M21 Technology Limited

(Incorporated in Bermuda with limited liability)

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

FIRST QUARTERLY REPORT 2005

Quarterly ended
30th June 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

QUARTERLY RESULTS

The board of directors (the "Board") of M21 Technology Limited (the "Company") present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30th June 2005, together with the comparative figures for the corresponding periods in 2004 as follows:

		For the three months ended 30th June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**3,231**	2, 938
Cost of sales		**(2,948)**	(1,343)
Gross profit		**283**	1,595
Other revenue		**438**	–
General, administrative and other expenses		**(4,827)**	(1,413)
(Loss)/profit from operations		**(4,106)**	182
Finance costs		**(719)**	–
(Loss)/profit attributable to shareholders		**(4,825)**	182
Basic (loss)/earnings per share	*4*	**(1.54) cents**	0.06 cents

Notes:

1. **Basis of preparation**

The 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 have been prepared under the historical cost convention.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") which are effective for accounting periods beginning on or after 1st January 2005. Except for the adoption of HKFRS 2 and HKFRS 3, the adoption of HKFRSs did not result in substantial changes to the Group's accounting policies.

Under HKFRS 2 "Share-based payment", the Group is required to determine the fair value of all share-based payments and recognise an expense in the profit and loss account. Under the specific transitional provisions, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7th November 2002 and had not yet vested on 1st January 2005 and to liabilities arising from share-based payment transactions existing on 1st January 2005. Under HKFRS 3 "Business Combinations", goodwill is no longer amortised but instead will be subject to rigorous annual impairment testing.

2. **Revenues and turnover**

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

	For the three months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Provision of pre-mastering and other media services	**1,972**	1,198
Provision of audiovisual playout services	**1,220**	1,740
Provision of TV digitalisation related services	**39**	–
	3,231	2,938
Other revenue		
Interest income	**438**	–
Total revenue	**3,669**	2,938

3. **Taxation**

No provision for Hong Kong profits tax and PRC enterprise income tax has been made as the Group had no estimated assessable profit during the three months ended 30th June 2005 (2004: Nil).

4. **(Loss)/earnings per share**

The calculation of (loss)/basic earnings per share for the three months ended 30th June 2005 was based on the Group's loss attributable to shareholders of approximately HK$4,825,000 (2004: profit of approximately HK$182,000) and on 312,500,000 (2004: 312,500,000) ordinary shares in issue during the period.

No diluted loss per share for 2005 has been presented, as the exercise of the outstanding share options of the Company during the three months ended 30th June 2005 would result in reducing loss per share. No diluted earnings per share for 2004 was presented as there was no dilutive potential ordinary shares.

5. **Reserves**

Movements in reserves for three months ended 30th June 2005 and 2004 are as follows:

	Share premium	**Accumulated losses**	**Merger reserve**	**Capital reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005	27,783	(20,643)	(197)	–	6,943
Share-based Payments	–	–	–	750	750
Loss for the period	–	(4,825)	–	–	(4,825)
At 30th June 2005	**27,783**	**(25,468)**	**(197)**	**750**	**2,868**
At 1st April 2004	27,783	(11,675)	(197)	–	15,911
Profit for the period	–	182	–	–	182
At 30th June 2004	27,783	(11,493)	(197)	–	16,093

INTERIM DIVIDEND

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

FINANCIAL AND BUSINESS REVIEW

For the three months ended 30th June 2005, the Group recorded a turnover of approximately HK$3,231,000 (2004: approximately HK$2,938,000). The increase was mainly due to the increased demand of pre-mastering and post-production services generated from various new Pay TV channels launched since mid of 2004.

Income from pre-mastering and other media services ("Media Services") accounted for approximately 57% (2004: approximately 41%) of the Group's turnover. Such increase was mainly contributed to the increased number of playout channels as mentioned above. Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 38% (2004: approximately 59%) of the Group's turnover. The number of playout channels increased while the percentage to the Group's turnover decreased, this was attributed to the discount granted to a customer whose number of playout channels operating with the Company was continuously increasing. Despite such discount, increased channels has brought along ancillary services such as editing, subtitling, sound mixing etc, this has in turn led to an increase in the income from Media Services.

Income from provision of TV digitalisation related services, a new business acquired by the Group in August 2004, amounted to approximately HK$39,000 (2004: Not applicable). Such business has been launched since the fourth quarter of 2004 and it is expected that income from this business segment will continually increase following the process of launching digital television network across the PRC.

The Group generated a gross profit of approximately HK$283,000 (2004: approximately HK$1,595,000) out of a total turnover of approximately HK$3,231,000 (2004: approximately HK$2,938,000). The gross profit margin was decreased from 54% in 2004 to 9% in the current period, mainly due to the fact that not much income has been generated from the provision of TV digitalisation related services yet while certain direct costs such as depreciation and salary expenses were incurred. This, together with the discount granted to a customer of Playout Services as mentioned, contributed to the decrease in gross profit margin.

During the period under review, the loss attributable to shareholder was approximately HK$4,825,000 (2004: profit of approximately HK$182,000). Such loss was mainly attributable to the provision of TV digitalisation related services whose business is still in its initial stage and requires heavy investment, including machinery and manpower. However, the Directors believe that such loss will be diminished with a view to the gradual but finally complete roll out of digital television network across the PRC.

BUSINESS PURSUITS AND PROSPECTS

The Group has kept focusing on consolidating resources, strengthening management and exploring new business opportunities for the development of our core business areas including pre-mastering, media production, playout and audiovisual technology, so as to maintain business growth.

Consistent with the above strategy, the Group has acquired a new business for the provision of TV digitalisation related services in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation as and when it arises. At present, the PRC government is in the process of launching the digital television network to completely phase out the prevailing analog television network gradually across the country by Year 2015. It is expected that from 2005 to 2008, the cable television networks in the direct-controlled cities and provinces in the eastern, middle and western parts of the PRC will be digitalised and the number of digital television network subscribers will reach 10 million in 2005. With such large hinterland, immense population, encouraging government policy, the Directors are optimistic and confident about the future of the digital television market in PRC.

Hunan Provincial Television Network Company Limited ("Hunan TV"), the authorised digital television network operator in Hunan Province, owns and operates a fibre optic trunk network covering 14 major districts in Hunan (the "First Tier Network"). The First Tier Network is connected to fibre optic trunk networks in 108 cities and counties in Hunan (the "Second Tier Network"). The First Tier Network and the Second Tier Network together form a nation-wide cable television network in Hunan, covering over 4 million households in the territory which is the source of income by virtue of sharing of the subscription fee from these households with Hunan TV after deducting a fee to Second Tier Network Operators. In order to provide digital television services to subscribers, the Second Tier Network Operators must enter into agreement with Hunan TV on the sharing of subscription fee. As required by the circular dated 4th November 2004, the number of Second Tier Network Operators who has not yet reached agreement with Hunan TV is 87 as at the date of this report.

The income from our core business, Media Services and Playout Services, are growing continuously due to the increase in number of playout channels related to the boom in the Pay TV industry started in 2004, which created demand for the Group's services and generated opportunities for the Group to manage more channels at an optimal cost. The Directors expect that the number of channels will further increase in Hong Kong in current year and due to the complete success in the Hong Kong market, the Group is considering the feasibility of managing playout channels in the South East Asia countries, especially those with large Chinese-related population.

The management has continued to evaluate the dynamics of the operating environment in order to carve and identify the growth opportunities within the audiovisual market. As the Pay TV market has been getting more complicated with the emergence of broadband network, the demand for audiovisual contents as well as its quality increases dramatically. The Directors believes that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing media service as a whole. The Group further anticipates that our increased capacity of media service and digitised platform will soon be utilised in full and thus has continually invested in our Media Services and digitalised platform to satisfy the growing demand.

During the period, the Group concluded a collaboration agreement with Hospital Management and Research Division of the Ministry of Health, the People's Republic of China and China Quality Standard Research Centre – Quality Certification Centre under General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China to form a joint venture ("JV") named as Beijing Medical Standardization Database Company Limited.

The total investment of the JV is RMB50 million and the Group owns a 9% stake. The JV will help standardize medical terminology and records in the PRC through compiling books and e-platform. The JV will tap into a network of more than 500,000 hospitals and clinics which are slated to carry out digitalization according to the policy of The Ministry of Health, the PRC. Through the e-platform, the JV aims for a seamless integration of all the medical information of the patients nationwide and allows the insurance companies and government bodies to keep track of the very latest information up to the minute search.

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

Pursuant to a special general meeting on 5 August 2005, the shareholders of the Company have approved the proposed change in the Company's name to "China Chief Cable TV Group Limited", in order to better reflect the Company's current business development in the digital television network. The change of name will be effective upon the approval from the Registrar of Companies in Bermuda.

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

As at 30th June 2005, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Ordinary shares of HK$0.01 each in M21 Technology Limited

Name of directors	Personal interests	Corporate interests	Other interests
Mr. TONG Hing Chi	7,812,500	–	–
Mr. LAW Kwok Leung	7,812,500	80,000,000 *(note (a))*	–
Mr. CHAN Kwok Sun, Dennis	–	–	80,000,000 *(note (a))*
Mr. FENG Xiao Ping	–	31,718,750 *(note (b))*	–

Note:

(a) 80,000,000 shares are held by Sino Regal Holding Limited ("SRH"), a company in which Mr. LAW Kwok Leung and Mr. CHAN Kwok Sun, Dennis have an equity interests of 70% and 30% therein respectively.

(b) 31,718,750 shares are held by Sino Unicorn Technology Limited ("Sino Unicorn"), a company in which Mr. FENG Xiao Ping has an indirect interest of 51% therein.

(b) Share option

On January 2005, the Group has granted an option ("Option") to Sky Dragon Digital Television and Movies Holdings Limited ("Sky Dragon") to subscribe for 30 million shares of the Company at an exercise price of HK$0.788 per share, Sky Dragon is 99% indirectly owned by Mr. Feng Xiao Ping. None of the Option has been exercised since granted.

Save as disclosed above, the directors do not have any interests or short positions in the shares of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of shareholders	Number of shares	Percentage of share capital *(%)*
SRH	80,000,000	25.60
Sino Unicorn	31,718,750	10.15
Random Services Limited ("Random Services") *(note (a))*	31,718,750	10.15
Yang Fuguang *(note (a))*	31,718,750	10.15

Notes:

(a) Sino Unicorn is 51% and 49% owned by Random Services and Yang Fuguang respectively. The shares referred to herein relate to the same parcel of shares held by Sino Unicorn.

Save as disclosed above and "Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation", the Company had no notice of any interests and short positions to be recorded under Section 336 of the SFO as at 30th June 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 30th June 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 30th June 2005.

CORPORATE GOVERNANCE

The Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 of the GEM Listing Rules which has become effective for accounting periods commencing on or after 1st January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

COMPETING BUSINESS

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

AUDIT COMMITTEE

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

On Behalf of the Board
Tong Hing Chi
Chairman

As of the date of this report, the executive directors are Mr. Tong Hing Chi, Mr. Law Kwok Leung, Mr. Feng Xiao Ping and Ms. Fan Wei, the non-executive director is Mr. Chan Kwok Sun, Dennis and the independent non-executive directors are Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Ngai Wai Fung.

Hong Kong, 12th August 2005