



## First Quarterly Report 2005

## **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.*

## RESULTS

The Board of Directors (the "Board") of AGL MediaTech Holdings Limited (the "Company") herein presents the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2005, together with the comparative unaudited figures for the corresponding period in 2004 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Three months ended 31 March 2005</b>	Three months ended 31 March 2004
	<i>Notes</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Unaudited)</i>
<b>Turnover</b>	4	<b>304</b>	619
Other operating income		<b>765</b>	72
Depreciation and amortisation		<b>(82)</b>	(80)
Staff costs		<b>(661)</b>	(2,197)
Other operating expenses		<b>(676)</b>	(1,772)
		<hr/>	<hr/>
<b>Loss from operations</b>	6	<b>(350)</b>	(3,358)
Finance cost			
— Interest on finance lease		<b>(2)</b>	—
— Interest on bank borrowings wholly repayable within five years		<b>(—)</b>	(3)
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(352)</b>	(3,361)
Taxation	7	<b>(—)</b>	—
		<hr/>	<hr/>
<b>Net loss for the period</b>		<b>(352)</b>	(3,361)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share in HK cents</b>	8		
— basic		<b>(0.06)</b>	(0.70)
		<hr/> <hr/>	<hr/> <hr/>
— diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

### **1. Basis of preparation**

The Group's unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

### **2. Basis of consolidation**

The unaudited consolidated results of the Group incorporate the unaudited consolidated results of the Company and its subsidiaries for the three months ended 31 March 2005.

All significant transactions and balances within the Group have been eliminated on consolidation.

### **3. Principal accounting policies**

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 31 March 2005 and 2004 are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2004.

### **4. Turnover**

Turnover represents the aggregate of the net 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.

**5. Segment information**

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.

**6. Loss from operations**

The Group's loss from operations is arrived at after charging/(crediting)

	<b>Three months ended 31 March 2005 HK\$'000</b>	Three months ended 31 March 2004 HK\$'000
Directors' remuneration	<b>489</b>	565
Other staff costs	<b>172</b>	1,632
Depreciation		
— owned assets	<b>58</b>	56
— leased assets	<b>24</b>	24
Operating lease rentals in respect of land and buildings	<b>152</b>	58
Interest income	<b>(1)</b>	(17)
Gain on disposal of a subsidiary	<b>(764)</b>	(5)
	<b>_____</b>	<b>_____</b>

**7. Taxation**

No Hong Kong profits tax has been provided for the three months ended 31 March 2005 (three months ended 31 March 2004: nil) as the Group did not generate any assessable profits in Hong Kong during these periods.

The Group have no significant potential deferred tax liabilities for which provision has not been made.

**8. Loss per share**

The calculation of basic loss per share for the three months ended 31 March 2005 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 31 March 2005 of approximately HK\$352,000 (three months ended 31 March 2004: net loss of approximately HK\$3,361,000) and the weighted average of 576,000,000 shares in issue during the three months ended 31 March 2005 (three months ended 31 March 2004: 480,000,000 shares).

No diluted loss per share has been presented because there is no dilutive potential share. In the last corresponding period, 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 shares during the period.

**9. Dividend**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: nil).

**10. Reserves**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Special reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2004	4,800	9,751	11	(8,173)	6,389
Net loss for the period	—	—	—	(3,361)	(3,361)
At 31 March 2004	<u>4,800</u>	<u>9,751</u>	<u>11</u>	<u>(11,534)</u>	<u>3,028</u>
At 1 January 2005	5,760	14,859	11	(16,560)	4,070
Net loss for the period	—	—	—	(352)	(352)
<b>At 31 March 2005</b>	<b><u>5,760</u></b>	<b><u>14,859</u></b>	<b><u>11</u></b>	<b><u>(16,912)</u></b>	<b><u>3,718</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is principally engaged in the provision of image design services, information technology consultancy services as well as content management solution services and on-line advertising solution services.

## **BUSINESS REVIEW AND PROSPECT**

During the period under review, the Group recorded lower revenue of approximately HK\$304,000, representing a decrease of approximately 51% as compared with that of the last corresponding period. Such decrease is mainly attributable to the adoption of a conservative business strategy by the Group to concentrate in the development of business in the provision of image design services and information technology consultancy services as they required relatively lesser resources. In view of the lower revenue, the Group had also adopted strict cost control policies in managing its operations.

Going forward, in addition to further strengthen and develop of the Group's business in the provision of image design services and information technology consultancy services, the Directors will also explore valuable investment or business opportunities in order to diversify and broaden the revenue sources.

## **FINANCIAL REVIEW**

For the three months ended 31 March 2005, the Group's unaudited consolidated turnover and loss attributable to shareholders were HK\$304,000 (2004: HK\$619,000) and HK\$352,000 (2004: HK\$3,361,000) respectively. There was approximately 51% decrease in turnover with an approximately 90% decrease in loss attributable to shareholders over the corresponding period last year.

The decrease in the loss attributable to shareholders was mainly attributable to the decrease in staff costs and administrative expenses. With the adoption of rigorous cost control policy, staff costs and administrative expenses decreased to approximately HK\$661,000 and HK\$676,000 from HK\$2,197,000 and HK\$1,772,000 recorded in the corresponding period last year. In addition, the Company disposed of its interests in an indirectly wholly-owned subsidiary on 27 January 2005. Such disposal was resulted in a gain on disposal of approximately HK\$764,000 which was recorded as other operating income in the income statement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2005.

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

As at 31 March 2005, 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:

<b>Name</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Total</b>	<b>% of issued share capital</b>
Chu Yen Ling	—	—	264,000,000 (Note 1)	264,000,000	45.83%

Note:

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

Save as disclosed above, as at 31 March 2005, 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 March 2005, 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.

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

As at 31 March 2005, 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:

<b>Names of shareholders</b>	<b>Number of shares</b>	<b>% of issued share capital</b>
Elite Side Profits Limited ( <i>Note 1</i> )	264,000,000	45.83%
Chu Yen Ling ( <i>Note 1</i> )	264,000,000	45.83%
Kuo Li Hwa ( <i>Note 2</i> )	264,000,000	45.83%
Data Expert Limited ( <i>Note 3</i> )	48,000,000	8.33%
Liu Peng ( <i>Note 3</i> )	48,000,000	8.33%
Grand Ever Limited ( <i>Note 4</i> )	48,000,000	8.33%
Niu Tiehang ( <i>Note 4</i> )	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 Data Expert Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Liu Peng.
- (4) 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.

## **CORPORATE GOVERNANCE**

Throughout the three months period ended 31 March 2005, 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.

## **COMPETING INTERESTS**

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies or may compete with the business of the Group or any other conflict of interests with the interests of 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's 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 independent non-executive directors of the Company, namely Dr. Lu Da, Mr. Lau Man Yiu, and Ms. Xue Xiaoyi. The Group's unaudited consolidated financial statements for the three months ended 31 March 2005 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 from 13 October 2003 to 31 March 2005 (the "Term") in accordance with the requirements of the GEM Listing Rules. During the Term, Hantec shall receive an advisory fee. This agreement was expired after 31 March 2005.

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As confirmed by Hantec, as at 31 March 2005, 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.

By Order of the Board  
**AGL MediaTech Holdings Limited**  
**Chu Yen Ling**  
*Chairman*

Hong Kong, 11 May 2005