



Interim Report 2005

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

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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 and six months ended 30 June 2005, together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	2	305	292	609	911
Other operating income		597	6	1,362	78
Depreciation and amortisation		(83)	(87)	(165)	(167)
Staff costs		(756)	(1,539)	(1,417)	(3,736)
Other operating expenses		(728)	(708)	(1,404)	(2,480)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss from operations		(665)	(2,036)	(1,015)	(5,394)
Finance cost					
— Interest on finance lease		(3)	—	(5)	—
— Interest on bank borrowings wholly repayable within five years		—	—	—	(3)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before taxation	4	(668)	(2,036)	(1,020)	(5,397)
Taxation	5	—	—	—	—
		<hr/>	<hr/>	<hr/>	<hr/>
Net loss for the period		(668)	(2,036)	(1,020)	(5,397)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss per share, in HK cents	6				
— basic		(0.12)	(0.42)	(0.18)	(1.12)
		<hr/>	<hr/>	<hr/>	<hr/>
— diluted		N/A	N/A	N/A	N/A
		<hr/>	<hr/>	<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2005 HK\$'000 (Unaudited)	As at 31 December 2004 HK\$'000 (Audited)
Non-current assets			
Fixed assets		<u>120</u>	<u>951</u>
Current assets			
Trade and other receivables	8	359	374
Tax recoverable		—	1
Bank balances and cash		<u>3,278</u>	<u>5,809</u>
		3,637	6,184
Current liabilities			
Accounts and other payables	9	195	2,225
Amount due to a shareholder company		512	512
Obligation under finance lease		—	127
		707	2,864
Net current assets		<u>2,930</u>	<u>3,320</u>
Total assets less current liabilities		3,050	4,271
Non-current liability			
Obligation under finance lease		—	<u>201</u>
Net assets		<u>3,050</u>	<u>4,070</u>
Capital and reserves			
Share capital		5,760	5,760
Reserves		<u>(2,710)</u>	<u>(1,690)</u>
Shareholders' funds		<u>3,050</u>	<u>4,070</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	4,800	9,751	11	(8,173)	6,389
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,397)</u>	<u>(5,397)</u>
At 30 June 2004	<u>4,800</u>	<u>9,751</u>	<u>11</u>	<u>(13,570)</u>	<u>992</u>
At 1 January 2005	5,760	14,859	11	(16,560)	4,070
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,020)</u>	<u>(1,020)</u>
At 30 June 2005	<u>5,760</u>	<u>14,859</u>	<u>11</u>	<u>(17,580)</u>	<u>3,050</u>

UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT

	Six months ended 30 June	
	2005 <i>HK\$'000</i> <i>(Unaudited)</i>	2004 <i>HK\$'000</i> <i>(Unaudited)</i>
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,581)</u>	<u>(4,360)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>55</u>	<u>1,347</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(5)</u>	<u>(3)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,531)	(3,016)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>5,809</u>	<u>4,164</u>
CASH AND CASH EQUIVALENT AT 30 JUNE	<u>3,278</u>	<u>1,148</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
BANK BALANCES AND CASH	<u>3,278</u>	<u>1,148</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

Principal accounting policies adopted in these financial statements are the same as those adopted in preparing the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The Directors considered that the adoption of the new HKFRS has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been made.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").

2. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the provision of information technology consultancy services and information technology design services.

3. BUSINESS AND GEOGRAPHICAL SEGMENT

The Group's operation is regarded as a single business segment which is the provision information technology consultancy services and information technology design 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.

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4. LOSS FROM OPERATIONS

The Group's loss before tax is arrived at after charging/(crediting) the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' remuneration	464	570	953	1,135
Other staff costs	292	968	464	2,600
Depreciation				
— owned assets	58	63	116	56
— leased assets	25	24	49	24
Operating lease rentals in respect of land and buildings	152	58	304	116
Interest income	(4)	—	(5)	(17)
Gain on disposal of subsidiaries	(597)	—	(1,362)	(5)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. TAXATION

No Hong Kong profits tax has been provided for the three months and six months ended 30 June 2005 (three months and six months ended 30 June 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.

6. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2005 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months and six months ended 30 June 2005 of approximately HK\$668,000 and HK\$1,020,000 respectively (three months and six months ended 30 June 2004: net loss of approximately HK\$2,036,000 and HK\$5,397,000 respectively) and the weighted average of 576,000,000 shares in issue during the three months and six months ended 30 June 2005 (three months and six months ended 30 June 2004: 480,000,000 shares).

No diluted loss per share has been presented for the three months and six months ended 30 June 2005 because there is no dilutive potential share. In the last corresponding periods, 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 these periods.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

8. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 days to its trade customers. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An analysis of the Group's trade and other receivables at the balance sheet date is as follows:

	As at 30 June 2005 HK\$'000 (Unaudited)	As at 31 December 2004 HK\$'000 (Audited)
Trade receivables	—	—
Other receivables	<u>359</u>	<u>374</u>
	<u>359</u>	<u>374</u>

9. ACCOUNTS PAYABLE

At 30 June 2005, the accounts payable were aged within 90 days, which was based on the credit period granted by its suppliers and creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of information technology consultancy services and information technology design services.

BUSINESS REVIEW AND PROSPECT

During the period under review, the Group has taken steps to streamline its business. On 9 June 2005, the Company has entered into a disposal agreement whereby the Company has agreed to sell the entire issued share capital of two subsidiaries of the Group. The transaction constituted a discloseable and connected transaction and a circular was issued dated 30 June 2005. Such disposal will facilitate the Company to streamline its business and restructure its operations with focus on its business in the provision of information technology and information technology design services.

Proposed Change of Company Name

On 2 August 2005, the Directors announced that it proposes to change the name of the Company to "Global Solution Engineering Limited" and the adoption of the new Chinese name of "環球工程有限公司" for identification purpose. The Board believes that:

- (i) the new name reflects the fact that the Company operates its businesses and serves its customers on global basis;
- (ii) the new name facilitates and strengthens the right perception that the Company operates its business with the focus of the solution engineering aspect.

Going forward, in addition to further strengthen and develop of the Group's business in the provision of information technology consultancy and design services, the Directors will also explore valuable investment or business opportunities in engineering aspect. The Board believes that the Group will derive revenue from engineering aspect in the coming quarters.

FINANCIAL REVIEW

For the six months ended 30 June 2005, the Group's unaudited consolidated turnover and loss attributable to shareholders were HK\$609,000 (2004: HK\$911,000) and HK\$1,020,000 (2004: HK\$5,397,000) respectively. There was approximately 33% and 81% decrease in turnover and loss attributable to shareholders respectively 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\$1,417,000 and HK\$1,404,000 from HK\$3,736,000 and HK\$2,480,000 recorded in the corresponding period last year. In addition, the Company disposed of its interests in several subsidiaries. Such disposal was resulted in an aggregate gain on disposal of approximately HK\$1,362,000 which was recorded as other operating income in the income statement.

Liquidity, financial resources and capital structure

As at 30 June 2005, the Group had assets of approximately HK\$3,757,000 (31 December 2004: HK\$7,135,000), including net cash and bank balances of approximately HK\$3,278,000 (31 December 2004: HK\$5,809,000).

During the six months ended 30 June 2005, the Group financed its operations and investing activities with internally generated cash flow and the balance of the proceeds from the subscription of new shares. There was no charge on the Group's assets as at 30 June 2005 (31 December 2004: HK\$328,000).

As at 30 June 2005, 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's equity, was 0% (31 December 2004: 8%).

Most of the transactions of the Group are denominated in Hong Kong dollars, United States Dollars and Renminbi. As the exchange rate of the United States Dollars 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.

Significant investment

As at 30 June 2005, there was no significant investment held by the Group.

Material acquisition or disposal of subsidiaries and affiliated companies

Save for the discloseable and connected transaction, in relation to the disposal of two subsidiaries, entered into by Company during the period, there were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 30 June 2005.

Future plans for material investments and expected source of funding

Details of 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 sections headed "Statement of business objectives" and "Use of net proceeds from the New Issue" respectively. Other than those disclosed herein, in particular under sections headed "Use of Proceeds" and "Comparison of Business Objectives with Actual Business Progress" in this report, the Group did not have any plan for material investments or capital assets.

Contingent liabilities

As at 30 June 2005, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 30 June 2005, the Group employed 10 (31 December 2004: 18) full-time employees. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based 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.

COMPARISON 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 30 June 2005 is set out below:

Business Objectives

Actual Business Progress

Product and technology

- | | |
|---|---|
| <ul style="list-style-type: none"> — 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. | <ul style="list-style-type: none"> — 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 Group's business. |
|---|---|

Marketing

- | | |
|--|---|
| <ul style="list-style-type: none"> — Nurture and cultivate market acceptance of On-line advertising technologies: i-tvc.net, i-tvServe.net and CMS line of products. — Improve customer support network and promote solution provider and consultant channels. | <ul style="list-style-type: none"> — Strategic Marketing and Promotional Campaigns for on-line advertising technologies has been delayed. — 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. |
|--|---|

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.
- 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 six months ended 30 June 2005, the net proceeds were applied in the following areas:

	Amount extracted from the Prospectus dated 22 November 2002		Actual amount used up to
	Up to		30 June
	30 September		2005
	Total	2005	2005
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
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	3.6	3.6
Purchase of development tools and the recruitment of additional staff to facilitate the development of new MAS for connected mobile devices	3.6	3.6	3.6
Enhancement of the infrastructure	1.7	1.7	1.7
Brand-building and marketing campaigns	1.0	1.0	1.0
Geographical expansion and acquisitions of complimentary companies	1.7	1.7	1.7
Additional working capital	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
	<u><u>14.6</u></u>	<u><u>14.6</u></u>	<u><u>14.6</u></u>

Notes: Since the year end date of the Group had been changed from 31 March to 31 December, the actual amount used up to 30 June 2005 was disclosed.

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 six months ended 30 June 2005.

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

As at 30 June 2005, the interests or long position 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 <i>(Note 1)</i>	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 30 June 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 30 June 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 option 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 30 June 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:

Name of shareholder	Number of shares	% of issued share capital
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. Nie Tiehang.

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 in compliance with Rules 5.28 to 5.30 as set out in Chapter 5 of the GEM Listing Rules. 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, namely Dr. Lu Da, Mr. Lau Man Yiu, and Ms. Xue Xiaoyi. The Group's unaudited consolidated financial statements for the three months and six months ended 30 June 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.

CORPORATE GOVERNANCE

The Company has been looking for candidates to be the members of Remuneration Committee and Nomination Committee but now has not been identified yet. The Board estimates that it will take few months to identify and confirm the most suitable candidate and will ensure that such appointment will be completed within few months. Save as disclosed above, throughout the period, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

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

Hong Kong, 10 August 2005