/or research companies has been postponed.
Enhancement of i-tvc.net and i-tvServe.net platform	
— Revamp and/or enhance systems, launch additional language support on platform and install additional servers.	— Enhancement of i-tvc.net and i-tvServe.net platform, launch additional language support on platform and installation of additional servers has been postponed.
	— Allocated more resources to the development of CMS solutions to strengthen the Group's business.

USE OF PROCEEDS

The proceeds from the Company's issue of new shares at the time of its listing on the GEM in November 2002, after deduction of related issuance expenses, amounted to approximately HK$14.6 million. During the period ended 31 December 2004, the net proceeds were applied in the following areas:

	Amount extracted from the Prospectus dated 22 November 2002		**Actual amount used up to 31 December 2004**
	Total	Up to 31 March 2005	
	HK$ million	*HK$ million*	***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	3.2	**3.1**
Purchase of development tools and the recruitment of additional staff to facilitate the development of new MAS for connected mobile devices	3.6	3.2	**3.1**
Enhancement of the infrastructure	1.7	1.7	**1.7**
Brand-building and marketing campaigns	1.0	0.9	**1.0**
Geographical expansion and acquisitions of complimentary companies	1.7	1.6	**1.7**
Additional working capital	3.0	2.8	**3.0**
	14.6	13.4	**13.6**

Notes: Since the year end date of the Group had been changed from 31 March to 31 December, the actual amount used up to 31 December 2004 was disclosed.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chu Yen Ling, aged 70, is currently the managing director of Mitsa (HK) Ltd. and director of Mitsa Group. Mista (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 41, graduated from the University of Leeds, England with a bachelor's degree in chemical engineering. He has 19 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lu Da, aged 55, 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 experience in the field of sciences and technology and previously worked for a number of electronic and engineering companies in China.

Mr. Lau Man Yiu, aged 49, is currently a practising certified public accountant. He qualified as a chartered accountant in London, England and started his own practising chartered accountancy firm from April 1988 to March 1993. Mr. Lau returned to Hong Kong to work as a finance manager of a local OEM manufacturer for electronic and electrical home appliance. During the period from April 2001 to March 2004, he was the chief financial officer of an internationally based investment enterprise. Mr. Lau has over 25 years of experience in management, accounting and finance. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants.

Ms. Xue Xiaoyi, aged 58, graduated from Harbin Engineering Institute in the PRC. She has 14 years of experience in the field of electronic and engineering and previously worked as engineers for various departments of the PRC Government. During the period from December 1992 to September 2003, she was the senior manager of China Business Department of a company listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Lee Chan Wah, Ivan, aged 36, is the chief financial officer, qualified accountant and company secretary. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 14 years of experience in the fields of auditing, accounting and financial management.

DIRECTORS' REPORT

For the period from 1 April 2004 to 31 December 2004

The directors present their annual report and the audited financial statements of the Group for the period from 1 April 2004 to 31 December 2004.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a directors' resolution announced on 12 October 2004, the Company changed its financial year end date from 31 March to 31 December.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the period ended 31 December 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 18 to 45.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

The Company entered into two subscription agreements (the "Subscription Agreements") with Grand Ever Limited and Data Expert Limited on 27 October 2004. Pursuant to the Subscription Agreements, the Company issued a total of 96,000,000 ordinary shares with par value of HK$0.01 each at a price of HK$0.064 each. The excess of the subscription proceeds over the nominal value of share capital issued is credited as share premium. The issued share capital of the Company was thus increased from HK$4,800,000 to HK$5,760,000. The Company intended to apply approximately HK$3.6 million of the proceeds raised for business development on the provision of information technology consultancy service and the remaining proceeds of approximately HK$2.4 million as general working capital for the Group.

RESERVES

Details of the movements in reserves of the Company and the Group during the period are set out in note 19 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 payment of 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 December 2004.

DIRECTORS' REPORT

For the period from 1 April 2004 to 31 December 2004

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the period are set out in note 11 to the financial statements.

DIRECTORS

The directors of the Company during the period and up to the date of this report were as follows:

Executive directors:

Mr. Chu Yen Ling *(Chairman)*	
Mr. Matthew Timothy D'Albertson *(Chief Executive Officer)*	
Mr. Cheung Man Yau, Timothy	(resigned on 20 September 2004)

Independent non-executive directors:

Dr. Lu Da	(appointed on 17 June 2004)
Mr. Lau Man Yiu	(appointed on 20 September 2004)
Ms. Xue Xiaoyi	(appointed on 20 September 2004)
Mr. Chan Ping Kuen, Francis	(resigned on 20 September 2004)
Mr. Ma She Shing, Albert	(appointed on 20 April 2004 and resigned on 20 September 2004)

In accordance with Article 111 of the Company's Articles of Association, Mr. Lau Man Yiu and Ms. Xue Xiaoyi shall 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 to two months 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 to three months 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' REPORT

For the period from 1 April 2004 to 31 December 2004

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

As at 31 December 2004, the interests and long positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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*	264,000,000	45.83%

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

Save as disclosed above, as at 31 December 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

As at 31 December 2004, a share option scheme was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). No share options have been granted under the Share Option Scheme since its adoption.

Particulars of the Company's share option schemes are set out in note 18 to the financial statements.

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 18 to the financial statements.

Other than the share option schemes as mentioned above, at no time during the period 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.

DIRECTORS' REPORT

For the period from 1 April 2004 to 31 December 2004

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(Continued)*

At no time during the period had the directors and chief executives (including their spouse and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

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

As at 31 December 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	45.83%
Chu Yen Ling *(Note 1)*	264,000,000	45.83%
Kuo Li Hwa *(Note 2)*	264,000,000	45.83%
Elliott Profits Limited *(Note 3)*	51,264,000	8.90%
Hung Wai Fan *(Note 3)*	51,264,000	8.90%
Data Expert Limited *(Note 4)*	48,000,000	8.33%
Liu Peng *(Note 4)*	48,000,000	8.33%
Grand Ever Limited *(Note 5)*	48,000,000	8.33%
Niu Tiehang *(Note 5)*	48,000,000	8.33%

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.

4. These shares are beneficially owned by Data Expert Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Liu Peng.

5. These shares are beneficially owned by Grand Ever Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Niu Tiehang.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 period or at any time during the period.

DIRECTORS' REPORT

For the period from 1 April 2004 to 31 December 2004

MAJOR CUSTOMERS AND SUPPLIERS

In the period under review, sales to the Group's four largest customers accounted for 100% of the total sales for the period and sales to the largest customer included therein amounted to 42%.

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 four largest customers of the Group for the period ended 31 December 2004.

The Group is principally engaged in the provision of services and the major suppliers for the rendering of services are staff. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months period ended 31 December 2004.

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

Throughout the nine months period ended 31 December 2004, the Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the "A" Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and, in the opinion of the directors, complied with Rules 5.28 to 5.30 as set out in Chapter 5 of the GEM Listing Rules since the listing of the Company' shares on the GEM on 29 November 2002. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consists of the three

DIRECTORS' REPORT

For the period from 1 April 2004 to 31 December 2004

AUDIT COMMITTEE *(Continued)*

independent non-executive directors of the Company, namely Dr. Lu Da, Mr. Lau Man Yiu, and Ms. Xue Xiaoyi. The Group's audited consolidated financial statements for the nine months period ended 31 December 2004 have been reviewed by the audit committee, who was of the opinion that the preparation of such financial statements complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

SPONSOR'S INTERESTS

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 should receive an advisory fee.

As confirmed by Hantec, as at 31 December 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.

POST BALANCE SHEET EVENT

On 27 January 2005, the Company disposed of its interests in an indirectly wholly-owned subsidiary, AGL MediaTech (H.K.) Limited to a company named WebDNA Technology Development Limited for a cash consideration of HK$2, resulting in a gain on disposal of approximately HK$764,000. WebDNA Technology Development Limited is the holding company of WebDNA Limited of which the former directors of the Company and also the existing directors of the Company's subsidiaries, Mr. Chan Tik Yuen and Mr. Cheung Ka Yin and the existing directors of the Company's subsidiaries, Mr. Jeon Sang Hoon, Mr. Fu Siu Yau and Mr. Kang Tae Wook were/are directors.

AUDITORS

Deloitte Touche Tohmatsu were auditors of the Company for the period from 28 May 2002 (date of incorporation) to 31 March 2003 and the year ended 31 March 2004. Deloitte Touche Tohmatsu resigned as auditors of the Company on 6 January 2005. Subsequently, Grant Thornton were appointed as auditors of the Company at an extraordinary general meeting held on 3 February 2005 to fill the casual vacancy.

Grant Thornton retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

Chu Yen Ling
Chairman

Hong Kong, 22 March 2005

AUDITORS' REPORT

Certified Public Accountants
Member of
Grant Thornton International

Grant Thornton
均富會計師行

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 45 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 Institute of Certified Public 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 December 2004 and of the Group's loss and cash flows for the period from 1 April 2004 to 31 December 2004 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

22 March 2005

CONSOLIDATED INCOME STATEMENT

For the period from 1 April 2004 to 31 December 2004

	Notes	**Period from 1 April 2004 to 31 December 2004** *HK$'000*	Year ended 31 March 2004 *HK$'000*
Turnover	*3*	**1,709**	1,388
Other operating income		**117**	136
Depreciation and amortisation		**(302)**	(306)
Staff costs		**(3,590)**	(5,396)
Other operating expenses		**(2,956)**	(4,461)
Loss from operations	*5*	**(5,022)**	(8,639)
Finance costs			
— Interest on finance lease		**(4)**	—
— Interest on bank borrowings wholly repayable within five years		**—**	(3)
Loss before taxation		**(5,026)**	(8,642)
Taxation	*8*	**—**	65
Net loss for the period/year	9	**(5,026)**	(8,577)
Loss per share in HK cents	*10*		
— **basic**		**(1.00)**	(1.79)
— **diluted**		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Notes	**31 December 2004** HK$'000	31 March 2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**951**	1,247
Current assets			
Trade and other receivables	13	**374**	1,498
Tax recoverable		**1**	1
Bank balances and cash		**5,809**	2,380
		6,184	3,879
Current liabilities			
Accounts and other payables		**2,225**	2,098
Amount due to a shareholder company	14	**512**	—
Obligation under finance lease	15	**127**	—
		2,864	2,098
Net current assets		**3,320**	1,781
Total assets less current liabilities		**4,271**	3,028
Non-current liability			
Obligation under finance lease	15	**201**	—
Net assets		**4,070**	3,028
CAPITAL AND RESERVES			
Share capital	17	**5,760**	4,800
Reserves		**(1,690)**	(1,772)
Shareholders' funds		**4,070**	3,028

Chu Yen Ling
Chairman

Matthew Timothy D'Albertson
Director

BALANCE SHEET

As at 31 December 2004

	Notes	31 December 2004 HK$'000	31 March 2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	12	**850**	3,881
Current assets			
Other receivables		**4**	48
Bank balances and cash		**3,197**	2
		3,201	50
Current liabilities			
Other payables and accrued charges		**204**	1,135
Net current assets/(liabilities)		**2,997**	(1,085)
Total assets less current liabilities/Net assets		**3,847**	2,796
CAPITAL AND RESERVES			
Share capital	17	**5,760**	4,800
Reserves	19	**(1,913)**	(2,004)
Shareholders' funds		**3,847**	2,796

Chu Yen Ling
Chairman

Matthew Timothy D'Albertson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2004 to 31 December 2004

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2003	4,800	8,719	11	(2,957)	10,573
Adjustment of expenses incurred in connection with the issue of shares in prior year	—	1,032	—	—	1,032
Net loss for the year	—	—	—	(8,577)	(8,577)
At 31 March 2004 and 1 April 2004	4,800	9,751	11	(11,534)	3,028
Issue of shares	960	5,184	—	—	6,144
Expenses incurred in connection with the issue of shares	—	(76)	—	—	(76)
Net loss for the period	—	—	—	(5,026)	(5,026)
At 31 December 2004	**5,760**	**14,859**	**11**	**(16,560)**	**4,070**

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 period from 1 April 2004 to 31 December 2004

	Note	**Period from 1 April 2004 to 31 December 2004**	Year ended 31 March 2004
		HK$'000	*HK$'000*
Cash flows from operating activities			
Loss before taxation		**(5,026)**	(8,642)
Adjustments for:			
Interest income		**—**	(17)
Interest expenses		**4**	3
Depreciation and amortisation		**302**	306
Loss on disposal of property, plant and equipment		**207**	130
Impairment in value of property, plant and equipment		**—**	244
Gain on disposal of a subsidiary		**—**	(5)
Allowance for bad and doubtful debts		**—**	652
Operating cash flows before movements in working capital		**(4,513)**	(7,329)
Decrease/(Increase) in trade and other receivables		**1,124**	(1,433)
Increase in accounts and other payables		**127**	881
Cash used in operations		**(3,262)**	(7,881)
Hong Kong profits tax paid		**—**	(140)
Net cash used in operating activities		**(3,262)**	(8,021)
Cash flows from investing activities			
Interest received		**—**	17
Purchase of property, plant and equipment		**(213)**	(1,111)
Proceeds from disposal of property, plant and equipment		**—**	350
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposal of)	*20*	**—**	980
Repayment from a director		**—**	54
Net cash (used in)/from investing activities		**(213)**	290

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 April 2004 to 31 December 2004

	Note	**Period from 1 April 2004 to 31 December 2004** *HK$'000*	Year ended 31 March 2004 *HK$'000*
Cash flows from financing activities			
Interest paid		**(4)**	(3)
Inception of a finance lease		**380**	—
Repayment of obligations under finance lease		**(52)**	—
Proceeds from issue of shares		**6,144**	—
Expenses (incurred)/refunded in connection with the issue of shares		**(76)**	1,032
Increase in amount due to a shareholder company		**512**	—
Borrowings raised from a director		**—**	425
Net cash from financing activities		**6,904**	1,454
Net increase/(decrease) in cash and cash equivalents		**3,429**	(6,277)
Cash and cash equivalents at 1 April		**2,380**	8,657
Cash and cash equivalents at 31 December 2004/31 March 2004		**5,809**	2,380
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**5,809**	2,380

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 18 to 45 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the period from 1 April 2004 to 31 December 2004.

The results of subsidiaries acquired or disposed of during the period 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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and any related accumulated foreign currency translation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

(d) Revenue recognition

Service revenue is recognised in accordance with the stage of completion which is determined by reference to the work done at the balance sheet date.

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses 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 improvements is depreciated on a straight line basis over the periods 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.

(f) 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 period from 1 April 2004 to 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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 period. 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 period from 1 April 2004 to 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) 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 rates 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.

(j) Leases

(i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the Group. Assets acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the leases. The corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

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

(k) Employee benefits

(i) Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits *(Continued)*

(ii) Pension obligations

The Group contributes to a defined contribution retirement benefits scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the scheme.

The Group's contributions to the defined contribution retirement benefits scheme are expensed as incurred.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(iii) Share options

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 period. 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.

(l) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the period ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operation and financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

3. TURNOVER

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's operation is regarded as a single business segment which is the provision of image design services, information technology consultancy services as well as content management solution services and on-line advertising solution 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 period from 1 April 2004 to 31 December 2004

5. LOSS FROM OPERATIONS

	Period from 1 April 2004 to 31 December 2004	Year ended 31 March 2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Directors' remuneration *(note 6)*	**1,780**	2,091
Other staff's retirement benefits scheme contributions	**47**	9
Other staff costs	**1,763**	3,296
	3,590	5,396
Less: Staff costs included in research and development costs	**—**	(202)
	3,590	5,194
Allowance for bad and doubtful debts	**—**	652
Auditors' remuneration	**280**	400
Depreciation and amortisation		
— owned assets	**223**	306
— leased assets	**79**	—
	302	306
Impairment in value of property, plant and equipment	**—**	244
Loss on disposal of property, plant and equipment	**207**	130
Operating lease rentals in respect of		
— computer equipment	**22**	40
— land and buildings	**474**	637
Research and development costs (including staff costs above)	**—**	219
Write off of deposit	**400**	—
and after crediting:		
Gain on disposal of a subsidiary *(note 20)*	**—**	5
Exchange gain	**8**	—
Write back of provision for bad and doubtful debts	**41**	—
Interest income	**—**	17

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

5. LOSS FROM OPERATIONS *(Continued)*

During the period, the Group shared certain of the office expenses mainly in respect of staff salaries, rent, rates and building management fee with a company, WebDNA Limited of which the former directors of the Company and also the existing directors of the Company's subsidiaries, Mr. Chan Tik Yuen and Mr. Cheung Ka Yin and the existing directors of the Company's subsidiaries, Mr. Jeon Sang Hoon, Mr. Fu Siu Yau and Mr. Kang Tae Wook were/are directors. The total office expenses shared by WebDNA Limited which have been offset against the corresponding expenses incurred by the Group amounted to approximately HK$825,000 for the period ended 31 December 2004 on a basis mutually agreed between the parties.

As at 31 December 2004, the amount due to WebDNA Limited which was included under the accounts and other payables in the consolidated balance sheet amounted to HK$1,779,000.

6. DIRECTORS' REMUNERATION

	Period from 1 April 2004 to 31 December 2004	Year ended 31 March 2004
	HK$'000	*HK$'000*
Fees for:		
— non-executive directors	**—**	380
— independent non-executive directors	**100**	356
	100	736
Other emoluments for executive directors:		
— basic salaries and allowances	**1,625**	1,321
— retirement benefits scheme contributions	**55**	34
	1,680	1,355
Total directors' remuneration	**1,780**	2,091

For the period ended 31 December 2004, basic salaries and allowances paid to the three executive directors were HK$1,361,000, HK$151,000 and HK$113,000 while contributions to retirement benefits scheme in respect of two of the executive directors were HK$49,000 and HK$6,000 respectively. Also, the fees paid to the five independent non-executive directors were HK$28,000, HK$25,000, HK$13,000, HK$17,000 and HK$17,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

6. DIRECTORS' REMUNERATION *(Continued)*

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 three of the 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.

During the period, no emoluments were paid by the Group to the directors and the five highest paid individuals *(note 7)* 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 period.

7. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three (year ended 31 March 2004: three) executive directors of the Company whose emoluments are included in note 6 above. The aggregate emoluments of the remaining two (year ended 31 March 2004: two) highest paid individuals are as follows:

	Period from 1 April 2004 to 31 December 2004	Year ended 31 March 2004
	HK$'000	*HK$'000*
Basic salaries and allowances	**258**	580
Retirement benefits scheme contributions	**11**	24
	269	604

None of the above two (year ended 31 March 2004: two) highest paid individuals received emoluments in excess of HK$1 million.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

8. TAXATION

	Period from 1 April 2004 to 31 December 2004	Year ended 31 March 2004
	HK$'000	*HK$'000*
The charge comprises:		
Deferred taxation		
— current	**—**	65
	—	65

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

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

	Period from 1 April 2004 to 31 December 2004		Year ended 31 March 2004	
	HK$'000	*%*	*HK$'000*	*%*
Loss before taxation	**5,026**		8,642	
Tax at the applicable income tax rate	**880**	17.5	1,512	17.5
Tax effect of non-deductible expenses	**(469)**	(9.3)	(317)	(3.7)
Tax effect of non-taxable revenue	**10**	0.2	119	1.4
Tax effect of deductible temporary differences not recognised	**(2)**	—	—	—
Tax effect of unused tax loss not recognised	**(420)**	(8.4)	(1,393)	(15.4)
Tax effect of utilisation of tax losses	**1**	—	—	—
Others	**—**	—	144	1.0
Tax effect and effective tax rate for the period/year	**—**	—	65	0.8

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

9. NET LOSS FOR THE PERIOD/YEAR

Of the Group's net loss for the period of HK$5,026,000 (year ended 31 March 2004: HK$8,577,000), a loss of HK$5,017,000 (year ended 31 March 2004: HK$8,760,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK$5,026,000 (year ended 31 March 2004: HK$8,577,000), and on the weighted average of 503,040,000 shares in issue during the period (year ended 31 March 2004: 480,000,000 shares in issue).

No diluted loss per share has been presented because there is no dilutive potential share. In the last year, no diluted loss per share was presented as the exercise price of the Company's share options was higher than the average market price of the Company's shares during that year.

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Computer equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 April 2004	563	225	534	529	1,851
Additions	—	142	71	—	213
Disposals	—	—	(325)	—	(325)
Written off	—	—	(234)	—	(234)
At 31 December 2004	**563**	**367**	**46**	**529**	**1,505**
Accumulated depreciation/ amortisation and impairment					
At 1 April 2004	203	77	267	57	604
Provided for the period	84	41	98	79	302
Disposals	—	—	(118)	—	(118)
Written off	—	—	(234)	—	(234)
At 31 December 2004	**287**	**118**	**13**	**136**	**554**
Net book value					
At 31 December 2004	**276**	**249**	**33**	**393**	**951**
At 31 March 2004	360	148	267	472	1,247

The net book value of the Group's property, plant and equipment held under finance lease included a motor vehicle at 31 December 2004 amounted to HK$393,000.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

12. INTERESTS IN SUBSIDIARIES

	The Company	
	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**753**	753
Less: Provision for impairment	**(753)**	—
	—	753
Amounts due from subsidiaries	**12,663**	8,828
Amount due to a subsidiary	**(1,353)**	—
Less: Provision for amounts due from subsidiaries	**(10,460)**	(5,700)
	850	3,881

The amounts due are unsecured, interest-free and not repayable within twelve months from 31 December 2004.

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name	Place/ Country of incorporation and operation	Issued and paid-up share capital/ registered capital	Percentage held by the Company 31 December 2004	31 March 2004	Principal activities
Held directly by the Company:					
AGL IsoTech (HK) Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of information technology consultancy services
Held indirectly by the Company:					
AGL MediaTech (H.K.) Limited	Hong Kong	HK$10,000	**100%**	100%	Research and development
AGL Design Limited	Hong Kong	HK$1	**# 100%**	—	Provision of information technology design services

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place/ incorporation and operation	Issued and paid-up share capital/ registered capital	Percentage held by the Company 31 December 2004	31 March 2004	Principal activities
Held indirectly by the Company: (Continued)					
Magnum Century Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of on-line advertising solutions, mobile advertising solutions and content management solutions services
AGL MediaTech Limited (formerly known as Joy Creations Limited)	Hong Kong	HK$2,000	**## 85%**	100%	Investment holding

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 period, or at any time during the period.

newly incorporated during the period ended 31 December 2004.

During the period, the Company disposed of 15% interests in the subsidiary, AGL MediaTech Limited, to a company named WebDNA Technology Development Limited for a cash consideration of HK$1. WebDNA Technology Development Limited is the holding company of WebDNA Limited (note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

13. TRADE AND OTHER RECEIVABLES

	The Group	
	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Trade receivables	**—**	603
Other receivables	**374**	895
	374	1,498

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:

	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Age		
0 — 30 days	**—**	533
31 — 60 days	**—**	30
61 — 90 days	**—**	40
91 — 180 days	**—**	—
Over 360 days	**—**	538
	—	1,141
Less: Provision for bad and doubtful debts	**—**	(538)
	—	603

14. AMOUNT DUE TO A SHAREHOLDER COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

15. OBLIGATION UNDER FINANCE LEASE

At 31 December 2004, the total future minimum lease payments under finance lease and their present value were as follows:

	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Due within one year	**137**	—
Due in the second to fifth years inclusive	**216**	—
	353	—
Future finance charges on finance leases	**(25)**	—
Present value of finance lease liabilities	**328**	—

The present value of finance lease liabilities is payable as follows:

	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Due within one year	**127**	—
Due in the second to fifth years inclusive	**201**	—
	328	—
Less: Portion due within one year included under current liabilities	**(127)**	—
Non-current portion included under non-current liabilities	**201**	—

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

16. DEFERRED TAXATION

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

	The Group		
	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 April 2003	144	(79)	65
(Credited)/charged to income for the year	(144)	79	(65)
At 31 March 2004 and 1 April 2004	—	—	—
(Credited)/charged to income for the period	—	—	—
At 31 December 2004	—	—	—

At the balance sheet date, the Group and the Company have unutilised tax losses of HK$6,153,000 (31 March 2004: HK$10,800,000) and HK$2,515,000 (31 March 2004: HK$1,530,000) respectively available for offseting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

17. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	**2,000,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 March 2004	**480,000,000**	**4,800**
Issue of shares	**96,000,000**	**960**
At 31 December 2004	**576,000,000**	**5,760**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

17. SHARE CAPITAL *(Continued)*

The Company entered into two subscription agreements (the "Subscription Agreements") with Grand Ever Limited and Data Expert Limited on 27 October 2004. Pursuant to the Subscription Agreements, the Company issued a total of 96,000,000 ordinary shares with par value of HK$0.01 each at a price of HK$0.064 each. The issued share capital of the Company was thus increased from HK$4,800,000 to HK$5,760,000. The excess of the subscription proceeds over the nominal value of share capital issued is credited as share premium. The Company intended to apply approximately HK$3.6 million of the proceeds raised for business development on the provision of information technology consultancy service and the remaining proceeds of approximately HK$2.4 million as general working capital for the Group.

18. 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 10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

18. SHARE OPTION SCHEMES *(Continued)*

A nominal consideration of HK$10 is payable upon acceptable 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.

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	At 1 April 2003	Reclassified during the year	Lapsed during the year	At 31 March 2004	At 31 December 2004
Directors	HK$0.05	26.10.2002 to 25.10.2012	13,965,516	(9,310,344)	(4,655,172)	—	—
Former directors	HK$0.05	26.10.2002 to 25.10.2012	7,758,621	9,310,344	(17,068,965)	—	—
Employees	HK$0.05	26.10.2002 to 25.10.2012	15,517,240	—	(15,517,240)	—	—
			37,241,377	—	(37,241,377)	—	—

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

19. RESERVES

The Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 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 and 1 April 2004	9,751	742	(12,497)	(2,004)
Issue of shares	5,184	—	—	5,184
Expenses incurred in connection with the issue of shares	(76)	—	—	(76)
Net loss for the period	—	—	(5,017)	(5,017)
At 31 December 2004	**14,859**	**742**	**(17,514)**	**(1,913)**

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 period from 1 April 2004 to 31 December 2004

20. 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:

	Year ended 31 March 2004 *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 in prior year did not have any significant impact on the Group's cash flows or operating results for that year.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

21. 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	
	31 December 2004	31 March 2004
	HK$'000	*HK$'000*
Computer equipment		
Within one year	**43**	35
In the second to fifth year inclusive	**14**	4
	57	39
Land and buildings		
Within one year	**572**	771
In the second to fifth year inclusive	**723**	1,340
	1,295	2,111

22. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution 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's contribution is calculated at 5% of the employee's monthly relevant income as defined in the Mandatory Provident Fund Schemes Ordinance of up to a maximum of HK$20,000, which contribution is matched by employees. The contributions made by the Group which exceed 5% of the employee's monthly relevant income are paid as voluntary contribution.

23. POST BALANCE SHEET EVENT

On 27 January 2005, the Company disposed of its interests in an indirectly wholly-owned subsidiary, AGL MediaTech (H.K.) Limited, to a company named WebDNA Technology Development Limited for a cash consideration of HK$2, resulting in a gain on disposal of approximately HK$764,000.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 April 2004 to 31 December 2004

24. COMPARATIVE FIGURES

The Group intends to extend its business into the PRC market and will establish a new subsidiary in the PRC which is required statutorily to have financial year end date of 31 December. In order to adopt the same year end date for all the companies within the Group and facilitate the preparation of accounts of the Group, the financial year end date has been changed from 31 March to 31 December.

The financial statements in the current period therefore cover a period of nine months from 1 April 2004 to 31 December 2004 and may not be comparable with the figures presented in the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the notes thereon for the prior year.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 18 to 45 were approved by the board of directors on 22 March 2005.

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 Friday, 29 April 2005 at 11:00 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 period ended 31 December 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;

4. 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. I:

   "**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

NOTICE OF ANNUAL GENERAL MEETING

(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)."

5. 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. II:

"**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

NOTICE OF ANNUAL GENERAL MEETING

(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.”

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. I 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. II 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.”

7. Refreshment of 10% limit on the grant of options under the Share Option Scheme;

As regards the refreshment of 10% on the grant of options under the Share Option Scheme, to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. IV:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the ordinary shares in the capital of the Company with a nominal value of HK$0.01 each (the “Shares”) in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the granting of share options under the share option scheme adopted by the Company on 26 October 2002 (the “Scheme”), up to a new 10 per cent limit (the “Refreshed Scheme Mandate Limit”) be approved provided that (i) the total number of Shares which may be issued upon exercise of options to be granted under the Scheme on or after the date of the passing of this resolution (the “Refreshed Date”), together with all options to be granted under any other share option scheme(s) of the Company on or after the Refreshed Date, must not exceed 10 per cent of the number of Shares in issue as at

NOTICE OF ANNUAL GENERAL MEETING

the Refreshed Date; and (ii) options granted prior to the Refreshed Date under the Scheme or any other share option scheme(s) of the Company (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Scheme or such other scheme(s) of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Any Director be and is hereby authorized to do such act and execute such document to effect the Refreshed Scheme Mandate Limit."

8. 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 Article 176 in its entirety and substituting therefor the following:

"176 (a) The Shareholders shall, by Ordinary Resolution, at any general meeting appoint one or more firms of auditors to hold office or authorise the Board, by Ordinary Resolution, to appoint such auditors as it thinks fit to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board, but if an appointment is not made, the Auditors in office shall continue in force until a successor is appointed. A Director, officer or employee of any such Director, officer or employee of the Company shall not be eligible to be appointed as Auditors. The Board may fill any casual vacancy in the office of Auditors, but while any such vacancy continues the surviving or continuing Auditors (if any) may act. The remuneration of the Auditors shall be fixed by or on authority of the Company in general meeting or the Board (if so authorised by the Shareholders by Ordinary Resolution). The Company in general meeting may delegate the fixing of such remuneration to the Board and the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Board.

(b) The Shareholders may, at any general meeting, remove the Auditors, by Special Resolution, or the Board (if so authorised by the Shareholders by Special Resolution) may remove the Auditors at any time before the expiration of the term of office. In such event, the Shareholders shall, by Ordinary Resolution, or the Board (if so authorised by the Shareholders by Ordinary Resolution) shall, appoint any new Auditors in place of the removed Auditors for the remainder of the term."

By Order of the Board
Chu Yen Ling
Chairman

Hong Kong, 30 March 2005

NOTICE OF ANNUAL GENERAL MEETING

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 Ground Floor, 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 will be sent to shareholders of the Company together with the 2004 Annual Report of the Company.